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Estimates of appropriations, less estimated receipts, for fiscal years 1941 and 1942 added to gross public debt on June 30, 1940, will amount to approximately $63 billion; to which Budget Bureau will add approximately $3.8 billion for supplemental estimates; total debt about $66 billion - 1/30/41. " 120-41

Budget (Continued)
a) $3.8 billion supplemental estimates for:
1) $2.4 billion for national defense; and
2) $1.4 billion for WPA 1941-42; does not include any Lend-Lease funds for Britain - 1/30/41..... Book 17: 121-22
b) Budget figure of $58 billion based on expenditures; Treasury figure of $66 billion based on appropriations as of June 30, 1942 - 1/30/41..... " 122-23
c) Though Congress passes Lend-Lease Bill, the physical production capacity of US cannot pass $28.5 billion before June 30, 1942; so $65 billion debt limit will cover anticipated needs, including any aid given Britain - 1/30/41..... " 124-27
d) Budget expenditure estimate is $17 billion for 2 years; gross debt will be $58 billion by June 30, 1942 - leaving a $7 billion cushion to cover additions, aid to Great Britain and accruals on savings bonds - 1/30/41..... " 128-41
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Financing, Government
Chairman Eccles of Federal Reserve Board issues statement re government financing and stabilization fund, in which he agrees with HMJr's proposals: 1) to raise debt limit; 2) to remove tax exemptions; 3) to finance Defense Program through higher taxes rather than borrowing; and 4) to sell government bonds to small investors rather than to banks - 1/2/41..... " 6-7
a) HMJr studying plan - 1/2/41..... " 7

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a) Interest rates go up; HMJr sees no reason for taking "artificial means to increase or decrease interest rates" - 1/9/41..... " 26-27
b) Interest rates are a matter of supply and demand - 1/9/41..... " 28-30
c) Present decline has been sharp but orderly - 1/9/41..... " 31
HMJr issues formal statement that "there will be no attempt to stampede, intimidate or coerce people to buy"; wishes to avoid mistakes that were made during first World War - 1/30/41..... " 142-44
Treasury studying matter of securities which will be offered to people of moderate means - 2/17/41. " 162-71
a) Baby Bonds will be taxable after March 1, 1941 - 2/17/41..... " 163-64
b) Bonds will not be negotiable and will not be redeemable for 60 days after date of purchase - 2/17/41..... " 164-71
$200 million, 90-day weekly bills, will be offered March 5 (after they become taxable March 1) and thereafter as long as market conditions warrant; new money - 2/20/41..... " 175-76
March 16, 1931, 3-3/8%, 10-12 year bond amounting to $545 million and March 16, 1936, 1-1/2%, 5 year note, amounting to $677 million (total $1.222 billion) will be refunded March 15 - 2/20/41..... " 176-77
Some time in April $500 million securities will be offered for RFC; $300 million of which will repay Treasury; $200 million new money for them - 2/20/41..... " 178-79
a) As result of announcing Treasury financing plans, government bond market has gone moderately up, while corporate bond market has gone down - 2/20/41..... " 182
Treasury asks Congress for $3 million deficiency appropriation for publicizing and advertising new type of savings bond to be offered people of moderate means - 2/20/41..... " 183-86
a) HMJr reiterates there will be no high-pressure selling of bonds - 2/20/41..... " 184-85
b) Amount any person can purchase per year will be limited - 2/20/41..... " 185-86

Financing, Government (Continued)
7-9 year, 2%, 1948-50, bonds and 2-year, 3/4%, Treasury notes, Series D-1943 will be offered in exchange for 1941-43 bonds and 1-1/2% notes, Series A-1941 - 2/24/41..... Book 17: 188-96
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February 25 bond and note offering (first since removal of tax exemption) went very well; bonds were given preference - 2/27/41..... " 217-18
HMJr working on details for establishing separate unit in Treasury to handle new type of savings bonds - 2/27/41..... " 219-28
a) Hopes to start offering them in month, but manufacturing and distribution problems must first be solved; aiming for 250,000 outlets in US - 2/27/41..... " 222
1. Principal outlet will be through 51,000 post offices.
2. Banks also offering to cooperate.
b) $3 million deficiency appropriation expected to cover administrative and advertising costs to June 30 - 2/27/41..... " 226-28
Refunding figures very satisfactory:
1) 89% of 1941-43, 3-3/8% bonds.
2) 98% of Series A-1941, 1-1/2% notes.
3) Total combined exchange $1.148 billion, or 94% - 3/3/41..... " 230
a) Distribution of $545 million, 3-3/8% bond refundings as follows:
1) $482 million, or 88%, exchanged for 1948-50, 2% bonds.
2) $5 million, or 1%, exchanged for 3/4% notes.
3) $58 million, or 11% asked for cash refunds - 3/3/41..... " 231-32
b) Distribution of $677 million, 1-1/2%, note refundings as follows:
1) $634 million, or 94%, exchanged for 2%, 1948-50 bonds.
2) $27 million, or 4%, selected 3/4% note.
3) $15 million, or 2% asked for cash - 3/3/41..... " 232
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Financing, Government (Continued)
New savings media to be called "Defense Savings Bonds and Stamps" - 3/3/41..... Book 17: 233-38
a) New division handling promotion and advertising will be headed by Harold N. Graves (Assistant to Secretary) - 3/3/41..... " 235-38
First Defense Bonds and Stamps will be placed on sale May 1 - 3/6/41..... " 249-53
a) Treasury personnel will be in charge in each State aided by Post Offices, banks, and local committees - 3/6/41..... " 250-53
b) Treasury will gladly accept any free advertising in newspapers - 3/6/41..... " 253
Week of March 17 last $200 million weekly bills will be offered; 3 issues of $200 weekly bills have been offered; beginning March 24, weekly offering will drop back to $100 million for indefinite period - 3/17/41..... " 285-86
HMJr reads Press Service No. 24-11 (pp's 329-333) announcing issues of Defense Savings Bonds (Series E), Series F and G Savings Bonds and Postal Savings Stamps which go on sale May 1, 1941 - 3/20/41..... " 296-333
a) "Defense Savings Staff" title of division handling promotion - 3/20/41..... " 318
1. Eugene W. Sloan appointed Administrative Director; Gale F. Johnston, Field Director; Harford Powel, Director of Information
Series E, F, and G Savings Bonds designed for people with savings to invest and to reduce excess bank reserves; allowing banks to invest in them will be contrary to purpose of program - 4/3/41..... " 334-37
Two note issues of $300 million each, but having different maturities, will be offered for RFC - 4/7/41..... " 350-51
HMJr called leaders of Democratic and Republican parties together to present estimates of cost of national defense program ($19 billion in fiscal year 1942) and formula worked out by Treasury for raising funds; unanimous approval given by them, as well as President - 4/17/41..... " 370-86

Financing, Government (Continued)
a) Formula: 1) 2/3's, or $12.677 billion from revenue to be collected in 1942, of which estimated revenue is $9.223 billion; therefore, $3.444 billion must be raised by new taxes; 2) 1/3 will be raised from Social Security investments and "wholesale financing" and sales of Defense Bonds and Stamps - 4/17/44..... Book 17: 378-81
1. "Wholesale financing" will require borrowing approximately $500 million new money each month.
b) Members of both parties agree to formula as means of controlling prices and preventing inflation - 4/17/41..... " 382
c) HMJr hopes Congress will not pass Agricultural (parity payment) Bill requesting $450 million (non-defense item) over President's Budget asking for such vast sums for defense purposes; would be equivalent to 6% of excess profits tax on corporations - 4/17/41..... " 383-84
d) $10 billion for Lend-Lease included in $19 billion estimate - 4/17/41..... " 384
e) Debt limit figures not changed by these estimates - 4/17/41..... " 385-86

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HMJr sent Harry D. White and Ed Foley to Mexico to study general conditions there and also get some rest - 2/10/41..... " 151-53
a) Spent most of their time with Under Secretary of Mexican Treasury - 2/10/41.. " 153

Lend-Lease
British Gold and Dollar Assets:
United Kingdom's available dollar exchange assets in US are $1.775 billion as of January 1, 1941 - 1/16/41..... " 68-95
a) Figure furnished by British Treasury represents assets in gold or American dollars - only two media most countries are willing to accept - 1/16/41..... " 74
b) Britain estimates they have $1.3 billion in "direct investments and miscellaneous" and $1.2 billion in American securities of which latter they have sold $335 million; leaving approximately $613 million assets in US - 1/16/41..... " 75-80
1. Figures given HMJr by British Treasury have always been accurate.
c) Dominions of British Empire such as Canada, Australia, India, et al., all have their own war purchasing and dollar problems, so Great Britian cannot compel them to help United Kingdom - 1/16/41..... " 80-89
1. "Off the record", HMJr explains that Britain's political situation is comparable to any ordinary "family relationship" - there are good risks and there are bad ones.
d) Gold included in British statement is all gold available from every source, including their $2 billion stabilization fund, but cannot include gold earmarked for other countries - 1/16/41..... " 90-95

Lend-Lease (Continued)

British Gold and Dollar Assets:

1. $1 billion in goods sold in US and $1 billion gold shipped to US which composed their Equalization Fund; this practically used up to pay for materials, armaments, plant expansions, advance payments, etc., purchased by British Purchasing Mission; also to meet payments for other expenses and commitments.
2. Very little, if any, of fund left, as result.

British Investments in US:

Investment trusts called on HMJr and offered to make their facilities available to purchase direct investments held by United Kingdom in US to aid Lend-Lease program - 1/13/41..... Book 17: 44-60

a) HMJr asked SEC to investigate matter; groups passed on by SEC before seeing HMJr; many willing - 1/13/41..... " 45

b) Sir Frederick Phillips (Under Secretary, British Treasury) so informed by HMJr - 1/13/41..... " 46-47

c) Securities to be so purchased are American properties such as real estate, factories, etc., not those listed on exchanges, which sell fast enough - 1/13/41..... " 48-49

d) Funds from sales will be used for payment of present US contracts - 1/13/41..... " 52

e) Possibility of British putting up collateral against loans is being explored - 1/13/41 " 59-60

HMJr feels Great Britain is making sincere effort to meet contracts and payments falling due on purchases made prior to March 15; to assist them, RFC made loan to Brown & Williamson Tobacco Company of $25 million, to provide funds for British-American Tobacco Company, who in turn convert US dollars into sterling obligations - 4/17/41..... " 386-91

a) Transaction similar to Viscose Company but each company will be acted on individually as requests are made - 4/17/41..... " 387-88

b) Another instance of helping Britain meet obligations was purchase of $130 million gold in South Africa, for which Navy cruiser was sent - 4/17/41..... " 389-90

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c) British showing absolutely good faith and going limit to raise money - 4/17/41..... Book 17: 390
HMJr denies current report that US will take over all British war material orders, now unfilled, pay for them, and turn them over to British under Lend-Lease program - 3/13/41..... " 271-78
a) Only two exceptions are:
1. Where British have made down payment of 20%-25% on war plant contracts, RFC will take these over.
2. Army will take over contracts for war materials in which they are interested, such as powder factory in Tennessee - 3/13/41..... " 272-74
b) Such contracts so taken over will run about 20%-25% of total present contracts or approximately $300-350 million in value if all are taken up - 3/13/41..... " 274-78
c) RFC or Army would pay manufacturer amount of British cash deposit and manufacturer would refund payment to British - 3/13/41 " 277-78
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$50 million stabilization agreement with China is near completion - 1/2/41..... " 4-5
W. C. Clark (Deputy Minister, Canadian Treasury) discussed relation of their dollar to US dollar and informed HMJr they could get through rest of year successfully as far as dollars went - 3/17/41 " 288-91
$50 million stabilization arrangement made with Chinese Ambassador Hu Shih and Dr. T. V. Soong (Vice-President, Bank of China) ready for signature - 4/21/41..... " 393-96

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Prices on wool, scrap iron, lumber, etc., rising sharply for no good reason, giving HMJr much concern - 1/13/41..... " 60-65
a) Feels situation should be closely watched and every instrument of law government has should be used to prevent inflation - 1/13/41..... " 61-65
1. Leon Henderson doing good job.

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Purchasing Missions:
HMJr requested President to be relieved of acting as liaison between foreign purchasing missions and US government as of March 15, 1941 -4/14/41. Book 17: 359-64
a) Harry Hopkins will succeed HMJr to liaison duties; has taken Philip Young, Oscar Cox, and 10-15 of staff to assist in work - 4/14/41..... " 360-64
b) Purchasing Missions will go to Hopkins on Lend-Lease matters; but will continue to confer with HMJr on Stabilization Fund matters - 4/14/41..... " 363

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REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE JANUARY 2, 1941

Q. Mr. Secretary, on behalf of either yourself, the Treasury, or the Administration, will you comment on the report made by the Federal Reserve System?

A. Well, I can only talk in behalf of the Treasury. I would say that the matter is under study. That is all.

Q. Can you comment on the proposals --

A. That is all I am going to say. It will make it easier for you and for me. The matter is under study.

Q. Didn't the Treasury study that proposal before it was made?

A. I am sorry, I am just - the matter is under study.

Q. Will you indicate when you will have something to say? Soon, perhaps?

A. No.

Q. Under study by Mr. Roosevelt?

A. No, I said I am only talking for Treasury. The matter is under study.

Q. Mr. Secretary, I would hate to change the subject --

A. I wish you would.

Q. It is so interesting, but I have another question to ask.

A. I will crown you king for the day.

Q. I expect to be crowned. Do you have any comment to make on the present proposal to have the American ships take over the work of the British ships in the Pacific?

A. No, I just read the headlines this morning.

Q. I see.

Mr. Secretary, can you say which is the next South American country with which we will negotiate a Stabilization agreement?

A. No.

Q. Is there a next?

A. It is like the story of the fellow - I guess I have told you that story, haven't I, about the man who ran up to the train starting in New York Central and said, "When does the last train leave

for Buffalo?" And the starter says, "You should live to see it."

Q. That is a good answer.

A. Is that all right?

Q. Excellent.

May we draw the correct inferences from that, Mr. Secretary?

A. What is that?

Q. Well, I have just got to think some over.

A. Well, I hope you get a winning hand. At least I will see you anyway.

Q. Could you say, Mr. Secretary, if that matter is under study?

A. Which matter?

Q. The possibility of future Stabilization agreements with other Latin American countries.

A. Well, the one that we have now we hope very shortly to complete, and that is the one with China. That is the one we are working on now. I hope in the next few days we will be able to clean that one up.

Q. I think you had better hurry, Mr. Secretary, before Mr. Eccles takes the Stabilization Fund away from you. He wants to use it for open market operations.

A. All right.

Q. I bet you would like to say something.

A. All right?

Q. Well, Mr. Secretary, after you are finished studying the Eccles' proposal, will your answer or your opinion be made known to us or to committees on the Hill?

A. I can't answer that.

Q. Mr. Secretary, I wondar if you could clear up a little bit tha exact amount of that Chinese matter for the reason that over in the State Department we have had a series of different sums, and no two have them - they are about 10 million ahead or 10 million shy. Is there any way you could give us the sum exactly?

A. The sum under consideration is 50 million.

Q. What about the other 150?

A. I am just talking about the Stabilization Fund. What you have in mind is the RFC.

Q. Oh.

A. Export-Import Bank.

Q. Yes, that is right.

A. As far as the Treasury is concerned, the figure is 50 million, and there is the Export-Import, which I think - well, I don't want to guess, but you can get that from them.

Q. Mr. Secretary, in view of this statement --

A. I don't think - I can only talk for the Treasury.

Q. About Mr. Eccles, is Treasury studying at this time the submission of answers to the Wagner Committee, or are you going to go ahead with that?

A. We are going ahead.

Q. You are going ahead irrespective of what happened?

A. As far as our studies are concerned, nothing has happened.

Q. Have you submitted the answers as yet?

A. Oh, no, we are not ready.

Q. Mr. Secretary, you said the other day you expect to see Mr. Purvis several times more.

A. That is right.

Q. Any appointment this week?

A. Well, I don't - he will be in here frequently.

Q. Have you any plans for a conference with the people on the Hill on your legislative program, Mr. Secretary, that is, the debt limit increase and tax exempts?

A. No definite appointments, no.

Q. Have you --

That probably will develop in the next week or so though.

A. I wouldn't be surprised.

Q. Not commenting on the points of disagreement with Mr. Eccles, would you make any comment on the fact that he agrees with you in raising the

debt limit, one, secondly, removing tax exemptions, third, the financing of the Defense Program through higher taxes rather than borrowing, plus the fact to sell Government bonds to small investors rather than banks?

A. Just those three words.

Q. What are they?

Three?

A. Three, is it?

Plan under study, is it?

Q. Matter?

Mr. Secretary, have you had any further communications with or from Mayor LaGuardia relative to the attack on the exemption proposal?

A. No.

Q. Are you still encouraged by his attitude?

A. Well, I haven't heard from him so nothing has happened since then.

Q. Have you communicated with Senator Brown?

A. Not that I know of. You see, Mr. Sullivan has been away, and I think he is back this morning, and, now that he is back, why--

Q. Mr. Secretary--

A. He will carry that for me.

Q. Do you have a bill drafted or a recommendation, and who will introduce the bill?

A. I don't know just how far it has gotten along in Mr. Sullivan's shop.

Q. Mr. Secretary, when I was in New York 10 days ago, I asked some people why they were opposed to tax exemptions, and they said one reason for the opposition was that if the Treasury obtained Congressional approval for removal of tax exemptions for future issues, that they will proceed to also attempt to ask for retroactive powers as to outstanding bonds and that is one of the fears that makes them oppose you.

A. I made that clear. I think I made it clear a number of times, that all of my recommendations were for future, that I was opposed to making it retroactive. I have said it before and I say it now.

Q. Mr. Secretary, would you go before the proper Congressional committees in opposition to any proposal to make such tax exemption retroactive?

A. Well, I have just made a statement which I think is good enough.

Q. Well, Mr. Secretary, on this tax exempt question, is it the Treasury's position that you should ban by legislature the future issuance by Federal, State, and local governments?

A. Well, You will have to wait a little bit on that. I am not prepared to answer that question. All right?

Q. That you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 6, 1941

Q. Got some pretty hot stuff there?

H.M.Jr: I haven't got anything I can talk about, as usual. I heard a good speech, and I think you should be satisfied. I see Nick has got a sweater on. It insulates you against what?

Q. Oh, I don't know.

A couple of frigid glances, maybe.

The Treasury statement reveals that the working balance is dropping down pretty close to a billion dollars, which you feel is a dangerous point - not a dangarous point, but you expressed the thought that you don't like to see it drop that low. What are you going to do abont it?

A. Well, we may do a little financing before the month is over.

Q. In what form?

A. It would be very apt to be the same form as it was.

Q. A short term national defense issue?

A. Yes.

Q. What do you call little?

A. Little, in these days? Five hundred million. I didn't call that little, did I?

Q. Yes, you said, "We may do a little financing before the month is over."

A. Well, let's call it small financing.

Q. Of course they will be taxable?

In other words, it is going to be somewhere around five hundred million?

A. Yes, we are considering doing five hundred million.

Q. Will it be taxable, sir?

A. Just the same as the last one.

Q. Is it a Treasury policy to keep that interest rate on those notes at three-quarters of one percent, or do you still examine the market to get it lower if possible?

A. Well, the Treasury policy is to borrow as cheaply as possible and whether it is the people that own the money - we, the borrowers, have to get together with them on a rate at which we can do business, but naturally I am not going to pay them

more than I think they are entitled to.

Q. Have you set any definite date to meet with the Executive Committee of the Open Market Committee?

A. Not yet.

Q. Mr. Secretary, informed sources tell us that the Administration is not going to oppose very many of the Federal Reserve Board's ideas. Is that your understanding?

A. Who is informed sources? Where is it? Is it a he or a she or an it or a they?

Q. It.

A. Well, bring "it" around and I will talk it over.

Q. Well, Mr. Secretary, may we ask the same question without the "informed sources"?

A. Sure, and I will give you the same kind of an answer.

Q. You won't talk?

A. That is right; tough.

Q. You mean by that, sir, that you are not opposed to measures to curb inflation?

A. In regard to that thing which you read the other day which the newspapers call the Eccles plan,

we are studying it.

Q. When do you plan to conclude that study or bring it to fruition?

A. Very good. I don't know, I really don't.

Q. Well, can you express approval, sir, of any of the proposals set forth in the so-called Eccles statement?

A. No, the whole thing is under study.

Q. By whom is it under study?

You seem to consider these proposals rather not in a very serious attitude.

A. What do you want me to do, weep about it?

Q. No.

A. You said I almost torpedoed it the other day. That was unconscious on my part.

Q. Well, perhaps you threw an incendiary bomb in it, I don't know.

Well, one of its foremost policies in that entire program was that the money was getting a little bit too cheap. It said it was reaching a dangerous point and that, taken in connection with your statement that we are going to keep on borrowing money as cheaply as we can get it--

A. I refuse to be insulted. I won't fight. I still have no chips on my shoulder.

Q. What about taxes? The President gave a little talk at the Capitol today.

A. That is all right. I imagine that we will be sent for by Chairman Doughton and when he does send for us, we will be ready, as usual.

Q. Mr. Secretary, would you mention a figure as to just roughly how much more taxes--

A. No. I think we will all wait until we take a look at the budget message. You have a preview tomorrow, don't you?

Q. Yes. Has this lend-lease policy necessitated substantial change in the original estimates of the Treasury with regard to financing? I mean before the - our domestic defense program.

A. Wait a minute, say that again.

Q. I say, has the lend-lease proposals of the President substantially changed the original estimates of the Treasury with regard to our own program?

A. It will, certainly.

Q. How soon?

A. Well, just as soon as Congress acts on it.

Q. Well, do you mean, Mr. Secretary, when you say it will substantially change our own program, you mean because it will include the money that is necessary to put into the British lend-lease?

A. Well, the manufacturers certainly expect to be paid, and we have got to raise the money to pay them, so whatever that amount is, certainly it will be a substantial amount.

Q. Well, do you expect much of that to be needed this year?

A. It is going to be a substantial amount, very substantial.

Q. This year?

A. What do you mean by this year? Are you talking fiscal year?

Q. Say the next fiscal year.

A. Oh, yes.

Q. Can you say, Mr. Secretary, whether there is going to be some corporation or something set up

to handle that?

A. I think you will have to wait a bit on that.

Q. You said you thought they would have to wait?

A. I think you will have to wait until he hears what Congress is going to do about it.

Q. Mr. Secretary, has Mr. Sullivan completed his preliminary work on the question of tax exempts?

A. Just to be friendly like, I would go easy on the corporation idea.

What is that?

Q. Has Mr. Sullivan completed his preliminary work on the tax exempts question?

A. He is ready.

Q. Has he turned in his report to you?

A. He has finished his work.

Q. Can you tell us now, sir, what kind of a bill you are going to ask for?

A. No, I would have to confer first with the President and with Chairman Harrison and Chairman Doughton.

Q. Mr. Secretary, just to make the record clear,

is it my understanding that you don't want to be quoted about that corporation thing?

A. That was just a - I have got a new term. It is off the record background for your guidance. I will just call it a friendly tip.

Q. Just so that I and the others think of it the same way, you don't want to be quoted on it?

A. No.

Q. That was for the others, not for me.

A. I see. I thought we might invent something new this year.

Q. Mr. Secretary, do you agree with--

A. You know, that was just to help out.

Q. Do you agree with the--

A. It may still be that way.

Q. Do you agree with the interpretation that if this program advanced by the Federal Reserve Board is approved by Congress, that it might lead to higher costs in financing the defense program, a stiffening of the money market for one thing, and secondly the removal of the tax exempts, you yourself admitted it would cost the Treasury a little more to borrow money.

A. Well, that is all very intereating, and thank you. (laughter)

Q. Mr. Secretary, being serious for a moment --

A. What do you mean? (laughter)

Q. It has been so funny this afternoon, I wanted to ask a serious question. Can you tell us, sir, why you have been so reluctant one way or the other to comment on Mr. Eccles' report?

A. Now, are you being funny? (laughter) All right. You used to go to school not too many years ago.

Q. Too many years ago.

A. And before you took your oral examinations you wanted to do your home work.

Q. Well yes, but I don't recall always doing my home work in the first place; and secondly, I do think that in view of the widespread attention that has been given to the program, that it really does merit some serious remarks.

A. Oh yes. To say I am studying it is very serious, very serious.

Q. Well, approval would come from - approval has come from many other sources after study, and they received their statements later than you did.

A. That is all right. I think the White House said they are studying it also.

Q. Yes, but they indicated their approval.

A. Well, I never took the veil. (laughter)

Q. Mr. Secretary, what did you think of the President's speech?

A. I thought it was magnificent.

Q. Did you listen to it?

A. Oh yes. I was there.

Q. Oh, that is right, of course.

A. I sat in the front row applauding.

Q. Mr. Secretary, in that speech the President said that we will probably have to raise taxes. I wonder if you would care to sort of lay down a few of the general principles as long as you think taxes should be raised, what groups should --

A. Not today.

Q. Well, Mr. Secretary, in those remarks the President said that the principle of tax payments in accordance with ability to pay should be constantly before our eyes to guide our legislation.

A. That is right.

Q. That closes the door or at least pushes the door shut in the direction of sales tax proposals and excise taxes and --

A. It might.

Q. And does it affect the question of income taxes?

A. It might, but not, I wouldn't say, closes it once and for all.

Q. But it is temporarily shut?

A. Well, I don't know. Don't press me too much on it.

Q. The President said he was going to have a sales tax.

A. I don't think he said that.

Q. In a press conference two or three weeks ago.

A. He might have, and I think he is, but when we get into this thing, I would never want to say never. It is a long way off when we get to raising the money.

Q. How about the prospects of getting more money through tightening up the excess profits tax, Mr. Secretary?

A. I am not prepared yet, as I say. Until I have had a talk with the President and Chairman Harrison and Doughton to go into the question. I am not prepared to talk.

Q. Senator Lee says he plans to reintroduce his draft the wealth bill. Does the Treasury have any opinion on that?

A. No. I think we wrote something on it, I am not sure.

Q. Mr. Secretary, can you tell us when you plan to see the British plane expert, Hugh Dowding, I think his name is?

A. I think he is coming in tomorrow morning.

Q. Mr. Secretary, how are your negotiations with Mr. Soong coming along on that 50 million dollars?

A. I think we will be finished now in a day or two.

Q. Do you expect to have an announcement in a day or two?

A. Let's be safe and say this week. All right, gentlemen?

Q. Thank you, Mr. Secretary.

Q. This is a lot of charts you have. Are you plotting something?

A. I try to keep up to date.

Q. Mr. Secretary, do you have any explanation for the continued decline in the price of Treasury bonds in the New York Exchange?

A. Well, I think all you have got to do is to look at the date that Mr. Eccles made his statement.

Q. Do you attribute the decline to the proposals advanced by the Federal Reserve Board?

A. I do, entirely.

Q. How much has that decline been, Mr. Secretary?

A. I can't tell you offhand, but it has been considerable.

Q. Roughly how many points?

A. I don't know, but I looked over there and there is supposed to be - they are using it - they haven't brought the charts, but they can find out for you.

Q. In what way, Mr. Secretary, would you say that the

Eccles statement influenced that?

A. Well, all you have got to do is get you a chart and they will send it down to you, one on bonds, pick any bonds you want, a five year note, and you can see the date he made it and gave out their plan and then what has happened to the bond and note market. It is just a matter of facts. It isn't a matter of my opinion.

Q. What, specifically, in that Reserve Board statement would do that?

A. Well, it was just that their proposal had that effect. I am just talking about facts. I am not prepared to interpret them.

Q. Mr. Secretary--

A. But from the day the statement came out, you look at the bond prices or the other way around, look at interest prices, what has happened to interest? Of course, the money has begun to go up.

Q. Do you think the decline was warranted, Mr. Secretary?

A. Do I?

Q. Yes, sir.

A. Absolutely not.

Q. They have been saying that we have experienced inflation in high-grade Government bonds with yields almost - well, they were infinitesimal, so you are not disturbed by this decline, are you?

A. I am not disturbed, but there is no reason that I know of for interest rates to harden at this time unless it is the proposal like the Federal Reserve System and if Congress should put it into effect, why it might become permanent.

Q. Do you believe that in view of this huge financing operation the Treasury was to undertake in the near future, that these proposals were ill-timed?

A. I am not prepared yet to make a statement. I take it that if Banking and Currency in the Senate and the House seriously consider these proposals, I will be called and, if I am called, why, at that time I will be prepared to state my position.

Q. Mr. Secretary, I take it you do not want these interest rates to harden.

Q. I wouldn't say that. I have always felt it is a question of supply and demand and here in the

Treaaury we don't know of any demand which should cause such a sharp rise in interest rates as that which has taken place since the first of January.

Q. In view of the development--

A. That not only goes for the Treasury, but everybody else, whether he wants to borrow a hundred dollars or a thousand dollars or we have got to borrow a billion dollars. It affects everybody the same.

Q. You say, Mr. Secretary, that you don't see any reason at all for the hardening and yet you in that same statement do not say whether you oppose that hardening of interest rates.

A. Well, I don't believe in taking any artificial means at this time to increase interest rates.

Q. In view of that hardening of interest rates and the increase in the yields, do you anticipate, sir, that you will have to pay a little more for your 500 million dollars in financing?

A. It looks that way now.

Q. In view of the development in the Government bond market plus your comments, in connection with that development, can we correctly assume that you were

not whole-heartedly in accord with Mr. Eccles when these proposals were made?

A. I would rather wait until I have to testify on the whole thing up there. I repeat, if Congress takes these proposals seriously and they have hearings, at that time I will be ready to go into the whole matter.

Q. Are you speculating that they will not take them seriously?

A. Well, I just said if they take them seriously.

Q. Mr. Taft has already taken them seriously.

A. I know.

Q. Mr. Secretary--

A. I said Congress.

Q. Yes, sir:

Is your position the same as it always has been with regard to the cheap money policy in this Administration?

A. My opinion is that this - I have always felt it is a question of supply and demand. I have never been in favor of forcing interest rates down nor up artificially.

Q. Well, your policy of deficit financing in one way has been responsible for so-called artifically lowered interest rates.

A. The point that I have always made here, I never believe in taking legislative means of either forcing money down or forcing it up. As a result of general conditions both within the United States and without, we have had a result that we have had very cheap money. Now, naturally, here in the Treasury it has been advantageous to us to have it. It has enabled us to borrow at very reasonable rates plus the fact that the public has had confidence in United States securities. Now, I know the argument that it is artificially cheap money which has enabled us to borrow, but I have - when I came here in November '33, the conditions were for cheap money, and I couldn't borrow more than for 11 months at, I think, two and a half or two and three-quarters percent, so unless the public has the confidence in the Government as before, and its fiscal policy, it is not a necessary result that you

can borrow at a lower rate.

Q. Has this decline warranted any open market operations to stem the fall?

A. If it has, I haven't heard of it.

Q. Well, again on this question of supply and demand--

A. I mean I can't imagine the Federal Reserve stepping in, but they might.

Q. On this question of supply and demand, would you consider the - if the Federal Reserve Board stepped in, that would be a fictitious or - well, an unreal method of readjusting the supply and demand and building the price up again? Would you want, in other words, to see the bond market follow its own course without interference by the open market?

A. Well, I have always been in favor of having what I call a natural bond market and the only excuse for the Federal Reserve or ourselves to step in would be to act as a cushion so as to keep from there being any air pockets.

Q. Of course this present decline has been orderly, has it not?

A. I consider it such. It has been rather sharp, but orderly.

Q. Mr. Secretary, do you consider the Eccles proposal an artificial impetus?

A. Well, as I say again, I would rather wait - there are a lot of things in this so-called Eccles' plan besides excess reserves, and if and when I am called on the Hill, I propose to have something to say on each recommendation.

Q. Mr. Secretary, have you talked to the President about this plan?

A. That is his business, if you don't mind.

Q. Mr. Secretary, the charge has been made that this Eccles plan will return the money market back to the New York bankers and take the control away from the Government. Would you make some comment on that?

A. It is a very interesting idea.

Q. You mean coming from me? (Laughter)

A. No, I wasn't being personal. I mean your question raises an interesting thought.

Q. One more question. Do you agree with the President about scrapping the debt limit? I remember shortly after election you suggested 60 to 65 billion.

A. I don't think the President said that.

Q. Well, he indicated that the debt limit or fiscal debt limit was not necessary.

Oh, certainly he did. He said he would notify Congress.

His exact words were, "I question the significance of the statutory debt limit."

A. Well, that isn't what Nick said.

Q. Well, he also said something about a hill of beans, Mr. Secretary.

A. Well, I wasn't there.

Q. And he said he would notify Congress.

A. Well, you have got the advantage of me.

Q. Well, he also--

Schwarz was there.

He said, Mr. Secretary--

A. Mr. Schwarz isn't here, so you can't use that.

Q. He also said that as far as he was concerned, that he didn't care whether they did eliminate the debt limit or did not eliminate it, although on the record his message inferrad that he wanted it eliminated.

A. Well, all I can say is that I read his message and he is just raising what I think he calls a hypothetical question.

Q. Do you think I took a Republican interpretation of that?

A. I refuse to get partisan with a Democrat. (Laughter)

Q. Mr. Secretary, do you agree--

A. O.K.?

Q. Yes.

A. All right.

Q. Mr. Secretary, on that debt limit, do you agree that the words he used in the message--

A. I didn't hear. I was just enjoying my own joke. I am sorry.

Q. Do you agree with the words used in the message about the debt limit?

A. I say he just raised a hypothetical question which, after all, is his privilege.

Q. Mr. Secretary, if Congress should appropriate beyond the debt limit and your borrowing comes up to the debt limit, and you still can't meet what is called for in the appropriations, would you feel that you, as Secretary of the Treasury, could issue a bond beyond forty-nine billion?

A. Well, that is a question that I would have to talk to my lawyer about.

Q. I believe --

A. And he is not here.

Q. I believe you told a Congressional committee one time that you couldn't go above the limit.

A. No, I think what I said was that I could sit here longer than anybody else could if we reached our debt limit.

Q. You mean you could out-wait them?

A. I think so. I think that is what I said.

Q. You once told us whether you could or couldn't, you wouldn't pay out any money over the debt limit.

A. I think that is true.

Q. That is still your stand?

A. Well, I say I made that statement. The President has raised a hypothetical question and my attorney and I will have to take a look at it.

Q. Well, can you bring us up to date, sir, on just what your proposals are to the Congress with regard to the debt limit or what they will be?

A. No, I think you will have to wait until I appear before Ways and Means, which I will fairly shortly, if they invite me.

Q. At which point, Mr. Secretary, I wonder if you will see that some justice is done in

the leaks that come out of that matter.

A. Come out of what?

Q. When you speak up there in the executive sessions--

A. I never speak in the executive sessions before Ways and Means. The committee you are talking about is Appropriations.

Q. Are they out again?

A. I never talk with Ways and Means. Ways and Means is public, and if you think I enjoy talking and having somebody else say it is executive session and - I know what happens. I don't enjoy that any more than you fellows do, but that is just between us.

Q. Mr. Secretary, can you tell us, sir, about the progress in drafting the lend-lease legislative structure?

A. Well, I think you ought to ask Mr. Beaman, in the Bill Drafting Commission, that question.

Q. You mean in the Treasury Bill Drafting Commission?

A. No, Congress.

Q. Congress keeps telling us that Foley is drafting it.

A. Mr. Beaman didn't say that, did he?

Q. No, but some people very much superior to him.

A. I see. Well, I think that Mr. Beaman and Senator Barkley and Speaker Rayburn could inform you.

Q. Have you been apprised of any figure that that appropriation might approach?

A. What appropriation?

Q. The appropriation for British aid.

A. I can't help you out.

Q. A figure quite above four billion was used yesterday. It was circulating around the Hill yesterday, apparently authentically. Could you help us on that as to whether that is a good figure.

