

DIARY

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September 29, 1936
9:30 a.m.

1

H.M.Jr: Archie and I are sitting here talking things over, and we wondered - we thought after sterling got to 4.96, we might sell £50,000, what do you think? Try it out.

L. W.
Knoke:

Mr. Secretary, I - London just told me they'd call me at 10:00. That's an hour ahead. I rather think they will have operated already, but I personally see a good deal of danger in two people from two different angles pulling at the same thing.

H.M.Jr: I see. Well, now -

K: My argument with the British yesterday morning was I told them that - I mentioned it to you - that we were not operating - of course, this applied to yesterday only - we would not operate as long as their market was open.

H.M.Jr: Ah ha.

K: Because otherwise you - you really are very likely to find yourself at cross purposes.

H.M.Jr: Knoke, enough said. You know my mind works very quickly, and after you talk to the British, will you call me back, please.

K: Yes, their - their call is put in for 10:00.

H.M.Jr: They're calling you?

K: Yes.

H.M.Jr: All right. Immediately after you have spoken to them -

K: I'll -

H.M.Jr: - call me.

K: I'll call you.

H.M.Jr: And until then I can sit tight.

K: Yes. All right.

H.M.Jr: All right?

K: Fine.

H.M.Jr: And if you want to be in a good humor -

September 29, 1936

At 10:30 today, Mr. Mallet came in to see the Secretary to deliver the following oral message from the Chancellor of the Exchequer to the Secretary:

"The Chancellor of the Exchequer fully shares the satisfaction felt by Mr. Morgenthau and also by the President and the Secretary of State at the conclusion of the recent discussions in regard to the French monetary measures.

"An operation which might have caused disastrous disturbance has been converted by the cooperation of the three Governments into an instrument for the initiation of a new international confidence.

"The Chancellor is delighted at this happy result and he trusts that the effort so fortunately directed will prove to be only the prelude to a better understanding and more friendly relations between the nations of the world."

The Secretary's response was, "That is an awfully fine message and I am very, very pleased."

Mr. Morgenthau then gave Mr. Mallet full details in connection with the Russian offer to sell 1,000,000 pounds Sterling. He also told him the way the thing is working now, the English Government takes care of the market up to 12 o'clock, our time, five o'clock, their time, and we step in and take care of the market from 12 o'clock on. He said he thought that is the way it would work out best for both Governments.

Mr. Mallet told the Secretary that his Government was very, very pleased with developments since the announcement of the agreement between Great Britain, France and the United States.

4

September 29, 1936

My dear Mr. President:

The following is an oral message from the Chancellor of the Exchequer which Mr. Mallet, Charge d'Affaires of the British Embassy, brought in to me today:

"The Chancellor of the Exchequer fully shares the satisfaction felt by Mr. Morgenthau and also by the President and the Secretary of State at the conclusion of the recent discussions in regard to the French monetary measures.

"An operation which might have caused a disastrous disturbance has been converted by the co-operation of the three Governments into an instrument for the initiation of a new international confidence.

"The Chancellor is delighted at this happy result and he trusts that the effort so fortunately directed will prove to be only the prelude to a better understanding and more friendly relations between the nations of the world."

Respectfully yours,

Secretary of the Treasury.

The President,

Hyde Park, New York.

5
September 29, 1936

Dear Mr. Secretary:

The following is an oral message from the Chancellor of the Exchequer which Mr. Mallet, Charge d'Affaires of the British Embassy, brought in to me today:

"The Chancellor of the Exchequer fully shares the satisfaction felt by Mr. Morgenthau and also by the President and the Secretary of State at the conclusion of the recent discussions in regard to the French monetary measures.

"An operation which might have caused a disastrous disturbance has been converted by the co-operation of the three Governments into an instrument for the initiation of a new international confidence.

"The Chancellor is delighted at this happy result and he trusts that the effort so fortunately directed will prove to be only the prelude to a better understanding and more friendly relations between the nations of the world."

Sincerely yours,

Secretary of the Treasury.

The Honorable,

The Secretary of State.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 22, 1936.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITHL. W. KnackeBANK OF ENGLAND.