A. No.

Q. Could you give us an idea of the mechanics of it?

A. No.

Q. Is it going to be left to Congress to decide that figure or will a recommendation be made from you?

A. I really don't know.

Q. Will there be any figure in the bill?

A. Will there be any figure in the bill? For your guidance?

Q. Yes.

A. No.

Q. Who is going to head the corporation, Mr. Secretary?

A. Well, I told you something about that last time, didn't I?

Q. That is right. And under the circumstances, Mr. Secretary, you --

A. What I told you is still good.

Q. Despite quite a job that is being done by another gentlemen in this town?

A. Who is the gentlemen?

Q. Mr. Jesse Jones. He is doing a fine job up there working for you.

A. Is he really?

Q. Yes.

However, he told us yesterday that he knew of no hope for it.

In view of the fact that you have acted as coordinator for munitions and airplanes to the allies, could we correctly assume that you have a major part in directing this lease lend program, with the President's authority?

A. Not necessarily, not once it gets going.

Not necessarily, no.

Q. But you will do the preliminary work?

A. Well, I am continuing at the President's direction to assist any foreign government that wants to buy in this country.

Q. Mr. Secretary --

A. Once the thing is working and you see the bill as it has been prepared, you can see perfectly

well what are the functions. The foreign government may not need the kind of assistance I have been giving. I hope they don't.

Q. Mr. Secretary, can you tell us anything about --

A. I hope they don't, because I have got plenty of other things to do. I hope the time arrives when it will work smoothly and when it does, then they don't need this extra help which we have been giving them.

Q. Speaking of those other things you have to do, what can you tell us about the new taxes?

A. Can't tell you anything.

Q. Could you give us, sir, any rough overall figure as to what part of that proposed deficit or projected deficit of 9 billion 200 million is going to be absorbed by new taxes?

A. No, I can't.

Q. Mr. Secretary, could you tell us whether or not any planes have been released for Greece, or

not necessarily released, but O.K.'d for release?

A. I can, but I am not going to.

Q. In that connection, sir, I would like to say that several people up on the Hill, whether they know what they are talking about or don't know what they are talking about, have permitted people to quote them to the effect that they have been released and so it is - quite normally the repercussion of that comes up here to us and so we are in the spot of not being able to either confirm or deny stories by legislators.

A. Well, the Journal of Commerce isn't here, are they?

Q. No.

A. Well, for your own information - I mean, not for quotation but just to help you out, there have been no planes released.

Q. Are there any being contemplated?

A. We are working like hell on it, and we hope to have some.

Q. Is that last for quotation?

Why not? Carter Glass said give them hell.

A. Well, Carter Glass has got privileges which I hope to some day enjoy, but I don't think I enjoy them yet.

Q. Mr. Secretary, on the lend lease proposition, is there any thought being given to mortgaging of British or Dutch materials, such as tin and rubber and so forth?

A. I can't go into that.

Q. You can not?

A. No.

Q. A report from overseas said it is being worked on.

A. Well, one of those Bombay reports?

Q. It came from London, I think.

Well, the President talked about that idea in his press conference a week or so ago.

He said we would accept at our option materials of that sort.

A. Well, there are a lot of different plans, a dozen of them.

Q. Mr. Secretary, there is a report which has been circulating for several days that something is afoot that is for an adjustment in the British debt.

A. It is news to me. I haven't heard about it.

Q. Thank you, Mr. Secretary.

Will you sign that China thing this week?

A. I hope so, but they haven't told me about it.

REPORT OF SECRETARY MORGENGHAU'S
PRESS CONFERENCE, JANUARY 13, 1941

Q. Have you got some news, Mr. Secretary?

H.M.Jr: No. I never have any news.

Q. You don't have anything hot?

A. No.

Q. Would you like to give us some fill-in on what you talked to Sir Frederick Phillips about?

A. Yes, but you won't believe it.

Q. Try us.

If you tell the truth, we will believe you. Seriously, Mr. Secretary, we would like to know.

A. I am sure you would. It is just a continuation of the same thing.

Q. Well, Mr. Secretary, since the President has broached his plan for lending or leasing materials to Great Britain, there has been a great deal of speculation in Washington about disposal of British investments in the United States. Can you tell us something about that?

A. Where did that story originate, anyway?

Q. Associated Press.

In the Treasury.

There have been several stories, and I think they were based somewhat on some meetings that were held in the Treasury.

A. I see. There were lots of apologies afterwards as to who didn't tell who. I knew I wasn't guilty.

Q. Who, do you mean where did it leak? It didn't leak in the Treasury.

A. No, I didn't think it did.

Q. It popped out somewhere else.

It didn't leak here, it leaked in the SEC.

A. Well, it didn't leak here. There is no particular mystery about it. I mean, the facts, if you want something, is that one of these investment trusts came down to see me and asked whether the investment trusts could be useful in this present situation, making their facilities available; and inasmuch as the investment trusts are supervised by the SEC, I asked Chairman Frank

to look into the situation for me, which he did, and they reported to me today that there is a group, a very large group, of investment trusts who have, I would say, associated themselves informally and are ready to buy any of the direct investments that the United Kingdom may hold in this country; and I have so informed Sir Frederick Phillips. Now, the rest is up to Sir Frederick Phillips and this group or any other group. There is another group coming down tomorrow. Or any other group --

Q. Another group? What kind of a group, sir?

A. Another group of investment trusts.

Q. They are coming down tomorrow?

A. Tomorrow, yes.

Q. Can you give us some names of those that were here before?

A. No, that is up to the SEC. But the SEC called up and said there was a second group of investment trusts to meet me, so I said "bring them over." If you gentlemen know of any other group

of capital that would like to invest in direct investments, I would be glad to meet with them.

Q. Has Mr. Morgan been down? He was quite prominent in the last war, I believe.

A. No, and as I say, I don't - any group that I meet with has to first be passed on by SEC.

Q. Mr. Secretary, did they give you any idea as to how much of this stuff they could take up?

A. How much could they? Oh, this first group is big enough that they could handle the whole job if they wanted to.

Q. How big is the whole job?

A. Well, they are big enough, anyway.

Q. Well, the Reserve Board gave that, I think, approximately, or at least they made some rather broad statement about it in their latest bulletin, didn't they, around a billion 55?

A. I didn't see that.

Q. Or was that the dollar balance figure? He gave figures and one of them was the direct investments.

By direct investments, Mr. Secretary, you are excluding the marketable -- that is, the --

A. Unlisted. I mean, securities which are not dealt on in exchanges.

Q. You are excluding those?

A. Pardon?

Q. You are excluding those?

No, that is what it is.

A. No, we are talking about investments in this country which are not listed on exchanges.

Q. Don't they want to buy the regular securities, the listed securities?

A. Well, they are having no difficulty in selling their listed securities.

Q. Will you give us a definition of direct securities - I mean, direct investments? Does that include the silk plant and the Viscose Company and what have you?

A. Things like that, which are not dealt in.

Q. In other words, it includes a lot of controlled projects?

A. Yes, American properties.

Q. Real estate and stuff like that?

A. Real estate and factories.

Q. Mr. Secretary --

In other words, this would be physical plants, would it not?

A. Yes.

Q. Mr. Secretary, you said securities not dealt in. Do you mean paper, like over the counter paper and like that? You said securities, that is why I asked you.

A. Well, there might be a group of 5 or 6 men or 10 or 20 men who own a factory, I mean English citizens, who own a factory in this country but they own it in their own name but it isn't dealt in in the New York Stock Exchange or the New York Curb Exchange.

Q. Would it be more truthful to describe it as physical properties? Physical property held by the British here?

A. Yes, that might describe it. Any investments.

Q. Not securities, sir?

A. No.

Q. You said securities, and I raised the question.

A. You are quite right. It isn't --

Q. It is physical property?

A. It is physical property.

Q. What did Sir Frederick have to say, Mr. Morgenthau?

A. Did I make it plain?

Q. Yes.

A. All that I am doing, with the help of the SEC, is to arrange for a group big enough to buy any or all of the so-called direct investments and they think by tomorrow there will be a second group. From then on, it is between the British and these groups. But with the Securities and Exchange here responsible for supervision of the investment trusts, naturally I would want them to pass on it. But having done that, I no longer

am in the picture. It is between these people, their money and the British.

Q. Sir Frederick does anticipate getting rid of some of this stuff, then, in the fairly immediate future?

A. Well, I will put it that he informed me today that they are ready and they will get in touch with this group. I want to make it perfectly plain that from now on I am not in the picture.

Q. You said he informed you they are ready for what?

A. He will get in touch with this group.

Q. You mean he is ready to unload these properties, is that the idea?

A. Well, I wouldn't use that word.

Q. Ready to liquidate?

A. Some of these properties are for sale. Some of these properties are for sale and he will get in touch with this group or any other group or individual.

Q. In other words, there is no monopoly here? Mr. Secretary, for our guidance and not direct quotation, could you give us an approximation

of how much money would be involved here?

A. I can't help you on that.

Q. Mr. Secretary, has the British Government taken over these various properties owned by their nationals in this country? My understanding was that the only thing the Government had sequestered and taken over were securities, American securities held for the account of the British Government.

A. All I know is that they are far enough along that he informed me today that he is ready to talk, ready to do business, so they must have made some kind of agreement.

Q. Mr. Secretary, with the proceeds from these sales, if they are consummated, will they be used on payment for present contracts in this country?

A. Yes, that is right.

Q. Is there any thought of having some of the British investments in this country put up a collateral under the lending program?

A. I don't want to get in on that.

Q. Mr. Secretary, does this arrangement which you outlined just now apply only to British investments in the United States, not in the hemisphere?

A. What I am talking about is only United Kingdom investments in the United States.

Q. Well, what has been done about their investments in other parts of this hemisphere?

A. I can't tell you. I know they have been talking about it, but I don't know.

Q. But not with you?

A. Oh, I don't want to say that. They may have mentioned it. You are interested in South America?

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Q. Yes.

A. United Press?

Q. Yes. Also on the Hill they have been saying they should put up as collateral--

A. There are people over here who have talked about it and those conversations have gone on, and I don't want to say that I haven't heard because I have heard, but where they are at, I don't know.

Q. Mr. Secretary, in connection with these proposals to buy British assets, are the American companies planning to ask for Government loans to help out or do they think they have the money available from private sources.

A. I don't think anybody had time to think of that because this decision was only reached today.

Q. Has Mr. Jesse Jones been consulted about buying them?

A. Well, I don't think so because it is private capital so there is no particular reason. He and Mr. Stimson and Mr. Knox and Mr. Hull and,

of course, the President of the United States, I have kept them posted on the whole program, all of them. I mean, I keep them posted on what the situation is and I asked the English to keep them posted, so on the overall, they all know what I am doing here.

Q. Mr. Secretary, could you tell us if much of this --

A. Those people who are all interested.

Q. Could you tell us if much of this money is already committed? The reason I ask this question is that the new Federal Reserve Bulletin had a seven billion dollar resources figure which you may have seen written about in the papers quite a lot; and while they had warned against considering this as free money, still the impression got out fairly generally that the British had a good many more resources than they had been claiming.

A. Well, I don't want to get into that.

Q. Your friend Mr. Eccles got right deep in it.

A. Well, that is his privilege.

Q. Well, Mr. Secretary, there have been various official compilations of the British investments here that I think we could get a hold of fairly easy. Do you want to give sanction to those or do you want to tell us a round figure on those?

A. No, I don't know where you can get hold of them, but I mean--

Q. There are studies put out every year or so of foreign investments in the United States.

A. Well, that is your privilege.

Q. Mr. Secretary, in connection with these proposed securities transactions, is it the Administration's viewpoint that it is necessary for Britain to liquidate a large proportion of these assets in order to justify the lending plan?

A. There is no Administration policy on that thing, as far as I know.

Q. Mr. Secretary, haven't you, yourself, said that it might be desirable for them to do this before credit was given them?

A. Well--

Q. I think you pointed to it in one of your press

conferences a long time ago.

A. I think what I have told you today about assisting and helping them organize these groups speaks louder than anything else that I could offer in the way of comment.

Q. Could you give us an angle on it from the percentage standpoint? Their direct investments are 10 percent or 25 percent of their assets over here.

A. No.

Q. Apart from this particular transaction, Mr. Secretary, have you made any investigation in connection with the lend-lease bill as to possible collatéral that the British could put up?

A. Well, here in the Treasury we have made an independent atudy plus the information that the British have given us and I have every reason to believe that we have a true picture of what the situation is.

Q. Have you got even an estimate of what investments they have in other parts of this hemisphere that might possibly be used?

A. Well, they have given me all the information that I have asked for and if I haven't got it all, it is just my own fault.

Q. And you mean you have at one time or another considered the possibility of collateral?

A. No, I mean I simply--the work which I did as a liaison officer or whatever you want to call it as between these various purchasing missions and our own War and Navy Department and the national defense and the private manufacturers, whether it is the English or whether it is Dutch Mission or the Greek Mission or the Chinese Mission. There are any one of about 20 different missions. I like to feel that I am in a position that I know whether they can or cannot pay for what they are buying and I say if it is the Dutch Mission wants to place an order, I feel that I ought to know, have they the where-with-all to pay and there must be 15 or 20 of these different missions that contact here with Philip Young and that we see all day long. So it isn't only the British, but it is all of these others. There

are the South American countries and what have you.

Q. You have a rough idea, then, of what the British assets are in this hemisphere, if that case should come up?

A. I would say so, yes.

Q. Mr. Secretary, at his last press conference the President said that it is possible that there would be some arrangement made for collateralization of the lend-lease program, and I was just wondering if that phase of it had been turned over to you?

A. I can only go back to what I said, I don't think there is any fixed policy that has been arrived at yet and just as the President said, "All possibilities are being explored."

Q. He just said it was possible?

A. All possibilities are being explored.

Q. Does that include the question of the British paying in raw materials?

A. I would say there are all kinds of suggestions

that are being made, and anybody that has a bright idea, we take a look at all of them, so long as I am doing this work, as I say, for the President.

Q. Mr. Secretary, to get on to a new subject--

A. Thank you.

Q. Some weeks ago you told one of your press conferences that you had set up a committee in the Treasury to watch prices in connection with the probable trend toward inflation.

A. That is right.

Q. Have you had any reports from that committee that would indicate that there is an inflationary trend?

A. Well, we get reports and we discuss it at great length, because it is one of the things that I am most vitally interested in and that I am worried about and I have personally been in constant contact with Leon Henderson on a number of subjects such as lumber, scrap iron, wool, and I think Mr. Henderson is doing a grand job under very difficult circumstances.

Q. Mr. Secretary, you said that is one of the things that you are most vitally interested in and "that I am worried about." Could you be just a little more specific about that phrase, "I am worried about"?

A. Yes. Some of these prices like, as I say, wool, scrap iron, and lumber have gone up very sharply and I think for no very good reason and I think everybody that has anything to do with the - we in Procurement here, where we do our buying for non-military, for the Red Cross, I think everybody has got to watch it every minute, and, as I say, I think some of these prices have already gone up way above any justifiable reason and as I say, in my numerous contacts with Mr. Henderson, I think he is on top of the job.

Q. You don't see any possibility, then, of the need for further direct price controls?

A. Oh, I think that this thing has to be watched every minute and I think that every instrument of law that the Government has at its disposal, whether it is the Department of Justice or

Federal Trade Commission or the Tariff Commission, Federal Reserve, Treasury, I think all of these agencies have to jointly watch this situation or else it will get away from us.

Q. Did you mention Federal Reserve?

A. I did, advisedly.

Q. Mr. Secretary, in that connection there have been some discussions of using taxes as a means of control. Can you tell us anything about that proposal?

A. Well, there is nothing that I know of, particularly. I don't think that we are thinking along those lines just yet because I don't know of any particular reason at this moment to - I mean, the inflation would have to be much, much further along than there are any signs of it now before we bring the taxing power in. It is one of the powers one can use, but I say here Mr. Bell has this committee set up in the Treasury, and I say there isn't a day passes but what we talk about it. For example, they brought to my attention a study made in St. Louis where a 6-room house on the first of July cost six thousand dollars.

That same house in December cost over six thousand seven hundred dollars, or an increase of 13 percent, and I don't know any reason why it shouldn't cost six thousand dollars in December instead of six thousand seven hundred dollars.

Q. Well, on that basis, Mr. Secretary, would you advocate anti-inflationary controls over individual commodities rather than an over-all method?

A. It is something that has to be watched by everybody in the Government, industry itself, labor itself, I mean labor organizations. It is something that all of us have to watch or else the first thing you know it is on us and then it is too late, but it is a vicious spiral that just has to be watched every single minute and just as soon as it raises its ugly head, it has got to be stepped on, but it is something that has to be watched by everybody, retail stores, buyers. As I say, labor organizations, everybody has to watch this thing every minute. Otherwise - this fast, fast spending which has not yet begun, unless we watch it, plant capacity, to make sure there is sufficient plant capacity - I mean, the

thing just has to be watched every minute and I know the President is as conscious of it as anybody and I think I am also, but there are a dozen different things. Miss Elliott and her work over there. But the thing has to be watched every minute or else before you know it, it is on us and then everybody has to raise prices and the thing grows and grows and there isn't any more vicious thing that could happen to this country. But I don't believe, as I said the day before I left, that this is going to happen with President Roosevelt here for four years more, because I know he isn't going to let it happen and that was the statement that I made the day after election that everybody overlooked, and I say it again, that I am sure as long as he is Preaident for the four years that it won't happen, but it has to be watched and fought every minute.

Q. Does the Tariff Commission have power to reduce duties?

A. Yes, the Federal Trade Commission, all of these agencies which have a certain amount of power,

including the Federal Reserve.

Q. Credit control?

A. Credit control.

Q. Let's put it this way, Mr. Secretary. Do you believe that you now have all the necessary legislative authorities to keep the situation in hand?

A. Oh, I wouldn't say that.

Q. There is some talk--

A. I wouldn't say that.

Q. There is some talk, Mr. Secretary, that a sales tax would be necesaary to stop it.

A. It might. You can't tell, as I say. As this thing gets along - but I am sure that if the time arrives that the President feels, or any of his people feel that it has gotten beyond our control, that he won't hesitate and I know I won't hesitate a moment, to recommend whatever steps are necessary and to give whatever agency can best execute the steps to keep us from having inflation.

Q. Does the Government also have powers to reduce excise taxes?

A. Yes, we could, through legislation.

Q. Oh, only by legislation?

A. I don't think that that is discretionary.

Q. But the Tariff Commission is discretionary to some extent?

A. Within 50 percent. In the case of lumber, I think they have practically exhausted it. You can't get any lumber from Canada. The only place would be Mexico or some Central American place.

Q. Can you change it by countries? Can the Tariff Commission adjust the rate by countries or should there be an over-all adjustment?

A. I am not sure just how that is.

A. Quotas, Mr. Secretary.

A. That would be by countries. All right?

Q. Mr. Secretary, Mr. Gregory isn't here today. Is there anything new on financing? (Laughter)

A. He is up in Hyde Park, skiing, most likely. No, there is nothing new. We are having an open market committee meeting Wednesday.

Q. Is that China stabilization thing in sight yet?

A. I thought it was last week, so I have stopped making prophecies.

Q. How about the China airplanes? Anything new on the airplanes for China?

A. Not that I can talk about.

Q. Mr. Secretary, anything new on the Greek airplanes?

A. Not that I can talk about.

Q. Is it a fact that one of your troubles is that these ships that we have got are - they land too fast and need a little bit too much space; is that one of the major difficulties?

A. I can't help you out. I think it would be unwise to help you out.

Q. Thank you, sir.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 16, 1941

Q. How are you, Mr. Secretary?

H.M.Jr: I am alive.

Q. We are awfully glad of that. We have a few questions we want to ask.

Mr. Secretary, would it be possible for you to make public a balance sheet of the remaining assets of the British Empire as you did for the United Kingdom?

A. Remaining assets?

Q. In other words, your balance sheet yesterday under the heading of "United Kingdom's Available Dollar Exchange Assets on January 1, 1941," totaled one billion 775 million dollars. Could you give us the same sheet for the entire British Empire?

A. As to their dollars?

Q. Yes. Do you have that?

A. No, I think you have got everything that I have got. There aren't any other dollars.

Q. Well, isn't there a vast difference between the United Kingdom's available dollar exchange and the British Empire's available dollar exchange?

A. I gave you - wait a minute, White just went to get something. He will be in here in a minute.

Q. We will hold it pending that.

A. Have you got some other questions?

Q. In the interim, could you comment, sir, on the Bank Holding Company Act, which was introduced by request and with reservations by Senator Glass the other day?

A. It is a wonderful way to introduce a bill. (Laughter) He introduces a bill and then lays a wreath on it.

Q. After all, he had a bad time with one of Jesse Jones' bills last session. He put it in and forgot to find out what was in it. He was a little bit embarrassed at the public hearing. He finally voted against it.

A. Well, I have, I think for three years running, when I appeared before the Appropriations Committee, drawn Congress' attention to the fact that I felt that the bank holding situation was an unhealthy and unwholesome one, and asked that Congress do something about it; and I think that I have done it three years running now.

Q. Well, is your position still as it was, that bank holding companies should be disintegrated?

A. Well, my position is exactly the way the Glass Bill was introduced. That is the Treasury position, the Glass Bill.

Q. You feel that down to 10% would be unhealthy and unwholesome?

A. The Glass Bill represents the kind of legislation I hope Congress will pass.

Q. Was that bill drafted or suggested here? I understand, sir, that the bill was drafted by Mr. Robertson of the Treasury - I mean by Mr. Foley of the Treasury at the behest of Mr. Delano.

A. Well, I will tell you, you could write a book on it. Your predecessor wrote a book on what happened in the Treasury halls, and this gives you a chance.

Q. I would rather write a news story.

He is a journalist.

Mr. Glass said that somebody asked him to introduce the bill. Is it a Treasury bill?

A. It is a Glass Bill.

Q. With reservations.

A. How can I go any further than say that the bill as he introduced it represents the Treasury's views one hundred per cent, and I sincerely hope that it will become a law. I can't go any further than that. When you get down to what typist wrote it and the make of typewriter and so forth and so on, I can't do any more than say that the Bill represents the Treasury views a hundred per cent and that I hope that it will become a law, in the exact form that Senator Glass introduced it.

Q. Did the Federal Reserve Board offer to aid the Treasury in drafting that bill?

What do you say we jump on Harry White for awhile?

Yes, I am sick of the Banking Bill.

A. You are sick of it?

Q. Yes.

Mr. Secretary, there are two items here. Deficits by Empire countries, chiefly the United Kingdom, from areas outside the United States and Canada, requiring dollars. Will you explain what dollars those are, are they Canadian dollars or our dollars and why, and also the next item.

H.M.Jr: Go ahead, Harry.

White: They are not Canadian dollars, because Canadian dollars are listed separately.

Q. Yes, I understand that, but what is it?

White: They are gold or dollars. There are a number of countries the world over that will sell certain commodities --

Q. Why should that appear in a balance sheet on the lend-lease? Are we taking over their debt?

White: No, may I explain your first question, answer your first question?

H.M.Jr: It is not a balance sheet.

White: When they buy, let us say, Bolivian tin, Bolivia has the choice of selling commodities to Great Britain and being paid either in blocked sterling or in gold. Bolivia obviously would prefer gold, because otherwise she would have to spend the sterling in England. Now, very frequently the countries are not in a position to say to England, "We will sell you this only if you buy gold." Britain will say, "We will buy our stuff elsewhere." But in some commodities, the countries are in strategic positions, and they say to them, "We will sell you these goods provided you pay in gold or dollars, United States dollars, which to us are as good as gold;" and in those instances, which the British Government tries to reduce to the barest minimum because they want to conserve

their gold and dollars, the British Government is forced to pay gold and that sum is the total of such expenditures. Does that clear that question?

Q. Yes.

May I ask my --

Payments by Empire countries with the exception of Canada and Newfoundland?

White: Would you repeat that?

Q. Payments by Empire countries, chiefly the United Kingdom to Canada and Newfoundland.

White: The relationship between Canada and Empire countries is a matter which is settled between them. Canada is not in the sterling area, never has been, and Canada gets paid in gold or Canadian dollars just the same as a foreign country would. Canada is helping England as much as she feels she can. That is, she is taking as much of the payment as she can in her own securities, according to the British Government's statement; but she has to settle

the remainder just as she would with any foreign country in gold or United States dollars which, as I said before, also is as good as gold.

Q. Mr. Secretary, I think the question that is in all of our minds is whether or not there aren't very large resources convertible into dollars in the British Empire that are not shown in either one of the two statements.

H.M.Jr: If there are, the British Treasury didn't tell me about it.

Q. Well, Mr. Secretary, the Commerce Department this month published a statement as of August, 1940, estimating that the United Kingdom investments in the United States were around two and a half billion dollars --

A. No, no.

White: They estimated one billion three for what they call direct investments, and miscellaneous, which I can discuss if you want to, and the remainder, about one billion one, in American

securities. That is what they had in August, so that makes almost two and a half billion. Now then, so far as the securities are concerned, as we pointed out, they sold about 335 million dollars worth. That accounted for that much.

H.M.Jr: That is a new figure he is giving.

White: Didn't we --

H.M.Jr: It is all right. You have given them a brand new figure, but it is all right.

Q. Since when were those securities sold?

White: We gave them what is left so we almost have to explain what is the difference. I did that unwittingly. The other is that there has been a substantial depression in the value of all securities since August. Just look at the index of the New York Stock Exchange, and you will see that there has been a considerable diminishing in the market value of securities, and that will explain several hundred million dollars.

Q. Pardon me, are you referring to since August '39 or August '40?

White: August '39. The Department of Commerce has no figures - they couldn't have any figures as to what it was in August '40, because nobody knows except the British and American Treasuries.

Q. Mr. White, I won't argue with that except that the Commerce statement purported to be August, 1940.

A. Well, then they just don't have the information. So you can explain the difference between their estimate of securities. You see, they had a billion one. If you allow for the decline in market value and if you allow for the sales, you will find that it is approximately the figure that we gave in their assets of 613 million dollars.

Q. Those sales of 335 million dollars were within what period?

White: Well, since the beginning of the war.

Q. Mr. Secretary, Federal Reserve figures --

H.M.Jr: Just before you get on that, I would just like to make a little statement. The Department of Commerce has its statiatical section and the Federal Reserve has its statistical section. They

both have done the best job that they could do under the circumstances, and they both had to be estimates. I also want to point out that whenever anybody is making estimates when they don't have access to the British Treasury, a great many of the figures were stopped being published as of September 3, 1939, when the war broke out, so they have sat down and projected these figures. Now, before I went up on the Hill, we naturally not only took everything the Department of Commerce took, everything that the Federal Reserve took, or anything that anybody else had written on this subject, anywhere in the world, so I didn't go up unprepared. I mean, we have been studying this thing continuously for years, and I am satisfied that there is no - there certainly is no major blunder or error in the figures. There may possibly be a discrepancy of several hundred million dollars where the transactions run into billions, but on the one hand, we are using official figures furnished

us by the British Treasury, and I want to say in my seven years of dealing with them, I have never known them to give me - to mislead me on figures. The other people, whether it is Commerce or Federal Reserve or any private agency, they just had to make estimates, just the way I did when I gave you an estimate of what we thought the British investments in sterling were outside of the United States. It was an estimate, and that might vary by several billion dollars from being accurate. I mean, I might perfectly well be several billion high or too low in my estimates of what their assets are in sterling outside of the United States. I just wanted to make that statement.

Q. Mr. Secretary, to summarize as far as the United Kingdom is concerned, the statement of assets that you presented yesterday is to the best of your knowledge all the assets available for spending in this country?

A. Absolutely.

Q. Well, Mr. Secretary --

The next question is, how about Canada, Australia, and the rest of the Empire? They have large investments in this country.

A. Well, we don't offer any figures other than what the British Treasury - to use the vernacular - the dollars that they could lay their hands on to pay for merchandise that they were going to buy in this country. Now, the dollars that Canada has or the dollars that Australia has, that is their business.

Q. Well, Mr. Secretary, in that connection wouldn't you think --

A. That is their business.

Q. Wouldn't you think the Dominions and colonies of Great Britain should be called upon to help her economically in this war before the United Kingdom turned to the United States and asked for their aid?

A. Well, each of these countries have their own purchasing problem. They each have their own dollar problem as well. Canada is an enormous purchaser of munitions in this country, and they each have their own problem.

Q. Well, may I ask my original question now?

A. They each have their own particular problem.

Q. Mr. White, this list of assets available for the United Kingdom was 1 billion 775 million dollars. Do you have a comparable list for the entire British Empire?

H.M.Jr: Well, the answer is yes or no.

White: Well, we have for some, but that we have been officially given and others we haven't been officially given yet; for instance, the Canadian.

H.M.Jr: What we gave yesterday were the figures that we were authorized to give, and when you talk about what is Canada's resources, I have no authority to discuss Canadian resources any more than I have Australia's or India's or South Africa's.

Q. The reason I ask is that stories which were written on the basis of your testimony yesterday up on the Hill used the simple term, Great Britain, or the British Empire, and described them as reaching the end in the way of dollar resources.

A. That is right.

Q. Now, if we look at it as the United Kingdom, that statement is true. If we look at it as the British Empire, that statement might possibly be erroneous.

A. No, the statement as I made it was true. I was talking about the British Treasury.

Q. I am speaking of the way your statement was interpreted, sir, to include all of Great Britain.

White: Great Britain is all right. When you say the British Empire, that is something else again. Great Britain and U. K. are virtually the same.

Q. Mr. Secretary, in these receipts here you list the dollar receipts for Australian gold exports to the United States at only 75 million, and

South African gold exports at 480. According to the - I suppose the most authoritative statistics on gold production, the Federal Reserve Board lists British Empire gold production at practically a billion dollars and this is - a year, annually, and this is only one half of that.

H.M.Jr: What is the answer to that, Harry?

White: You will find that Canada produces about 225 or 230 million, and you will find that the figures there of Australia and South Africa are approximately what those two countries produce, what they produced last year.

Q. You mean the difference between the two figures is Canada?

White: I can easily assure you of that, that those are the figures of what they approximately produced and there is no difference between the Federal Reserve Board estimates and our own because they come from the same source.

Q. The difference in the overall figures are Canada?

A. Chiefly Canada.

Q. And Canada has its gold for its own purpose?

A. That is separate.

Q. Mr. Secretary, I have been following these figures, but I am a long way behind them, so to speak, and I would like to find out if we can get a figure which will approximate the expendable resources of the British. That is all of the political subdivisions and the whole setup for the next year and also a figure as to how far their - those resources will fall short of paying for what they have ordered during '41. Is that possible?

H.M.Jr: Now look, I don't want to get confused either. What I gave the committee up there yesterday were all of the dollar resources that the Treasury of England, or United Kingdom, if you want to call it that, the Treasury of the

United Kingdom could find during the balance of this year. Now, there is no - I mean, I went up there only after weeks of careful preparation. Now, the question that you are asking me about - it is like the head of the family wants to come and buy and he- we examine his credit. Now, when you begin to ask about all the other members of his family, his cousins and his aunts, that is another question. Now, that family of the British Empire is no different than any other family. I mean, they get along just as well as any average family does.

Q. Mr. Secretary--

A. May I finish, please?

And I could only tell you, as I told the committee, of the dollar resources which they feel that they can lay their hands on for the balance of the year. Now, let me give you an example absolutely off the record, you see--

(Off the record discussion.)

H.M.Jr: I don't know what the resources are of India. I don't know what they are, but they are large, but - I am talking off the record - I mean - when I say I don't know - well, let's say that I included it, but politically I believe - now, they haven't told me, you see - politically I believe that they can't lay their hands on it. They have got their own troubles, do you see, so - and there are other situations like India. I want to make that plain. They have their own troubles just like you have in your family. There are some members of the family that you can borrow from and some that you can't, and the same with me. There are some members of my family I would lend to and some that I would see them in some other place before I would give them a dime. My family and yours are no different than the British family. I mean, there are some that they can go and say, "Come on--

Q. Is that still off the record?

A. That is still off the record.

I mean, a good example is Canada where their relations are very good. All of this is off the record. I want to explain to you why it is very easy to ask for it. I could give it to you, but it is also very difficult for the British to answer. So they have gone all over their family relationships and when they get through, what they have given to me is what they can lay their hands on and the other stuff they can't, but I am just trying to explain to you that their family relations are no different than yours and mine, and you have got certain people in the family that you would lend to and some that you would see them in some other place before, or that you can go and ask for - "Come on, Jim, lend me, until next pay day," and he will, and their situation is no different than any other family, and I wanted to explain that, but I can't say that on the record because I am getting into a political situation which isn't my buainesa. It is their business, and I just can't talk about their

family relations any more than I can talk about my own relations. Does that explain it?

Q. Sure.

A. They have got their own troubles.

Q. Mr. Secretary, what I had in mind was that political question, with this in view, that you will get from your opposition forces on the Hill, for instance, certain arguments that despite this combination of bad and good relationships in this British family, that they will make the argument that we still think that the British should go to one of those members of their family before they come over here and try to get money from us, and that is the figure I was trying to get.

A. Well, I think your prophecy is undoubtedly correct, but there is nothing that I can do about it because it is none of my business. They have given me what they can

lay their hands on, and I can't say to them - still talking off the record - "Will you go down and borrow a couple of hundred million dollars from India?" I can't tell them that.

Q. Mr. Secretary, if you were a banker, would you accept those sheets?

A. You mean as to their accuracy?

Q. Well, accuracy or adequacy.

A. Well, as to their accuracy, I would accept it.

Q. Adequacy, will you finish that?

A. What?

Q. As to the adequacy.

A. You mean, is it complete?

Q. Yes.

A. It is complete as to what they tell me are the dollars they can lay their hands on for the balance of this year. That is their opinion.

Q. Mr. Secretary, to get back on the record.

(Resume discussion on the record.)

Q. Do you believe, or in your opinion should the American people at this time be asked to foot a couple of billions of dollars in expenditures at the same time when it is known that the British Empire as such still holds much that could be liquidated?

A. I am not going to answer that question. I will answer it in a different way. I appeared there in favor of the bill. I am in favor of the bill passing.

Q. Mr. Secretary, here is a simple question--

A. I am in favor of the bill being passed.

Q. In looking over the balance sheet, there is no mention made of the British Stabilization Fund, the gold in their fund. Should we assume from that that there is nothing left in that Fund?

A. The gold that is included in that includes all the gold wherever it is.

Q. Mr. Secretary, does that figure include the gold that is held by the Bank of England?

White: Yes.

Q. All of it?

Yes, that is, all the gold that is held by the Bank of England that belongs to the British Government or the people who are supposed to have turned it in. Now, they do have, of course, have gold which has been deposited with them on earmark by foreign governments the same way that we have gold that is deposited by various governments in the Federal Reserve Bank of New York. It is not our gold, and we don't include it in our daily statement.

H.M.Jr: I mean, for example, Turkey or Bulgaria or some other country, China, might have gold on deposit with them, but as to their own gold, owned by either the Bank of England or the British Government, it is all included in my figures.

Q. What has happened to the Stabilization Fund? There is about two billion dollars, isn't there?

Q. The Federal Reserve figure showed about two billion dollars.

White: And it is very easy to explain how they have used that up. That is what they have used up since the beginning of the war.

Q. Sir, the Federal Reserve says that the British have sold goods here and shipped gold here to the amount of about - sold goods here to the amount of about a billion and shipped gold and other resources here for about a billion, and I wondered how this two billion dollar Stabilization Fund has been usad up.

White: Look, the British Government had to meet - had to raise dollars for the following reasons. It had to raise dollars for the goods the British Purchasing Mission, armaments and what not, had purchased here. It had to meet dollar payments for plant expansion and advance payments, which were very substantial, which it had to pay here. It had to meet dollar payments for the merchandise, food stuffs, iron and steel products, and

so forth, that they did not buy through the Purchasing Mission. It had to meet dollars here for the withdrawal of dollar balances by Americans which they had permitted right along. It had to meet dollars in order to pay for the goods that they buy all over the world which they have to pay dollars in. They had to meet the dollars for some amount of illegal evasion or withdrawal of funds which they couldn't prevent. They met dollars for some withdrawal of funds by some of the other foreigners which they permitted during the early months of the war when they weren't certain as to what the course of events would be. Now, all those totaled up a very substantial sum. Now, what did they have to meet it with? They exported goods to the United States and their exports to us are very small, 15 or 20 million dollars a month. They sold some securities which I have indicated. They got a very small sum on interest payments and other

items in the service account. Some earnings and shipping, and their shipping earnings greatly decreased because they are using their shipping for other purposes, and there was sinking and there was loss of insurance on stuff which they had to pay, and when you totaled that up there was a great discrepancy which they could meet in only one way, that is to say, by the Equalization Account of whatever gold it had and whatever dollars it had and the sale of whatever dollars and gold it could obtain from the Bank of England and others, with the exception of the three hundred million which is indicated there, which they stated they must have because a portion of it, as the Secretary stated, was in insurance companies against which they have liabilities, et cetera. Does that explain what happened to the two billion?

Q. Yes.

I would just like to ask, are you satisfied

that there is little if anything left in the British equalization fund?

A. Well, the British state that there is virtually nothing left as indicated there. It is all in that same figure.

Q. Well, this picture is very bearish then, isn't it, this financial picture of the United Kingdom?

H.M.Jr: It is the facts, the bare facts. It is the bare facts.

Q. I never suspected they would have used the Equalization Fund so quickly.

A. It is the bare facts and explains the necessity for passing this kind of a bill.

White: They have been in the war 16 months.

Q. Mr. Secretary, for comparative purposes, do you have a figure for 1939 on their total payments and their deficit?

A. I don't think so.

Q. Do you have it, Mr. White?

White: I am sorry, I didn't hear the question.

Q. Comparison of 1939, giving their payments and so forth.

I mean '40. You have given us a statement of the anticipated expenditures and receipts, totaled payments. You have some of the figures for the preceding year, which was '40, do you?

White: Well, I was just explaining what happened to what they had at the beginning of the first 16 months of the war.

Q. I understand what happened, but I was wondering if you had the figures.

H.M.Jr: I don't think we would break it down.

White: We can give them some.

H.M.Jr: May I explain something, gentlemen? I am supposed to have at 11 o'clock this meeting with the Federal Reserve on open market. I will answer any questions, if you want me to, but I asked Mr. White to get in touch with the Federal Reserve, and he has them in the office, Mr. Gardner of the Federal Reserve who is there, who

is in charge of this. Also a representative of the British Treasury. If you are not satisfied or have any more questions you want to ask, if you will go down to Mr. White's office, Mr. Gardner is there from the Federal Reserve, so if there are any doubts in your mind as to their bulletin or figures that I gave, those gentlemen are available, but if you want to ask me anything personally, I am here.

Q. Mr. Secretary, I would like to ask just one small question that I think probably was answered in that statement, and I didn't understand. Does this statement include the anticipated complete gold production of Great Britain this year?

A. Yes.

Q. It does?

A. Yes, it does.

Q. Any financing? When will you announce the terms?

A. Oh, nothing this week.

Q. Nothing this week?

A. Nothing this week.

Q. You haven't met with the Open Market Committee, have you?

A. No, I sent word through Miss Chauncey to delay them 15 minutes so as to give you people the time.

Q. Mr. Secretary, I have got one question I was told to ask you. That is, Sons of the American Revolution have written you a letter urging that Benjamin Franklin's pictures be put on dimes coined after this year. Are you in favor of it?

A. You can't do it without a law.

Q. Are you in favor of passing such a law?

A. Which way would you like me to answer it?

Q. I don't care.

A. Neither do I.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 23, 1941

H.M.Jr: Did you get what the conference was all about?

Is everything as clear as crystal?

Q. Have you got any extra copies of that bill?

A. What bill?

Q. That you discussed with Mr. Doughton.

A. You must have misunderstood him. You had better see Mr. Beaman.

Q. Mr. Secretary --

What was the bill you gave him?

A. Did he say I gave him a bill?

Q. He had one in his hand.

He had papers in his hand.

It had a sign on top of it saying "A Bill".

A little Treasury pink slip on the top.

A. A pink slip on it? We usually tie them up in blue ribbons.

Q. It said "Expedite", I think.

I thought you usually took those tags off before you gave them away.

A. I see. Well, we are just human. We slipped.

Q. Mr. Secretary, in so far as the tax exempt features are concerned, Chairman Doughton reports that he is going to draft a bill to provide for the Federal taxation of Federal securities and city, state, and municipal features which we have spoken about here - they are not in that bill, is that correct?

A. Yes, that is correct.

Q. Can you explain the change in stand on that?

A. Well, you saw who all was here. That was the consensus.

Q. And they felt it would be difficult to pass a bill of that character?

A. No, they thought that it should be separated and let each stand on its own legs.

Q. And you will take this other up later, is that the idea?

A. I imagine it will be taken up later.

Q. Mr. Secretary, could you throw any light on the change from the President's description of what he wanted done to the debt limit and the decision

to put it at about a 20 billion dollar increase?

A. I don't think there is any difference.

Q. Well, the President said he wanted the limit just removed and Chairman Doughton told us that the general discussion now was to just raise it at this time about 20 billion dollars.

A. Well, I went over this whole thing with the President yesterday. There is no - I don't know of any disagreement. After all, all of these things have to be taken up with Congress, and whatever their decision is, as far as I am concerned, and I am sure in this instance, as far as the President is concerned, this will be entirely pleasing to him; but this is something they want to do in this way.

Q. Does Senator Harrison plan to consider this prior to the House action?

A. If you read the Budget message from the President, you will find only in case Congress didn't do anything the President said, then he pointed out -

he felt that if the appropriation had been made, that that superseded - you can use that language - the debt limit, you see.

Q. Rendered null and void.

A. Yes. Well, now, if these gentlemen here representing the leadership in the Senate and the House of the Democratic party after this meeting have decided they want to go ahead and introduce a bill and raise the debt limit, I am sure it will be entirely acceptable to this end of the Avenue. It is only in case they didn't do anything that the President was pointing out that there might be a way out.

Q. Mr. --

A. Does that check?

Q. Yes.

A. I think that is right.

Q. To get back to these tax exempts for a moment, you indicate that the question of reciprocal taxation or Federal taxation of state securities and

municipals has been put off for some other time. Is that correct?

A. No, I didn't say that.

Q. Well, that is what I gathered, that it would be taken up later.

A. Did I say that?

Q. Yes.

A. Well, I think - I gather that these gentlemen here lead me to believe that it would be introduced at a later date. Is that what I said before?

Q. You said it would be taken up later.

A. Well, I imagine it will be introduced later.

Q. You mean but not necessarily very much later?

A. Don't crowd me.

Q. Or to put it another way, not necessarily at this session of Congress?

A. No, you are wrong there.

Q. It may be introduced, but not necessarily passed; is that what you mean?

A. I will just leave it that it was my impression from these people that it will be introduced later.

Q. Could you add "in this session of Congress" to it?

A. At this session of Congress.

Q. All right.

Mr. Secretary, has the Treasury completed its study of the Eccles plan which dropped with a dull thud after it came out with a lot of fanfare?

A. Well, as far as the first part of your sentence, without editorializing on it, we have not completed our study.

Q. Why does that take so long, Mr. Secretary? (Laughter)

A. It is a very complicated question.

Q. Off the record, Mr. Secretary, did you hear what Jesse Jones said last week?

A. No.

(Discussion off the record)

Q. Mr. Secretary, you had quite a conference in here Tuesday with Brother Eccles and Mr. Crowley and Mr. Delano and Dave Schenker. Can you tell us anything about that?

A. At the request of the President, we got together all the people that have anything to do with banks, in connection with the bank holding bill; and a good time was had by all, and that is not for publication.

Q. Did Chairman Eccles also --

A. It was a very cheerful meeting.

Q. Perfect harmony?

A. No, it was a very friendly meeting, very nice.

Q. Did Chairman Eccles state his position on the bank holding company bill?

A. I have nothing to say about the meeting other than that the atmosphere was very pleasant.

Q. Well, Mr. Secretary, could we assume that all parties at this conference agreed that there was some need for bank holding company legislation?

A. No, we haven't made any report yet to the President, so I just couldn't possibly tell you gentlemen something before I told the President.

Q. Well, we don't want you to play favorites.

A. That is right.

Q. Well, can you answer this question --

A. I am just a hired man.

Q. Following that conference, is the Treasury still going ahead and try to press for passage of that bill at this session?

A. The answer is yes, sure. Treasury is for it. It is a good bill, long past due.

Q. What is Senator Glass' position on it now?

A. You had better talk to him.

I have seen him since then and he said, "What do you mean about 'laying a wreath' on that bill?" So I said, "Well, I didn't mean anything other than that I was just taking a leaf out of your book. I thought I was just being very witty." I said, "I never heard of anybody introducing a bill with resolutions." "Why it is done lots of times." I told him that was the first time in my experience. He didn't like that "laying a wreath" on it, but his door is open. He is all right. I am not worrying about him.

Q. Do you think you are even now?

A. Well, we got off to a good start.

Q. You have got him fighting on your side anyway in the Foreign Relations Committee, to which he was just, oddly enough, appointed.

A. Yes.

Q. Mr. Secretary, can you give us a little guidance for use in the European countries about this freezing situation? They are quite disturbed over there as to what is going to happen to their money, apparently, Switzerland and Sweden and so forth.

A. Last night the Evening Star thought it was important enough that they gave Mr. Perlmeter - do you call it a by-line in the fraternity?

Q. I am blushing.

A. And as far as I know, I think it is the first time I have ever seen it. Maybe I am wrong. But it is so important that they ran his name over the article, so I refer you to him.

Q. Do you have anything to say about the accuracy of the news contained therein?

A. Who am I to argue with Perlmeter? There is the author.

Q. He would be awfully happy if you would say he is right. I know he would.

Mr. Secretary, has the Treasury agreed upon and prepared for the President an Executive Order for that purpose?

A. I won't discuss that. I am not going to help you one little bit. Sorry. Not so much.

Q. Can't you give at least some of the general circumstances, some of the considerations that we might --

A. Not as far as I know.

Q. Have you found any indication at all of a lessening of opposition to the move by the State Department?

A. I am not going to help you one little bit, not one little bit.

Q. Mr. Secretary, don't international bankers and people who have fingers in this money have a general idea?

A. Where I stand?

Q. No, as to the general policy of the United States on this point.

A. Well, if I would explain it to anybody, I would tell you. I mean, outside of the Government. The people inside the Government know where I stand, but I just can't talk about it. I can't help bright young men writing articles and so forth and so on. That is their privilege and that is what they are hired to do, but --

Q. Sometimes we have a good source of information, too, outside the Treasury.

I am sorry that this has become hooked up with some articles that one person in this group has written, because it isn't a question of our writing articles, it is a question of us answering the people who are disturbed about their money.

A. Very seriously, I cannot discuss this question, whether we are or are not proposing to freeze funds and in which country. I am just not going to discuss it, so there is no use pressing me.

Q. I can see your point on whether you are or are not going to, but you cannot give some of the points which you have considered, even?

A. No, I am sorry, young man, I can't do it.

Q. Mr. Secretary, is there anything new on this Greek situation? You said two conferences ago that you have been trying so hard to get something arranged so that you could get some planes over there.

A. There is nothing to announce.

Q. We would assume then that you have not been able to release any?

A. No, I just have nothing to announce.

Q. Mr. Secretary, can you tell us whether the action of the State Department in lifting the moral embargo against Russia will permit the release of any airplanes or aeronautical equipment?

A. The State Department hasn't advised us over here. I don't know.

Q. Would it have any effect at all on the fund freezing of Lithuania or Latvia or Esthonia?

A. I don't think so. It is a moral issue. A moral embargo has nothing to do with the freezing.

Q. Could you tell us whether there have been any applications from the Russian Government or its nationals for the release of military equipment which will be cleared through your office?

A. Well, Amtorg asks, I suppose, daily, releases just the way the British Purchasing Commission or the Dutch East Indies Purchasing Mission does and the Greek Purchasing Mission. I mean, there is a constant flow of requests, but I can't tell you if anything or what has happened since the State Department lifted the so-called moral embargo. I don't know that anything has happened, but it may have.

Q. Through your knowledge of the situation in airplane procurement, would you say that it would be a very warm day in January when they can actually buy some planes?

It is a warm day today.

A. I don't want to follow your lead.

Q. Well, as a practical matter, is there any material available for export to any other country?

A. I can't help you out.

Q. Mr. Secretary, do you hope to get this debt legislation through before you have to do any further financing or seek any further new money?

A. I am very much encouraged from this meeting this morning. After listening to those gentlemen who were here, I feel very much encouraged.

Q. Mr. Secretary, was it you who suggested 65 billion or was it one member of the delegation; was it a counter-proposal?

A. No, that is their figure.

Q. Could you give us any large general picture of the type of financing you would do in the future if the debt limit is removed or run up high enough and that partition removed? Would it be mostly long term stuff?

A. You are ahead of me. I am borrowing 600 million today.

Q. I see.

A. I am certainly going to wait until this one is over.

Q. Mr. Secretary, you say the figure 65 billion dollars was suggested by this group. Could you tell us some of the factors that caused the suggestion of such a figure?

A. No, but I am prepared to defend it when I testify.

Q. How will you defend it?

A. Well, come on up and I will give you a set in the front row.

Q. Mr. Secretary, in that specific connection, when you do testify next week, sir, would you make available to us down here transcripts of your testimony, if it is public testimony, a little bit in advance? The last time that was released just at the time you started speaking, sir, and these people who were down there wanted to listen to the questioning, whereas had we had that copy

an hour and a half or two hours before, we could have gone over it and done a much more thorough job in preparation.

A. Which time are you referring to?

Q. I think when you appeared before the Foreign Affairs Committee on the Lease-Lend Bill; and if we do get it about two hours in advance, we can do a much more thorough job than if it is dropped there when we not only have to write running copy but also have to catch questions that are coming to you.

A. That was a most unusual circumstance. After all, I didn't know when I would get on. I didn't know that I would get on that day, and it is entirely of my doing, holding the thing up, until I testified; because if I had released it a couple of hours before and here were circumstances never before in history of one government announcing the financial status of another, and supposing I hadn't gone on until the next day; where would I be with the committee?

Q. Right where you were, sir, because we would not have released it. All we were doing was writing it, putting it in our offices to hold for release, and then we would send a bulletin when you go on and start moving the copy.

A. Well, the chances are that those circumstances most likely in my tenure of office will never rise again, so there is no reason why if we have some complicated figures - if they are my figures, the Treasury figures, I am more than willing to give them to you a half day in advance; but I was dealing with British Treasury figures, and I felt I had to guard them; but if they are my Treasury figures, you can have them a day in advance, as far as I am concerned.

Q. Specifically talking about next week, sir?

A. You can have them half a day in advance, but it is the other fellow's figures that I had; and I had to guard them, but it was entirely my doing. As I say, the chances are it will never happen again.

Q. You are going to be right busy up at the Capitol next week, aren't you?

A. I sure am.

Q. Senate Foreign Relations Committee Monday?

A. Well, they are having a meeting this afternoon to decide that. Has it been announced Monday?

Q. Yes.

I believe it has.

And then from there you go back to the Ways and Means Committee, is that the idea?

A. Well, Tuesday or Wednesday.

Q. One other question. Is this bill that they are going to introduce, is that an over-all bill including the three points; or is that going to be a separate bill?

A. Which points?

Q. Well, is it going to be a separate bill for the tax exempts?

A. Separate. Well, the way these gentlemen talked, it will be one bill on the debt limit, plus making all future Federal securities taxable and then a

separate bill on states and municipals. In other words, two bills.

Q. But the states and municipals isn't going in at this time?

A. Well, I told you later in this session.

Q. And this bill has three points, the removing of the partition, raising the ~~debt~~ limit, and permitting taxation, Federal taxation?

A. Well, that is the way it was discussed here. Mr. Beaman will draft it.

Q. I want to be clear on something you said --

A. At least when I go before them, if anybody questions me I can tell my own story in my own peculiar way.

Q. I want to be clear on something you said about that freezing business. You said you had not told anyone of the principles or the policies of the United States outside of your own Government people?

A. Well, let me put it another way and see if it checks with what I said before. What I said was ---this, that with the exception of the people of

the Treasury or other Government departments involved, I have not discussed this question of freezing or not freezing or what countries and so forth and so on. In other words, have I discussed it? Yes, we have been discussing the thing for months, but outside of the Government circles I have not.

Q. You have not decided whether or not to do it?

A. I have simply said I have discussed the pros and cons of freezing with various departments involved and various individuals, all in the Government; but I am not saying anything as to - beyond that. Is that clear?

Q. Yes.

A. I haven't thrown you down yet, have I?

Q. No. I made no statement about that. The important point is to whether the leading bankers or the central banks of those countries may know what is going to happen or what is being

thought about and may be able to protect themselves, whereas other people do not have that knowledge and cannot protect themselves.

A. Well, don't worry about the central banks or the other countries. I am making the statement for the third time that with the exception of the United States Government and the departments involved, I have not discussed this with anybody else.

Q. I am clear on that, sir, now but what about others passing this information along to these central banks? Nobody is authorized to?

A. It is enough for me to work with 75,000 Treasury people, without trying to go outside of my department. If I can control Miss Chauncey and Mrs. Klotz, it is a great day for me. (Laughter)

Q. Thank you, sir.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 30, 1941

H.M.Jr: I asked Mr. Bell to come in here because I think one of the newspapers possibly misunderstood us yesterday in the figure that we arrived at on the public debt, and jumped to the conclusion that the three and a half million in that was for the Lend-Lease Bill, and I think Mr. Bell can give you the breakdown as to how he arrived at it and possibly you would all like to correct it.

Q. You mean three and a half billion, sir?

A. Yes, one paper said they figured that three and a half billion out of the 65 that we were asking for --

Q. That paper said flatly Mr. Bell said so.

A. Well, that is why Mr. Bell is here in person.

Q. I didn't write it.

A. You are so sensitive.

Q. It sounds like a guilty conscience to me, Mr. Secretary.

I have so much on my conscience.

Bell: This gentleman signed his name. Well, I was explaining that the total appropriation is already on the books and the estimates of appropriations included in the Budget, less the estimated receipts for the fiscal years 1941 and '42 - that that added to the gross public debt on June 30, 1940, would amount to approximately 63 billion. In other words, if Congress was raising the debt limit to take care of all of the appropriations made and contemplated, the debt limit would have to be around 63 billion. Then I said that the Budget contemplated sending up additional estimates of - supplemental estimates of approximately three and a half billion dollars during this session and adding that to the 63 you would get over 66 billion dollars as a debt limit on that basis. Someone asked me if that three and a half billion was to take care of aid to Great Britain, and I said it was not, that it was largely for our own national defense and

to be more specific in it, the Budget shows in - the Budget document shows in a footnote under expenditure tables that it will send to this Congress approximately two billion 400 million for national defense, and a billion and four for WPA for 1941 and 1942. Four hundred million of that is a supplemental estimate for this year, and that totals over three and a half billion dollars, some of which includes contract authorization for the national defense.

Q. It was three, eight?

Bell: Yes, I was using three and a half.

Q. Mr. Bell, how do you reconcile that figure with the figure in the Budget of 58 billion on June 30, '42?

Bell: That is on an expenditure basis, and what we were asked to do is figure it on an appropriation basis.

Q. In other words, what you mean is that they are

expecting the expenditures will be such as to actually make the debt 66 and a half billion, but they are going to appropriate and authorize enough, although it might be spent later?

Bell: That is right. Now, we contemplate that there will be enough appropriations on the books in excess of the - after deducting the receipt - in excess of the present debt to exceed 66 billion dollars.

Q. That is as of June 30, 1942?

Bell: Yes.

Q. And that would be exclusive of British aid, then, wouldn't it?

Bell: That would be exclusive of British aid.

Q. Make another increase for British aid?

Bell: No. Go ahead.

H.M.Jr: Well, what we figure is this, that Congress passes the Bill, the Lend-Lease Bill, which I am confident they will, whatever orders are placed by the Army and Navy under this Bill, that the production of the country is such

that they will not be able to draw on the Treasury for an amount in excess of the 28 and a half billion plus this three billion which you (Bell) are talking about.

Bell: Well, that is in that.

H.M.Jr: Well, then in excess of the 28 and a half billion. That isn't clear?

Q. Not at all, sir.

Well, do you mean that you have already made provision in the 28 billion - that that includes any aid you might extend?

A. Not in dollars, but in production. Let me explain. Let's say this Bill passes and - this is just my own opinion backed up by Mr. Bell, and the information they have given us, that by the time they get these orders placed that if all of the 28 and a half billion orders are placed, that the productive capacity of the country isn't big enough to absorb and pay for and spend more than 28 and a half billion dollars between now and June 30, 1942.

Bell: I don't believe they can spend it in that time.

H.M.Jr: We don't believe that they can spend more than 28 and a half billion dollars.

Q. In other words, what you are saying, Mr. Secretary, is that to the extent that we manufacture goods under this bill, because of the limit in our production we will have to decrease on other production so that the over-all figure will be about the same.

H.M.Jr: No, I don't - you see, I sat here for seven years and Mr. Bell has sat here for about 27 years, and in this spending program we have also found that the various agencies who are doing the spending, their eyes are always bigger than their stomachs, as we say to the children, and that - in other words, that their digestive tracts aren't up to their appetites.

Q. Well, in the interest of clarity, would it be fair to put it this way, that the physical

productive capacity of the country or the projected physical productive capacity of the country is such that they would be unable to manufacture more than a total of 28 and a half billions of dollars of goods?

A. That is the way we see it here.

Q. And then to continue on with that --

A. Between now and June 30, '42.

Q. Between now and June 30, '42, or between last June 30 --

The over-all period.

A. No, we are talking - yes, the over-all.

Q. Well, that 28 billion dollar figure went way past June 30, '42.

A. Granted, but all I am saying is I think it is a perfectly safe bet that knowing what the productive capacity of the country is at present, that if all of the orders were placed plus these estimates - this 3 billion dollars additional which Mr. Bell and I think will

go up, you see, that the statement that we made before the Congress that 65 billion dollars debt limit will take care of anything that we possibly can see that the Government might spend between now and June 30, '42.

Q. Then --

Bell: Including the British aid.

H.M.Jr: Including.

Q. Then, as a matter of fact, Mr. Secretary, the aid for Britain is actually included in the Budget estimates which have gone up on the Hill?

A. No.

Q. You mean they are not so listed, isn't that it?

A. No.

Q. If the productive capacity is still going to be within that 28 and that is all we can build, then whatever we do give the British has got to come out of that production?

Which already has been budgeted for domestic stuff.

Bell: Well, the 28 and a half billion is just an

estimate in the President's message. Now, there is an expenditure program in the Budget expenditure statement which is much smaller than the 28 and a half billion. I think the total is 17 billion for the two years. Now, the Secretary is saying that within the 65 billion we will take care of that 17 billion dollar expenditure program, plus any aid to Great Britain.

H.M.Jr: And leaving you a cushion of how much?

Bell: The Budget estimates that there will be a gross debt of 58 billion dollars at the end of June 30, 1942.

H.M.Jr: So there is a cushion there of --

Bell: Of about seven billion dollars to take care of any additions that may go up, including aid to Breat Britain and including future accruals on our savings bonds. That all has to be taken care of.

Q. I am getting more confused all the time. I am thoroughly confused now.

Wouldn't you like to start all over? Why not point out just where the British come into this deal, will you? I don't see them in the picture yet.

H.M.Jr: Right now they don't come into the deal, but what Mr. Bell and I have been trying to explain is this. I will take his figures and go over it again and you (Bell) watch me now.

Q. Take it step by step and slowly.

A. Let's say how much money for national defense is included in the President's Budget, plus the three billion which you (Bell) think they will send up besides. Is it about three billion?

Bell: Yes.

H.M.Jr: Let's say first, how much is in there now in the Budget?

Bell: You mean in appropriations?

H.M.Jr: Yes.

Bell: I will have to get it. There is included in the Budget at the present time appropriations

for over-all purposes something over 16 billion dollars, and you add to that the three and a half and you will have right close to 20 billion dollars in appropriations. That includes operating --

H.M.Jr: In round figures?

Bell: Yes.

H.M.Jr: And if you include that, where do you end at June 30, 1942, as far as the national debt is concerned?

Bell: Well, you have to add to that - well, you would add the 58 billion dollars.

H.M.Jr: Which leaves --

Bell: As the gross debt.

H.M.Jr: Which leaves a leeway if Congress passes the Lend-Lease Bill, and if they appropriate money for this purpose, a leeway of seven billion dollars.

Q. For what, sir?

A. For anything.

Q. Would you say in that 20 billion that is listed there is contemplated selling any goods produced within that 20 billion dollars to England?

A. I don't know.

Q. You mean there is a leeway of seven billion actual Treasury outgo, but not a leeway of seven billion as regards appropriations by Congress?

Bell: That is right. If you are going to base it on appropriations and then there is nothing in there for Great Britain at all unless the Army substitutes what they have already got in the mill as an expenditure for Great Britain's account.

H.M.Jr: How are you going to write this story? I am a little worried myself now. (Laughter)

Q. We are, too.

Mr. Secretary --

A. I am a little worried now.

Q. Mr. Secretary --

A. Yes.

Q. I think one of the things that is bothering us is the confusion between actual expenditure appropriations, authorization, and so forth. Now, if I understand Mr. Bell correctly --

H.M.Jr: Direct your question to him, because nobody in Washington can answer you better than he can.

Q. If I understand what Mr. Bell was trying to say, the Budget says that on June 30, '42, on the basis of anticipated expenditures, the debt will be 50 billion plus, but on that date we will have commitments which, if they were actually spent at that moment, would bring the debt to 66 or 66 and a half billion.

Bell: That is right.

Q. Now then, on this production business, if I get you right, Mr. Secretary, I take it that it is your opinion that in view of the limit of our productive capacity and in view of the fact that the estimates of our own expenditures

for defense may be somewhat optimistic, that the chances are that by the time you add British aid figures, whatever it is --

H.M.Jr "X".

Q. You still probably won't have a figure any bigger than we have already got.

Bell: Well, that is about right. We won't need any more debt limit to take care of that situation than we now have.

Q. You mean with this 65?

Bell: Sixty-five will take care of our present requirements up to '42, including what you have added, say, for the British, and that is as much as we think we will need within our present productive capacity.

Q. Well, there are two almost conflicting things in the mill here. In the first place, Mr. Secretary, speaking of productive capacity - you gave the impression that generally speaking British aid will not increase the figure over what has already been indicated.

H.M.Jr: That is wrong.

Q. Then you talk of a seven billion cushion, which indicates that it will be higher.

H.M.Jr: No, let me see if I can explain it. Whatever the British figure is, there has to be room found for those in expenditures and in production. Otherwise, everything that we have gone up on the Hill for would be useless, but where Mr. Bell and I feel that the room will come both in the productive capacity and the debt limit is that the Army and Navy won't be able to spend what they think they are going to. Is that right?

Q. To reduce that to simple terms, then, wouldn't it be an almost inescapable conclusion to say that we simply over-budgeted because we did not take into consideration the actual physical ability to produce the works we budgeted for.

H.M.Jr: No, I wouldn't say that.

Q. Well, you just did state that the Army and Navy --

A. We are not over-budgeted.

Q. You expected the Army and Navy wouldn't be able to spend all of that?

A. No, I just doubt whether they will be able to place the contracts and get the orders filled as rapidly as they think they might, based on past history. I hope I am wrong, see, based on past history. I just don't, having been here for a little over seven years, think that they will place the contracts as fast or the orders will come as fast as they think they will, and that therefore within the productive capacity, within the debt limit, with all of that, there is room for whatever amount the Congress will decide to appropriate for additional supplies for England or any other country.

Q. Up to a maximum of seven billions.

Bell: That would be the cushion. You might put it this way. The Army and Navy now - or the Budget says that you are going to spend 10 billion 8 hundred million dollars for our National Defense Program. Supposing - this is an example - that you say Great Britain wants to spend 10 billion in this country in the same period, 1942. That would make a total expenditure program of over 20 billion dollars which we have only got about 17 billion dollars of to meet it. The 10 and the 7 cushion. Now under those conditions you would need a three billion dollar increase in your debt limit, but we feel, as the Secretary explained, that we don't need that increase because our productive capacity will not take care of a 20 billion dollar program. It has got to be something less than that, and we feel that our 65 billion will take care of that.

H.M.Jr: But I hope that you won't write when you leave here that the Secretary of the Treasury intimates that the Lease-Lend Bill is a 7 billion dollar program. I am talking to you as a matter of guidance. I don't want you to go out and say that it is seven.

Q. Well, we have the three and a half this morning which is wrong. I didn't write it, but couldn't you give us any approximation of what they want?

A. I didn't say it was wrong. I simply said that the way he arrived at it was wrong. His deductions were wrong because nobody has said what it is. Nobody has intimated what it was and whoever wrote the story - ha just misunderstood Mr. Bell, that is all.

Q. Do I understand you to say that you don't know how big it is?

A. I didn't say that. I said nobody has said how big it is.

Q. Nobody has said to him?

A. To you.

Q. You are telling us a lot of things.

A. Nobody has said publicly.

Q. Mr. Secretary, as I get this picture, it is a fact then that our present Budget program, you feel, will take care of all of our productive capacities up until June 30 and whatever does go to the British will, of course, have to come out of that productive capacity, therefore our budget at present will swallow up any British expenditures that are necessary.

A. Based on past experience.

Q. Yes, sir. That is what I wanted.

A. Based on past experience. We may be wrong, but based on the experience that I have had here for the last seven years, I think that my assumption is correct. Now, maybe they are going to place orders much faster. Maybe they are going to manufacture much faster and all that. If I am wrong, then we will have to go back up to

Congress and ask for additional debt limit, but I mean, as I say - but sitting here forecasting 18 months hence what is going to happen, I mean you have got to do a lot of crystal gazing, and the only thing that you can go on is judgment which is made up from a series of events which have taken place over a number of years.

Q. Is your opinion shared by the Defense Commission, sir, on that production?

A. I haven't discussed that with them. This is purely Treasury. I mean this is just something--Bell, being Director of the Budget for four years, and having been around here for his lifetime, and my experience and the experience of the people that we have, we have arrived at that conclusion. I mean, it is a matter of judgment. You have nothing to lay out on a piece of paper, but it is a matter of judgment and, as I say, it is perfectly possible that we may be wrong and, if we are, we will have to go back up on the Hill again.

Q. Well, you did tell the House Committee yesterday that that 65 billion would be sufficient to handle our own needs plus British aid.

A. That is exactly what I said, and then this story in this morning's Post upset Mr. Bell and me a little. We thought that with the help of you gentlemen and the Post, we would just straighten it out.

Q. Mr. Secretary, did you indicate how that three and a half billion was made up?

A. Yes, and if you don't mind, if you want to get it, because you came in late, see Bell afterward, will you? If you can't get it from the boys - because we have been all over it once or twice or three times, and if you don't get it from them--

Q. I just asked whether you did.

A. Yes. If you don't - if you are not satisfied, Bell will be glad to see you. Would you mind?

Q. Just one point about that three and a half, as I understood Mr. Bell that is already in the

Budget.

Bell: Yes. The Budget makes their expenditure tables complete, see, by putting in an estimated expenditure on supplemental items and then in a footnote they say what estimates are going to be submitted as a basis of those supplemental items. I will show those to you if you want to see them in the Budget.

Q. I have seen the supplemental items.

Mr. Secretary, do your estimates on this take into consideration any ordinary price rise which will occur when all this stuff goes into the mill?

H.M.Jr: I am not sure that they do.

Q. In other words, that seven billion cushion would be thrown off to the extent that there is a price rise and of course if there is any edge toward inflation it would be all thrown out the window, would it not?

A. Well, the only thing that we can go on is the Budget that - Budget estimates. I mean we can't

go beyond that.

Q. What about the price outlook right now, Mr. Secretary?

A. Well, I don't want to particularly get into that. I would like to, if you don't mind, get one other thing over which I think I didn't evidently explain satisfactorily yesterday. I have something written here. It isn't very long. It is in regard to some paper who seemed to feel that we were going to high-pressure people into buying Government securities, and I would just like to read these two sentences to you which explain what the Treasury policy is.

"In bringing these offerings to public attention we contemplate no campaign of high pressure salesmanship or propaganda. We have made a careful study of the liberty loan and war savings campaign and of the British savings movement. I hope that we can profit by their experience."

Now, this next sentence I have underlined in red.

"There will be no attempt to stampede, intimidate or coerce people to buy."

Q. From what are you reading, sir?

A. A memorandum which has been prepared for me on this whole program.

Q. Mr. Secretary, you said yesterday that you would try to avoid the mistakes made during the World War. You didn't say what those mistakes were, and I assume that those were some of the mistakes you want to avoid, but I just wondered if you cared to elaborate on that.

(Discussion off the record.)

A. Just as a matter of interest, but not to be - I don't want to even get in on it, in going through the history, do you know that we found that - to me, I never knew it. Just to show the kind of thing. That there were so-called German sympathizers who wouldn't buy Government bonds, that they put them behind barbed wire fence and kept them there until they agreed to

buy Government bonds. I am just giving that as an extreme, the kind of things they did. But I don't want to be quoted on that.

Q. That was the action of local committees, wasn't it?

A. True, but they worked themselves up into such a hysteria that those are the kind of things they went to. It was that kind of thing. Another poster that they have of the bombing of the highest building in the world at that time, the Woolworth Tower, the thing is just all falling apart and it says buy a bond or this will happen. That kind of thing, which I don't intend to have anything to do with.

Q. Does that go down to that old scream of "slacker" that was kicking around in 1917?

A. Well, I think this statement covers it, that we are not going to go at the thing in that way. We want to build up morale, not tear it down.

Q. You wouldn't like to see the phrase "slacker money" used to any great extent?

A. Well, I don't know. Some of these mayors and

some of these state officials, I don't know what I am going to do before I get through, but so far - well, it may be personal, but with Mayor LaGuardia, I have every reason to believe - I am still off the record - but some of these people may be a little selfish in their attitude.

Q. Isn't it a fact that Mayor LaGuardia is one of your gang, as you put it before, but that his hands are tied?

A. Well, I don't know how long he will stay a good boy. All of this is off the record. But right now he is being very nice and cooperative.

Q. If he was brought down here to Washington, he might be more effective, and he would be less effective on the other side, wouldn't he? He would make a good Secretary of Labor, wouldn't he? (Laughter)

(Resume on the record.)

Q. Mr. Secretary, on an entirely different subject,

you indicated at your last press conference that your conferences with Crowley, Eccles, et al --

A. Who is "et al"?

Q. Delano. (Laughter)

A. From now on he is "et al."

Q. That you were going to report back to the President the results of your conversations. Have you made that report yet?

A. I will tell you, before I do that I need a good breath of Arizona air, which I hope to get next week.

Q. How about some Utah air, Mr. Secretary? How long will you be away, sir?

(Discussion off the record.)

A. Well, can I say something without it being taken down? Maybe we can give them the air. For gosh sake, don't write that or I will have a telephone call.

(Resume on the record.)

Q. Where are you going on your vacation, Mr. Secretary?

A. For a week I hope to go to Arizona.

Q. Mr. Secretary, a few weeks ago you had some praise for Leon Henderson's work.

A. That is right.

Q. Is it true that he is so dissatisfied with the effect of his work that he is leaving the Government for a short period?