Mr. Cattermole called at 10:55 today but, evidently in his absence, Bolton spoke. They had operated in a small way, he said, selling \$500,000 and buying \$900,000, average rate about 4.94 1/4. They were now considering a range of 4.95 to 4.96. The market was one that required watching because of the large volume of gold on offer. Yesterday \$10,000,000 of gold had been liquidated; today from \$15,000,000 to \$20,000,000. Buying had been of a very general nature, London bullion brokers, foreign banks as well as American banks, having been in the market. The gold now liquidated belongs mainly to French Nationals who, under new legislation, are compelled to declare gold holdings at home as well as abroad. To avoid making that declaration they have been selling their gold in London. It is almost impossible to say how much more they are likely to offer but, as an absolute guess, Bolton thought, from \$150,000,000 to \$200,000,000 might come out in addition to what has been offered the last two days. I asked Bolton whether he cared to venture an opinion as to how and to what extent this dehoarding was likely to affect the sterling-dollar rate. He replied that as long as the French did not send the proceeds of their gold sales back to Paris, which would offset the demand for sterling resulting from the sale of the French gold to New York, sterling was likely, at least temporarily, to firm up in terms of the dollar. He did not think, however, that there was much of a chance of sterling going much higher, the London market conviction being that the dollar in terms of sterling was too cheap now.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 29, 1938CONFIDENTIAL FILESSUBJECT: TELEPHONE CONVERSATION WITHL. W. KnakeBANK OF ENGLAND.

- 2 -

As soon as the French Bourse opened, which is now expected to be on Thursday, Belten thought there would be a heavy demand in London for francs on the part of foreigners who had to cover a bear position in francs, so that, with sterling in terms of the franc for the time being, might go lower. Now that would affect the dollar-sterling rate, nobody could foretell. At any rate, the short position in francs built up by foreigners was not a very big one, most people having been squeezed out long before this.

I reverted to the London gold market today and asked whether they had done anything for our account. Belten said not so far but they were working on a transaction now as a result of which they might later on in the day give us about \$5,000,000 worth of gold. The price, he said, which was fixed at 140 shillings and 7 pence this morning, had dropped to a low of 140 shillings and 3 pence when the sterling rate was pushed up to above 4.95.

LWK:KNC

FEDERAL RESERVE BANK
OF NEW YORK

8

OFFICE CORRESPONDENCE

DATE September 29, 1936.CONFIDENTIAL FILESSUBJECT: TELEPHONE CONVERSATION
WITH BANK OF FRANCE.L. W. Knoke

Mr. Cariguel called me at 12:30 today. I read to him a cable which I had planned to send out in accordance with his request of yesterday, to the effect that francs here were 560 for tomorrow's delivery and 555 for Thursday's delivery. Cariguel stated that it was quite possible that he would give us an order tomorrow to sell francs in New York against dollars provided the monetary bill was passed by the Senate. The purpose of this order would be, he explained, to avoid having francs sell here on Wednesday afternoon at the present fantastic levels of 580 or thereabouts and then have the market open in Paris the following morning on the devalued basis, that is somewhere between 455 and 497. He asked whether we would mind executing such order and I told him I did not think so. At any rate, he will call me tomorrow to talk this matter over and to discuss details.

LWK:KMC

September 29, 1936
11:46 a.m.

H.M.Jr: All right - so Archie can hear.

K: The London call was an hour and a half late.

H.M.Jr: Yes.

K: Due to heavy traffic. The - the extent to which the British had to intervene today was almost nil -

H.M.Jr: Yes.

K: They sold a half million dollars and bought nine hundred thousand dollars.

H.M.Jr: They sold how much?

K: Sold \$500,000 -

H.M.Jr: Yes.

K: - and bought \$900,000.

H.M.Jr: So that -

K: Average rate 4.94-1/4 about.

H.M.Jr: Yes.

K: On balance they bought \$400,000.

H.M.Jr: I see.

K: They are working at the moment on the range from .93 to .96.

H.M.Jr: I see.
Which is

K: exactly what you had in mind, as I remember.

H.M.Jr: Yes.

K: They say the gold turnover was very big.

H.M.Jr: Yes.

K: \$10,000,000 yesterday; \$20,000,000 today.

H.M.Jr: Yes.

- K: That - that led me to ask the question which you asked this morning.
- H.M.Jr: I see.
- K: The answer is entirely guess work, but probably between 150 to \$200,000,000 more needs to come out.
- H.M.Jr: Well, I think they're low.
- K: But they're still - let me - let me explain this.
- H.M.Jr: Please.
- K: First of all, the offers of gold are entirely for French account just now.
- H.M.Jr: Oh!
- K: The reason being that the French, under the new legislation, are compelled to declare their gold holdings.
- H.M.Jr: I see.
- K: In order to anticipate that, they are selling their gold.
- H.M.Jr: I see.
- K: They are the ones operating just now.
- H.M.Jr: Yes, I see.
- K: They are the ones who have furnished 10,000,000 yesterday; 20,000,000 today, and they are the ones whom it is figured will furnish from 150 to \$200,000,000.
- H.M.Jr: I see.
- K: None of them are likely - and I - I'm giving you the opinion of the Bank of England here - none of them are likely to bring back their money to France under present conditions.
- H.M.Jr: I see.
- K: As long as that is so, the effect upon the dollar rate - dollar - dollar-sterling rate is likely to support sterling.