A. I don't think that is correct. He talked to me just before he left. I don't think that is correct. He called me up just before he left.

Q. Mr. Secretary, you didn't get through telling us about your trip.

A. Oh, I just said that I wanted some Arizona air.

Q. Yes. I mean--

Isn't there a certain ranch out there that you go to?

A. We just call it Arizona.

Q. Do you put on high-heeled boots and big hat when you get out there?

A. I put on a big hat, but not the high-heeled boots.

Q. Can you offer any more suggestions on building Post Offices?

A. You never can tell. That one fell through, incidentally. The collections were only $800 a year and after giving it careful consideration for 12 months, they turned them down.

Q. Mr. Secretary, have you all completed your study of Mr. Eccles' program?

A. I thought we had settled that situation.

Q. No, sir, you said it was still under study.

Bell: That was only yesterday.

H.M.Jr: I said I was going out to Arizona for a breath of fresh air.

Q. You were asked that question yesterday and you almost answered it. I was waiting breathlessly for a reply.

A. Well, I thought I wouldn't, and I am glad I didn't.

Q. Say, I just got another idea on that thing we spent so much time on at first. Wouldn't be

correct to say that it is your opinion that little or no increase in the debt limit will be necessary on account of the Lease-Lend Bill?

Bell: During fiscal '42.

H.M.Jr: As I see it today - he doesn't nod as well as Foley. Foley gives a much more decided nod. Well, from the slight little indication Mr. Bell gives me, I would say the answer was yes.

Q. I gather he said for the next fiscal year.

A. Yes, that is, to June 30, '42.

Q. That the 65 billion would carry it up until then?

A. I said that yesterday. I haven't changed.

Q. There wasn't any question of little or no; there was simply a statement then that there would be no increase up to June, '42.

A. As we see it today, but don't forget that we missed it pretty badly last July.

Q. As a matter of fact, Mr. Secretary, they have money to run them up through this year so that any increase in the debt limit likely would result from an outlay during the last half of

the '42 fiscal year. Would that be correct?

A. I think I had better rest it just where it is, just let it go.

Q. Mr. Secretary, on this British aid business, we have had queries and I guess others have had queries, about why don't the British use the assets of India, Australia, and Canada and so forth before coming to us. I think Mr. Flynn has harped on that in his column.

A. Mr. Flynn has said a lot of things in his column in the last week which he would have a hard time proving. Flynn is off, but he said the same thing three - Mr. Flynn wouldn't take the statement that we said where we explained the difference between the Federal Reserve and the Treasury. If he read it, it certainly didn't make any impression on him. It has on practically everybody else except Mr. Flynn. I am glad you gave me a chance to say that. That is not for publication, it is just in the family.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, FEBRUARY 10, 1941.

Q. Did you like Mr. Churchill's testimony on the Lend-Lease Bill yesterday?

A. I am too recently off the prairies to have any snappy comeback. I just wanted to say "how do you do." I don't think I have got any news for you gentlemen. I haven't had time to find out what has been going on.

Q. Did Dan Bell relay your report to the President on the Bank Holding Company Act last week, do you know?

A. Did Dan Bell relay my --

Q. You are supposed to report on your conferences here on the Bank Holding Company Act, which you held with --

A. Well, that would be with the President.

Q. Yes. Well, Dan Bell went over there last --

A. But if he did, it would belong to the President.

Q. That is true.

A. You are asking the wrong fellow.

Q. It was an idea.

Mr. Secretary, what were Harry White and

Ed Foley doing down in Mexico?

A. Studying.

Q. What?

A. General conditions.

Q. I mean what besides night clubs?

A. What makes you think they went to night clubs?

Q. Just a guess.

A. No, general conditions. I haven't heard the results.

Q. Was it their idea or did Mexico ask them or did you send them?

A. I thought it would he good for them to go down there.

Q. Mr. Secretary, an Associated Press story out of Mexico quoted an official source as saying that a settling of all problems between the two countries is imminent. Did they go down in relation to that?

A. I don't - is anybody around here that objects to off the record?

Schwarz: No objectors.

(Discussion off the record.)

H.M.Jr: Both the boys have just worked themselves absolutely to death, and I was trying to think of some place they could go to get a little rest and also post themselves, and they went down there and saw the Undersecretary of the Mexican Treasury and got a little sunshine and so forth and so on.

Q. Is Lindsay Warren watching Florida too close? (Laughter)

A. Well, if anybody did, they earned it, and they will come back with some information. They will pay for their trip. But that is - I don't want to keep saying no and make a big mystery of it. They spent most of the time, I gather, with the Undersecretary of the Treasury of Mexico. I think they were with him most of the time. So I am sure they got something out of him.

Q. Was that off the record, Mr. Secretary?

A. That is all off the record. I didn't want anybody to build up a big mystery about it.

(Resume on the record.)

Q. Mr. Secretary, how about these stabilization arrangements, I won't say loans, that you were thinking of entering into with Peru and Chile?

A. Well, they are just where they were when I testified in December.

Q. They have been advanced no further since then?

A. No. As far as I know, I don't think we have even begun, but I was asked the question at the time, and being a very truthful person, I told them --

Q. Were you on oath, Mr. Secretary?

A. Well, I consider it is up to me to tell the truth.

Q. Could you say, Mr. Secretary, if they are under consideration?

A. Well, at that time - I mean when I was testifying I was under the impression that they would come up next, but I haven't heard

anything recently about them, and no one has mentioned it to me, but I didn't want to be testifying one day and then the next day be negotiating with these countries; but from that day to this, I haven't heard a thing about it.

Q. Can we turn back to Mexico for the minute? There have been some stories out of Mexico City, some local stories here, to the effect that a considerable amount of German and Italian funds are flowing there through the diplomatic pouches and especially in connection with propaganda activities there, and I was just wondering whether there might be a little closer collaboration between the Treasury in view of the fact that you have control of the frozen funds and collaboration with Mexico to prevent any such transfer of these funds?

A. Well, seriously, I don't know what the men did there, but when you mention diplomatic

pouches, I would have to refer you to the State Department.

Q. Well, I will expunge that from the question.

A. Too late. The boys have always earned their salary and I am sure they will come back with something. I am not prepared to answer anything on it.

Q. Are you going up on the Hill tomorrow?

A. I understand they have postponed it until Wednesday.

(Discussion off the record.)

Two reasons were given. One, they would like to hear Wendell Willkie, and the other, they didn't think they would get a break in the press. You can take either one.

(Resume on the record.)

Q. Mr. Secretary, do you expect a discussion soon with regard to freezing of more assets, including the Germans and Italians?

A. Being a farmer, I am very optimistic. I was born that way or I wouldn't be a farmer.

Q. What does that mean, Mr. Secretary? Now, speaking as one who has come in contact with Government procedures, what would you say?

A. Well, I still go back to the farm to keep myself from getting too governmental.

Q. To us urbanites, Mr. Secretary--

A. Aren't there any farmers here?

Q. Well, I come from Nebraska.

A. I see.

Q. It freezes on the farm in winter time. But they are not very optimistic out there. Does that mean you simply hope it will be done, but don't know when it will be?

A. No, I will just leave it to that, whatever you

want to describe it, kind of remark I make. I will let you supply the adjective.

Q. Mr. Secretary, from the legal standpoint, in view of the fact that the United States is not at war with Germany or Italy, would it be diplomatically correct to freeze the funds of these two countries? Wouldn't it be an act of war? That point has never been cleared in my mind as to whether you can do that without declaring war.

A. Would it be diplomatic and all the rest of that, that is just two streets across the way.

Q. Well, has the Treasury got powers?

A. Have we got the power?

Q. Or rather the President, in view of the fact that we are not at war with these two countries?

A. Sure we have the powers. I mean, between the President and the Treasury, we have. I don't know where it rests, but he certainly has it if I haven't.

Q. You have the legal powers, don't you?

A. Legal powers?

Q. Are you talking, Mr. Secretary, about just an overall freezing or just in the case of certain countries like Germany?

A. I am not talking.

Q. You said something about being optimistic. I am trying to find out what you are optimistic about.

A. About farming.

Q. Mr. Secretary, have you received any indication at all from the State Department that they are coming around more to your way of thinking as regards the general freezing order?

A. Well, I can't help you out on that one.

Q. Thank you.

I see you have been doing some reading, Mr. Secretary.

A. Yes, how did that get on the top? (Referring to book on table.) It is fiction.

Q. This looks like the end. Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, FEBRUARY 17, 1941

Q. Are you feeling pretty happy, Mr. Secretary?

A. Sure, why not? The sun is shining.

Q. I was referring especially to this Bill.

A. Bill?

Q. Oh, was it 65¢ or something like that?

A. I see. Well, it was very nice. We can use the 65¢. Sorry I woke you this morning.

Q. Woke me?

A. Didn't I?

Q. No.

A. My spies told me they woke you. Does that surprise you?

Q. Very much so. I naturally arose at 7:30.

A. I won't inquire into it further. (Laughter)

Q. Mr. Secretary, now that this measure has passed, I wonder if you could give us some details on the way this financing is going to be carried out?

A. No, because I am just going to start to work

on this thing seriously beginning Tuesday, and Wednesday. I have asked Mr. Bell to get in touch with Marriner Eccles and see whether we couldn't meet on Wednesday morning. I haven't heard. I have been out all day. I have asked various people to come in and visit with me, so I will be spending all week on it, with the possible expectation that maybe next week we will do a refunding. If everything goes along all right, possibly we will do a refunding next week.

Q. Any amount that you can give us?

A. Well, if we do the two, it would amount to approximately - if we do the note and the bond, it would amount to approximately a billion two.

Q. What are those two issues, Mr. Secretary?

A. One is a bond which is coming due, and the other is a note. The details will be furnished by one Schwarz.

Schwarz: I will call down there.

Q. Will this discussion also relate to the amount of money that is needed to finance the defense phase of the Lease-Lend?

A. No, I don't expect - what we would do normally, this would be the time table. If we decided to refund next week, then about two weeks later we would go to the market for some cash; and, of course, we are working very hard on a plan for making it attractive to the investors who have savings to put their investments in - their money, their savings, into some form of United States securities, but it is still in the study stage.

Q. Mr. Secretary, is it your intention to borrow this money pretty much in large chunks or to - some schedule, so much a month or something like that?

A. Well, as I say, I don't know. I have got to confer with a lot of people and the door is wide open for suggestions. I just don't

know. It is something entirely new going out in very large amounts of wholly taxable securities, and just what we can do I don't know.

Q. Can you tell us about the stamps?

A. No, it is all in the study stage, stamps and various kinds of securities to be offered to people of moderate means. I just don't know. Nothing has been settled. Just as soon as we do know, I would be glad to tell you.

Q. Will baby bonds sold in the future be taxable?

A. Yes. I think we are going to - I think it is 30 days from the time the Bill is signed.

Schwarz: It is the first of the month after the Bill is signed.

H.M.Jr: That makes it the first of March?

Schwarz: That is correct.

H.M.Jr: The first of March. All baby bond holders will be paying taxes.

Q. If I bought a baby bond now, it wouldn't be taxable, would it?

A. Well, it would be just the way it has.

Q. Going to raise the rate on them March 1?

A. I am not ready to say anything. We have been studying it all very, very carefully; and I am not ready to say anything yet, because I don't know.

Q. Mr. Secretary, one question, if and when you begin selling these defense securities and I purchased, say a $50 face amount bond, will that be registered in my name? I mean, what I had in mind was, to prevent any of the speculation on these bonds, suppose somebody needs money and he - I understand it will be 60 or 90 days after the purchase of the bond before it will be redeemable under this new Bill. And I needed money. Let's say I had a thousand dollars of these bonds and I can't redeem them until 90 days after I bought them, what happens then?

A. Well, if the regulations were written the way you were described, you would have to hold them for ninety days, because they certainly are not going to be negotiable.

Q. They are not?

A. They are not going to be negotiable, and in return for that, these securities that we are talking about, you will have the right and opportunity after ninety days, as long as you hold the securities to present them and get a hundred cents on a dollar.

Q. I understand that.

A. In return for that.

Q. In the meantime, I cannot sell or redeem - rather I cannot redeem them?

A. That is the way the United States Savings Bonds are now. You have got to hold them for sixty days.

Q. Supposing I needed funds?

A. You can't do anything about it.

Q. Then if I went to a broker --

A. He would be breaking the law if he loaned you money on them.

Q. He would be breaking the law?

A. I don't know what it is.

Q. But there is no provision in the Bill?

A. But nobody is going to lend you, because he couldn't collect.

Q. He could buy it from me at a discount.

A. No, you have a hundred face value of United States Savings Bonds. You can't sell it to anyone except the United States Treasury, and nobody can get it because you can't transfer it, and he can't collect.

Q. I am afraid some rackets will turn up.

A. No. So far, we have sold I don't know how many bills so far, and it has been absolutely foolproof.

Q. Here is the situation, a man would have money and be broke at the same time.

A. Well, now look, supposing you owe the

corner grocery store and you say, "Well, in ninety days I can collect this, and I will come around or you can go with me to the United States Treasury, and when I collect it I will turn the money over, if you will wait ninety days." He would, if he is a nice grocer.

Q. You let him hold the Bond, and he will come around and get you at the end of the ninety days?

A. Well, that is up to you, but the purpose is, the thing is designed so that you will be protected. Now, if you are going to - after all, you are an adult, you are 21, and we do the best we can, but we can't play nurse.

Q. Yes, but don't you think that is an unhealthy condition where you freeze the market entirely in the price of bonds except at a future date to pay?

A. No, that is just - well, there has been, as far as I know - I say we have sold several billions, and I have had no complaints. It is only sixty days, incidentally. I have had no complaints. People seem satisfied.

Q. Is there any provision in the President's emergency powers which would permit him to abrogate such redemptions by the Treasury at certain times?

A. Well, all powers that are delegated to me by the President, under this Bill we could change the rules if we wanted to at any time. It wouldn't come under the President's emergency powers, it would come under this Bill.

Q. This ninety days' redemption --

A. It is a Treasury regulation, not a statute, and it could be changed by me as Secretary of the Treasury under powers delegated to me by the President.

Q. I think what Mr. Herman has in mind, you recall the 1933 life insurance moratorium, where you couldn't collect.

A. What I thought he meant, if you needed a hundred, could I change the law for one hour so you could collect.

Q. No, what I meant was, if - this is still a hypothetical question, of course -- could you declare a moratorium so you would not have to redeem these bonds and still make it so it would be illegal for them to be sold on the open market?

A. Well, do you mean if - if so many of them were offered to us?

Q. If, on a hypothetical basis, if your credit went sour, and they all came piling in here.

A. On a hypothetical basis, I am not going sour, even if it was you.

Q. Mr. Secretary, this 60 or 90 day limit only applies to the baby bonds, it doesn't apply to the other stuff, does it?

A. There isn't anything else, but it is the other thing which we are planning on, and I opened my remarks and I end my remarks by saying we have no plans yet as to how we are going to do it, but I can't imagine the day that you describe.

Q. Well, the point is that during the last World War - I don't recall, but I read of it - some of the stuff slipped pretty badly, and I imagine if there was that redemption feature in it at that time, it wouldn't have slipped unless the credit of the--

A. Well, don't have such depressing thoughts.

Q. As I recall, those bonds could be sold in the open market but these issues could not.

A. What we are trying to do is this. We are going to design a bond for people of moderate means which we hope will be the best investment they

can find to put their money in. We want to avoid the mistakes made last time, we are not going to sell them on the installment plan, we are not going to force them, we are not going to line up all the soldiers and say at the end of the month, "You have got to buy so many," and we are going to make it attractive so that if a man does buy this bond, he can, after a certain date present it to a post office and get his money back for exactly what he paid. That privilege is going to be limited to people of moderate means, so that means it is going to be the top limit on how much any one person can buy within a year.

Q. Are you talking now about the baby bonds or another bond?

A. Any special bond which we get out which would be attractive to a person of moderate means.

Q. Mr. Secretary, can you tell us something about the utilization of the funds which we made available to Argentina some months ago? Are

they being used?

A. No, I am sorry. Mr. Schwarz will be glad to take you in to Mr. Bell. I am not up on it, but he will be glad to take you or anybody else in to Mr. Bell.

Q. Argentine never ratified that, did they? I don't think so.

A. I don't know, but anybody - Mr. Bell has been handling it, and I just don't know, but I want to again emphasize that nothing has been set on how we are going to sell these bonds or securities under this new act. Nothing has been set. We have just been talking in general terms, but anybody that wants to know about Argentine, Mr. Schwarz will take you in to Mr. Bell.

Q. Mr. Secretary, the National Economy League this morning proposed a 10 percent tax on all income paid on top of existing taxes. Do you think that is good?

A. I thought it was sufficiently interesting that

I asked Mr. Sullivan to get a copy of Professor Lutz' proposal and read it and then let me read it. Professor Lutz at least didn't send me a copy, so I don't know what is in it.

Q. When is that Chinese signature going to take place?

A. Also Mr. Bell. I don't know. He has been handling both those things for me.

Q. Anything on the sale of British assets?

A. Not a thing.

Q. Anything said in the meeting at the White House?

A. You are the first person that asked me. Everybody else knew better. (Laughter)

Q. How is--

I am a reporter, Mr. Secretary. (Laughter)

A. Well, they all take it. Wait until they see you outside.

Q. We are correspondents, Mr. Secretary.

A. I see.

Q. We get the same answer he did.

What was that?

A. Go ahead, Gregory.

Q. I am all through. I am not a reporter.

A. All right? Goodbye.

Q. Thank you, sir.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - FEBRUARY 20, 1941

H.M.Jr: We know a little bit more about our financing today than we did on Monday. We know now definitely we will keep it to a refunding of the note and the bond, and what I am planning to do is this. We will take a look at the situation on Monday and if nothing out of the ordinary happens over the week-end, why we will go ahead on the morning of Tuesday, the 25th. I am right on the date, am I not?

Klotz: Yes.

H.M.Jr: I have also changed my plans a little bit - you see we can't offer any of these securities until after the first of March, but beginning the fifth of March, which is the first date, we will offer 200 million dollars worth of 90 day bills. We have been offering a hundred million each week, and how long it will continue depends on market conditions.

Q. This will be 91 day bills?

A. That is right. We will offer them each week.

Q. You will just double the amount?

A. On March 5 we will offer 200 million dollars worth of 90 day bills, which will give us a hundred million dollars cash, you see.

Q. Are you still going to label them National Defense Bills?

Bell: No, that is out, you see, the first of March.

H.M.Jr: No, it would just be Government securities.

Q. What did you say it depended on, Mr. Secretary? How long they continue?

A. Market conditions.

Q. In other words, you are going to raise a hundred million dollars of new money a week until further notice?

A. Until further notice.

Q. Mr. Secretary, on this refunding, you are going to refund both the note and the bond?

A. That is right.

Q. Can Mr. Bell give us the amounts?

A. I hope he can. It would be very embarrassing to me if he couldn't.

Bell: You can too, can't you? I have said them enough.

A. Yes. Go ahead, Dan.

Bell: The bond is 545 million and the note 677 million.

Q. What does that add to?

Bell: One billion 222 million.

Q. Will you give us the dates of the bond and the note?

Bell: The bond was issued March 16, 1931. It was a 10-12 year bond and the note was a five year note, having been issued March 16, '36.

Q. They are both due when?

A. March 15.

Q. And the interest rates on both of them?

Bell: The bond is three and three eighths per cent, and the note one and a half.

Q. Mr. Secretary, are you ready to give any indication of what type of security will be offered?

A. No.

Q. But it will be an exchange?

A. It will be an exchange and then I want to say that neither the Federal Reserve or the Treasury have been in the bond market this week, which is our normal practice, and - before a financing - and won't be in it. And then in order - I have said it before, but some time in either March or April, somewhere along in there - it would be more apt to be April than March - we will be in the market for the RFC.

Q. How much is that?

A. Well, it would be somewhere around 500 million.

Q. Does the defense have anything to do with that?

A. No, that is independent.

Q. Is that money for RFC's use or for payments to you, or both?

Bell: Both.

H.M.Jr: Both.

Q. Would you get 300 of that?

A. I don't know.

Bell: Yes, about that.

Q. And the RFC would get 200 for itself?

A. Yes. You see, in agreement with Mr. Jones and also with the Department of Agriculture, they have all kept out of the market until this bill passed.

Q. This R.F.C. business, that has to be a note, does it not?

Bell: No, not necessarily. They all have been notes.

Q. Well, one other question. Are you going to refund this note maturity for a bond or for another note?

A. I don't know, but just as soon as we do know, I will let you gentlemen know, just as soon as we make up our minds.

Q. And you say it may be announced next Tuesday?

A. Well, we will take a look at the situation Monday, all day Monday and Monday afternoon, and if nothing happens over the weekend that is out of the ordinary, I mean - there are

plenty of disturbing things, but if something extraordinary doesn't happen outside of the United States, why, then we will go ahead Tuesday morning, but we have done this before when conditions were strained. We waited until Monday because some people like to pick a week-end.

Q. Well, I am not very familiar with your terminology here in financing. What do you mean, that we may go ahead on Tuesday? Is that to announce the --

A. You would get an announcement Monday afternoon for Tuesday morning's papers that wa were offering security or securities in exchange for these - a note and a bond.

Q. Just an announcement of the plan?

A. That is right.

Q. But there will he no cash offering in connection with the refunding?

A. There will not be.

Q. When will your first new money-borrowing bond be called?

A. Well, I am saying now we will do that on the fifth of March.

Q. That is, for a hundred million?

A. For a hundred million, and my plans on that are indefinite, depending upon market conditions. We could run along that way by taking an extra hundred million a week. We could run along that way for a number of weeks.

Q. Fifteen weeks is the maximum, isn't it?

A. Yes.

Q. Then you have to step up to three?

A. Yes, but I mean we could go along for a considerable time, and we --

Q. Mr. Secretary, about how much of a discount are you taking now on 91 day bills?

Bell: Oh, since the first of January we have gotten premiums on them up until the last issue, and the last issue went at a slight discount. It was ridiculously small, though.

A. But those were wholly taxable, you know - tax free.

Q. But these are not?

A. They will not be, but these that we have been offering have been entirely free from taxes.

Q. Mr. Secretary, are you going to have to make the refunding offer a little more attractive than the previous offerings?

A. Well, I will answer you this way. Since the first of January, long-time Governments are off four and a half points, so I think that - and the corporate bonds are off a corresponding amount.

Bell: They are off pretty much, too.

A. But I don't watch them as close as I do the Governments, so I think that answers your question, but I also want to point out that I saw you gentlemen on Monday and gave the public the first look at what I was doing and the government bond market has turned steadily and moderately up while the corporate bond market has continued to slough off, so you see the power of the press.

Q. In other words, your statements have been rather reassuring to your bond market?

A. Well, that seems to have been the effect. They saw what we were going to do and gave their approval and more people wanted to buy than wanted to sell.

Do you want to add something, Dan?

Bell: No, I think you have covered it very well.

A. That is the picture as I know it this morning.

Q. How are your plans coming for the smaller bonds and certificates?

A. Well, we are working on them. Nothing has jelled on it yet. We were asking Congress for three million dollars for publicity and advertising and administrative expenses, and we have nothing yet to announce.

Q. Has this request already gone up?

A. Yes. Hasn't it, Dan?

Bell: Yes. It is pending before the House Appropriations Committee.

Q. Was anything said about it?

Bell: Beg pardon.

Q. Has anything been announced on it?

Bell: No, the deficiency bill has not yet been reported

out.

Q. Am I correct in writing that that three million dollars is a deficiency appropriation for the balance of the 1941 fiscal year?

Bell: That is right.

Q. Until June 30?

A. That is right.

Q. How much will you need for the next fiscal year?

A. We don't know. We are working very hard, but I would rather go a little slow and be sure than just to jump in and be sorry.

Q. Can you say anything about the type of publicity and advertising campaigns you have in mind?

A. No, all I can say is that I reiterate there is not going to be any high prassure or waving of the flag or anything of that sort. We are going to try to make it just as interesting as possible but not make anybody feel uncomfortable about whether they invest or don't invest.

Q. No bloody sword posters?

A. No, sir.

Q. Are you going to sell them on the installment plan, other than the way you do sell them now?

A. I don't know, but I can assure you there will be no pressure, and again, in order to make them attractive to the small investor, the amount that any one person can buy in a year will be limited. In other words, we are going to make it attractive for the man of moderate means, and therefore we will limit the amount that any one person can buy.

Q. That limit will be on what type of security?

A. Well, whatever the type is going to be. We don't know yet.

Q. Do you anticipate it will be less than the present 10 thousand dollars annually?

A. It might be.

Q. At the same time, I presume that the banks and corporations and so forth would be eliminated?

A. Well, I mean it is definitely - what we have in mind is to appeal to the man and woman of moderate savings. Now, when we do that we can

afford to make it a little bit more attractive than we would if we were in the wholesale and appealing to somebody that has a million dollars to invest. Therefore, the amount that any one person can buy would be definitely limited. I see there has been a rumor around that we are going to make something special for the insurance companies, you see, and therefore they think they are going to sit back and wait. I am afraid they are going to be disappointed.

Q. On another front, Mr. Secretary, as spring approaches world events seem to be moving with increasing rapidity. In that connection, is there any development on the probabilities of any freezing orders, either general or particular, that you can talk about?

A. You think as spring approaches we ought to freeze? I don't quite get that.

Q. It sounds funny.

How about Bulgaria?

A. I thought it was spring when hearts melt.

Q. And armies move.

Maybe you might thaw some of these countries that are already frozen.

Maybe the State Department will thaw.

A. You never know.

Q. Well, would it be correct to say, sir, that you are continually right on top of the situation?

A. Oh, that would be boasting.

Q. Thank you, sir.

A. All right.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - FEBRUARY 24, 1941

Q. Good afternoon, Mr. Secretary.

A. How do you do, gentlemen? I hope I haven't kept you from a conference.

Q. No, we were waiting for Mr. Purvis and you all snuck him out the back way. Mr. Secretary, can we have again the amounts of the maturing securities?

A. Aren't they mentioned here?

Schwarz: On the last page.

Q. Oh yes, thank you.

H.M.Jr: O.K.?

Q. Thank you, sir.

A. You are welcome.

Q. How do these new offerings compare with other securities offered?

A. Well, it is very difficult to compare them.

Q. Are they lower or higher?

A. They cost more to buy.

Q. Why?

A. For the very obvious reason that they are wholly taxable.

Q. How much have you added for that, roughly?

A. I really don't know. It is very difficult to figure it.

Q. In other words, you didn't add a specific amount?

A. Oh no. I can say no two people agree as to what the exact difference is. I never saw so many people with so many pencils and so many papers and so many different answers to the problem.

Q. But it wouldn't be large, would it?

A. Some of them were - you mean the difference? No, but there is a difference.

Q. Could you give us any general idea - figure, that is, from such and such?

A. No, I can't. I can't tell until I see what price the market puts on these, and after the market prices are out, we will get an

idea. We have our own idea what they are worth, but until the market puts a price on them, we don't know. Our figuring is largely theoretical. But after they are out, you can then compare them with the bonds and notes of approximately the same maturity, and everybody will know the difference. That is - we have a theoretical figure, but what the market will put on it is something else again.

Q. Can you tell us anything, Mr. Secretary, about your visit with Mr. Purvis?

A. No, he was away over the weekend the way I was, and there was an accumulation of things and general conversation.

Q. Did you talk to him, sir, of the procedure that may be followed if and when the Lease-Lend Bill is passed?

A. Well, I can answer that now, but I am not going to - I didn't happen to.

Q. Well, can you tell, Mr. Secretary, give us some idea of how it would work. For instance, say he wants two airplanes. Who does he go to, you?

A. I don't know. We will have to wait until after the Bill passes and see what form it passes in.

Q. Well, it was our understanding that a great deal of preliminary work was being done in anticipation of passage of the Bill.

A. I am sorry, I can't help you out.

Q. Is Harry Hopkins going to succeed you as coordinator after the Bill passes?

A. Is that what you call it?

Q. 'arry 'opkins.

A. I don't know. You will have to ask Harry.

Q. Mr. Secretary, Mussolini's speech didn't hold up this financing, did it?

A. Not so I noticed it. I don't know that anybody noticed it. We are right on schedule, aren't we? We are only an hour behind time.

Q. Mr. Secretary, on this seven to nine year bond,

did you choose the period to match a flat two per cent or did you choose two per cent and then pick the period? (Laughter.)

A. Well, you can tell me which comes first, the chicken or the egg, and then I will answer your question.

Q. What I was driving at, is this seven to nine period picked because of the lightness of other maturities at that time to make it a well-rounded program?

A. No, if you had seen all the midnight oil and everything else. There are about a hundred different factors that went into it.

Q. When was -- may I ask you what was the maturity on the last large note issue? Was it a two-year maturity, three quarters?

Bell: Three and a half.

Q. Three and three quarters, wasn't it? Well, it was three and five and a half months.

Bell: A little over. It was September 15, 1944.

Q. It was two year?

Bell: It was three and a half years, a little over three and a half years, three quarters percent.

Q. That was not an exchange offer, that was a straight offering.

A. That was for cash.

Q. Are you ready, Mr. Secretary, to tell us anything about your other financing plan, the stamps and that sort of thing?

A. No. We have just - well, as far as I was concerned, everything stopped the last four or five days while I was doing this.

Q. Are you waiting for us to write more stories saying what you are going to do, Mr. Secretary?

A. Well, they all help, but Mr. Bell and I will start Wednesday to catch up on our correspondence, et cetera, et cetra.

Q. What are you going to do Tuesday?

A. Catch up on our correspondence.

Q. And watch the bond market. (Laughter)

Are the holders of these outstanding bonds and notes privileged to exchange for either the note or the bond?

A. That is right.

Q. So you don't know how many you are going to put out of either one, it is up to them?

A. No, that is a good question. You have a note or a bond, and you have your choice of exchanging into a note or a bond. You can do either.

Q. You mean if I was a bond holder, I could exchange to the two year, three quarter note, and vice versa? If I was a note holder, I can get the bond if I wanted to exchange?

A. That is right.

Q. Can you split them up and get some of each?

Bell: Yes, anything you want to.

Q. That is rather unusual, isn't it?

A. No, it is common.

Q. The split-up, too?

A. Yes. In fact, we have had it where we have given them a choice of three things. In fact, we went back - only once in this size issue did we hold it to only one choice. We have always given them two.

Q. Can you give us any idea when was the last time

you have issued an eight to nine year bond with a two percent coupon?

Bell: We had a two percent bond in December 1939. That was a 9-11-year 571 million and in '38 we had a 9-year bond which was a flat maturity of 1947, two percent, and last October we had a 53-55 two percent bond in exchange for the December maturities.

Q. 53-55, two percent?

Bell: Yes. That was tax exempt.

Q. Mr. Secretary, you said in about two weeks after you got this refunding out of the way, you would probably borrow some new cash and you are now selling more bills. I wonder if you have decided that, if you could say anything about any new cash.

H.M.Jr: Only what I mentioned. Our own cash needs and the cash needs of the RFC. We will watch how this goes, we and a lot of other people.

Q. Well, you are not nervous, are you?

A. Am I nervous?

Q. Yes.

A. Do I look nervous?

Q. No.

A. Well, a lot of people are interested. It is the first time the United States Government has sold a wholly taxable security. A lot of people have money and are interested. So am I.

Q. Are you going to begin the issue of $200,000,000 bills today?

A. No, no, March 5. No, I have every reason to believe it will go very well.

Q. You sold those defense notes for cash.

Bell: It was a taxable bond, Mr. Secretary.

H.M.Jr: You are right.

All right?

Q. Thank you, Mr. Secretary.

A. Thank you.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, February 25, 1941.
2/24/41

Press Service
No. 23-65

Secretary of the Treasury Morgenthau today announced the March 15 financing, restricted to exchange offerings to provide for the refunding of the 3-3/8 percent Treasury Bonds of 1941-43, called for redemption on March 15, 1941, and the 1-1/2 percent Treasury Notes of Series A-1941, maturing on the same day. The offering includes two exchange issues, 7-9 year 2 percent Treasury Bonds of 1948-50, and 2-year 3/4 percent Treasury Notes of Series D-1943, the called bonds and the maturing notes being exchangeable, at the option of owners, for either the new bonds or the new notes. Exchanges will be made par for par as of March 15, 1941, and the amount of the new bonds and of the new notes to be issued will be limited to the amount of called bonds and maturing notes tendered and accepted in exchange therefor. Cash subscriptions will not be received.

The Treasury Bonds of 1948-50, now offered only in exchange for the bonds and notes due March 15, 1941, will be dated March 15, 1941, and will bear interest from that date at the rate of 2 percent per annum, payable semiannually. The bonds will mature March 15, 1950, but may be redeemed, at the option of the United States, on and after March 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 the denominations of $50, $100 $500, $1,000, $5,000, $10,000 and $100,000.

The Treasury Notes of Series D-1943, also offered in exchange for the bonds and notes due on March 15, 1941, will be dated March 15, 1941, and will bear interest from that date at the rate of 3/4 percent per annum, payable semiannually. The notes will mature March 15, 1943, 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.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the new securities now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. Otherwise, the securities 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 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 3-3/8 percent Treasury Bonds of 1941-43, called for redemption on March 15, 1941, or of 1-1/2 percent Treasury Notes of Series A-1941, due for payment on March 15, 1941. If coupon bonds are tendered for exchange, coupons due March 15, 1941 should be detached for collection in regular course, and all subsequent coupons should be attached to the bonds when surrendered. If registered bonds are tendered for exchange, they must be assigned to the Secretary of the Treasury for exchange

as provided in the offering circular, and final interest due March 15 on such bonds will be paid in accordance with the assignments, following acceptance of the bonds.

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 offering circular, all subscriptions will be allotted in full.

There are now outstanding $544,870,050 of 3-3/8 percent Treasury Bonds of 1941-43, called for redemption on March 15, and $676,707,600 of 1-1/2 percent Treasury Notes of Series A-1941, due March 15. The present offerings of Treasury bonds and Treasury notes afford the holders of the called bonds and the maturing notes an opportunity to exchange them for other interest-bearing obligations of the United States. Any called bonds and maturing notes not so exchanged at this time will be paid in cash following their presentation on and after March 15, 1941.

The texts of the official circulars follow:

UNITED STATES OF AMERICA

2 PERCENT TREASURY BONDS OF 1948- 50

Dated and bearing interest from March 15, 1941 Due March 15, 1950

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER MARCH 15, 1948

Interest payable March 15 and September 15

1941
Department Circular No. 649

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, February 25, 1941.

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 percent bonds of the United States, designated Treasury Bonds of 1948-50, in payment of which only Treasury Bonds of 1941-43, called for redemption on March 15, 1941, or Treasury Notes of Series A-1941, maturing March 15, 1941, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Bonds of 1941-43 and of Treasury Notes of Series A-1941 tendered and accepted.

II. DESCRIPTION OF BONDS

1. The bonds will be dated March 15, 1941, and will bear interest from that date at the rate of 2 percent per annum, payable semiannually on September 15, 1941, and thereafter on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 15, 1950, but may be redeemed at the option of the United States on and after March 15, 1948, in whole or in part, at par and accrued interest, on any interest day or days, on four 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 income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

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.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for bonds allotted hereunder must be made or completed on or before March 15, 1941, or on later allotment, and may be made only in Treasury Bonds of 1941-43, called for redemption on March 15, 1941, or in Treasury Notes of Series A-1941, maturing March 15, 1941, which will be accepted at par, and should accompany the subscription. Payment of final interest due March 15, 1941, on securities exchanged hereunder will be effected, in the case of coupon bonds or notes, by payment of March 15, 1941 coupons, which should be detached by holders before presentation of the securities for exchange, and in the case of registered bonds, by checks drawn in accordance with the assignments on the bonds surrendered.