H.M.Jr: Support sterling?

K: Yes.

H.M.Jr: Good.

K: The tendency - general tendency to push sterling slightly higher.

H.M.Jr: Yes.

K: Sterling is not likely to go very much higher because market opinion in London is convinced that the dollar is undervalued.

H.M.Jr: The dollar undervalued?

K: Yes. Sterling is overvalued.

H.M.Jr: That means that - that sterling would - would go down?

K: Yes.

H.M.Jr: Yes.

K: That's the market opinion.

H.M.Jr: Yes.

K: But as long as the French are not bringing back their - repatriating their funds -

H.M.Jr: Yes.

K: - sterling is likely to be supported by these dollar - by these gold transactions.

H.M.Jr: Yes.

K: The -

H.M.Jr: Well, that's all good for us, isn't it?

K: Oh, yes, but - it's all to the good but, of course -

H.M.Jr: Temporary.

K: - it's - it's near by.

H.M.Jr: Temporary.

K: Nearby problem - yes.

H.M.Jr: Yes. Well, that's all right. But it helps out until we get the thing levelled out.

K: That's right.

H.M.Jr: Yes - ah -

K: Are you keeping a report on this telephone conversation which will be made to you today?

H.M.Jr: I just got a flash. "French Senate Finance Committee approves devaluation."

K: The Finance Committee?

H.M.Jr: French Senate Finance Committee -

K: Oh, yes, the Senate itself has adjourned until tomorrow.

H.M.Jr: Well, but this is the Finance Committee.

K: Yes. There - there can be no decision - no final decision until tomorrow morning -

H.M.Jr: Well that's -

K: - until tomorrow night because the Senate has adjourned until then.

H.M.Jr: That's all right.

K: Yes.

H.M.Jr: That's all right. Well, we take this thing over now in a few minutes, don't we?

K: That's right.

H.M.Jr: And so far as you know - has there been much business done in America, or don't they start until after -

K: A very little. The - a few hundred thousand pounds was the biggest item I heard of; 50,000 pounds sold commercially by the Chase.

H.M.Jr: I see.

K: No, the volume is not here at all today - the volume is in - in London as a result of the liquidation of the gold.

H.M.Jr: I see. Well, I'd say that that's all very cheerful.

K: Yes, I agree. I think it is.

H.M.Jr: Fine. I'm now going over to the Federal Reserve Board to explain to them what I've been doing.

K: Oh, I see (Laughs).

H.M.Jr: They've - they've invited me to come over. You might tell that to Governor Harrison.

K: I will - yes.

H.M.Jr: And when I come back I'll give you a ring.

K: All right, sir.

H.M.Jr: Thank you very much.

K: All right.

September 29, 1936 14
11:54 a.m.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

Harrison: Hello, Henry.

H.M.Jr: Yes.

H: (Laughs) How are you?

H.M.Jr: I'm going in about 30 seconds to the Federal Reserve Board of Washington, D.C., to explain to them what you and I have been doing the last couple of days.

H: Well I know - what I wanted to tell you before you went over there - I've been on the telephone a couple of times since Ransom has been there, and they've been sore, as the devil, and principally at me, I think -

H.M.Jr: What -

H: - because I didn't tell them. I said I'm sorry -

H.M.Jr: Oh, well, now -

H: - but I'm acting as fiscal agent of the Treasury in confidence.

H.M.Jr: I told Mr. Ransom here in my office, and Commissioner Landis happened to be present, that I called you up Wednesday and put you under an oath to me personally, that you could not discuss it with anybody.

H: Yes. Well they were pretty - I don't know who they're sore at, but they said the setup is all wrong - it's outrageous that we should know and they shouldn't know. And I said, "Well, we're under the law fiscal agents, and we're required to do what you want; that under old letters of the Board -

H.M.Jr: Yes.

H: - it was understood that the Board had nothing at all to do with what we do as fiscal agents for the Treasury.

H.M.Jr: Well, I'm glad you called me, and I will stress that point and, George -

H: And - and, in fact, I talked to Eccles during the winter -

H.M.Jr: Yes.

H: - and I told him that I thought that it was up to him to establish close relations with the Treasury, that any case where I was acting for the Treasury, the Treasury ought to give him what they want him to know, and that I wasn't the one to do it. And I don't think I am the one to do it.

H.M.Jr: George, -

H: Yes.

H.M.Jr: You've known me now for 3 years, haven't you?

H: Yes, sir.

H.M.Jr: And, when people work with me if they get friendly, I never left them down in my life, and the people that help me, I take care of - when they're in trouble, if I can.

H: (Laughs)

H.M.Jr: Now I'll go over there -

H: Well, all I was wondering - I didn't want you to think that I'd been talking behind your back.

H.M.Jr: That's all right.

H: But I didn't say a word to them until after you'd -

H.M.Jr: Oh -

H: - talked.

H.M.Jr: Listen - somebody has told them undoubtedly that they should have been in on this. I told Ransom I placed you under/word of honor to me, and let me go over there and - your

H: And I told him also that when - I spoke out - I said that when it got to the point where I was being really embarrassed by my knowledge, and I couldn't talk to him - that I had mentioned that fact to you and that you had immediately sent for him.

- 3 -

H.M.Jr: Yes. O.K.

H: All right.

H.M.Jr: Listen -

H: Yes.

H.M.Jr: Don't worry, it's - when I come back I'll call you up this afternoon.

H: (Laughs) All right, sir.

H.M.Jr: George, this thing is going so beautifully and there's so much credit we can spread it all around amongst us.

H: Yes. Well - well, it certainly is going well.

H.M.Jr: And it's going beautifully -

H: Yes.

H.M.Jr: And if there's a little jealousy here and there, don't let it bother you, and you can put all of it on me.

H: Well, I don't want to put any of it on you.

H.M.Jr: You can put it on - I can take it.

H: But I - no, I told them, I said I didn't know whose fault it was. I said I knew it wasn't mind. I said it's up to them to work it out with you. I wasn't going to do it.

H.M.Jr: Oh, don't - and put it all on me - I can take it.

H: (Laughs)

H.M.Jr: And like it.

H: You're very generous.

H.M.Jr: O.K., George.

H: All right; thank you.

September 29, 1936.

17

At 12 o'clock noon, Secretary Morgenthau, accompanied by Mr. Lochhead and Mr. Upham, met with a Federal Reserve Board group in the Federal Reserve Board room in the Washington building.

The Reserve Board people present were Acting Chairman Ronald Ransom, Gov. Joseph A. Broderick, Gov. M.S. Szymczak, Lawrence Clayton, Elliott Thurston, Dr. E.A. Goldenweiser, Walter Wyatt, Chester Morrill, W.R. Gardner and L.P. Bethea.

Governor Ransom explained that Chairman Eccles and Governor McKee were still out in California and that Governor Davis was out of the city. He further explained that on Friday last Secretary Morgenthau had expressed a willingness to discuss with the Board the current negotiations with the governments of Great Britain and France with respect to devaluation of the Franc and a tri-partite currency agreement.

Secretary Morgenthau stated that the developments of the last few days were an outgrowth of plans which have been under consideration in the Treasury two years and more. These plans began to take definite shape and result in conversations between the countries concerned some 6 months ago, and in intensive and practically continuous negotiations since the first week in September. For various reasons complete agreement on procedure was not reached on occasions in the past, the main difficulties rising from the London end. Finally, on last Wednesday night negotiations entered into the final phase, culminating in the announcement on Friday.

Secretary Morgenthau explained the necessarily confidential

character of the conversations that had taken place and pointed out that the utmost secrecy had been successfully maintained in all three Capitols, the announcement coming as a complete surprise to all not directly and intimately concerned. Only a very small number of persons in the Treasury itself had any knowledge of the negotiations.

Secretary Morgenthau went on to say that if any of the amenities had not been observed in the extreme pressure of heavy work during the last two or three weeks it was entirely his own fault and responsibility and that he hoped, in view of the importance of the matters involved and the real accomplishment, that the members of the Reserve Board would be gracious and overlook it. He explained that since the Federal Reserve Bank of New York acts as fiscal agent for the Treasury it was necessary to have some dealings with and through them. On Thursday the Secretary took President Harrison into his confidence asking him to take a personal oath not to reveal the information to anyone, specifically not to the Chairman of his Board or to the members of his Executive Committee. Secretary Morgenthau asked President Harrison to request Professor Williams and Mr. Knoke of the Federal Reserve Bank of New York to come to Washington for consultation. A similar personal oath was exacted from them, it being considered very important by the Secretary that no information leak out making opportunity for private profit on the outside.

Secretary Morgenthau related that he had asked Governor Harrison whether, in view of the fact that the New York bank was acting as fiscal agent for the Treasury, there was any legal obligation upon

President Harrison to make known either to his own Board or to the Board of Governors in Washington what was being done. It was the opinion of all concerned that there was no such legal requirement.

Secretary Morgenthau reiterated that if there were any feeling on the part of anyone that the Board of Governors had been neglected it was entirely his own fault and not that of anyone in New York. He added that as soon as it developed to a reasonable certainty that positive action would be taken he communicated with Chairman Eccles and Governor Ransom informing them of developments.