V. SURRENDER OF CALLED BONDS

1. Coupon bonds. - Treasury Bonds of 1941-43 in coupon form tendered in payment for bonds offered hereunder should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasurer of the United States, Washington, D. C. Coupons dated September 15, 1941, and all coupons bearing subsequent dates, should be attached to such bonds when surrendered, and if any such coupons are missing, the subscription must be accompanied by cash payment equal to the face amount of the missing coupons. The

bonds must be delivered at the expense and risk of the holder. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents.

2. Registered bonds. - Treasury Bonds of 1941-43 in registered form tendered in payment for bonds offered hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, in one of the forms hereafter set forth, and thereafter should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasury Department, Division of Loans and Currency, Washington, D. C. The bonds must be delivered at the expense and risk of the holder. If the new bonds are desired registered in the same name as the bonds surrendered, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Bonds of 1948-50"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Bonds of 1948-50 in the name of_____"; if new bonds in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Bonds of 1948-50 in coupon form to be delivered to_____".

VI. 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

3/4 PERCENT TREASURY NOTES OF SERIES D-1943

Dated and bearing interest from March 15, 1941 Due March 15, 1943

Interest payable March 15 and September 15

1941
Department Circular No. 650

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, February 25, 1941.

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par, from the people of the United States for 3/4 percent notes of the United States, designated Treasury Notes of Series D-1943, in payment of which only Treasury Bonds of 1941-43, called for redemption on March 15, 1941, or Treasury Notes of Series A-1941, maturing March 15, 1941, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Bonds of 1941-43 and of Treasury Notes of Series A-1941 tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes will be dated March 15, 1941, and will bear interest from that date at the rate of 3/4 percent per annum, payable semiannually on September 15, 1941, and thereafter on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 15, 1943, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes shall be subject to all Federal taxes, now or hereafter imposed. The notes shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by 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.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in 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 March 15, 1941, or on later allotment, and may be made only in Treasury Notes of 1941-43, called for redemption on March 15, 1941, or in Treasury Notes of Series A-1941, maturing March 15, 1941, which will be accepted at par, and should

accompany the subscription. Payment of final interest due March 15, 1941, on securities exchanged hereunder will be effected, in the case of coupon bonds or notes, by payment of March 15, 1941 coupons, which should be detached by holders before presentation of the securities for exchange, and in the case of registered bonds, by checks drawn in accordance with the assignments on the bonds surrendered.

V. SURRENDER OF CALLED BONDS

1. Coupon bonds. - Treasury Bonds of 1941-43 in coupon form tendered in payment for notes offered hereunder should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasurer of the United States, Washington, D. C. Coupons dated September 15, 1941, and all coupons bearing subsequent dates, should be attached to such bonds when surrendered, and if any such coupons are missing, the subscription must be accompanied by cash payment equal to the face amount of the missing coupons. The bonds must be delivered at the expense and risk of the holder. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents.

2. Registered bonds. - Treasury Bonds of 1941-43 in registered form tendered in payment for notes offered hereunder should be assigned by the registered payees or assignees thereof to "The Secretary of the Treasury for exchange for Treasury Notes of Series D-1943 to be delivered to _____", in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, and thereafter should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasury Department, Division of Loans and Currency, Washington, D. C. The bonds must be delivered at the expense and risk of the holder.

VI. 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 on 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.

1941
Department Circular No. 648

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, February 25, 1941.

Fiscal Service
Bureau of the Public Debt

To Holders of 3-3/8 percent Treasury Bonds of 1941-43, and Others Concerned:

I. NOTICE OF CALL FOR REDEMPTION BEFORE MATURITY

On November 14, 1940, the following public notice of call for redemption was given:

To Holders of 3-3/8 percent Treasury Bonds of 1941-43, and Others Concerned:

1. Public notice is hereby given that all outstanding 3-3/8 percent Treasury Bonds of 1941-43, dated March 16,1931, are hereby called for redemption on March 15, 1941, on which date interest on such bonds will cease.

2. Full information regarding the presentation and surrender of the bonds for redemption under this call will be given in a Treasury Department circular to be issued later.

3. Holders of these bonds may, in advance of the redemption date, be offered the privilege of exchanging all or any part of their called bonds for other interest-bearing obligations of the United States, in which event public notice will hereafter be given.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

Treasury Department,
Washington, November 14, 1940.

II. OPTIONAL EXCHANGE OFFERING

1. Holders of 3-3/8 percent Treasury Bonds of 1941-43 are today offered the privilege of exchanging all or any part of their

called bonds for 2 percent Treasury Bonds of 1948-50 or for 3/4 percent Treasury Notes of Series D-1943, both bonds and notes being dated and bearing interest from March 15, 1941. Full information concerning the exchange offering is contained in Treasury Department Circular No. 649 and in Treasury Department Circular No. 650, both circulars dated February 25, 1941. As the exchange privilege may be terminated at any time without notice, holders of 3-3/8 percent Treasury Bonds of 1941-43 who desire to take advantage of the offering should act immediately, following the instructions given in Treasury Department Circular No. 649 and No. 650.

III. RULES AND REGULATIONS GOVERNING REDEMPTION OF 3-3/8 PERCENT TREASURY BONDS OF 1941-43

Pursuant to the call for redemption, as set forth in Section I of this circular, the following rules and regulations are hereby prescribed to govern the presentation and surrender for cash redemption on March 15, 1941, of 3-3/8 percent Treasury Bonds of 1941-43:

1. Payment of called bonds on March 15, 1941. - Holders of any outstanding Treasury Bonds of 1941-43 will be entitled to have such bonds redeemed and paid at par on March 15, 1941, with interest in full to that date. After March 15, 1941, interest will not accrue on any such bonds.

2. Presentation and surrender of coupon bonds. - Treasury Bonds of 1941-43 in coupon form should be presented and surrendered to any Federal Reserve Bank or Branch, or to the Treasurer of the United States, Washington, D. C., for redemption on March 15, 1941.

The bonds must be delivered at the expense and risk of holders (see par. 9 of this section) and should be accompanied by appropriate written advice (see Form P.D.1669 attached hereto). Checks in payment of principal will be mailed to the address given in the form of advice accompanying the bonds surrendered.

3. Coupons dated March 15, 1941, which become payable on that date, should be detached from any Treasury Bonds of 1941-43 before such bonds are presented for redemption on March 15, 1941, and such coupons should be collected in regular course when due. All coupons pertaining to such bonds bearing dates subsequent to March 15, 1941, must be attached to any such bonds when presented for redemption, provided, however, if any such coupons are missing from bonds so presented for redemption the bonds nevertheless will be redeemed, but the full face amount of any such missing coupons will be deducted from the payment to be made on account of such redemption, and any amounts so deducted will be held in the Treasury to provide for adjustments or refunds on account of such missing coupons as may subsequently be presented.

4. Presentation and surrender of registered bonds. - Treasury Bonds of 1941-43 in registered form must be assigned by the registered payees or assignees thereof, or by their duly constituted representatives, in accordance with the general regulations of the Treasury Department governing assignments, in the form indicated in the next paragraph hereof, and thereafter should be presented and surrendered to any Federal Reserve Bank or Branch, or to the Division of Loans and Currency, Treasury Department,

Washington, D. C., for redemption on March 15, 1941. The bonds must be delivered at the expense and risk of holders (see par. 9 of this section) and should be accompanied by appropriate written advice (see Form P.D. 1670 attached hereto). In all cases checks in payment of principal and final interest due will be mailed to the address given in the form of advice accompanying the bonds surrendered.

5. If the registered payee, or an assignee holding under proper assignment from the registered payee, desires that payment of the principal and final installment of interest be made to him, the bonds should be assigned by such payee or assignee, or by a duly constituted representative, to "The Secretary of the Treasury for redemption". If it is desired, for any reason, that payment be made to some other person, without intermediate assignment, the bonds should be assigned to"The Secretary of the Treasury for redemption for the account of _____ _____", inserting the name and address of the person to whom payment is to be made. A representative or fiduciary should not assign for payment to himself individually, unless expressly authorized to do so by court order or by the instrument under which he is acting; he may, however, assign for payment to himself <u>in his representative or fiduciary capacity.</u>

6. Assignment in blank, or other assignment having similar effect, will be recognized, but in that event payment will be made to the person surrendering the bond for redemption, since under such assignment the bond becomes in effect payable to bearer.

Assignments in blank or assignments having similar effect should be avoided, if possible, in order not to lose the protection afforded by registration.

7. A bond registered in the name of, or assigned to, a corporation or unincorporated association will ordinarily be redeemed for the account of such corporation or unincorporated association upon an appropriate assignment for that purpose executed on behalf of the corporation or unincorporated association by a duly authorized officer thereof, without proof of the officer's authority. In all such cases payment will be made only by check drawn to the order of the corporation or unincorporated association.

8. Final interest due on March 15, 1941, on registered Treasury Bonds of 1941-43 will be paid with the principal in accordance with the assignments on the bonds surrendered.

9. Transportation of bonds. - Bonds presented for redemption under this circular must be delivered to a Federal Reserve Bank or Branch, or to the Treasury Department, Washington, D. C., at the expense and risk of the holder. Coupon bonds should be forwarded by registered mail insured, or by express prepaid. Registered bonds bearing restricted assignments may be forwarded by registered mail, insured, or by express prepaid. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of

such arrangements when available, utilizing such incorporated banks and trust companies as their agents. Incorporated banks and trust companies are not agents of the United States under this circular.

IV. PRESENTATION OF CALLED BONDS FOR REDEMPTION

1. Treasury Bonds of 1941-43 should be presented and surrendered in the manner herein prescribed, and redemption will be expedited if the bonds are presented to Federal Reserve Banks, or Branches, and not direct to the Treasury Department.

V. GENERAL PROVISIONS

1. Any further information which may be desired regarding the redemption of Treasury Bonds of 1941-43 under this circular may be obtained from any Federal Reserve Bank or Branch, or from the Treasury Department, Washington, D. C., where copies of the Treasury Department's regulations governing assignments also may be obtained.

2. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to perform any necessary acts under this circular. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the matters covered by this circular, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

TREASURY DEPARTMENT
Fiscal Service
Bureau of the Public Debt
FORM PD 1669 FOR COUPON BONDS
(For registered bonds use Form PD 1670)

FORM OF ADVICE TO ACCOMPANY 3-3/8 PERCENT TREASURY BONDS OF 1941-43 in COUPON FORM PRESENTED FOR REDEMPTION ON MARCH 15, 1941.

To the Federal Reserve Bank of _____,
or
Treasurer of the United States, Washington, D. C.:

Pursuant to the provisions of Treasury Department Circular No. 648, dated February 25, 1941, the undersigned presents and surrenders herewith for redemption on March 15, 1941, $_____, face amount of 3-3/8 percent Treasury Bonds of 1941-43 in coupon form, with coupon due September 15, 1941, and all subsequent coupons attached, as follows:

Number of bonds	Denomination	Serial numbers of bonds	Face amount
_____	$50	_____	$_____
_____	100	_____	_____
_____	500	_____	_____
_____	1,000	_____	_____
_____	5,000	_____	_____
_____	10,000	_____	_____
	100,000	_____	
TOTAL _____			$_____

and requests that remittance covering payment therefor be forwarded t the undersigned at the address indicated below.

Signature _____

Name _____
(Please print)

Address in full _____

Date _____ _____

TREASURY DEPARTMENT
Fiscal Service
Bureau of the Public Debt
FORM PD 1670 FOR REGISTERED BONDS
(For coupon bonds use Form PD 1669)

FORM OF ADVICE TO ACCOMPANY 3-3/8 PERCENT TREASURY BONDS OF 1941-43 in REGISTERED FORM PRESENTED FOR REDEMPTION ON MARCH 15,1941

To the Federal Reserve Bank of _____,
or
Treasury Department, Division of Loans and Currency, Washington D. C.:

Pursuant to the provisions of Treasury Department Circular No. 648, dated February 25, 1941, the undersigned presents and surrenders herewith for redemption on March 15, 1941, $_____, face amount of 3-3/8 percent Treasury Bonds of 1941-43 in registered form, inscribed in the name of _____ and duly assigned for redemption, as follows:

Number of bonds	Denomination	Serial numbers of bonds	Face amount
_____	$50	_____	$_____
_____	100	_____	_____
_____	500	_____	_____
_____	1,000	_____	_____
_____	5,000	_____	_____
_____	10,000	_____	_____
_____	50,000	_____	_____
_____	100,000	_____	_____
TOTAL _____			$_____

and requests that remittance covering payment of principal and final interest be forwarded to the undersigned at the address indicated below.

Signature _____
Name _____
(Please print)
Address in full _____
_____

Date _____

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - FEBRUARY 27, 1941

Q. Anything on financing?

A. Well, we got by nicely.

Q. Can you estimate the rate of exchange?

A. No, but the early reports are satisfactory.

Q. Did the early reports show a preference for the bonds or the notes?

A. Very strong preference for the bonds, very strong. The purpose of the note was to have it there as an extra anchor to the windward if something unforeseen might have happened during those two days, and it didn't happen so we didn't need it; but I just wanted it as an extra precaution.

Q. You feel that you have solved that tax-exempt elimination question?

A. Well, I wouldn't say we have solved it, but we have gotten by with the first refunding

on the basis - from my standpoint, it is satisfactory, and it seems to be satisfactory to the market; and I want to say that I got excellent cooperation from the financial people, excellent.

Q. Can you estimate from the market prices since the offering, Mr. Secretary, roughly how much the tax privilege was worth?

A. I haven't taken out my pencil, but I would say tonight when the market closes it would be very easy to do it, and if you want any assistance, we will be glad to give it to you. I mean, the figures with a comparable issue. But if you men want to come around after the market closes tonight and want to see Schwarz, he will arrange for you to see somebody to help you. But I think until the market closes tonight, you can't tell.

Q. Can you tell us anything at all about your conferences over at the White House yesterday?

A. No, I can not. Can you?

Q. Have you been appointed to a new committee as a result of the meeting?

A. I never - you know, I never discuss my White House business. Both the President and Mr. Early are much more competent to do so than I am.

Q. Has the Treasury been charged with working out any of the details of the Lease-Lend Bill, for the operations of it after it passes? None whatsoever?

A. I am not answering your question. I just am not answering your question.

Q. Mr. Secretary, has the time come that you can give us any details of the defense organization you are going to have on these?

A. No, it has been in the process of building; and I think very shortly we will have something to say, but it is really too early.

Q. Will there be set up an additional unit in the Treasury to handle this, or will it be handled in a routine way?

A. No, it will be a separate unit.

Q. What is this again?

A. This question of the selling of Government securities to investors.

Q. Any idea how long it will be before those details are worked out?

A. No, they are working on them, and I suppose that very quickly now - I mean I have had to concentrate on this first refunding, and the next job that I have is this one; and I am going to concentrate on it now, and I think the thing will begin to move. We brought down a few people to help, but the thing will move very rapidly from now on, but I had to get this first refunding behind me.

Q. I thought the taxes were the next problem.

A. No, I don't - unless there is a change in the sentiment of Congress, I don't think we will get down to the tax bill until after the 15th of March.

Q. That is not very far away.

A. Oh, it is these days.

Q. You will be doing a little thinking about it in the meanwhile, won't you?

A. Oh, yes, thinking and working, but I mean --

Q. And conferring?

A. Yes, but I --

(Discussion off the record.)

A. That meeting that you have been told about that afternoon is not on the Tax Bill.

Q. It is not?

A. No, that is what you had in mind?

Q. Yes.

A. No, it is not on the Tax Bill.

Q. What is it?

A. Well, I am going up to see them or do they want to go ahead now with the Bill to make all State and Municipal bonds wholly taxable, and I want to know whether Congresa is ready, and I would like that to come from the Hill. I don't like to go up and ask for advice, but I know that some of you know about it, so I will tell you as much as I know; and I am going up to say, "Are you gentlemen ready, do you want to go ahead with the Bill now on State and Municipal bonds." I don't know how they feel.

Q. This would indicate that you are ready?

A. Oh, yes, but I know that some of you know

about it; but it is not on the Tax Bill.

It is on this question of State and Municipals.

Q. Well, who are you going to see up there so we can notify our offices?

A. The Speaker.

Q. The Speaker of the House?

A. And he will have to do the speaking. That is pretty poor, but it is a little early in the morning. But let it come from him.

Q. Yes.

(Resume on the record.)

Q. Well, on these small bond sales, is there any possibility that you would be ready to start selling those in a month or so?

A. I think so. In the first place, we have got to decide what it is going to be, and I hope to decide that this week. Then there is the manufacturing proposition of getting these things manufactured so we can distribute them and have them in every Post Office and every other outlet that we hope to get at one time, and it is a big country. They tell me, the

manufacturer, it would be two months, but I insist they can do it in a month. I don't know.

Q. Don't you also need an appropriation to take care of the promotional work?

A. Yes, we have asked for three million dollars, but we could get the thing started, and I think with the understanding with Congress, that we use some of our own funds and then get paid back out of the deficiency appropriation.

Q. Has any decision been reached on the interest rates?

A. No. You mean the size and how much and the interest rate and whether it will have a coupon. All of those things we have to do - they are yet to be done.

Q. Couldn't you sell those things on a when, as and if issued basis until you did get distribution throughout the country?

A. I don't think we would do that. I think the people want to --

Q. You mean there isn't that much pressure on the thing to do it that way.

A. Well, I would rather - I think if I am going to sell you a twenty-five dollar bond, I think you would like to have - if you put down eighteen seventy-five under the present system, you would like to have a piece of paper for it.

Q. I would trust you. (Laughter)

A. I know you would, but I don't think there is that rush. I would rather do it well than to hurry and do it carelessly.

Q. Have you any estimates now, sir, as to how much you are going to raise in this manner in the next seventeen months?

A. Couldn't. I don't think the estimates would be worth very much anyway.

Q. Do any of your plans include selling through banks and agencies like that? The reason I ask it is because I hear that organized banking is going to offer you, if they haven't already done so, their cooperation in any way they can.

A. Well, there has been one group of investment bankers. If you want the technical name of it, Schwarz will give it to you. They offered their services. We will accept anybody's services that wants to sell. We hope - oh, they told me this morning they are aiming to have 250 thousand outlets.

Q. This investment bankers?

Who told you, these bankers?

A. Oh, no, people on my staff. They said they think before we get through, there will be - savings certificates will be on sale in at least about a quarter of a million places. The Post Office alone has 51 thousand post offices.

Q. Are you going to have any mobile units selling

these things to hop up enthusiasm?

A. I don't - you mean?

Q. Run around with a wagon and signs.

A. I doubt it.

Q. Where will the balance of that 250 thousand outlets come from?

A. Well, that is what they are working on. I don't want to say it until these various people have been approached and have said, "Yes."

Q. Is it your intention, Mr. Secretary, that the post offices will be the primary distribution center?

A. They will be the basis.

Q. Mr. Secretary, the three million dollars you asked for, is that for promotional work or advertising or how is that?

A. Well, I think promotional would cover it. There will have to be a certain amount of administrative and promotional and so forth, but we figured three million would carry us, with the best guess we could make, until the first of July. Then we would know more about it, and

then we could tell how much more, but that would only take us to the first of July.

Q. When you say "promotional" you are still keeping in mind your testimony before the Ways and Means that there is not going to be this wartime ballyhoo that we had before?

A. Absolutely not. There are no plans and nobody has submitted anything, but I mean - well, just getting the cost of manufacture of these things.

Q. Is that included in the three million?

A. Oh, yes.

Q. Have you --

A. The cost of manufacture. Then the Post Office will want to be reimbursed for the additional cost of handling these things, and then - but that doesn't - I mean, we still are thinking of doing this thing - well, along the same lines that we are doing it now, only more so, that is all.

Q. When you say, "doing it now," you are talking about the baby bonds?

A. Yes.

Q. Have you decided on a name for the new issue? Are you going to call them Defense Savings Bonds?

A. I don't know. I say, I have literally for the last five days just slept and lived with this refunding issue, and I have made no appointments. I have seen nobody. I mean, it just had to go and it did go, so everything else has just had to wait in the Treasury until that was over. (Discussion off the record.) I mean, we are not like the private banker - this is off the record - we can't decide as they did last night, they are not going to do the Arkansas.

Q. Did they decide that?

A. So I gather. I mean the Treasury just has one thing and that is success. We can't just decide the night before we are not going to do it. So we can't get cold feet. My informant is Mr. Jones. This is off the record. This thing just had to go and did.

Q. Well, the bids are about to be opened down there

now anyway, so there will only be one bid and that will be the RFC.

A. Well, I didn't think I was telling any tales out of school.

Q. He told us about that situation yesterday, that is, nothing very definite except that he didn't know what he would have to do until he found out what the bankers did.

Well, it is off the record, anyway. We will handle it out of there.

A. That is right.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MARCH 3, 1941

H.M.Jr: On last week's refundings, I don't know whether they have given you the official figures. Have they?

Q. No, sir.

A. On the three and three eighths per cent notes, the exchange was - three and three eighths per cent bonds, I am sorry. It was 89 per cent and on the one and one half notes, it was 98 per cent, or there is a total exchange of one billion 148 million, or 94 per cent on the two, which I consider satisfactory. Any questions?

Q. Is that a higher or lower rate of exchange than you expected?

A. About what I expected.

Q. Can you give us an estimate, Mr. Secretary, of which are the new securities?

Can you compare that with the previous refunding percentage?

A. I can't, but Schwarz will get you the figures and give them to you. He will get them for you.

Q. Can you give us the distribution of the new securities?

A. How do you mean?

Q. What per cent bonds and what per cent notes.

A. Oh, yes. Well, I will read it and then give it to you. Is it in the release or not?

Schwarz: I think it is about three --

H.M.Jr: I can read what I have got. I will give you what I have here.

Q. You have got that here?

I haven't got a release.

Here is one.

A. Are they there?

Q. Yes, they are.

No, percentages.

Oh no.

Schwarz: Thirty-two million and a billion 115.

Q. That doesn't seem like the new ones.

Yes.

H.M.Jr: Let me read what I have got, and then if it isn't here - it said, "The three and three eighths per cent bond, of which there were 482 million or 88 per cent went into this new bond, and five million or one per cent went into the three quarters per cent notes and -" I will give you this later. And 58 million, 11 per cent, asked for cash refundings. Is that in the release?

Q. No.

But it is implied.

A. Well, I will give it to you. And then of the one and a half per cent notes outstanding, of which the amount was 677 million, 634 million, or 94 per cent shows the two per cent bonds, 27 million or four per cent selected the three quarter per cent note and 15 million or two per cent went into cash. Who is president of this organization?

Schwarz: Knowlton.

Q. Now can you talk about new financing, Mr. Secretary?

A. No. I just caught my breath. Give me a chance.

Q. Not even savings stamps?

A. Only that the organization is going ahead. They are working very hard, and I am working very hard on it, and I think by the end of the week we will know what we are going to offer. I think certainly we will by a week from today. We are working on the outlets, provision of places where we can put these defense savings bonds on sale. How do you like that for a name?

Q. Defense Savings?

A. Defense Savings Bonds.

Q. It is O.K.

A. I thought I would try it out on the press.

Q. Are you serious?

A. I am serious.

Q. I think it is good.

A. Defense Savings Bonds.

Q. I would like to have No. 1.

A. I think Mr. Roosevelt will get it.

Q. Well, I mean --

If you ask him nicely you might get it.

Well, you can take it out by subscription now.

Is the President going to buy the first one?

A. I haven't asked him, but I am sure he will.

Q. He wouldn't let that go by.

A. But anyway, I will be very glad to accept your subscription, even though it isn't No. 1.

Q. Would that be supplementary to the Baby Bonds?

A. Well, I didn't say what. I said we are working on it, and I hope certainly by a week from today we will be able to say what they are going to be.

Q. And the limit?

A. Yes. I think we will have everything --

Q. There will be a limit on the amount a person can buy in a year?

A. Yes.

Q. Do you also have details of your stamp program worked out now?

A. Yes, but so that - but they tell me from the time we decided on what it is, it will take 60 days to manufacture and distribute them and get them in every post office and every other outlet.

Q. That is the stamps?

A. Stamps and the bonds.

Q. Mr. Secretary, are you going to set up a completely new division within the Treasury to handle Defense Savings Bonds and Stamps?

A. Yes. It is being set up right now.

Q. Does a fellow named Johnston ring any bells?

A. Yes.

Q. Is he going to head it?

A. No, the man who will head it will be Harold Graves. I mean, he will handle it for me. He is handling it for me now.

Q. What are you going to call this new division?

A. Well, for a better name right now, we are calling

A. Yes.

Q. Do you also have details of your stamp program worked out now?

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it Defense Savings Bonds.

Q. And what is Mr. Graves at present?

A. Assistant to the Secretary.

Q. And he will head the division, as I understand it.

A. Well, he will until - he is heading it now.

Q. Retaining his title of Assistant to the Secretary?

A. Oh yes. He has also got - he handles the Bureau of Engraving, Bureau of the Mint and Procurement, those three divisions come under him now.

Q. What does Mr. Johnston --

In other words, he will buy the paper, print the bonds and distribute them?

A. That is it.

Q. The integrating system.

A. That is it.

Q. About how many people will be in that division, Mr. Secretary?

A. I don't know. We can't tell now. We haven't got our appropriations through yet.

Q. You haven't got your three million dollars through yet?

A. No.

Q. There is a total of seven that you are going to use there, isn't it?

A. Not that I know of.

Q. Well, it was four and you asked to have the thing boosted up to seven.

A. Well, the four is for the regular United States savings bonds which will continue.

Q. But you haven't used all that four.

A. Well, the end of the fiscal year isn't up yet either.

Q. I was thinking you might take some of the four and throw it in with the three.

A. I can't do that.

Q. O.K. That is too bad.

Mr. Secretary, has any decision been reached

about the freezing of Bulgarian assets?

A. Well, we will have something by tomorrow morning.

Q. Mr. Secretary, there are conflicting figures on how much Bulgaria has invested in the United States. Will you give us an accurate figure?

A. No.

Q. Mr. Secretary, do you expect a great increase in the sale of baby bonds or wouldn't you say anything about that?

A. I can't say anything about it. It will be United States savings bonds and whatever the new defense savings bonds will be. I mean, after all, they will all be one after we get started. I mean, it will be - we will be selling one kind of - I mean it won't be a United States savings bond. We are going to call them all, whatever we are going to sell, defense savings bonds.

Q. And you are going to end the series of savings bonds, that is, baby bonds, or United States savings bonds series.

A. Well, that particular series will be - will most likely be--

Q. Absorbed by the other.

A. Will be absorbed by the other, but I don't want to get it out that they won't be able to buy that or something very closely resembling it, you see.

Q. Mr. Secretary, will the action that you expect to take tomorrow relate solely to Bulgarian assets or will it include the assets of some other countries?

A. I think I said we would have something for you tomorrow.

Q. Well, Mr. Secretary, can you tell us why there has been a delay - there has been a three-day lag from the time of the official announcement of Bulgaria's adherence to the Axis until today, and we still haven't anything on them?

A. You know.

Q. Mr. Secretary, is there anything new on the move to freeze Axis investments?

A. All I said was that we would just have something

for you tomorrow.

Q. Mr. Secretary, the bill that went through the House on--

A. Everybody looks at me. (Laughter)

Q. You must have swallowed the canary.

A. You are too smart, you spoiled my statement. That was your Albany training, was it?

Q. We covered the State Department today, too, you know.

A. Well, what did you get over there?

Q. Well, Mr. Hull said that he had approved the freezing of the Bulgarian assets. I don't know whether you are going to find them, but he said he was going to do it, and there was some intimation that the Axis money might possibly be in there. You can draw your own conclusions.

A. Well, I read what he was reported to have said on the United Press ticker.

Q. I think it was accurate.

Undoubtedly.

Well, Mr. Secretary, most of us have and I

suppose will write about the general freezing order. In view of what you said, won't you tell us something either on or off the record for background?

A. No, there has been too much of that.

Q. I know, but you have already said something.

A. I never like to embarrass anybody on or off the record, so I will bow to your--

Q. I would just as lief--

A. You stay right here. Today you stay here.

Q. No, I am not going to pull you out of that mess. Mr. Secretary, as it stands now you are leaving many of us in the belief that we have got to write a general freeze order story tonight.

A. Well, I can't help you out, boys. I don't know what Mr. Hull told you. You might be wrong and then again you might be right. (Laughter)

Q. What a man.

A. Thank you.

Q. When is this going to be decided, Mr. Secretary?

A. Well, I said we would have something in the morning. We have got to decide it between now and the morning.

Q. How early? I came down at 7:00 o'clock for one of these things once and it disturbed my sleep a lot.

A. Leave your night call with Chick. (Laughter)

Q. I woke Chick up last night.

A. Leave your night call with him. Nine o'clock would be the earliest.

Q. Tomorrow morning or tonight?

A. I am not going to say. You had better leave word with Cbick where you can be reached.

Q. You mean where we can be reached tonight?

A. Yes.

Q. You have got to be good boys.

I don't mind that, but we have an edition coming out at a quarter of nine.

A. Is everybody happy?

Q. No.

Getting back into this refunding, this is a fresh refunding of the fully taxable securities.

A. Yes.

Q. Could you say how you feel about the response to this?

A. Well, I think that an average of 94 percent is very satisfactory.

Q. Well, there was some uncertainty as to how these securities would go and just what the market reaction would be to them. I just wondered what comment you could make or how you felt on that.

A. I have no comment. These two percent bonds have been selling right around a hundred and one, a little under a hundred and one today was the closing, and from a market standpoint it is satisfactory.

Q. Can you say anything about the effect from this response as to what kind of step-up you will have to pay in interest rates on them, fully

taxable securities?

A. I haven't figured it.

Q. Have you figured the cost in this last?

A. No, I haven't.

Q. Mr. Secretary, the defense housing bill that went through the House had a continual tax exemption for debentures.

A. Yes.

Q. And they were going to--

A. Going to take care of that. We are asking Congress to. That was a--

Q. Slip?

A. ....slip. We are asking Congress to take care of that. Everybody has to be all of one nature, Government and guaranteed.

Q. Mr. Secretary, I wonder if you could tell us specifically what, if any, aid has been given to Greece by the United States?

A. I can't help you on that. That is a State Department question.

Q. Well, they just passed the buck right over to

you.

A. Well, we can play the same game.

Q. Thank you, Mr, Secretary.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Monday, March 3, 1941.

Press Service
No. 23-74

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to the current offering of 2 percent Treasury Bonds of 1948-50 and 3/4 percent Treasury Notes of Series D-1943.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

2 PERCENT TREASURY BONDS OF 1948-50

Federal Reserve District	Called bonds Exchanged	Maturing notes Exchanged	Total Exchanges
Boston	$ 42,944,000	$ 15,417,700	$ 58,361,700
New York	329,384,150	439,681,100	769,065,250
Philadelphia	16,231,000	8,906,900	25,137,900
Cleveland	17,490,200	11,817,400	29,307,600
Richmond	8,991,000	38,992,900	47,983,900
Atlanta	1,516,850	9,117,000	10,633,850
Chicago	38,492,600	57,473,800	95,966,400
St. Louis	5,095,300	6,610,200	11,705,500
Minneapolis	4,345,450	6,648,300	10,993,750
Kansas City	7,453,850	11,555,100	19,008,950
Dallas	3,526,750	6,378,500	9,905,250
San Francisco	5,567,350	19,846,900	25,414,250
Treasury	867,800	1,516,500	2,384,300
TOTAL	$481,906,300	$633,962,300	$1,115,868,600

3/4 PERCENT TREASURY NOTES OF SERIES D-1943

Federal Reserve District	Called bonds Exchanged	Maturing notes Exchanged	Total Exchanges
Boston	$ 126,000	$ 543,000	$ 669,000
New York	1,816,000	22,360,300	24,176,300
Philadelphia	1,530,000	85,000	1,615,000
Cleveland	37,200	326,000	363,200
Richmond	14,100	358,000	372,100
Atlanta	369,000	170,900	539,900
Chicago	265,700	1,770,400	2,036,100
St. Louis	267,400	500,700	768,100
Minneapolis	58,200	226,500	284,700
Kansas City	188,600	785,500	974,100
Dallas	102,000	367,000	469,000
San Francisco	68,000	72,000	140,000
Treasury	10,000	5,000	15,000
TOTAL	$4,852,200	$27,570,300	$32,422,500

Total called bonds exchanged	$ 486,758,500
Total maturing notes exchanged	661,532,600
Total exchanges	$1,148,291,100

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REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MARCH 6, 1941.

Q. You haven't got any news, I hope.

H.M.Jr: All right, that is easy. No, I have no news.

Q. Have you read Alsop and Kintner's column this morning?

A. Yes, I have.

Q. Are you a member of the War Cabinet?

A. You will have to ask the President.

Q. Well, is such - has such a group been created either formally or informally?

A. I think - didn't Steve Early talk about that?

Q. Yesterday.

A. Didn't he?

Q. Day before yesterday.

Schwarz: Tuesday.

Q. Well, he named them by the departments.

H.M.Jr: Didn't Steve Early do this story?

Q. Day before yesterday.

The Secretaries of State, War, Navy, Treasury, and Harry Hopkins.

I didn't see it.

A. I thought he did.

Q. Then the statement that Steve gave out yesterday was correct, wasn't it?

A. It is always correct when Steve gives it out.

Q. Well, I was asking you if that particular one was correct.

A. Well, I haven't seen the stenographic report.

Q. Well --

A. It comes from the White House, and I think it is correct. He ought to know.

Q. Can you give us any details of just what your functions are going to be in that set-up?

A. I think it is hard to tell. As I understand the story that Early gave out, he went into considerable detail. I wasn't at the press conference, but I read the story.

Q. Anything new on savings bonds?

A. The only thing that is new is that we will officially open the campaign on the first of May.

Q. On --

A. May 1st. That is the only decision.

Q. That would indicate, then, that you will have everything ready by that time?

A. Yes. We are pressing very hard on the manufacturing end, but they tell me that by working very, very hard, they can get everything ready by the first of May.

Q. Mr. Secretary, that is the day that they will be placed on sale?

A. That is it. They will be placed on sale.

Q. And when will you be ready with the details of it?

A. I don't know yet, but we did decide that they will be placed on sale on the first of May.

Q. That is bonds and stamps?

A. Bonds and stamps.

Q. Approximately 250 thousand places?

A. Well, that is what we are aiming for. Whether we will reach that by the first of May, I don't know.

Q. That includes certificates, doesn't it?

A. It would include everything, whatever it is going to be.

Q. Have the denominations been decided yet?

A. No, it is still awaiting approval.

Q. These are going to be in post offices?

A. Post offices, we know. I mean, the Postmaster General was very enthusiastic about the plan and gave his approval and backing and everything else.

Q. Can you give us some idea of the other outlets? How about schools?

A. Schools?

Q. In the World War they used schools.

A. Well, you see in the first place, whatever place handles them will have to pay us for them. I doubt whether it will be schools.

Q. Department stores?

A. It is possible.

Q. I understand that the schools are pretty profitable because the kids lose them.

Klotz: I love that.

(Laughter.)

H.M.Jr: Well, that is quite an idea. They would have to pay in advance.

Q. Wouldn't the candy manufacturers object to the sale in the schools? How about having some trucks with bells on them?

A. I don't think we will have to do that this time.

Q. Through what channels are the investment bankers going to sell the bonds, through their branch officers?

A. I don't know yet, we are not ready.

Q. Have they submitted a plan?

A. I am not sure of that. They might have. I don't know.

Q. Has the American Bankers Association contacted you yet? I understand they were going to, offering their services.

A. You see, we have got this thing and I can't keep

track of just where they are. They either have or will. They have been talking to --

Q. Have you decided on the number of regional offices?

A. I know they contacted - well, you can ask - we have asked Mr. Delano to get in touch with the various people and just where it stands, I don't know, but I know the - I asked Preston Delano to do that.