Governor Ransom stated that the Board was ready and willing at all times to give full cooperation on a mutual basis of understanding to the Treasury and that they were proud of the real accomplishment in the present negotiations which they feel have an importance transcending all other current happenings and that they are sincere and happy in their congratulations to the Secretary. Certainly, in view of the accomplishment and its importance any possible interagency feeling must disappear. He added, however, that the Reserve Board had been preparing for sometime a statement of what they thought the relationships of the Federal Reserve and the Treasury should be and that this had been completed just before Chairman Eccles left for the west. He added that when Chairman Eccles returned he thought it undoubtedly true that they would seek a conference with the Treasury on the memorandum to the end that there might be cooperation and mutual understanding between the two agencies. The Federal Reserve has a definite responsibility they feel, in the matter of currency stabilization and monetary control. It was obvious that there

existed a very definite feeling on the part of the Board and its staff that they should have known more about current negotiations.

Secretary Morgenthau replied that he too desired to work in the closest cooperation with the Board and that he had refrained from doing or saying anything which would let outsiders get the impression that there were any difficulties between the two agencies.

He recalled, for instance, that when reserve requirements were increased by the Federal Reserve Board and he was interrogated by the press as to whether or not the President had been consulted, his reply was (what he termed a white lie) to the effect that his personal relations with Governor Eccles were so close that there could be no difficulties between them. As a matter of fact, he explained, he had known nothing about the increased reserve requirements until he read the paper at his summer home on Cape Cod the morning that they were to go into effect. No arrangements had been made, he said, to take care of the bond market for that day. He had hurriedly gotten in touch with President Harrison and arranged a 50-50 program for bond purchases. He called Governor Eccles and they talked for 45 minutes on the phone fully and frankly and ended with the fullest understanding and most friendly feeling.

Secretary Morgenthau indicated that it was alright for the Federal Reserve Board to pass resolutions but that the Treasury was an operating organization and there was a market and the market operations had to be met and that the Treasury should know of actions which would affect the market.

Governor Broderick, Governor Szymozak and Mr. Clayton and Mr. Thurston were certain that arrangements had been made to meet

the market conditions, and stated definitely that the open market committee was prepared to make necessary purchases.

Governor Broderick indicated that Mr. Burgess was fully informed although President Harrison may not have been.

Secretary Morgenthau replied that neither President Harrison nor Chairman Eccles gave him any indication that there was any such preparation and it was necessary for him 5 minutes before the market opened to make an arrangement on the basis of information derived from the morning newspaper.

Reference was made to the fact that there are day to day cooperations between the Treasury and the Federal Reserve Board and Mr. Morgenthau referred to the fact that his recent reply to a letter from Senator Vandenberg on gold had been checked by Dr. Goldenweiser.

Mr. Lochhead confirmed that there were frequently cooperative conversations and actions between the staff of the Treasury and the staff of the Reserve Board. Secretary Morgenthau asked if it would be possible for Dr. Goldenweiser to make a study of gold hoarding. He added that some of the gold is now coming out of hoarding and he would like to have an estimate of what the economic effects would be.

He explained that the Treasury is now receiving some complaints from the inflationists, Rumley et al, and that his tentative opinion was that gold coming out of hoarding might have some inflationary effect.

To a direct question, Dr. Goldenweiser replied frankly that he thought the Secretary was exaggerating the importance of

dishoarding and that he would not like to express a definite opinion until he could get an opportunity to look into it.

The conference ended with expressions of congratulations in the highest terms to Secretary Morgenthau by all of the Federal Reserve people present.

TEXT OF SECRETARY'S REMARKS FOR PARAMOUNT AND FOX
MOVIETONE NEWSREELS MADE TODAY.

September 29, 1936.

The Government of the United States, after consultation with the British Government and the French Government, joins with them in affirming a common desire to foster those conditions which safeguard peace and will best contribute to the restoration of order in international economic relations and to pursue a policy which will tend to promote prosperity in the world and to improve the standard of living of peoples.

Stop

It trusts that no country will attempt to obtain an unreasonable competitive exchange advantage and thereby hamper the effort to restore more stable economic relations which it is the aim of the three Governments to promote.

What I have just read is from a statement which sets forth the position of the United States Government on foreign exchange. Similar statements have been given out by the British and French Governments in London and Paris.

Stop

Stability of world currencies is the foundation that had to be first built before we could look forward to lasting peace and real recovery in world trade. America's position is fully safeguarded, while at the same time our action should encourage peace and commerce. This will, in my opinion, be the turning point for general peace in the world.

Stop

U

GRAY

Shanghai via N.R.

Dated September 29, 1936

Rec'd 29th, 7 a.m.

Secretary of State

Washington

521, September 29, noon.

Reference Department's February 20, 1936.

The Central Bank of China, Shanghai branch, shipping 17,786,967.55 troy ounces of silver, .999 fine, on the PRESIDENT MCKINLEY sailing today, consigned to Chase National Bank, San Francisco branch, for account of Central Bank of China. Value of shipment excluding charges \$7,959,667.98.

Central Bank of China, Shanghai branch, shipped 8,763,058.61 troy ounces of silver .999 fine on the PRESIDENT HOOVER September 27th, consigned to Chase National Bank, San Francisco branch, for the account of Central Bank of China. Value of shipment excluding charges \$3,921,468.73.

KLP:CSB

GAUSS

U

GRAY

Paris

Dated September 29, 1936

Rec'd 7:20 a.m.

Secretary of State

Washington

944, September 29, noon.

FROM COCHRAN

National City invoiced to National City 80,808,000 francs gold bars VOLENDAM; Guaranty to Guaranty 168,292,000 francs VOLENDAM and 47,192,000 francs AMERICAN MERCHANT; Lazard to Chase \$3,080,000 VOLENDAM to Manhattan Bank, \$3,376,000 SCYTHIA to Manhattan Bank, \$3,996,000 AMERICAN MERCHANT, to Lazard \$1,127,000 VOLENDAM, to Manhattan Bank \$6,758,000 VOLENDAM.

WILSON

WWC

U

GRAY

Paris

Dated September 29, 1936

Rec'd 7:30 a.m.

Secretary of State

Washington

943, September 29, 11 a.m. (SECTION ONE)

FROM COCHRAN.

In continuation of my 938, September 28, 1 p.m., I submit herewith translations of the two annexes to the devaluation bill as originally proposed:

Annex No. One. Convention between Minister of Finance and the Governor of the Bank of France.

It has been agreed as follows between the undersigned Monsieur Vincent Auriol, Minister of Finance, acting in the name of the State on the one hand and Monsieur Labeyrie, Governor of the Bank of France, duly authorized by the General Council of the Bank of France under date of September 25, 1936, on the other hand.

Article one. Following the promulgation of the law approving the present convention the Bank of France will proceed to the revaluation:

One, of its gold holdings (currencies and ingots)

Two, of available holdings of foreign currencies reported in the weekly statement under the following headings:

Funds available on demand abroad. (END SECTION ONE)

KLP

WILSON

U

GRAY

Paris

Dated September 29, 1936

Rec'd 7:40 a.m.

Secretary of State

Washington

943, September 29, 11 a.m. (SECTION TWO)

Foreign commercial bills discounted. Negotiate bills and other short term operations abroad.

This revaluation will be carried out;

One, as concerns the gold according to the actual weight of currencies and ingots on the basis of a weight of 49 milligrams gold of 900/1000 fine per franc.

Two, as concerns foreign currencies convertible into gold at their new intrinsic parities on the basis of the same weight of gold.

Three, as concerns foreign currencies not attached to gold on the basis of the average quotation of these currencies on the Paris market at the first meeting that will follow the promulgation of the law approving the present convention.

The foreign currencies corresponding to term divided in foreign currencies will be revalued at the effective reimbursement of the said credits either at their new intrinsic parities on the basis of the weight of gold indicated above

when

U -2- #943, Sept. 29, 11 a.m. (Sec. 2) from Paris

when it concerns currencies convertible into gold or based on the average quotation on the Paris market on the date of reimbursement for the currencies not convertible into gold.

Article two. The profit resulting from the revaluation provided for in the preceding article will be disposed as follows: (END SECTION TWO)

WILSON

KLP:HPD

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GRAY

Paris

Dated September 29, 1936

Rec'd 9:45 a. m.

Secretary of State,
Washington.

943, September 29, 11 a. m. (SECTION THREE)

One. Up to the amount of 10 billion francs the profit will be applied to the endowment of the exchange stabilization fund created by article three of the law approving the present convention;

Two. Up to the surplus available the profit will be applied to the credit of the provisional advance accounts granted to the public treasury by the Bank of France in application of the convention of June 18, 1936.

Article three. The proceeds of the additional revaluation which must eventually be carried out following the fixation of the new gold content of the franc will be attributed to the state under the conditions which will be made the object of an ulterior convention.

These proceeds as well as the proceeds of the liquidation of the exchange stabilization fund can only be applied to the amortization of the public debt.

Annex number two. Convention between the Minister
of Finance

FS 2-No. 943, September 29 from Paris (SECTION THREE)
of Finance and the amortization fund.

Article one. Until March 31, 1937 the amortization fund will deliver upon their demand, in exchange for securities which they hold, life annuity certificates to French holders of perpetual or redeemable state rentes, of Treasury bonds of 6 months or more or of national defense bonds to those who of at least 55 years old prove

CSB

WILSON

MJD

GRAY

Paris

Dated September 29, 1936.

Rec'd, 9:35 a. m.

Secretary of State,
Washington.