Q. Mr. Secretary, have you decided on the number of regional offices that will be set up?

A. No.

Q. Well, are your collectors and regular people throughout the country to be your regional people?

A. Well, we are going to use Treasury personnel in each state. We will designate some one person to sort of be in charge of the state for us.

Q. And then there will be local committees?

A. And local committees, but there will be some one person in the state, a Treasury man, who will be responsible for that.

Q. These committees will be suggested to you, I

suppose, by mayors and things like that?

A. Well, they are working on that. I don't know, we are not ready to talk about it.

Q. Are you going to have a quota system for each district?

A. I doubt it.

Q. Are you going into newspaper advertising?

A. I don't know.

Q. My office wants to know.

Not whether you are going to use any, whether you are going to pay for any?

A. I am always open to a proposition.

Q. That is what we were afraid of. (Laughter)

Can you tell us any--

(Discussion off the record.)

A. You know what happened to my last advertising proposition, off the record, don't you?

I went to the magazines and the newspapers came down and killed it.

Q. As I understand in the World War they used all the advertising that they could get free. (Laughter)

Schwarz: No change.

H.M.Jr: Well, you can tell your office we will be glad to accept all free space.

Q. Will you sell these savings stamps at the Army camps?

A. Well, if we do - after all, they will be on sale at post offices in the Army camps.

Q. Oh, they will?

A. Every post office will have them.

Q. That is the stamps and certificates?

A. We are certainly not going to - there is no pressure going to be brought on anybody in the Army. They are doing enough now.

Q. Twenty-one dollars doesn't leave much each month.

A. They are doing enough now. As a matter of fact, they are the only group that is doing anything. Nobody else is doing anything except the men under the Selective Service. I mean, making any sacrifices. That would be the last group that I would go after. With the exception of the men in the Selective Service, I don't know anybody who is making any sacrifice.

Q. Don't forget that 10 percent defense tax, Mr. Secretary.

A. Well, I said sacrifice. That is no sacrifice. That is a pleasure.

Q. Mr. Secretary, I filed my income tax, and they refused to give me an exemption on my dues to the Press Club. Can you do something on that?

A. You are in good form today. I am open to a proposition, again. I think I pay for my membership in the Press Club.

Q. I want to deduct it from my income tax. They sent me a note back that I couldn't do it.

A. I see.

Q. Are you going to sell President Roosevelt the first certificate at an appropriate White House ceremony on May 1.

A. He will have to announce that.

Q. We can say that that will probably happen though, can't we?

A. What?

Q. We can say that will probably happen?

A. And then what happens if he turns me down?

Q. Too bad.

That will make a good story. (Laughter.)

A. Did you notice the other day when I said we would have something for you the other morning? Wasn't I lucky?

Q. No.

A. All right.

Q. How about this freezing order? There have been reports about finagling with the Germans over their funds.

A. Well, I haven't even got something for you on it today.

Q. It was perfectly apparent, Mr. Secretary, that you wanted to freeze all Europe and had some hopes of getting it Monday night. Can you tell us what happened?

A. I would love to.

Q. I would love to hear it.

A. But I am not going to.

Q. Do you still expect that you will get a general freezing order within a short time?

After the Lend-Lease bill passes.

A. The Tribune is hot today, aren't they?

No, we just - nothing on freezing today. It is too nice a day.

Q. Do you have any official or personal interest in the candidates for the Reserve Bank presidencies?

A. Don't ask me.

Q. Everybody else has. (Laughter)

A. What do you mean, everybody else has what?

Q. An interest.

Don't you have a candidate in the field?

A. No, I have no candidate. I feel sort of badly. It is one fight I am not in on.

Q. Thank you, Mr. Secretary.

A. Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MARCH 10, 1941.

Q. Mr. Secretary, you had lunch with the President today, didn't you?

H.M.Jr: Do you know what we had to eat?

Q. No, I would just like to know what figure you settled on.

A. Well, you are asking a question to which you don't expect an answer.

Q. I can hope, can't I?

A. Sure.

Q. Senator Barkley said a ten billion dollar figure is a bit wild. Do you agree with him?

A. I have been here too long to fall for that one. You have got to get a little bit better than that.

Q. No, I am quoting the Senator.

A. I know, but I say I have been here a little too long to fall for your question.

Q. In what way?

A. Well, I mean if he is wild, how wild.

Q. He says the figure is a bit wild, not he. Mr. Secretary, I was just supplementing what he said, Mr. Secretary. There was a piece in the paper that said five billion of cash and five billion of authorization.

A. Well, it is just like anything else that the President is doing. When he is working on the Budget Message, I never help out with the answers. I mean, if you want to be formal, I don't care to discuss it. I would rather kid than be formal.

Q. You don't have to here, sir.

A. All right. What else?

Q. Is there anything on financing at all?

A. No, the only thing, the boys asked me to ask you if you would draw the American public's attention to the fact that you can still buy United States Savings Bonds.

Q. What is the matter, are the sales falling off?

A. No, just a little bit of a misunderstanding. They

think that they may not be able to get anything until the first of May, so you can still say that they are on sale at the same stand, any Post Office. We of the Treasury would appreciate it.

Q. Mr. Secretary, do you expect a declaration of full national emergency? Do you see any indication of it?

A. I don't want to answer the question.

Q. With the Lend-Lease Bill through, do you think you will be successful in convincing the people of the State Department that a general freezing order would be good at this time?

A. You hadn't ought to ask me all of these embarrassing questions.

Q. Mr. Secretary, a couple of stories were printed today to the effect that the Administration was planning on financing for other than defense purposes, and that a non-defense industry would find it difficult to get financing. Do you know anything about that?

A. All I know about it is, I saw a story that Pike - is that right?

think that they may not be able to get anything until the first of May, so you can still say that they are on sale at the same stand, any Post Office. We of the Treasury would appreciate it.

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freezing the Indo-China funds. Well, the Indo-China funds were frozen, if my memory serves me right, at the same time the French funds were.

Schwarz: Last June.

H.M.Jr: June --

Q: Seventeen.

A. 1940. There has been nothing since then. Evidently they have just found out that they were frozen. They were frozen in June.

Q. They probably started trying to take them over.

A. Possibly.

Q. Mr. Secretary, to go back, did you say that that other financing may not start until after May 1st?

A. No, May 1, very definitely. They will go on sale May 1.

Q. I just didn't understand.

A. No, they will go on sale May 1, and there seems to be some mis-understanding, and if anybody wants to buy United States Savings Bonds, they are on sale at the post offices.

Q. What has happened to the Chinese loan?

A. I don't know. Mr. Bell is handling it for me. I have had no report.

Q. Can you say anything, sir, about tax rates?

A. No, but very shortly we will be working on it.

Q. What sort of an income tax rate will you propose?

A. I haven't begun to work on them yet, but we will very shortly in preparation for a call from the Hill.

Q. When do you anticipate that call, Mr. Secretary?

A. I don't know.

Q. How do the returns look?

A. They are running ahead of our estimates.

Q. Can you give us any figure?

A. No. Isn't there a system that they get them from a--

Schwarz: A daily statement.

H.M.Jr: Isn't that the arrangement?

Schwarz: That is what we have always done, so we don't have to kick bags.

Q. Didn't you kick your bags around this year, Mr. Secretary?

A. No.

Q. I think even last year when you discontinued the bag kicking, we got something daily.

Schwarz: After the twentieth.

Q. Because it takes a long time before those things are reflected in the daily.

A. Not too long.

Q. Sometimes a week or two.

Not only that, but it is awfully difficult for us morons to break down that daily with what your estimates are.

A. I refuse to let you run yourself down like that.

Q. We have another problem with the daily, Mr. Secretary. The excess profits will be intermingled with the income tax, as far as the daily is concerned, and we won't be able to separate income from excess profits taxes.

A. Well, have you seen Brother Schwarz?

Q. Yes. He--

A. He didn't help?

Q. Well, he wants to, but he has got your bookkeepers to deal with.

A. I don't see how he can unless he took a look at all the statements.

Q. Well, couldn't you arrange them in sort of a telegraphic report or something?

Schwarz: If it can be done, we will do it.

H.M.Jr: Well, take a look at it and see what they say.

Q. Thank you.

A. Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MARCH 13, 1941

H.M.Jr: At the request of the State Department, we are going to freeze the funds of Hungary today. We will have the formal papers ready in another hour, will we not?

Schwarz: Within the hour.

Q. For our information or otherwise, can you give us some idea of what they have here?

H.M.Jr: I don't really know.

Q. It is not large, is it?

A. Not very large. I really don't know. I had better not guess. We never have said, have we?

Q. No.

The boys got an estimate at the Department of Commerce, and I imagine it is much the same as yours.

A. I really don't know.

Q. Can you give us an idea, sir, of what time it will be signed, roughly?

A. Listen, young fellow (Schwarz) I have got to back-track on this. You will have to hold this up. The President has to sign it. You had better not say anything. I am sorry.

I am sorry I said anything. Well, this is on Schwarz.

Schwarz: I was told it has been signed, Mr. Secretary.

H.M.Jr: The President has signed it?

Schwarz: That is correct.

H.M.Jr: Who told you?

Schwarz: Our Legal Division. I will let them know for sure, but I was told it had been signed.

Q. Don't you think, Mr. Secretary, that it would be best to hold it until we get the formal announcement? It will save us having to send two stories on it.

H.M.Jr: Well, if the President has signed it, we will let it go. I will know in a minute. The other thing, for background, I am not going

on the Hill to testify this afternoon.

Q. Not going?

A. Not going. This is for background. The reasons are this --

(Mr. Pehle's office telephoned that Mr. Pehle had not returned from the White House.)

H.M.Jr: He is not back from the White House. Whoever told you must be wrong. Anyway, hold it until you hear from Schwarz. I am not going up to testify - this is for background. This they gave out. Mr. Knudsen isn't going either, but that has nothing to do with me. In looking back over the history, you will find an original NIRA bill for three billion three where the money went directly to the President. The Director of the Budget went up and testified and then in another case, the hundred million dollar fund direct to the President, the Director of the Budget testified, and as this is again 7 billion which is appropriated for, so to speak, a Budget

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matter, there is nothing for me to testify about. I mean, it is a matter which the Director of the Budget should explain and can explain it, and the Secretary of War and the Secretary of the Navy. I mean, there is no reason for me to do it. From all the precedents, I should not go. My understanding with Congressman Woodrum is that if when they get along there is something special that they want, I am available but in my discussion with him, he thought there was no reason for me to go.

Q. This is still background?

A. This is all background.

Q. Who thought there was no reason for you to go?

A. Congressman Woodrum, who is handling the

hearing. There is no reason for me to appear on something with which the Director of the Budget can handle, and I say there is none of the money comes to the Treasury any more than if I would go up and testify on a War Department appropriation or Navy appropriation.

Q. Is Secretary Hull going?

A. Yes, he is. He is going to give what the foreign situation is, but I am not; and I wanted to explain why.

Q. Mr. Secretary, the State--

A. For background, please.

Q. The statement is being made rather flatly at the OPM and in the War and Navy departments that the United States will take over all British war material orders now unfilled and pay for them and then turn them over to the British under the Lease-Lend program. Do you know whether or not that is true?

A. Well, for background, it certainly isn't true as of today, see. Now, you never know what is going to happen, but up to now - let's say as of last night, it was not so.

Q. It is just being discussed?

A. It is not even being discussed. I mean, the situation is just as I described it when I was on the Hill, that wa expect the English - I don't want direct quotes on this - to pay for the - their outstanding contracts. I would think that that would come more from the English than it would, possibly, from anybody connected with the Administration, but certainly as of last night, that was not the case, but

as I say, that is to help you, but please don't --

Q. Do you know the value of those --

Don't attribute it.

A. I would be surprised if anybody who really had anything to say would say that.

Q. Well, we picked it up from three different places yesterday.

A. Well, all I can say is, as of last night, that was not the plan, definitely. I am not going to say that it might not be shifted.

Q. They might take over the facilities after British orders are completed or something?

A. Well, again to help you gentlemen out, the R.F.C. has for sometime been negotiating for the plant facilities that the English have invested in, in this country, you see. That is No. 1. No. 2, for sometime the Army has been negotiating to take over contracts where the English had mada down payments, 25 per cent down, you see, which would take care of a certain amount of contracts. The Army only

would be taking over those where they have use for that particular material, you see, and where they have made payments - cash payments, but no investment in plant. Where there is plant investment, the R.F.C. is taking care of that. Now, maybe that - but that leaves a great many other contracts, the bulk of the contracts still uncleared.

Q. Both of these, as I understand, apply only to plants.

A. No, the R.F.C. has been negotiating for the ones where there are plants. The best example is that powder factory down in Tennessee somewhere, the other - but where, for instance, they have a contract and they have paid down 25 per cent down payment, some of those the Army have been taking over.

Q. Those are war materials?

A. War materials, which the Army has a use for.

Q. And those are plants to manufacture war materials only?

A. Only, and where the Army - they fitted into the

Army plan. But you fellows - I am telling you the facts, but you will have to get - how are you going to write this now?

Q. "A high official said today."

A. All right.

Q. "Unimpeachable sources."

Always impeachable.

Run it right behind this freezing order item. Well then, that does create the picture of us taking over some of the uncompleted contracts entered into by the British here.

A. That is right, but there is no thought - the reason I am telling you all of this, there is no thought of taking over all of their present contracts, with the exception of these two instances, you see.

Q. Can you give us any dollar volume of what this will mean?

A. Oh, this might run - I will give it to you in percentages. It might run from 20 to 25 per cent of their present contracts.

Q. And how much are the present contracts?

A. I am not saying.

Q. Didn't you testify that they --

A. Pardon.

Q. I was going to inquire whether that includes aircraft.

A. I am not sure.

Q. Mr. Secretary, when you testified on the Lease-Lend Bill, didn't you testify from those long tables that they had something like a billion seven hundred million --

A. Four.

Q. A billion four, was it?

A. Around that.

Q. To pay for this year?

A. Yes.

Q. Couldn't we apply this percentage to that figure?

A. You wouldn't be far off. Of course, those figures were as of January 1st, you see.

Q. They have paid some since, but they have probably incurred some new obligations.

A. Well, I don't want to get in on that, but if you apply this 20 to 25 per cent as of the situation

of January 1, you wouldn't be far off.

Q. In other words, about 400 million dollars.

A. No, it would be about - it would run around 300 million. It might run say between three--

Q. Three and three fifty?

A. Yes.

Q. This does not apply to all plants?

A. That is right. This is - I will do it once more. There are two things--

Q. I mean the 20 percent.

A. Yes, it does. What the Army and RFC might do jointly. If the RFC, Jones, does the plants through one of his corporations--

Q. Defense Plant Corporation.

A. And the Army simply negotiating for those contracts which they have a use for, where there is a cash down payment.

Q. Where there is a cash down payment?

A. Yes. Where there has been a cash payment.

Q. Didn't you specify before where the cash payment had been 25 percent?

A. Well, sometimes it is - it runs about 25 percent.

Q. Why just where there is a cash payment?

A. I think that is fairly obvious.

Q. Mr. Secretary, I don't quite get the reason for that cash down payment. Will you tell us again for background, why it is?

A. Well, it is a custom which the American manufacturer seems to be following with the English. When they place an order, they want a down payment. I think they do with most anybody.

Q. Well, don't - say if the Army takes over an order in which there has been a 10 million dollar down payment, would the Army return the 10 million to the British?

A. Sure. Well, no, what most likely happened, the way we have done, they would take it over and they would give the money to the manufacturer and the manufacturer would return the money to the British.

Q. Yes, but I mean down payment would flow back to--

A. Yes, but I mean the Army would say, "We will take over this contract," and they would take it over and start fresh, so I suppose what would happen, the man would pass his contract and the British would reimburse him and the contract would go to the Army.

Q. Have any of these actually occurred?

A. I am realizing now I am getting into the Army and RFC. I think I had better stop. I think I have talked too much already, but I have heard there has been all this misunderstanding, and we might just as well have the truth.

Q. I have seen the figure of a hundred and sixty million dollars used as an estimate of the British investment in munitions plants in this country. Do you know whether that is approximately correct?

A. I don't want to say anything more than what I have, that this thing might run around three or three hundred and fifty million dollars if everything went through, you see.

Q. Would it run about 50-50 as between plants and contracts, between the RFC and the Army?

A. Well, I would rather not. I think I have talked too much already.

Q. Mr. Secretary, to get back to another subject, do you anticipate any more freezing orders in the immediate future?

A. Well, I don't know. You mean is there anything in the offing right now.

Q. Yugoslavia.

A. I don't know of anything in the immediate offing. The thing always stays open, but I don't know of anything immediately.

Q. I am just a little bit in the dark as to why Hungary was picked right at this moment.

A. Well, we got the request last night from the State Department.

Q. It has been months since Hungary was - joined the Axis.

A. They asked us last night to do it.

Q. Do you recall--

A. Who am I to question the State Department?

Q. Do you recall when Hungary first became eligible? I don't.

A. I am sure the State Department can take good care of you.

Q. Well, Mr. Secretary, does the State Department request mean that it is the opinion of the State Department that German troops are now occupying Hungary?

A. I am not going to attempt to be helpful.

Q. As I recall, although they joined the Axis and there was suspicion there had been German troops there, it hadn't been quite as obvious as for some of those other countries.

A. For those gentlemen who came in late, I jumped the gun on this Hungarian thing, and I found the President hadn't signed it, so I am asking everybody to please do nothing until we hear that the President has signed it. I haven't done that before. Don't let your offices know

anything, please. The minute he signs it, we will let you know.

Q. Mr. Secretary, is there anything new on the somewhat warm subject of defense savings bonds?

A. It isn't warm. It is still brand new. It is so new that it hasn't been born yet.

Q. A lot of labor pains.

A. It takes a lot of skillful work and thought.

Q. When do you start selling them?

A. Still May 1.

Q. Was there a sudden upsurge in buying baby bonds after the last press conference, Mr. Secretary?

A. I will find out. (Laughter) If there is, we will give you fellows a commission. You earned it.

Q. That is what I was driving at.

Mr. Secretary, what is the situation on some aid to China? Several weeks ago, I think, Secretary Knox said they were going to get some planes.

A. Well, Mr. Lauchlin Currie only got back yesterday. Give him time to do his stuff.

Q. Was he here yesterday?

A. Yes, he was here yesterday.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MARCH 17, 1941.

Q. I hear you have got a girl.

H.M.Jr: A gorilla?

Q. A girl friend.

A. What is that?

Q. Toto.

You are the owner of Toto, Mr. Secretary.

Schwarz: They haven't told you. The mate for the circus gorilla was held up by Customs because the invoice had an under-valuation.

H.M.Jr: Wonderful.

Q. Toto instead of getting Gargantua got you.

A. It is not only in "Toto", but it is all out.

Q. We thought you might be planning on opening some sort of a road show.

You could sell quite a few baby bonds with Toto if you really tried.

A. Well, we need something new, always. Wonderful.

Q. Toto might like that better than marrying Gargantua.

Q. Mr. Secretary --

A. This is all so sudden.

Q. Mr. Secretary, have you anything to say about the French Ambassador's statement today that he was going to try to get some frozen - the use of frozen funds to buy foodstuffs for unoccupied France?

A. No. What we do here is very simple. If and when the Secretary of State writes me a letter telling me that he would like certain funds - if they have established, well say, a new policy, or they want certain funds released for certain purposes, purposes that are compatible with the foreign policy of this Government, we just do it.

Q. I remember you did it in case of Martinique for buying foodstuffs, if I am not mistaken.

A. I am not exactly clear what did happen, because there was so much talk about what they were going to do and what they did I just don't know,

but any of those things that come up like that, I only do them on a written letter from the Secretary of State.

Q. I see.

A. Once the policy is established, we just go ahead. We have the machinery, we just carry it out, but the policy is made by Mr. Hull.

Q. Have you received such a letter yet, sir?

A. I have not.

Q. Do you expect to receive it?

A. I really don't know anything more than I have seen in the papers. Nobody has discussed it with me. I have had no discussions with anybody in the State Department.

Q. Mr. Secretary, have you got anything on financing?

A. Well, we will go ahead Wednesday morning.

Q. Announce it Tuesday?

A. Tomorrow night between four and five for Wednesday morning. We have definitely decided to go ahead with the refunding and with the 500

million cash, new money. This week will be the last week that we ask for 200 million. The following week we will drop back to a hundred million. From now until - after this financing is over, with the exception of bills and an offering for the RFC some time in April, the Treasury will be out of the market until the first of May. That doesn't mean we will do something on the first of May, but we will not do anything more between now and the first of May.

Q. Except for the RFC?

A. RFC and bills.

Q. How much is the RFC, Mr. Secretary?

A. It hasn't been settled yet.

Q. Are you going to offer a combination of medium and long-term bonds in this new money?

A. We haven't decided.

Q. You haven't decided yet?

A. No, I douht if we can tell you anything until tomorrow night.

Q. Are you committed to a policy of issuing just one hundred million dollars a week in bills until May, after this following one?

A. No, but I --

Q. You might increase that.

A. Yes. I just meant that this week we are offering two hundred million and next week we drop back to a hundred million.

Q. How many weeks have you offered two hundred million?

A. Six or seven.

Schwarz: This is the third week.

Q. This will be the last and it will also be the third.

A. That is what Schwarz said, and he is always right.

Q. Have you any comment on the sale of the American Viscose Company?

A. Only I was very much pleased. It is part of the program.

Q. Well, this sort of spikes reports that part

of the fixed assets may be put up as collateral for the seven billion dollars. Several stories have been written along those lines.

A. Well, I don't want you to go to the trouble to look at my testimony in the House and the Senate, but Schwarz can find it for you. In that I said that their investments in factories and properties and their securities would be sold and used to pay their outstanding, existing contracts; and with the exception of what I told you gentlemen the other day about what the RFC and the Army were doing, with that exception, the thing is as I described it.

Q. Mr. Secretary, have you any estimate on what income taxes returns will be this month?

A. No, I think that our policy is to wait until the 20th, isn't it?

Schwarz: That is right.

H.M.Jr: But they are running ahead of our estimates.

Q. Think they will pass the billion mark?

A. Yes.

Q. There have been some stories from London in regard to the adverse position of the Canadian dollar in relation to the American dollar. Is the Treasury studying along the lines of some stabilization? The British are worried. They - so far as their own situation is concerned, they don't seem to be worried, but the Canadian monetary situation is disturbing them.

A. Well, Mr. Clark, who is best described as the Danny Bell of the Canadian Treasury, has been here twice, and we are in close touch with them.

Q. Is he Undersecretary?

A. I don't think they call him that, but he is --

Q. Deputy Minister.

A. Thank you.

Q. Do you know his full name?

W. C.

A. He has been here twice. He is a good man. He has the same position as Sir Frederick

Phillips has with the British Treasury.

Q. Well, could you expand on that? You say he is the Danny Bell of the Treasury and he has been here twice?

A. What I was trying to get over is that we are in close touch with him.

Q. Is there any chance that you might reach a currency stabilization agreement with the Canadians such as you have done with the South Americans?

A. I don't want to say yes or no. I just don't know.

Q. But if that was necessary, you would, wouldn't you?

A. No, I just don't know. I mean, up to the last time I saw Mr. Clark, the Canadians felt that they could get through this year all right.

Q. Mr. Secretary, for some of us who haven't been following the Canadian situation so closely, what is the purported difficulty.

A. I don't know. Evidently somebody in London is worried, but I don't know just what their worries are founded on. As I say, up to the last time I saw Mr. Clark - I mean, the Canadian Treasury felt that they could get through this year as far as dollars were concerned.

Q. Is it an exchange problem or just their whole monetary system?

A. .... That they could get through this year as far as dollars went all right. Now, like all of these things they change from time to time but up to the last time I saw him he said everything was all right.

Q. Are there any threats of a dollar stringency in Canada?

A. Well, I will repeat myself. I said he said the last time I saw him, as far as dollars were concerned he was all right for the rest of the year. Well, that is looking a long time ahead.

Q. There are reports that their dollar exchange has fallen sharply because of loss of American tourist trade.

A. Well, I don't want to go into it.

Q. And there have been--

A. I mean when the second man of the Treasury

tells me he is all right as far as dollars are concerned for the rest of the year, we have enough worries over those people who are not all right without worrying about those who are.

Q. That I assume means that there is no prospect of Canadian aid in the immediate future?

A. I will go over it once more. I say he says that until the end of the year he is all right as far as dollars are concerned. Now, I have got enough worries with people that are not all right until the end of the year, so until he says he isn't all right, I am not worrying. All right?

Q. All right.

You were up to Canada last November.

A. I was fishing.

Q. Were you fishing for dollar exchange?

A. That was back in September.

Q. Is it too early to ask about the tax program?

A. Didn't Mr. Doughton have something to say today?

Q. Pat Harrison had something to say, too. I don't get that far away.

He intimated that they would start studying the matter after April 1.

A. I talked to him this morning and asked him if he would get to a tax bill until after the first of April, and he said he had enough legislation, so to speak, in the mill that he would not get to any bill until afterward.

Q. This was Chairman Doughton?

A. Chairman Doughton, until after the first of April. I think that that - I don't know what Pat Harrison said--

Q. Well, he said there would have to be more taxes and the bill would probably be drawn to raise another billion and a half of revenue.

A. Well, talking for the Treasury, we have not

discussed any tax plans with anybody on the Hill. No one has asked us and we haven't discussed it, no tax plan. Our advice has not been asked.

Q. Will you comment now on your views?

A. No. I haven't got any. What I am trying to get over is that we have not discussed with either Senator Harrison or Chairman Doughton any plans for a tax bill and both gentlemen - I talked with Senator Harrison - called him just before he left and with Chairman Doughton this morning and there just aren't any plans as far as we are concerned and won't be until after the first of April.

Q. Could you comment on this billion and a half, as to whether they think that would be sufficient at this time or not?

A. Well, I don't know how I can make things plain to you. I go through a careful statement, and then you ask me the same thing all over again. I just explained the whole

thing to you in very simple language. I mean, I have talked and there are no plans. There aren't any. How can I make it any plainer?

Q. That is all right. I merely--

A. There must be something the matter with me. I just go through the whole thing very carefully and say - I guess I don't make it very plain. I am sorry.

Q. Can I change the subject, Mr. Secretary?

A. Yes. I mean, if you want to ask me again, go ahead, but I tried to explain that both Chairman Doughton and Senator Harrison - they said there would be nothing until after the first of April, and we have no plans and haven't discussed any plans with anybody on the Hill.

Q. Well, that is perfectly all right.

A. I thought I explained it once.

Q. I merely wondered if you wanted to comment on that statement. If you don't, why all

right.

Is it correct to assume that you felt that you could not get Congressional approval for reciprocal taxation so you went ahead by serving deficiency judgment on the New York Port Authority bondholders?

A. I would like to dodge that if you don't mind. Anything else?

Q. Thank you, Mr. Secretary.

A. Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MARCH 20, 1941.

Q. Good morning, Mr. Secretary.

H.M.Jr: Good morning.

Q. I see you have got your gang here.

A. Yes, I have, because these people have been working on this and if I can't answer any questions and they can. Would you like me to read it out loud and stop after each paragraph? Would that be helpful?

Q. I think so.

A. "Secretary of the Treasury Morgenthau today announced the new issues of United States Savings Bonds and Stamps, to go on sale May 1, which have been developed to help in financing the National Defense Program.

"'In meeting the cost of this tremendous effort,' the Secretary said, 'the Government must do more than find billions of dollars. It must find these dollars in a way that will best

safeguard the nation against the evils of inflation, and will give all American citizens a sense of taking a direct part in the defense of the country.'

"Three new kinds of United States Savings Bonds will be sold. The first kind, called Defense Savings Bond, will be almost identical with the present United States Savings Bond or 'baby bond' which has become the most widely held single security in the country. More than $5,000,000,000 worth, at matnrity values, have been bought by more than two million men, women and children.

Defense Savings Bond

"The Defense Savings Bond will be offered for 75 per cent of its maturity value, with maturity of ten years. Thus, a Defense Savings Bond bought in May, 1941, for $18.75 will be redeemable in May, 1951, for $25.00. This is an increase of 33-1/3 per cent, equal to an interest return of 2.9 per cent per annum, compounded semi-annually. This bond is not transferable, will not fluctuate

in value and may be redeemed at any time before maturity at values printed on its face. Intended chiefly for people of small income, ownership is restricted to individuals in their own right, with a limit upon holdings of $5,000 maturity value of bonds issued in any one calendar year. Denominations are $25, $50, $100, $500, and $1,000. The Defense Savings Bond will replace the present 'baby bond' series and will be available to all subscribers under the Regular Purchase Plan familiar to many thousands of small investors."

Q. At that point, Mr. Secretary, apparently the only change there from the present baby bonds is the reduction of maximum purchase from $10,000 to $5,000 per year.

A. No, if - I don't know whether they give you a table here or not.

Bell: No, we don't.

H.M.Jr: Are you going to?

Bell: Not in this, no, sir.

H.M.Jr: Is the table available?

Bell: We could make it available in a little while. We just didn't fix that up because it is in the process of being printed. There is a slight change.

H.M.Jr: Yes.

Q. For what, redemption values?

A. Well, in the earlier years of holding the bond, it pays less interest. In other words, if you redeem it in three or four years, it accumulates in value slower at the beginning than it does at the end.

Graves: That is exactly right.

H.M.Jr: And I think if the table is there, it would be nice if they could have it. You will notice this is for tomorrow morning anyway.

Bell: The yield is the same as the old one.

Q. One other thing. Let's assume that John Doe has bought $8,000 worth of baby bonds prior to that day, May 1. Would he be eligible to buy $5,000 worth of these Defense Savings Bonds the rest of the year?

Bell: Yes. That is an entirely new series, and the limit only applies to this series.

Q. So even if the person did hold the limit of the amount of the baby bonds, say he had bought $10,000 worth of baby bonds from January 1 until now, he would be able to buy another $5,000 of these new ones, is that right? Increasing his over-all limit to $15,000 for this one year.

Bell: That is correct.

H.M.Jr: All right, gentlemen.

Q. Why was the limit reduced from $10,000 to $5,000?

A. For this reason. This first bond that we are talking about, Defense Savings bond, is designed, fashioned, for the man of moderate means, and it is more attractive in its terms than either of the other two, Series F and Series G, and we feel that it being that much more attractive - well, we want to limit it definitely to the man of moderate means.

Q. In other words, you feel you are taking a lick on the interest rate as regards these small things, but that you want to get them out but you don't want to pay the same interest rate on any great amount for any one person, is that right?

A. Well, put it the other way around. We feel that we are very glad to pay an attractive interest rate to the man of moderate means who would like to invest in his country, and we want to make it just as attractive for him to make that investment in that country. Now, when we come to Series F and Series G, they are designed for people of greater wealth, and we feel that -- you see, all three of these are redeemable at a fixed price. They are also not negotiable. Well now, therefore we are trying to avoid what mistake we think was made during the World War where people were sold these bonds, Liberty Bonds, and then if they wanted to sell them, they went down to 81 and 82. When they

buy these, you know they buy them exactly at a fixed rate at what price you can redeem them. They are not negotiable. You can't speculate or trade in them, and I think you will see - it gets back to the point that - let's say the one that is the most attractive is the first one, and that is designed for a man of moderate means. All right? Now, shall I continue?

Q. Yes.

A. Series F. Savings Bonds

"The new Series F Savings Bond, intended for larger investors, for trustees, and for reserve funds, is offered for 74 per cent of its maturity value, with maturity of twelve years. It can be held not only by individuals, but by trustees, associations, pension funds, and corporations, with a limit of $50,000 cost price issued in any one calendar year, alone or in combination with Series G. If held to maturity, the yield approximates 2.53 per cent a year. The Series F Bond is not transferable, and may be redeemed on thirty days' notice after six months from

date of issue in accordance with a table of redemption values printed on its face. Denominations are $100, $500, $1,000, $5,000 and $10,000."

Q. Mr. Secretary, at that point for our convenience, could one of your experts give us the purchase prices? Obviously, the first one is $74.00.

Graves: $370 on the $500 bond, $740 on the $1,000 bond, $3,700 on the $5,000 bond, $7,400 on the $10,000 bond.

Q. Now then, that limit there is on cost price, not maturity price, as in the previous bond?

Graves: That is right.

Bell: The reason for that, you know, is because of the combination of the two. You can see that later on.

Q. Mr. Secretary, for the benefit of us poor reporters, whom you expect to write about this day after day for the next couple of years, could you give us a more descriptive

meaning of Series F?

H.M.Jr: I think the point is well taken.

Q. Adolescent bond.

A. I will ask - (laughter) I will ask our idea man.

Q. Seriously, there isn't much sex appeal to Series F.

A. It is a good point, and I say I will ask these idea men to come through with something - with some sex appeal.

Bell: The point is that they are all true savings bonds.

H.M.Jr: But you could call one like - call one the Washington Bond, call another one the Buffalo, and the San Francisco, or something like that if you want to give them a name.

Q. The first one is supposed to be Defense Savings Bonds or Defense Baby Bonds.

Well, seriously, if we have to write about these things --

A. You are perfectly right.

Q. I assume it is your intention that you want the public to become very familiar with these securities, and what they are and so forth; and Series F and Series G are not things that would stick in peoples' minds, and besides, there would be a certain amount of typographical errors and things that would cause confusion.

Bell: You want something that compares with baby bond?

Q. Yes. I think the name "baby bond" has probably sold as many baby bonds as any other feature of the security.

Bell: I think that is right.

H.M.Jr: Well, we will see how bright they are.

Q. Thank you, sir.

A. Thank you for suggesting it.

Q. Why don't you run a nation wide contest? That is a good idea.

Name the bond and get one free.

I don't know how some of them are, but you would probably see most of our wives working on this contest.

I was thinking I might offer a wooden box about this high and this wide. (illustrating) With twelve bottles in it for the best name, possibly.

Bell: You won't have only the wives working on that.

Q. Baby bottles?

H.M.Jr: It would be something to work for.

Series G Savings Bond

"To meet demand for a current income bond, the new series G Savings Bond, to be issued at par, bears interest during its 12-year term at 2-1/2 per cent, paid semi-annually by Treasury check. Intended for both small and large investors, the Series G Bond is not transferable, and can be registered like Series F in the name of individuals, associations, and corporations, up to a total of $50,000 cost price issued in any one year, alone or in combination with Series F. Denominations are $100, $500, $1,000, $5,000 and $10,000.

"Series G Bonds will be redeemable before maturity on thirty days' notice at fixed redemption values printed on their face. In fixing these values, inducement is given to holders to retain their bonds until final maturity."

Q. Can you give us any idea, sir, of the discount people will have to take if they want to redeem them?

Bell: That is in the table, too.

Q. I think we would like to have those tables, because they are of exceptional value to investors.

A. I agree with you.

Q. For example, you gave us the $74 in Series F and so forth. They know what they are buying.

Bell: Yes, they can readily be made available.

H.M.Jr: How long will it take you?

Bell: Within an hour or so.

Q. Fine.

H.M.Jr: The purpose of doing this this morning was so that they could give you plenty of time. "Sales Agencies. Defense Savings Bonds will be on sale May 1, 1941, at 16,000 Post Offices, at Federal Reserve Banks and at the United States Treasury. Series F and G Savings Bonds may be obtained on application to Federal Reserve Banks or to the Treasury. Arrangements are now being made through which it is expected that orders for bonds of all three series will be accepted at commercial and savings banks generally."

Q. Those Federal Reserve Banks are similar to National Banks and their branches?

A. That is right.

Q. There are about 20 of them?

Bell: About 35.

Q. Twelve banks and 24 branches, isn't it?

Bell: Twenty-three, I think.

Q. There are altogether 50,000 Post Offices, aren't there?

Graves: Fifty-three.