943, September 29, 11 a. m. (Section Four)
that they have acquired these securities prior to
September 26, 1936 and that they are not liable for
the general income tax as established for the year 1936.

Furthermore the holders of the same securities
who are at least 50 years old on March 31, 1937 and
who, fulfilling the conditions indicated above, desire
to profit at the age of 55 years by the provisions of
the present convention should so declare before
April 1st 1937. There will be handed to them a
certificate which will permit them to obtain at the
proper moment the life annuities to which (?) con-
vention refers on the condition that they present their
request within a time limit of six months from the
date they reach their 55th year and that they have held
without interruption the securities to be exchanged
which they now hold or those which will have been
substituted through conversion and that they have not
been liable for the general income tax established for
the

-2- No. 943, September 29, 11 a. m. (Section Four)

the year preceding that during which they reach the age of 55 years.

Article two. The securities to be exchanged will be accepted at the value equal to the average of the first cash transactions quoted on the Paris bourse during the first 15 working days preceding the deposit of the securities or as concerns the ordinary bonds of the Treasury and national defence for their normal value reduced by the amount of interest received by anticipation.

WILSON

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GRAY

Paris

Dated September 29, 1936

Rec'd 9:27 a.m.

Secretary of State

Washington

943, September 29, 11 a.m. (SECTION FIVE)

for the period included between the interest bearing date of the life annuities described below and the date of maturity of the said bonds.

The life annuities will be calculated in accordance with the tariff of the national old age pension fund actually in force increased by ten per cent.

They will be delivered with interest running from the day of the reception of the securities by the amortization fund or by its agents.

Article three. Each year the state will pay over to the amortization fund a sum equal to the increase of ten per cent applied by virtue of the second paragraph of the preceding article to life annuities placed in payment.

Article four. The securities exchanged against life annuities will be immediately and definitely canceled and if necessary struck out of the register of the public debt.

Article five. The present convention is exempt from stamp and registration duties. (END OF MESSAGE)

CSB

WILSON

U

GRAY

Paris

Dated September 29, 1936

Rec'd 9:55 a.m.

Secretary of State

Washington

945, September 29, 1 p.m.

FROM COCHRAN.

JOURNAL OFFICIAL of September 29, carries following
decree:

"Export of gold. The President of the French Republic, in view of Article 26 of the customs code; upon the report of the President of the Council of the Minister of Finance, of the Minister of Foreign Affairs and of the Minister of Colonies, decrees: Article one. The export of raw gold in bulk, ingots, bars, dust, scrapped articles, (see (ex number 200 of the customs tariff) and gold currencies (ex number 495 bis of the customs tariff) as well as the reexport of the foregoing stored in bond or in deposit or in the course of transit or transshipment is provisionally prohibited.

Article Two. Derogations from the prohibition laid down by Article One of the present decree may be granted by a relevant instruction from the Bank of France.

Article Three. The present decree will be applied immediately in conformity with the provisions of Article Two (paragraph two) of the decree law of November 5th, 1870.

- Article

U -2- #945, Sept. 29, 1 p.m. from Paris

Article Four. The President of the Council, the Minister of Finance, the Minister for Foreign Affairs and the Minister of the Colonies are charged respectively with the execution of the present decree.

Done at Paris September 28th, 1936. Signed Albert Lebrun."

WILSON

VWC:KLP

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GRAY

Paris

Dated September 29, 1936

Rec'd 10:20 a.m.

Secretary of State

Washington

RUSH

947, September 29, 3 p.m.

Following an all night session during which each article of the devaluation bill was voted separately, the Chamber of Deputies this morning passed the bill in its entirety by a vote of 350 to 221, the crisis arising from opposition to the sliding scale provision was finally met when the Government, in agreement with the Left groups and the Federation of Labor representatives, reached a conclusion: the following clause was substituted to replace the sliding scale provision which has now been definitely omitted from the bill.

"The Government is authorized until December 31, 1936, to decree all measures for the maintenance of the purchasing value of the franc either by the repression of unjustified price rises, or by any other means. Measures adopted by virtue of this article shall be submitted to the ratification of Parliament before January 31, 1937."

The Minister of Finance will present the bill to the

Senate

U -2- #947, Sept. 29, 3 p.m. from Paris

Senate Finance Committee this morning which will refer it in turn to the Senate either late this afternoon or tomorrow morning.

The Chamber of Deputies will meet again at 9 o'clock tomorrow night to receive the bill back from the Senate. A new Chamber vote will be necessary in the event that the Senate adds any amendments to the measure. From present indications it would appear that the bill will safely pass the Senate although the compromise on the sliding scale does not appear particularly acceptable to many of that body.

Copies by mail to London, Berlin, Rome, Geneva.

WILSON

HPD

U

GRAY

Kaunas

Dated September 29, 1936

Rec'd 11 a.m.