Q. Do you expect to get the rest of those, too?

Graves: Well, wherever there is any demand the new offices will be qualified to sell those bonds. Starting off at May 1 with the Post Offices that are now qualified to sell the present Baby Bond.

H.M.Jr: All right?

"Postal Savings Stamps. Great emphasis is laid by Secretary Morgenthau upon the importance of Postal Savings Stamps as a means of encouraging steady savings among the youth of America and all others to whom payment of $18.75 at one time for the smallest Defense Savings Bond is not convenient.

"The Postmaster General has approved a new series of stamps, of special design, priced at 10¢, 25¢, 50¢, $1, and $5. Purchasers will be given attractive pocket albums in which to mount them. An Album containing seventy-five of the 25¢ stamps has a cash value of $18.75 and can be exchanged for a Defense Savings Bond which in ten years will be worth $25. There

are similar albums for mounting the 50¢, $1, and $5 stamps, exchangeable for $50 and $100 bonds."

Q. Where will these be sold, Mr. Secretary?

A. These will be sold largely at Post Offices.

Graves: May 1 they will be on sale at all Post Offices, and it is likely that banks will carry stock.

Q. That is at 53,000 Post Offices or 16?

Graves: Sixteen thousand.

Q. That brings us back to the question of schools again, Mr. Secretary. Are they going to be on sale at schools?

H.M.Jr: I doubt it.

Q. How about department stores?

A. We haven't got that far yet.

Q. Well, this is just preliminary?

A. Well, this is the first move, and these outlets or sales agencies, the men are working on it, but this, so to speak, is the opening gun in the campaign.

Q. These Postal Savings Stamps will be carried by the rural carriers also like --

A. How about that, Harold?

Graves: No arrangements have been made for that so far.

Q. What is the design, Mr. Secretary?

H.M.Jr: Well, we hope to have that for you a little later. I mean not today.

Q. Today?

A. Not today.

Q. Will they be called Defense Savings Stamps?

A. Yes.

Q. Aren't you selling any Savings Certificates now?

A. No.

Q. Why?

A. Well, it just isn't part of the plan, and we are using the stamps instead of the savings certificates.

Q. You get a bigger stamp in there.

A. That is right, $5 stamp. It takes the place, I would say - the stamp takes the place of the savings certificate, doesn't it, Harold?

Graves: That is right.

Q. Do I understand in here that these albums will

be for specific types of stamps, that is, there will be a 50¢ album and so on?

Graves: That is right.

H.M.Jr: Just as soon as these things are made up, we will present one to each of you.

Q. With the stamps in it?

(Laughter.)

A. Well, we will put in a 10¢ stamp anyway.

Q. Would that 10¢ stamp be currency? Could you get something for it?

Graves: All these stamps will be redeemable at any Post Office.

Q. You couldn't go to a grocery store or something and get a loaf of bread with a 10¢ stamp?

A. No.

Q. They are redeemable but not negotiable?

Graves: They are not supposed to be used for the purpose indicated there.

Q. But suppose the grocery is also saving stamps and is perfectly willing to take the stamp. Would you have any objections?

It would save you fellows some bookkeeping.

Graves: There would be no legal reason why it could not be done. I suppose it would not be done very generally.

Q. What would be the plan in the case of speculation in stamps and bonds? Is there any - would it be a Federal offense if somebody was in need and came to me and said, "Now, Gregory, I have got a bond that is worth $20. I don't want to cash it." I will say, "Well, I will give you $18.50 for it."

Graves: The bond is not transferable, not assignable. You couldn't pass them in that way. Only the registered holder may redeem one of these bonds.

Q. Well, would I have to sign for the bond in order to have it redeemed?

Bell: That is right. Make application to have it redeemed.

H.M.Jr: I don't think you could do that, what you are suggesting.

Q. The other guy could forge your signature to it.

A. Well, that is a pretty serious Federal offense. Then you are right up against a jail sentence.

Q. I am afraid they are going to find ways of speculating in these things.

Bell: They haven't in the Baby Bond.

H.M.Jr: No, they haven't in the Baby Bond, but where there would be much more likelihood is in the food stamps.

Q. You mean the Savings Stamps?

A. No, I am talking about food stamps. When they started in Rochester, we had our people up there, and they were there for weeks because I was so personally interested in it, and we had very, very little trouble with these food stamps that were distributed amongst tha people of the lowest means. We went up there to be amongst the very poor and the hungry, and we got practically no trouble, and if we haven't had any there, I don't see why we should have with people of more means.

Graves: It would be much more difficult here for the reason that these bonds are registered bouds and not negotiable.

H.M.Jr: Have we had any criminal cases in the food stamps?

Bell: I don't know that we have had any.

H.M.Jr: It has been an amazing record. I think it is a great thing to the credit of the American people the way they have taken these food stamps and have not tried to cheat. If they won't cheat there, people who are hungry and have the incentive to do it, I shouldn't think they would in this, and it would be much more difficult.

Bell: I don't see why there should be speculation when a person can get the money he put into the stamps and with a value on the bond that he could redeem it at, why he should take less, I don't know.

Q. What is the redemption time?

H.M.Jr: Well, you will get that.

Q. I understood it was 90 days.

Bell: No, 30 days' notice on the larger bonds and still demand on the first bonds, the Baby Bonds.

Q. The Defense Savings Bonds, what would be the redemption date, 30, 60, or 90 days?

Bell: On 30 days' notice.

Q. That is the whole point.

Bell: The time element might be --

H.M.Jr: But you can't do it. Unless you forge a man's name, you can't, and forging a man's name to a United States Bond or currency is a jail offense, and I don't think anybody would be foolish enough to do it.

Q. Does this release mean that the holder of a Series F bond has to wait six months before he may turn it in, but the holder of a G bond does not have to wait six months? There is no mention of six months in G.

Bell: No.

H.M.Jr: What about that?

Graves: The holder of the Baby Bond may not redeem it within 60 days after the date of issue. After that, it is redeemable on demand without notice.

H.M.Jr: What about the G?

Graves: The G bond can't be redeemed during the first six months.

Q. It doesn't say so here. It says so on the F

but not on the G.

Graves: My understanding is it is the same, isn't it?

Bell: Yes, it would have to be the same.

H.M.Jr: Do you want to give them a statement on that, on the G, everybody together?

Graves: That should have read, "May be redeemed on 30 days' notice after six months from date of issue."

H.M.Jr: Well, could you give them a little typewritten statement?

Graves: Yes.

H.M.Jr: So it would be perfectly right, just something, Chick, to paste on the bottoms, to juat follow right on there. I am glad you brought that up.

Kuhn: Top of page 3.

Graves: Top of page 3, yes.

H.M.Jr: Could you give them something on that at the same time you give them a table? It would be an insert at the top of page 3, gentlemen. That is a good point. Did I read it all?

Q. The last paragraph on page 4.

A. "'Organization. Every man, woman and child in America will be given full details of this National Defense savings plan, and easy ways to take part in it,' Secretary Morgenthau said. A new division of the Treasury Department, called the Defense Savings Staff, has been created under the supervision of Harold N. Graves, Assistant to the Secretary. It includes Eugene W. Sloan, administrative director; Gale F. Johnston, field director, and Harford Powel, director of information."

Q. Who are Johnston and Powel?

A. Two new people we brought in.

Q. Johnston is a St. Louis insurance man, isn't he?

A. That is right.

Q. St. Louis insurance man?

A. Yes.

Q. And Powel?

A. Powel was what you would call - what is his craft?

Kuhn: He is an advertising-public relations man, former editor of Collier's, and he is in the Who's Who, by the way. There is quite a lot about him in there.

Q. Collier's magazine?

Kuhn: Yes.

Q. Where is he from, New York?

H.M.Jr: New York.

Kuhn: You will find it all in Who's Who. I think Johnston is in Who's Who, isn't he?

Graves: I don't know.

Q. There is only one Who's Who in the whole building.

Kuhn: I have got one I can leud you.

H.M.Jr: Is this the one? I will lend you mine. Will I get it back? (Laughter)

Q. Well, what is the principal amount of each series you are going to offer of these bonds, Mr. Secretary, Defenae aavings bonds, "F" and

"G"? Have you any idea?

A. Say that again.

Q. The principal amount of each series - what is the total amount of each series you are going to offer?

A. Open ended, there is no limit.

Q. Certainly you have certain ambitions with regard to--

A. Well, it is like a lot of other things. We will see. One just doesn't know in the business of raising money what reception you will get from the public.

Q. Then, as a matter of fact, it would fit awfully well into the story if you could have some sort of tentative figures to go on, to give to us.

Thirty-eight billion dollars?

A. Well, I am sorry.

Q. Well, you are selling about a billion dollars a year baby bonds, aren't you?

A. More than that, aren't we?

Graves: More than a billion in the last year.

Q. Surely you would expect to at least double that, wouldn't you?

A. I don't want to make an estimate now.

Q. Mr. Secretary, is the accumulation on this when you turn it in subject to income tax?

A. Yes.

Q. How about the stamps, is that the same?

A. Well, there is no interest.

Q. On this organization, where does Mr. Edward fit in?

A. In this same group. The only reason he isn't here is because they gave it out yesterday.

Q. But he is a part of the organization?

A. Oh, very definitely. His job, I would say, is to work with the banks of the country as the Treasury representative.

Q. Have you decided on the posters you are going to use?

A. Not definitely. Just as soon as any of those

things, they will release them to the public.

Q. What about your promotional plans, Mr. Secretary?

A. They are still in the formative stage.

Q. You can tell generally, can't you, the posters, for instance?

A. Well, we are not ready to talk about them yet. As each thing is definitely fixed and settled and we have got the stamp and we have got a poster or something else, we will tell you about it, but we like to be sure.

Q. One small detail, Mr. Secretary. I know the first thing will happen is my photo department will call up and want to know if they can take pictures of any or all of these things.

A. You mean like the - like the stamps? They can when they are available.

Q. Is it legal to reproduce a picture like that?

A. Yes.

Q. Don't you have some designs or something?

A. We are not ready yet.

Q. Some of the things were on the way to the printers already, I thought.

A. Well, we can't give them to you, but just as soon as - the very minute they are available, we will make them available to everybody.

Q. Can you give us the number of persons employed in the Defense Savings staff?

A. Oh, it is very small, isn't it?

Graves: Yes, we are just getting organized.

Q. How small is small?

Graves: Pretty small.

Q. Or the number you expect to have?

H.M.Jr: No.

Graves: We have perhaps a dozen people in all.

Q. Have you hooked Mr. Roosevelt for the first one?

H.M.Jr: He and Mrs. Roosevelt will probably buy number one and two.

Q. Of what, the bonds? (Laughter)

A. Well--

Q. One of each?

Or is that number one and two of each series?

A. I don't know. Well, the first sale, whatever it is, will be the President and Mrs. Roosevelt.

Q. Do you autograph those first stamps? The Postmaster General used to autograph the first stamps.

A. I think the President will just take it in its--

Q. I hope you give the boys here one of the early series.

A. That I will do with pleasure.

Q. Will they be offered for sale in the Treasury building, stamps?

A. Oh, we have a post office in the Treasury. Sure. We are thinking of taking over the press room and enlarging it and selling bonds

in it.

Q. That is perfectly all right.

That May 1 date still stands, though, for the grand opening.

A. It does as far as I am concerned, and I wouldn't want to be in Harold Graves' shoes if he doesn't come through, but he has always come through on many difficult assignments. He has always made good, so I am sure he will on this one.

Q. You might call one of these "Mayday bonds." That is rather a bad date.

A. Have the first sale in Union Square.

Q. Anything new on freezing, Mr. Secretary?

A. No, not a thing.

Q. Anything new on the other--

A. They went over extremely well.

Q. How about the Chinese thing, Mr. Secretary?

A. Well, every time you have seen me up to now I tell you Bell is handling it, but Bell is always 50 feet away from me, but I can't

answer now because he is in the room. You will have to see Harry White. (Laughter)

Q. Mr. Secretary, did you see that story where the Japanese authorities froze more than half a million of the Silk Guild of America funds in Japan?

A. Yes.

Q. Would you say something about that?

A. Wait until the State Department tells me what to say. That is not for quotes.

Q. How are your tax plans coming along?

A. Everything, I think, is - I don't know whether it is - they tell me Mr. Knudsen says it is in "status quo."

Q. You mean they are not getting anywhere, is that right? (Laughter)

A. Well, we are resting on our oars until Chairman Doughton invites us up.

Q. By the way, are the Coast Guard cutters going to be painted a North Atlantic gray like the

American battleships?

A. I don't know.

Q. Have the Coast Guard cutters been given any instructions relative to the reported German submarine in American waters?

A. I don't know. Mr. Gaston handles that. I don't know.

Q. Has the State Department made any suggestions at all in regard to the new freezing orders?

A. That I can say positively no to.

Q. Have they made any suggestion in any direction?

Well, do you actually favor the release of the funds for the purchase of wheat for the unoccupied area of France?

A. Well, that is a policy--

Q. You have never expressed a view on that.

A. It is a policy matter, and when I get written instructions, we have got the machinery.

Q. How about having your views for background?

A. No. I am not supposed to have any views. I

am not supposed to know anything about foreign affairs.

Q. I was thinking of the time when the French devalued the franc without telling you.

A. Well, that is past history.

Q. Have you talked with Colonel Donovan since his return?

A. He is here this morning.

Q. And can you tell us anything he told you?

A. Nothing except that it was very interesting.

Q. Is that China loan business still tied up with Currie's report?

A. I don't know.

Q. It was only completed yesterday just before the President left.

A. I would have to ask Dr. White on that. I don't know what has happened.

Q. Thank you, Mr. Secretary.

A. Thank you.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 21, 1941.
3/19/41

Press Service
No. 24-11

Secretary of the Treasury Morgenthau today announced the new issues of United States Savings Bonds and Stamps, to go on sale May 1, which have been developed to help in financing the National Defense program.

"In meeting the cost of this tremendous effort," the Secretary said, "the Government must do more than find billions of dollars. It must find these dollars in a way that will best safeguard the nation against the evils of inflation, and will give all American citizens a sense of taking a direct part in the defense of the country."

Three new kinds of United States Savings Bonds will be sold. The first kind, called the Defense Savings Bond, will be almost identical with the present United States Savings Bond or "baby bond," which has become the most widely held single security in the country. More than $5,000,000,000 worth, at maturity values, have been bought by more than two million men, women and children.

Defense Savings Bond

The Defense Savings Bond will be offered for 75 per cent of its maturity value, with maturity of 10 years. Thus, a Defense Savings Bond bought in May, 1941, for $18.75 will be redeemable in May, 1951, for $25.00. This is an increase of 33 1/3 per cent, equal to an interest return of 2.9 per cent per annum, compounded semi-annually. This bond is not transferable, will not fluctuate in value and may be redeemed at any time before maturity at values printed

on its face. Intended chiefly for people of small income, ownership is restricted to individuals in their own right, with a limit upon holdings of $5,000 maturity value of bonds issued in any one calendar year. Denominations are $25, $50, $100, $500, and $1,000. The Defense Savings Bond will replace the present "baby bond" series and will be available to all subscribers under the Regular Purchase Plan familiar to many thousands of small investors.

Series F Savings Bond

The new Series F Savings Bond, intended for larger investors, for trustees, and for reserve funds, is offered for 74 per cent of its maturity value, with maturity of 12 years. It can be held not only by individuals, but by trustees, associations, pension funds, and corporations, with a limit of $50,000 cost price issued in any one calendar year, alone or in combination with Series G. If held to maturity, the yield approximates 2.53 per cent a year. The Series F Bond is not transferable, and may be redeemed on thirty days' notice after six months from date of issue in accordance with a table of redemption values printed on its face. Denominations are $100, $500, $1,000, $5,000 and $10,000.

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Organization

"Every man, woman and child in America will be given full details of this National Defense savings plan, and easy ways to take part in it," Secretary Morgenthau said. A new division of the Treasury Department, called the Defense Savings Staff, has been created under the supervision of Harold N. Graves, Assistant to the Secretary. It includes Eugene W. Sloan, administrative director; Gale F. Johnston, field director, and Harford Powel, director of information.

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TREASURY DEPARTMENT
Washington

(Add Press Service No. 24-11 for release,
MORNING NEWSPAPERS, Friday, March 21, 1941)

Redemption Values
of New Series of United States Savings Bonds
(Per $100.00 of maturity value)

Period after issue date	Defense savings bonds	Series F savings bonds	Series G savings bonds
First 1/2 year	$75.00	not redeemable	not redeemable
1/2 to 1 year	75.00	74.00	98.80
1 to 1-1/2 years	75.50	74.20	97.80
1-1/2 to 2 years	76.00	74.50	96.90
2 to 2-1/2 years	76.50	74.90	96.20
2-1/2 to 3 years	77.00	75.40	95.60
3 to 3-1/2 years	78.00	76.00	95.10
3-1/2 to 4 years	79.00	76.70	94.80
4 to 4-1/2 years	80.00	77.60	94.70
4-1/2 to 5 years	81.00	78.60	94.70
5 to 5-1/2 years	82.00	79.70	94.90
5-1/2 to 6 years	83.00	80.90	95.20
6 to 6-1/2 years	84.00	82.20	95.50
6-1/2 to 7 years	86.00	83.50	95.80
7 to 7-1/2 years	88.00	84.80	96.10
7-1/2 to 8 years	90.00	86.10	96.40
8 to 8-1/2 years	92.00	87.40	96.70
8-1/2 to 9 years	94.00	88.70	97.00
9 to 9-1/2 years	96.00	90.00	97.30
9-1/2 to 10 years	98.00	91.40	97.60
10 to 10-1/2 years		92.90	97.90
10-1/2 to 11 years		94.50	98.20
11 to 11-1/2 years		96.20	98.60
11-1/2 to 12 years		98.00	99.20
Maturity value*	100.00	100.00	100.00

*Available ten years after issue date for the Defense savings bonds and twelve years after issue date for the Series F and G savings bonds.

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REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 3, 1941.

Q. Have a good vacation, Mr. Secretary?

H.M.Jr: Fine, thank you.

Q. What are you reading in four volumes? (Looking at books on table behind the Secretary)

Mr. Secretary, is there anything new on the ability of banks to buy these new series, F and G Defense Bonds?

A. Well, I don't think that we are ready to make an announcement on it yet.

Q. You haven't come to a decision on that point?

A. I just don't think we are ready yet.

Q. I didn't quite get the question. The ability? Or eligibility?

Yes.

Well, in the release that you gave us, it seemed that they ware eligible.

A. Look it over again.

Q. What was that answer?

A. It didn't say.

Q. It said corporations and associations.

And institutions.

Trusts.

A. But it did not include banks. The reason I am so sure is that Bell just had Schwarz go over the whole thing.

Schwarz: That is right. It did not include banks.

Q. It didn't say excluding banks, but it said corporations and associations which would seem to include banks.

H.M.Jr. Well, if anybody drew that deduction --

Q. Isn't a bank a corporation and an institution and an association?

A. Well, we are in the process of drawing up the rules and regulations. We will give you a clean-cut statement on it in the not too distant future. But the rules and regulations are being drawn up.

Q. Possibly the first of the week?

A. Possibly. But after all, this so-called F and G bond was designed for the people who have savings, and it was not designed for banks who

take demand deposits.

Q. Then at this time you are not going to say whether or not banks will be permitted to buy F and G?

A. The chances are that banks that accept demand deposits will not be permitted to.

Q. But they will have plenty of opportunities to buy other things.

A. They will have plenty of opportunities to buy other things, but this is especially designed for people who have savings.

Q. Well, that leaves, doesn't it, Mr. Secretary, that mutual savings banks are out of the demand deposit class because they don't do as much business? That is, they are not commercial banks.

A. Well, we have just actually spent an hour on this whole thing, and then the question of whether mutual savings banks do or do not fall into the thing is one that they are going to study further; but at present, the definition which hasn't been yet entirely settled on - the definition which

seems the fairest one is that a bank that accepts demand deposits will be excluded, but the thing - now, where mutual savings banks fall in, we don't know, but they are studying that thing further.

Q. Is this both F and G?

A. Yes, the 50,000.

Q. Yes.

A. I mean, this was designed for people with savings and to reduce excess reserves, and if we permit the banks to invest in these, it looks as though it was going contrary to what the purpose of this program - one of the principal purposes of the program is.

Q. I see.

Mr. Secretary, can you tell us a little bit more about what you and Admiral Gaston have been up to in the last week end?

A. Well, I think that Admiral Gaston and the Coast Guard, from everything that I have heard, both from the President and Secretary Knox and Admiral Stark, have done a very good job. There were

letters of commendation from everybody.

Q. How about the German and Italian Embassies?

A. It all depends on whose ox is being gored.

Q. Mr. Secretary, under the 1917 law under which --

A. Also if they hadn't gone ahead and damaged these ships, the chances are we never would have taken these steps.

Q. Mr. Secretary, under the law under which those ships were taken in custody, there is provision for forfeiture of such ships. Can you tell us what the attitude, policy or intention of the Government is with respect to that?

A. I will have to refer you on that to the chief legal officer of the Government, the Attorney General.

Q. Isn't it the duty, though, of the Secretary of the Treasury to pursue that action if it is to be pursued?

A. Well, I just don't know how to answer you there. I am not going to attempt to.

Q. Mr. Secretary, can you indicate for us what final disposition might be made of the foreign ships?

A. No. It is under consideration, under study.

Q. Can you tell us whether the statutes providing for forfeiture of the vessels are being explored?

A. No, I don't want to get in on this thing.

Q. You just said it was under study, didn't you?

A. Did I say that?

Q. Yes.

A. That is all right.

Q. What evidence is there, Mr. Secretary, that this was a concerted attack on the ships, concerted sabotage movement ordered by some diplomatic agency?

A. I think the facts speak for themselves. There were twenty-one out of the twenty-eight ships.

Q. And the fact that it was being done in Latin America, too.

A. I think the facts speak for themselves better

than anything I can say.

Q. Is that grounds to take some diplomatic action against the diplomatic people as well as against the ship people?

A. I don't know. That is out of my field. As I say, I think the part which was ours, everybody seems to be highly pleased the way Coast Guard carried out the orders, and for twenty-four hours the Navy and Marine Corps were taking orders from the Coast Guard, which was rather interesting.

Q. The Germans charged, and I believe the Italians, too, that these men are being kept in conditions unfitted or unsuited for them. At least they are bad. Is something being done about that?

A. They are not in the custody of the Coast Guard, so I wouldn't know.

Q. They are not now?

A. Oh, no. All we do is we have got the guards on the ships. As to what is happening to the crews, that is somebody else's responsibility.

Q. Who did the Coast Guard turn the men over to?

Schwarz: Immigration.

H.M.Jr: Immigration, Department of Justice.

Q. Do you think that you will have to take some Norwegian and/or Dutch ships into protective custody?

A. I think that when we moved this last time, we moved secretly, didn't we?

Q. Yes. Is that an indication that there may be further moves?

A. No. I just don't know.

Everything else all right?

Q. How about on freezing Jugoslav credits?

A. Well, I read somewhere, "defrosting." It is a nice line. I hope we can do it so we can use the word, defrosting.

Q. Mr. Secretary, there is a bill that has just been passed by Congress that relieves banks from being sued, in case you turned over any frozen funds to a refugee government. Have you any such intentions of making such funds available to the free French government?

A. The bill is what I think would be called an

Administration bill, but outside of that, I wouldn't want to make any comment. It is legalizing this question. What it really amounts to, as I remember correctly, it guarantees the banks against any personal liability.

Q. They tried to get that through last year.

A. Is it through?

Q. Yes, passed both houses.

They passed the wrong bill by accident.

Mr. Secretary, defrosting implies a little bit less than unfreezing. Can you clarify that?

A. You are hard to satisfy. Well, I don't know. Each day the situation changes so rapidly that nobody knows.

Q. Well, at the present time do you consider it likely that the funds of Jugoslavia that were frozen will be made available to them in one way or another?

A. I wouldn't want to comment.

Q. Well, in the event that Jugoslavia does go to war with Germany, it would be pretty safe to assume that they would be granted pretty liberal

general licenses under their freeze order.

A. Well, I think that comment ought to come from Mr. Hull rather than from me.

Q. On the purely technical side of it, Mr. Secretary, if you do go about defrosting these credits, would it be within the framework of the freezing order? In other words, would it be by general licenses or would you have another order canceling it?

A. My guess is that we would, as they say in the Army, tell them "as they were." They could go back to their original status.

That would be my guess.

Q. Mr. Secretary--

A. They would be the same status as any other country.

Q. There have been some new rumors, Mr. Secretary, about some sort of a stabilization agreement with the Canadians or else some arrangement under which the Canadian dollar would be accepted at par in this country. Can you say anything about that?

A. Didn't the Canadian Minister of Finance deny that?

Q. Yes.

A. Well, I don't want to contradict him.

Q. Well, I didn't assume you did, but--

A. While I was out on the ranch, the only dollar I used was the silver dollar.

Q. You don't trust this paper money, do you? They won't even take paper money out there.

A. If you went out to Arizona, you would see the old cartwheels, they call them. In other words, I didn't have any Canadian money with me. I was just using silver dollars.

Q. If you did have Canadian money with you, would you have paid par for it?

A. Not when I went down to Mexico.

Q. This statement here "that the Canadian Minister denied this, and I don't want to contradict him," you mean if you commented you would have to correct him? (Laughter)

A. No, I will let his statement ride without contradiction. How does that read?

Q. Well, that comes a little nearer.

A. All right, thank you. Everybody moderately satisfied?

Q. Mr. Secretary, anything new on the tax program?

A. No.

Q. Are you going to see Mr. Doughton or Mr. George in the next few days?

A. I have asked to see Mr. Doughton before he leaves.

Q. Is he leaving this afternoon or this evening?

A. Tomorrow, I think. I have asked to see him.

Q. How long will he be gone?

A. Somebody said 10 days.

Q. Well, as I understand it, the committee has decided to put off all tax discussions until at least - or the earliest, the last week in this month.

A. Well, I don't know until I see Mr. Doughton what his plans are.

Q. Are you seeing Mr. Currie or T. V. Soong very much these days?

A. I have only been back just exactly 24 hours. I haven't seen either of those gentlemen.

Q. No engagements?

A. Not with them.

Q. Have you any appointments with Sir Arthur Salter?

A. No.

Q. Going back to asking to see Doughton, how about Harrison?

A. He is down in--

Q. Or George?

A. Isn't he in Hot Springs, Arkansas, Harrison?

Q. Everybody is floating around these days. Somebody from the Senate side.

A. No, I think if I see Doughton, he will tell me what he has in mind. The tax bill, as you may remember, originates in the House with Mr. Doughton.

Q. That is only a theory.

A. Well, don't tell that to Mr. Doughton.

Q. Take the pink slip off this time, Mr. Secretary.

A. Off what?

Q. Off any bills that originate in the House. (Laughter)

He almost introduced that with your note on it.

Mr. Secretary, would it be possible--

A. You mean take the Treasury stamp off the bill?

Q. Would it be possible for you to give us for background at this time something of the type and form of the taxes to be asked?

A. Now listen, this is off the record.

(Discussion off the record.)

You know what we went through the last three or four days before I left with Mr. Doughton and what Mr. Doughton went through. Didn't he let you all know that he and nobody else originates the bills?

Q. Yes.

A. Yes. All right. (Laughter)

I want him to have a good vacation. I don't want the old gentleman to worry. This is

all off the record.

Q. How about going--

A. Didn't he say all these stories and everything else - didn't he give you a long formal statement on the whole thing?

Q. Yes. So did some on the other side.

It will take more than a statement to stop us, though.

Supposing we go about it this way, then.

Could you tell us the general form of some of the recommendations which you might make to Doughton for background?

A. Number one, I don't make any recommendations, and number two, I wouldn't tell you if I did. (Laughter)

Q. Can you tell us what they are going to be?

A. No. I think we have him fairly happy now and let's keep him that way and you must please remember that any tax measure springs from the head of Doughton.

Q. The way to have some fun during these next few weeks would be to write a lot of tax

stories and attribute them to the Treasury.

(Laughter)

Schwarz: Over my dead body.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - APRIL 7, 1941

Q. Are you coloring your map a different way in Africa now? (referring to map on wall)

H.M.Jr: It has been that way for some time. That is an Army map.

Q. It should be British.

A. We will get around to that after while.

Q. Any news on that RFC financing?

A. No, we are working on it. All we know is that we are going to do it - it will be six hundred million dollars.

Q. That is a definite sum?

A. Definite, and we will divide it up in half. I mean, there will be two different securities of three hundred million dollars each.

Q. Can you give us any indication?

A. That is about all.

Q. Notes or bonds?

A. Well, they can only borrow for five years. There is a five year limitation.

Q. They will both be notes, then?

A. Pardon?

Q. Both be notes?

A. Both be notes.

Q. Different maturities?

A. Yes, different maturities.

Q. Formal announcement in a day or so?

A. I think so, but I won't - give me another day or so.

Q. Mr. Secretary, in view of the foreign situation over the week end, are any changes accomplished or planned in connection with Yugoslovia or Greece?

A. No.

Q. No defrosting on Yugoslavia?

A. No, we have had no requests, that is, from the State Department. Everything is as is.

Q. Do you have any occasion to see Sir Arthur Salter of the British, the shipping man?

A. He made a courtesy call the other day, but Friday, Cabinet ran longer than usual, so I unfortunately missed him.

Q. I see. Is he going to come here again?

A. I imagine so. It is a nice spring day.

Q. May I quote you?

A. Off the record. (Laughter)

I hope you have seen the new tulip trees we have been planting over the weekend.

Q. Never get around on this side of the building.

A. All the sunshine is on this side.

Q. Anything new on taxes, Mr. Secretary?

A. No.

Q. Mr. Secretary, does Senator Pepper's advocacy of a stabilization agreement with Canada mean anything?

A. I don't know. You had better ask him.

Q. Does it imply anything.

A. I don't know. I would rather not answer it.

Q. Any formal definition as to what constitutes a commercial bank in your savings bond?

A. No, but--

Q. Working on it?

A. They ought to have those rules and regulations out very shortly.

Q. Are there any new developments on the Axis Power ships that are now being held under protective custody by the Coast Guard?

A. No.

Q. Is there still consideration being given to the invoking of sections 2 and 3?

A. I don't know. We have done our part, and anything from now on will be done by another department.

Q. Have you any comment on the stories emanating from Italy that the posters that have been displayed in all important cities depicting the United States as a gangster for seizing the ships?

A. And so what?

Q. I would like something a little more vitriol than that.

A. You don't like that?

Q. No.

A. That is enough.

Q. And so what?

A. Yes. It wasn't Mount Vesuvius, was it?

This is my off day.

All right?

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 10, 1941

Q. Good morning, Mr. Secretary. We won't be able to call you Admiral much longer if this keeps up.

Mr. Secretary, could you tell us whether these Coast Guard cutters were released at the request of the British or at our own initiative?

H.M.Jr: Oh, I think all of that had better come from Mr. Early.

Q. Because he is so communicative?

A. No, I think that that is where the statement should come from.

Q. Would you say there would be any chance of any further transfers?

A. Anything like that will have to come from the President or Mr. Early. Sorry I can't help you.

The RFC issue went very well yesterday.

Q. Any indication of what the allotments are going to be?

A. Not yet.

Q. Do you have any indications of which issue was preferred?

A. No, the last I was - it was almost the same last night. There was a little bit more for the one and an eighth.

Q. Mr. Secretary, there is a rumor in Wall Street, according to my office, that the Treasury is considering a reduction in the normal corporation tax, offsetting this by an increase in some sort of a surtax, a method which would partially or wholly nullify the tax exemption enjoyed by the outstanding partially tax exempt Treasury bonds. Would you care to express an opinion on this rumor?

A. No. That is from your office? You can tell your office - I mean, this is for his office and anybody else's office, but not for - just charge it off to a hundred per cent gossip. That is not to be written in the papers. That is for anybody's office.

Q. Mr. Secretary, the Germans appear to be moving a little deeper down into Greece. Is there any freeze order?

A. What order?

Q. Freeze order.

A. I haven't heard of it. I have got a bad head cold. I had better buy some stock in Kleenex.

Q. Have you bought any?

A. No, but if everybody else uses as much as I do, it must be very profitable.

What else?

Q. Well, there are still prospects of a change in the Yugoslavian freeze order.

A. I wish I had some good stories for you, but I am sorry, I haven't.

Q. We are all trying.

A. I can't even help.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 14, 1941

H.M.Jr: I thought everybody was at the baseball game this afternoon.

Q. We might have been if it hadn't been for your press conference.

A. Why didn't you tell me. I would have been glad to call it off. I have zero for you gentlemen.

Q. Did the Chinese Ambassador tell you any news?

A. No.

Q. How is that stabilization agreement coming along?

A. I don't really know. Mr. Bell has been handling it. I don't know just where it stands.

Q. Mr. Secretary, did you tell him what you thought about the Russo-Japanese Pact?

A. No.

Q. What has happened to the regulations and specifications on defense bonds?

A. I don't know. I suppose they are getting along.

Q. Mr. Secretary, do you see any reason for the acceleration of aid to China as a result of recent developments?

A. Well, I don't think we ought to slow up any.

Q. Did Ambassador Hu indicate to you that they feared that Russian aid to China might be slowed down as a result of this non-aggression pact and therefore appeal to you to speed up our aid?

A. No. He came in here - you see, I sort of officially terminated my handling these various - acting as sort of liaison, you see, between these various countries, and I have let the Chinese Ambassador know along with others that as of the 15th of March, you see,

I stopped acting as liaison between these foreign purchasing missions and our own government, and he simply came in to thank me for what I had done.

Q. Who will handle it in the future?

A. Mr. Hopkins.

Q. Does that date also apply to the British?

A. Everything. I mean, I asked to be relieved of it as of the 15th of March.

Q. Is that the date when the Cabinet Committee was appointed?

A. Well, it must have followed, but as of the 15th, I asked to be relieved of all responsibility - I mean, I assumed whatever responsibility --

Q. You have detailed some men to Mr. Hopkins too, haven't you?

A. Yes, he has taken --

Q. Young?

A. Well, he took Young and there must have been eight or ten people working with Young.

Q. Oscar Cox?

A. Well, Young and his group, they moved out of here yesterday, and Oscar Cox and two of his assistants moved out of here yesterday, so these various people have been helping me and of course they have been helping Hopkins since the 15th of March, but yesterday - I understand they have set up quite a suite of offices over in the Federal Reserve Building. I am delighted that they could be of assistance to Mr. Hopkins so that the work we have done here for the last couple of years continues.

Q. Does Hopkins - has he got his offices in the Federal Reserve Board?

A. As far as I know he has no office other than the White House, but I think they call this a - what do they call it, a central --

Klotz: I don't know.

H.M.Jr: A central organization or something. Anyway, it is the group that he is using to assist him on the lend-lease bill.

Q. What is his official title, Secretary of that Cabinet Committee?

A. You will have to ask him.

Q. It is called the Office of Emergency Management, isn't it?

A. No. This is a group which so far has been largely composed of Treasury people that he has taken over, but they have set them up in a suite of offices over in the Federal Reserve. They are still on our payroll, but we will have money reallocated to us from the 10 million dollars which Congress set up for administrative expenses to run this Lend-Lease Bill.

Q. Those people, then, will stay on the Treasury payroll?

A. That is right.

Q. And you will be reimbursed for it?

A. We will be reimbursed. They are responsible to Hopkins and not to me.

Q. Who else has he taken there besides this group that you have?

A. I don't know. He must have taken about 15

of our people, 10 or 15. Isn't that about right?

Klotz: Oh, I am sure. Oh yes, about 15.

H.M.Jr: Maybe more than that.

Klotz: I don't know how many stenographers and other assistants.

H.M.Jr: But officially I asked to be relieved of it the 15th of March.

Q. Mr. Secretary, to be somewhat redundant, if Mr. Soong, for instance, wants to continue conversations on aid to China, be will now go to Hopkins' group?

A. That is right.

Q. But you haven't - the money will come out of the Stabilization Fund. How can he go over there?

A. You gentlemen are talking about two separate things. I take it you are talking about the Lend-Lease.

Q. That is right, under aid to China.

A. Your statement is correct. And you are talking about the Stabilization fund, which is still in the Treasury.

Q. Soong, for example, will come to you?

A. That is right.

Q. If there are any monetary transactions?

A. Up until four o'clock, it is still in the Treasury, if somebody hasn't got it. (Laughter) As the President said, "A lot of people have had their eyes on it."

Q. And you are asking to be relieved on it?

A. No.

Q. How is the cutter situation?

A. I have taken that responsibility quite seriously.

Cutter situation? Well, you saw the White House announcement. There is nothing since then. They are getting them ready.

Q. You were worried about whether the Stabilization Fund was still here. I was thinking about the Navy.

A. Coast Guard is still here.

Q. Anything new on taxes, Mr. Secretary?

A. Nothing new since Dickson's story. Somebody told me the expression, that they called it a "thumb-sucking story."

Schwarz: Monday morning.

H.M.Jr: Is that what they call it? Cecil isn't here, is he? It wouldn't be fair to pick on him.

Q. Mr. Secretary, regardless of what Dickson may or may not have written, you are going to have a meeting with the Congressional group sooner or later, probably within a few days, aren't you?

A. Did Mr. Doughton say so?

Q. I don't know. I am asking you.

A. Well, nobody in the Treasury has had an invitation to go up on the Hill yet.

Q. Mr. Secretary --

(Discussion off the record.)

A. Off the record, I understand Mr. Doughton was quite excited this morning, and I wouldn't be surprised if he got out another statement.

(Resume discussion on the record.)

Q. A story was published, I believe, last week, to the effect that the Treasury might adopt a plan of enforced savings somewhat along the British lines. I mean, you would deduct so much from the salary to buy bonds. Is there anything to that? You have never entertained that idea, have you?

A. You gentlemen are just going to have to wait as far as the Treasury is concerned until the day that Mr. Doughton gives us that invitation. Chick Schwarz, with his usual efficiency, will give you a copy of the statement.

(Laughter.)

Did somebody say, "Amen"? Until then, as far as the Treasury is concerned --

Q. I want to rearrange my budget if you are going to have enforced savings.

A. You and me both. Did you see our poster? Did the boys all see that?

Schwarz: Not all of them. Those that were in the Treasury saw it this morning, but the visitors might like to see it.

H.M.Jr: You know, with the help of you newspaper men,

we named this bond, you know, at the press conference here. Defense Savings Bond. So you people share the responsibility with me.

Q. Did you get a name for the F and G Series?

A. No.

Q. Do we get a dividend for our help in that? We get a share of the proceeds.

A. Everybody is going to get a stamp. I don't know if it will be ten cents or ten dollars.

Q. Can you tell us anything further about the Defense Savings program or any recent developments?

A. No. They have got me under wraps. I only talk on that when they give me something.

Q. Mr. Secretary, are you familiar with the push on the Collins Bill in the Ways and Means Committee in the House, the Collins Bill introduced early this year?

A. I am sorry, I don't know what the Collins Bill is.

Q. It was designed to let British importers get under the restrictions of the Tariff Act of 1930.

A. I am not familiar with it. Have you heard any-

thing?

Schwarz: It has been introduced several times.

Q. Yes, I understand it is being kind of taken out of the hole now.

H.M.Jr: I can't help you. I am sorry.

Q. Can you help us on the Henderson meeting this morning?

A. No, you will have to see Leon on that.

Q. We did.

A. Well, he will have to do the talking. I just furnished the room and the rug and the spittoons.

Q. Have you an alternate in mind? He said you are going to have alternates.

A. Not yet.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - April 17, 1941.

Q. Mr. Secretary, before we get down to business, we all noticed this was your anniversary. We thought of giving you a $25.00 baby bond, but we couldn't scrape up that much money. We couldn't get a defense saving stamp for love or money, so that is the best we can do.

H.M.Jr: That is very nice. I will cherish this. I will have it framed and put it up downstairs.

Q. Will you frame it with or without the quarter? (Laughter.)

A. I wish I had had it last night. I had to go to the telephone and found I had the wrong purse. I didn't borrow it, I asked them to give me five cents.

Q. You notice we didn't say anything about silver.

A. Want me to talk about this meeting this morning?

Q. Yes, please.

A. Well, do you gentlemen know who were here?

Q. We have a list, yes.

A. Well, from the standpoint of the Treasury, it was one of the most satisfactory meetings we have ever had. I gave the gentlemen the picture as we saw it at this time, and our own estimate. We had to have some basis, and it was entirely a Treasury figure. We figured that the expenditures for the coming fiscal year, beginning with July 1, would be somewhere around nineteen billion dollars. We may be ten per cent up or ten per cent down, but that is the best that we can figure.

As you gentlemen know, I expressed myself as having the opinion that two thirds of this should be raised by revenue, and there was unanimous approval of this group as to that formula.

Q. Pardon?

A. There was unanimous approval of the formula which the Treasury worked out, that two thirds of the expenditures should be raised through revenue, and one third through borrowing.

Well, the estimate of fiscal revenue for 1942 that we arrived at is nine billion two hundred twenty-three million. Mind you, these are all estimates. So it leaves approximately three and a half billion dollars to be raised in taxes over and above the present, and that figure also was unanimously approved by this group.

Q. That is, that will be your objective?

A. That will be our objective.

Q. That is in new taxes?

A. In new taxes. I might add that I am authorized to say for the President that at the appropriate time, he will have something to say on this subject, but he will choose the time and the method. What I was attempting to do was to lay before a group representing both the Democratic and Republican leadership what I felt was the best from the standpoint of the fiscal outlook, the economy as a whole. We have given this matter a great deal of thought and study, and naturally it was most gratifying

to me that the combined Democrat-Republican leadership from the Senate and the House gave this program its hearty approval.

Q. Just for the sake of complete clarity, that one and a half billion dollar tax program which we have been writing in here and talking about has now become a three and a half billion dollar tax program, is that right?

A. If you don't mind, I would like to put it a little bit differently. What you write and what has been written is your business. You now are for the first time getting an Administration program which has been approved and backed by both parties in the Senate and in the House.

Q. Mr. Secretary, going back to what you said about what the President will say at an appropriate time, we are to infer, are we not, that he approves but although it was agreed upon here, he will have something further to say about the details of it?

A. If you remember, Mr. Sullivan and I called on the President, I think it was last Thursday. At that time, we laid the program before him, and we got his complete approval of the program at that time, and now we have laid it before the combined leadership of the Senate and the House and we have got their approval and the President, as I say, authorized me to say that at a time and place of his own choosing and in his own method, he will have something to say about this program to the people of the United States.

Q. Will it be a fireside chat?

A. I say he will choose the time and the method.

Q. Mr. Secretary, obviously the most interesting thing is how this additional three and a half billion is to be raised. What comment can you make on that?

A. I can't make any, I am sorry.

Q. That presumably then is what the President will talk about, when he talks?

A. No. I can't help you out on that, but the next move will be that the Treasury will be invited to appear before the Ways and Means Committee and from then on the methods will gradually unfold.

Q. Can you give us any indication now, sir, as to when these preliminary hearings will start?

A. No, that you will have to ask Mr. Doughton.

Q. Mr. Secretary, wasn't this the first time that you have had the minority fellows and the majority members of the Committee?

A. Well, I think so, because I know Mr. Vandenberg - certainly it is the first time he has been here since the Bank Holiday.

Q. To project your estimates a little bit farther, would it be possible to say that if this program is approved by Congress, what the total tax bill for the United States will be for the fiscal year 1942?

A. Well, it would come to a little over - it would be two thirds of 19 billion, which is twelve billion, six hundred sixty-seven. It

would be twelve billion, six hundred sixty-seven million, or two thirds of nineteen billion.

Q. That is all in taxes?

A. Total revenue.

Q. For the fiscal year of '42?

A. That is right. Now, that isn't exactly correct, either, because if they pass the bill, there is always a lag on the taxes coming in. I mean, we would collect in revenue twelve billion six hundred sixty-seven million but we wouldn't collect it all in twelve months beginning July 1 of this year. I mean, there would be a lag. There would be considerable lag.

Q. Mr. Secretary, previously you gave us three figures, nine billion two hundred twenty-three million, and in the newspapers three and a half billion. That adds to a little bit more.

A. With those figures, it comes to three billion four hundred forty-four million, but I thought for the type-setter I would make it three and a half.

Q. Three billion four hundred forty-four million?

A. The figure exactly is three billion four hundred forty-four million. We are very technical today. If you want all the breakdown, two thirds is twelve billion six hundred sixty-seven. Estimated revenue for '42 is nine billion two hundred twenty-three million. The balance needed for new taxes is three billion four hundred forty-four. Now, I want to explain again. These are all Treasury figures. These are not Budget figures. These are the figures that we have arrived at which may be very easily erring by ten per cent either way, when you get up into these astronomical figures. I mean, it is very easy to err, because it gets down to what the productive capacity of this country is, how fast they can assimilate the orders, how fast they can manufacture the goods and how fast they get paid for it, so there are a lot of figures in here that we have got to do some guessing on. I mean, we are making the best guess that we can, based on years of Treasury experience of the expenditures and they will be nineteen billion.

Q. Mr. Secretary, one point I want to clear, the nine billion two hundred twenty-three is the estimate of revenue that will be collected on the present tax basis, but the three billion four hundred forty-four would be the additional revenues needed and will be raised by new taxes?

A. If and when Congress passes the bill, but with the approval of this group, I would say there was very little question, if any, that we will get approximately three and a half billion additional revenue.

Q. Mr. Secretary, will any part of that three billion four hundred forty-four million figure come from improved business conditions on the present base, or will all of it be in additional taxes?

A. New.

Q. All of it?

A. Yes. The increase in the business is in the nine billion two hundred twenty-three.

Q. How much is that increase, Mr. Secretary?

Sullivan: Including the Social Security - that is not included in this nine billion two. The improvement in business that we anticipate for fiscal 1942 resulted in an upward revision of our guess and our estimate of very nearly a billion dollars. It is nine hundred fifty million.

Q. Could you tell us what is the estimated national income for '42?

H.M.Jr: No.

Sullivan: No.

H.M.Jr: No.

Q. Of the one-third to be raised through borrowing, Mr. Secretary, how much of that will come from Defense Savings?

A. I couldn't say until we get started, but I might point out, if this formula would apply, it would mean that we would have to borrow about five hundred million dollars new money each month, to give you some idea of the size of the program.

Q. In other words, you borrow practically six billion three hundred - six hundred - six billion three

hundred thirty million in the next fiscal year, I mean on the basis of that figure.

A. That is right. It means we have got to go - borrow either around five hundred million dollars every month.

Q. During the next fiscal year?

A. That is right.

Q. Even after you get the new taxes?

A. Even after we get the new taxes. It is the biggest - well, it is big enough.

Q. Mr. Secretary, do I understand that you are not prepared at this time to tell us in what particular ways this money will be raised? In view of the large amount, it is safe, isn't it, for us to assume that it will have to reach into almost every possible form of revenue?

A. Well, if the program works out the way I hope it will, I think that everybody - you see, what this amounts to, roughly, we are increasing taxes by about a third, so an ideal thing would be that everybody would contribute one-third more next year than he has this. I mean, that would be the ideal. Every business and every individual

would contribute a third more in taxes. That would be an ideal way if it could be worked out that way.

Q. Is that your goal, sir?

A. That is about what it is. That would be an ideal to shoot for.

Q. The financing --

Is it also your intention to reach some of those people who don't pay anything at the present time?

A. Oh, yes.

Q. On this financing, it would be incorrect to assume that the five hundred million of new money per month would be raised solely through the sale of Defense Bonds, is that right?

A. Oh, yes. I mean, we will get every dollar we can through our Defense Bonds.

Q. And then the balance will be made up by --

A. By what I call "wholesale financing."

Bell: Some of it, Mr. Secretary, will come from Social Security investments.

H.M.Jr: That is right, but I am not going to make any forecasts as to what we can raise, because I

just don't know.

Q. I just wanted to have an idea of the national program.

A. We will raise every dollar we can through Defense Bonds and Stamps and the difference, as Bell points out, will be through Social Security, taxes, and what I call, for a better name, the "wholesale" method.

Q. Mr. Secretary, in what you have worked out there, I assume you have certain suggestions to make to the House Ways and Means Committee, and I wonder if you could say whether those suggestions will accomplish simply increases in present taxes and broadening of the tax basis, or whether it is something entirely --

A. You are going to have somebody satisfied.

Q. Did you discuss those methods with the Committee members?

A. I am just going to stop right there.

Q. I am afraid there are going to be leaks.

A. Are you? What is the basis of your suspicions?

Q. Mr. Secretary, there is one more point. It must have been an extremely difficult calculation in

estimating your revenue for the next fiscal year to determine to what extent this whole situation will increase consumer consumption and to what extent it will be decreased, as obviously that is an important part of your revenue picture.

A. Perfectly true, and also, we always have in mind this whole question of inflation and a rise in prices, and one of the reasons that we suggested the two-thirds and one-third was that it would certainly be a strong deterrent to prices, and I think one of the reasons that this group accepted it so readily is because they always worry about inflation. This isn't the only method of keeping prices down, but it certainly is a very important one.

Q. Of course we can assume that this whole program is elastic. I mean, it is not set. In other words, now in June, 1940, you changed it completely, and if conditions abroad worsen, we might want to raise additional money.

A. As has been pointed out to me a number of times, last year about in June we thought we were very

daring when we asked for four billion dollars for national defense, and now it looks like a very small amount, and this program will have to be adjusted, and it will also have to be adjusted as Congress does or does not approve bills like this Agricultural Bill, the increase over the President's Budget, I mean to the amount of four hundred fifty million dollars, which I sincerely hope that they will not pass, because it will be the first non-defense item increased over the President's Budget, and certainly with these vast sums of money being spent for defense, there isn't very much justification for going above the President's Budget on non-defense items, but I mean there is just one item of four hundred fifty million dollars that just happens to be - work out to about six percent of the excess profits on corporations.

Q. Pardon me,

A. I mean, if you raised --

Sullivan: The normal tax.

H.M.Jr: The normal tax. Six percent normal tax on corpora-

tions equals about four hundred fifty million dollars, which is the amount that the Senate increased the Agricultural appropriation over and above the President's Budget.

We have got so many things hanging fire, and they change so rapidly, and they get into such big figures, that you don't know, but as of today, this is the picture.

Now, if Congress goes ahead and passes the Agricultural appropriation, increases it by four hundred fifty million dollars, we will just have to ask - increase our taxes by two-thirds, so the things shifts very fast.

Q. Where does the ten billion dollar lend-lease come in on this?

A. It is figured in.

Q. It is figured in here?

A. Yes.

Q. Does this give you more leeway in your debt limit than you thought you had?

A. No. These figures haven't changed.

Q. At this rate, what will your debt be at the end of the fiscal year?

A. Dan?

Which fiscal year?

Q. Forty-two.

Bell: Well, if we get all of this revenue that the Secretary has indicated, it might be fifty-five billion.

Q. Sixty-five?

Bell: Fifty-five. That is adding six to the Budget estimated debt at the end of this year of forty-nine.

Q. What will our expenditures total for the current fiscal year?

Bell: Thirteen billion five, I think. I will look on

the budget. That is the estimate. We haven't attempted to, in any way, change those.

Q. Mr. Secretary, in mentioning that prevention of inflation was one of the factors that determined this program, don't you infer that all holds are off as far as choosing types of taxes which might restrain consumer purchasing power?

H.M.Jr: If you don't mind, I don't want to open this door as to what kind of taxes they are going to be, because I don't know and, therefore, the question is a good one, but I am going to just beg off.

Q. Well, you certainly mean that whatever taxes you choose will have to be chosen for different reasons than they were chosen in the past years.

A. That is correct, but don't press me on that because we are not ready, really. I have given you everything that I can honestly give you.

Q. Mr. Secretary, when you went up on the Hill in connection with this British resources, I believe you made the statement that the British

are sincere in wanting to liquidate their investments here in order to obtain dollar balances. Would you make some comment on this loan granted by Mr. Jones on the Brown and Williamson Tobacco Corporation?

A. Mr. Jones discussed that with me a number of times and, after all, what the British - the obligation the British have is to meet the contracts which are falling due, the payments on the contracts which are falling due, and they have got to raise the money. Now, in the first instance they sold Viscose. In the next instance, it was Brown and Williamson. In cooperation - I mean, with Mr. Jones and with the Treasury, they worked out this procedure. Now, what I am interested in is that the English pay their bills and so are they and each particular company will be passed on individually, and the Brown and Williamson does not set a precedent. It is

the best method for the British to raise the most money in the least amount of time in that particular instance. Now, on the next company they may do it a little differently, but our only interest is that they show that they mean to pay the contractors in this country for goods purchased prior to the 15th of March, and they show that they do want to do this. They could raise more money in this way than they could in any other way that they were able to find. Therefore, I was delighted that Mr. Jones was able to work this out, but each case is passed on individually.

Q. But it is a radical departure from the statement which Sir Edward Peacock made here, and you made up on the Hill that these investments would be sold. I think you might get Congressional criticism.

A. No, I think if you look at my statement you will find that I said that they would raise

money to meet their obligations which they had contracted for. I don't think I any time said - I have looked at the statement, and I think you will find it is all right. I looked at it very carefully.

Q. As a practical proposition, Mr. Secretary, does this just mean an indirect loan to the British Treasury?

A. No.

Q. Why not?

A. I wouldn't say so at all. I mean, this means that Brown and Williamson wanted to raise 25 million dollars with which to provide funds for the British-American Tobacco Company. The British-American Tobacco Company turns over these dollars and in exchange gets sterling obligations. As I say, each case will be passed on individually. My only interest is seeing that the American business man who has got an outstanding

contract with the British Government or gets paid and through the raising of 25 million dollars, he is going to get paid just exactly the way we bought a hundred and thirty odd million dollars worth of gold in South Africa, that is another method. I mean, we have got to use all kinds of methods.

(Discussion off the record.)

H.M.Jr: We sent a cruiser down there to get this gold.

(Resume discussion on the record.)

There is another method of raising a hundred and thirty million dollars. I mean, I don't think anybody thinks it is easy for the British to do this, but they are showing absolutely good faith, and they are going the limit in raising this money.

Q. Mr. Secretary, to get back to taxes for just a moment--

A. I am afraid you will have to do it for more than a moment.

Q. Could you tell us whether the projected tax

program makes it the largest in the history of the United States?

A. I think it is safe to say that. To be real American, let's say, "In the world, the biggest." (Discussion off the record.)

Schwarz: For the sake of the Navy, may we keep off the record the line about sending a cruiser?

H.M.Jr: Isn't that in? Well, how did it get here?

Schwarz: They all know, but the Navy would like it off the record.

H.M.Jr: It was in the paper this morning.

Schwarz: Cruiser?

H.M.Jr: How did it get here? It got here.

Schwarz: That is the Navy's request.

H.M.Jr: Through the courtesy of the Navy, via the parachute.

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Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 21, 1941.

Q. Is Mr. Sullivan going to tell us all?

H.M.Jr: I haven't had time. I have been running behind time. I thought he could say no for once. I am worn out. I don't know how to say it any more. I warn you, it isn't going to be a very good conference.

Q. We will be receptive to any details of the tax program you can give us.

A. Sullivan is fresh off the Hill. He knows how to say yes and no.

Sullivan: The answer is definitely a big, large no. We have been studying certain proposals with the members of the House Ways and Means Committee and those discussions have not yet been concluded, and I don't think any statement will be forthcoming from the committee and certainly not from the Treasury until those discussions have been concluded.

Q. Could you tell us, Mr. Sullivan, how the committee reacted generally to the proposals?

Sullivan: Oh, no decisions have been made at all.

Q. But I mean how did the idea of three and a half billion strike them?

Sullivan: I didn't pay particular attention to that and I think that I would prefer to have Mr. Doughton comment on that.

H.M.Jr: That takes the heat off me. (Laughter) Gives me a chance to say no on the rest of the conference. You did very well.

Q. Could you tell us anything about the visit of Ambassador Hu Shih and Dr. T. V. Soong this afternoon.

H.M.Jr: We are getting ready to close up this 50 million dollar stabilization figure. It was with regard to that.

Q. Just how soon do you think you will be able to sign it?

A. Well, I hope very soon.

Q. Is it planned, Mr. Secretary, that in conjunction with the administration of that stabilization arrangement, that some sort of

a commission will be sent from this country to China to watch the thing?

A. I think you had better wait now until the whole thing is signed and then there will be a joint statement.

Q. Of you and the Ambassador?

A. Well, whoever is the representative of the Chinese government. I don't know who signs.

Q. Would we be safe in saying, sir, that the signature to the document is expected some time this week?

A. As far as I am concerned, I would say yes, but it doesn't happen to rest on me. I am ready.

Q. Mr. Secretary, who will sign --
Will you sign for this Government?

A. I will sign it.

Q. Mr. Secretary, I understand from what Mr. Sullivan said --

A. Excuse me. You might note that Mr. Hamilton was here also. He is in charge of the Far East Division of the State Department.

Q. Mr. Secretary, although we understand from Mr. Sullivan a statement that you are not prepared at this time to go into the specific proposals for raising three and a half billion dollars of taxes, can't you tell us something of the general principles which you believe govern the changes in the tax laws?

A. If I did that, my statement would appear very flat before the committee. There would be no news value.

Q. Well, just think of all the reaction you would get and be able to guide yourself accordingly.

A. Well, I think I can afford to wait. There may not be any news value when I make it.

Q. When are you going up, sir?

A. I don't know.

Q. This will be at the public hearing?

A. Public. Anything that I have got to say will wait now until I appear publicly. The same goes for you, doesn't it?

Sullivan: Yes, sir.

Q. Do you expect them to call you before the executive session?

H.M.Jr: The answer is no.

Q. What would you ever do if you were caught by yourself somewhere?

A. You would be surprised. That is why I keep my farm going.

Q. Mr. Secretary, with regard to this Chinese loan, could you give us the figure at which the yuan is to be stabilized at?

A. You will have to wait. Everything will be right there for you, I hope.

Q. Does this Canadian deal call for stabilizing Canadian dollars?

A. No.

Q. What can you tell us about the set-up under that program, Mr. Secretary?

A. I can't tell you much of anything.

Q. Will it be a Government agency that will operate?

A. I don't know.

Q. I take it that it is in a pretty formative stage.

A. Yes. My discussions have been with the Prime Minister and with Mr. Clark of the Canadian Treasury.

Q. Are there any other monetary details to the agreement? I mean aside from the payment of money back and forth.

A. Well, that would get back to the other question.

Q. Well, his was limited to the one method of stabilization. I am looking for some other device involved.

A. No.

Q. Do you specify the value of Canadian dollars as compared with American dollars in the transfer of the stuff?

A. I can only say that there is no stabilization agreement at the present juncture. You never know what will happen, but at present there are not.

Q. In these business deals between the two governments, what exchange rate is going to be taken?

A. Well, now that you have asked me, I will ask them that question. I am glad you brought it up.

Q. I will bet you won't take the market rate.

A. Really, I don't know - I can't answer it. But don't buy any Canadian dollars tonight.

Q. We couldn't buy them if we knew.

A. Or sell any. I told you I wouldn't have much today.

Q. Mr. Secretary, there are some indications on the Hill that they might agree on somewhat less than 450 million dollars on parity payments. Do you have any comment to make on that?

A. I have got just one comment, as far as the Agricultural bill is concerned. I am for the amount that was in the President's budget and not one dollar over. Whatever the amount was that was carried in the President's budget, which I think was roughly a billion two hundred and forty million.

Q. Well, the parity proposal was what?

Schwarz: Four hundred and fifty.

H.M.Jr: Well, the bill as it--

Q. I mean in the budget.

A. Well, the amount carried in the President's budget, if my memory serves me right, was roughly in the neighborhood of - right around a billion and a quarter.

Q. Mr. Secretary, are you giving, loaning, detailing, or otherwise making available to the Navy any of your cutters?

A. Nothing but what has been made public.

Q. Have you held discussions?

A. For your background, that Sunday story that somebody in the Navy gave you did not express the wishes of either the President or Secretary Knox or myself.

Q. You mean in getting the information out in print?

A. Well, what I read in Sunday's paper I know didn't --

Q. Inasmuch as that has been printed, sir, could you for background give us the situation?

A. If and when the Commander in Chief of the Army and Navy and Coast Guard wants to direct me to transfer the ships, naturally we are ready to do it, but we have received no such orders.

Q. And there are no discussions at this time looking forward to such --

A. Oh, again for background, there are some of the people in Navy who would like to have the whole works, but I doubt if they are going to have it. I doubt if that is what is going to happen now. I haven't received any indications of it.

Q. You mean, sir, that some people in the Navy would like to take over the whole works?

A. The whole works. But we are used to that. Somebody always wants some piece of the Treasury. As I say, the President hasn't indicated that this should be. What I am telling you now is for

guidance or background. Please don't quote me. But it happens to be the truth.

Q. Well, in emergency, in war time, the Navy always takes over the Coast Guard, doesn't it, Mr. Secretary?

A. That is true, but they also could, if they wished to, leave what they call the in-shore work with the Coast Guard, that is, the protection of the revenue, harbors, ice patrol.

Q. The normal work?

A. Yes. Life saving, light houses, that sort of thing. In-shore work.

Q. Hasn't one of the cutters - I understood the one that was in Lisbon - is that still under Coast Guard authority or Naval authority?

A. It is manned by Coast Guard but takes its orders from the Navy.

Q. Do we have a couple of cutters up in Greenland, Mr. Secretary?

A. The information is available. Schwarz will get it for you. I don't have it at my finger tips. I think the Northland has been up there. There

is no secret about it. There is no secret where any of the Coast Guard ships are. I think the Northland is on her way back, isn't she, Schwarz?

Schwarz: Yes.

H.M.Jr: She is being relieved by another ship.

Q. Mr. Secretary, these Sunday stories mentioned a definite number of cutters and the type of cutter that was under discussion, and apparently it was an inside story.

A. That is right, but not by the Secretary of the Navy or myself or the White House.

Q. Mr. Secretary, I think that at the Secretary of the Navy's press conference, he said publicly that it might be desirable to transfer just the sea-going part of the Coast Guard. What is your attitude toward just that part?

A. My attitude is simply this. If and when the President makes up his mind what he wants to be done, it will be done, as far as I am concerned, and the matter is in his hands, and he will just have to make up his mind. If he thinks that part or all of the Coast Guard would be better off

somewhere else, that is his responsibility, whatever he wants to do, and we will carry it out.

Q. You mean by that, Mr. Secretary, that prior to that decision you were making no recommendations either way?

A. Well, the President has discussed Coast Guard with me since the first morning I came in to the Treasury. He discussed the Coast Guard Academy and thought it would be a good place for Annapolis graduates to go to and so on. He was going to have a post-graduate course there. When the decision is made, we will carry it out very quickly. In the meantime, I am not worrying about it. The President likes the Coast Guard. So do I. I think if you talk to Secretary Knox, he will tell you exactly the same story. I talked to him this morning.

Q. Thank you, sir.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 28, 1941.

Q. Mr. Secretary, before we get down to business, several of the boys have asked me to ask you will you have your Monday conferences at three?

H.M.Jr: Yes. I got that too late today, and I have made my three o'clock appointments. Your request is granted.

Q. Thank you, sir.

A. What do you do with the rest of the day?

Q. Shhhhh.

A. All right.

Q. I spent yesterday afternoon writing a Defense Savings story.

A. Good. Was it good?

Q. Well, it was Sunday afternoon, Mr. Secretary. Mr. Secretary, the tax proposals would have the effect of taxing the tax exempt securities now held by banks and life insurance companies

and that is an indirect way of accomplishing something that you did not want to do. You have stated in the past that any plan would not be retroactive to already outstanding tax exempt securities. Would you make some comment on that?

A. No.

(Discussion off the record.)

Off the record, I am not sure that your editorial today is correct. I read it. I am not sure it is correct.

(Resume discussion on the record.)

Q. But it will tax the holdings, would it not, tax exempt bonds already held by banks and insurance companies?

A. It is a technical question, and you are entitled to a technical answer, and I am not prepared to give you one.

Q. Mr. Secretary--

A. I read the editorial.

Q. It wasn't the editorial. Ours was not the only editorial, but this with other comments made in the same direction.

A. I am not prepared to answer that.

Q. Mr. Secretary, didn't Mr. Sullivan testify that the purpose of having a corporation surtax was to tax income from outstanding bonds? (Discussion off the record.)

H.M.Jr: The explanation which was given to me was that by doing this the disparity between the tax exempts and the partially txable would not be increased. Do you see? In other words, they are 24 percent now and then they begin to raise it and it constantly distorts the difference and it would make the old Treasury - this is all off the record - the so-called old Treasury bond constantly sell at a higher and higher value as you increase the taxes on the wholly taxable, and the reason that they gave - I don't think anybody had what you said in mind, not to distort the thing and make it constantly a greater spread between the old Treasury and

the new Treasury bonds. That was the thing back of it, and along come the newspapers to give the other interpretation, and I haven't had a chance to ask the answer, but I know they didn't have that in mind when they put the thing on; but they didn't want old Treasury to be partly tax exempt. They would go up more and more and we would have to constantly increase the interest rates on our own to offset the difference with the tax exempts. Do I make myself plain?

Q. Yes, you do, but it still has the same effect as tax exempt bonds.

A. All I am trying to say is that that was not what was motivating us. If that was the result, we will take a new look at it.

Q. When would you like to make some comment on the record?

A. We will be ready by Thursday. That wasn't what we had in mind. You have got two kinds of bonds, the Treasury bonds which are already

out, and the more you increase the taxes, the more attractive you make those look. The banks say I want two and a half percent net. When he figures these increased taxes, he wants a higher and higher coupon.

Q. I saw statistics where the yield on the two percent long term bonds only drops one twelfth of the one percent, from two to one point eighty-eight.

A. That is the thing. These fellows talk basic points and all the rest of that stuff--

Q. Basic points on bonds, Mr. Secretary? (Laughter)

A. Yes, and all the rest of the stuff. I will put you up against one of the sharks.

Q. This is all off the record?

A. That is right. All I can say to you is just talking in the family here that that was not the idea. Now, if we had done that and we had gone against what I--

Q. Can we write that that was not the idea?

A. Yes, that is right. This is something entirely new, and Sullivan has been on the Hill all day, and I haven't had a chance to sit down and get them to answer it.

Q. When, Mr. Secretary, are you going to give out your proposal regarding excess profits taxes?

A. (Shook head in negative.)

Q. Referring, if I may again, to the tax exempts, is there any indication that you still expect the House to act on the original proposal of the state and municipal bonds?

A. I hope so. I haven't given up hope.

Q. That is on the record, isn't it?

A. Yes, sure. I haven't given up hope, and there is nothing that the people in the House told me, that the door is closed. The door is still open.

Q. The door is open?

A. Oh, yes.

Q. Mr. Secretary, could you say some more generally on the staff reports on what the reception to the Treasury tax proposals were on the Hill?

A. No.

Q. Can you say anything about Mr. Stam's counter-proposal?

A. No.

Q. Will you comment on it, sir, to the extent that they tax such things as coffee and sugar and tea.

A. Well, left to me, those kind of taxes, coffee and tea and sugar, would be the last things I would want to tax. You are taxing the things that the - what is on the poor man's table. I think that is the last thing to do. When they added coffee, tea and sugar - don't see how you could picture anything worse. It is just the kind of thing that I am a hundred per cent opposed to. I mean, the time may come where we may have to do it, but certainly not this year.

Q. Does that go for the Administration, too?

A. Well, it goes as far as the Treasury is concerned. I haven't found any difference, but I haven't had a round robin on it. I mean, I can't talk for the Administration, but I am ninety-nine per cent sure of it.

Q. Mr. Secretary, when you announced this program, you emphasized the cooperation existing between the Congressional leaders and the Treasury. Now, Colin Stam comes out with a totally different program on the one hand, and secondly indicates that your program will probably hit the classas of people whom you want to sell bonds to.

H.M.Jr: Well, the agreement as between the Hill and the Executive end was that on the three and a half billion, everybody agreed we should raise three and a half billion, but there was no agreement as to how it should ba raised, so Mr. Stam is entitled to his opinion.

Q. Well, your feeling on taxes for coffee, sugar and tea would cover any of the basic food items, wouldn't it?

A. Oh, yes, the last thing in the world we should do is tax food. It goes against everything this Administration has stood for. The food tax is a tax on the poor man's table. That goes against everything that we have stood for.

Q. Have you made your feelings known to the Committee?

A. I have just done it now.

Q. I mean, are you going to go up there formally either yourself or send an emissary up there to tell them how you feel about some of these excess taxes?

A. I will rely on the power of the Press.

Q. Mr. Secretary, have you had any further discussions about the possibility of transferring the Coast Guard to the Navy, or any part of it?

(Discussion off the record.)

H.M.Jr: The only thing was, when I gave you that story Monday a week ago - this is off the record - where I rapped the Admiral over the knuckles, I sat tight and was wondering what would happen the next day, but I am all right for another week. I haven't heard another thing for a week, so I am still all right for a week. I didn't know what would happen, but fortunately - it was all right, anyway. For another week we will have the big cutters in the Treasury.

Q. Has that gotten to a week-to-week proposition, Mr. Secretary?

A. Not as far as I am concerned, but at least I was partially out on the end of a limb, but I was all right. Nobody has brought it up since then.

(Resume discussion on the record.)

Q. You mean international or--

A. Treasury's attitude toward the whole thing, a little encouragement.

Q. Did that come from the State Department, Mr. Secretary?

(Discussion off the record.)

A. Strangely enough, yes, off the record.

(Resume discussion on the record.)

Q. Well, isn't it a farce where you are helping Great Britain on the one hand and there are leaks both in funds and of goods and equipment and transactions between foreign banks and the Axis Government?

(Discussion off the record.)

A. You and I, off the record, might change places and I couldn't put it half as well.

Statement by Reporter: If I told him once, I told him five times.

Q. Why not put it on the record, Mr. Secretary? They would get more encouragement.

A. Well, it is supposed to be foreign affairs, and I am just supposed to be Secretary of the Treasury.

Q. Are you making any progress with a general freezing order?

A. Well, we did Greece today.

Q. We read in the papers that you have given up.

A. Well, I think that was some exaggeration. I never give up.

Q. In connection with Greece, there have been reports from abroad to the effect that all-out aid was pledged to Greece--

A. That is enough. I don't know what happened, but I got a little encouragement over the weekend, not on general freezing but on this whole thing.

Q. On the economic warfare?

A. Well, on the whole picture, not juat economic. It was a little encouraging over the weekend.

Q. Won't you say for what?

A. Oh, just on the whole thing.

Q. Will there be any action coming from this encouragement very shortly?

A. I don't know. It has been a long hard battle, but over the weekend I did get a little breath of fresh air.

Q. In connection with Greece, I want to ask you one question, Mr. Secretary. Statements have been published to the effect that Greece, between October 28 beginning with the Italian invasion up to and including the capitulation of the Northern Army, had not received a single cartridge. You were the liaison man between the foreign government purchasing missions. I wonder if you would have any comment? Would you deny that?

A. Comment, would you deny it! What kind of an interview is this? (Laughter)

Q. Well, this was published.

A. Well, I heard it on the air. There not being any representative here of the Radio Broadcasters' Association, I don't like to say anything. Thank God they are not here.

Q. No comment?

A. No. All right?

Q. Thank you, Mr. Secretary.