Secretary of State

Washington

23, September 29, 4 p.m.

Reference Despatch No. 324 of October 2, 1935. Foreign exchange restrictions retained until October 1st, 1937, by law promulgated by Cabinet of Ministers in Official Gazette 551 of September 28th.

KUYHKENDALL

WWC

LMS

GRAY

Belgrade

Dated September 29, 1936

Rec'd 2:20 p. m.

Secretary of State,
Washington.

35, September 29, 4 p. m.

With reference to monetary measures in France and other countries Yugoslav Governmental and financial circles are extremely reticent as to future course of the dinar. However, after meeting at the National Bank at the end of this week some announcement may be made. In the meantime an impression of uncertainty seems to prevail in financial circles.

REED

KLF:CSB

LMS

GRAY

Paris

Dated September 29, 1936

Rec'd 2:05 p. m.

Secretary of State,
Washington.

949, September 29, 4 p. m.

FROM COCHRAN.

Bank of France today invoiced to Federal Reserve
5,635,000 francs gold bars ILE DE FRANCE.

Guaranty trader told me that of 503 bars of gold
offered on the London market today only 27 was by British
control. This bank has been active in purchasing part
of remainder for shipment to the United States and
Switzerland. The fact that National Bank of Switzerland
has quoted a new price for purchasing of this gold after
deciding to devalue indicates the progress that is being
made in that of the Swiss franc.

Guaranty said dollar was rather strongly wanted at
London until the above bars and certain hoarded French
gold came onto the market.

Press report that Greece, Latvia and Turkey have
decided to base their currencies on sterling. Schacht
has called meeting of central committee of Reichsbank
for afternoon. Italy is waiting to see measures France
takes.

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LMS 2-No. 949, September 29, 4 p. m., from Paris.

takes. Pennachio tells me no need for Italy to rush since control is so strictly holding the exchange.

(END SECTION ONE)

WILSON

CSB

LMS

GRAY

Paris

Dated September 29, 1936

Rec'd 2:15 p. m.

Secretary of State,
Washington.

949, September 29, 4 p. m. (SECTION TWO)

Furthermore, the problems of Italy are much different from those of France since reserves for stabilization are small and no flight capital to be returned to Italy to help replenish them. Dutch have embargo on gold and arranging for stabilization fund of 300,000,000 florins but not fixing any gold limits deciding thus to manage currency.

An editorial in London FINANCIAL TIMES entitled "Welcome for League of Currencies" today concluded as follows: "There is no doubt that the main feeling, which there are signs that foreign markets also share, is that undue fluctuations are to be avoided not only as unsettling in themselves but also as being contrary to the spirit of the 'gentleman's agreement' which backs the present situation. A remarkable example of this spirit can be adduced from Anglo-American exchange movements during the day. While sensational reports regarding wide differences of opinion

LHS 2-No. 949, September 29, 4 p. m., Sec. 2, from Paris.

opinion between London and New York as to the proper sterling dollar rate may be disregarded there is no doubt that on this side of the Atlantic a level rather under than over \$4.86 to the pound is favored. Notwithstanding this feeling, there is good reason to believe that sales of sterling against dollars would have resulted in a much lower rate than yesterday's \$4.94 if the exchange equalization fund had

WILSON

WTC

LMS

GRAY

Paris

Dated September 29, 1936

Rec'd 3:40 p. m.

Secretary of State,
Washington.

949, September 29, 4 p. m. (SECTION THREE)

not intervened.

"No survey of the picture would be complete which concentrated only on events in British (*) yesterday. From all directions came news calculated to inspire confidence that the sequence of events commenced last week will reach its full consummation. Greece and Latvia announced their adherence to the new alignment of devaluationists. The serious attention being paid by Italy to the possibility of its following France's example is evidenced by the decision to close Italian stock markets until Thursday while discussion of the whole situation is undertaken. In France itself, the focus of the whole situation while the Government's proposals are being vehemently debated, there is no indication yet that party differences will go to the extreme length of radically amending the bill, though the Senate's decision remains an unascertained factor. It will be some days before the true reactions of the present situation can be succinctly

LMS 2-. No. 949, September 29, 4 p. m., Sec. 3, from Paris.

cinctly assessed but at the present stage a world-wide welcome to the new league of currencies has been clearly expressed."

An editorial in the LONDON FINANCIAL TIMES of today began: "The initial market effects of the weekend's currency upheaval have been almost wholly favorable. In all parts of the city the devaluation of the gold bloc currencies has been received with relief and all markets withstood the monetary dislocation and unbalance in excellent style." (END MESSAGE)

WILSON

KLP:WWC

(*) Apparent omission.

September 29, 1936
3:20 p.m.

H.M.Jr: Well, how did it go today, Knoke?

Knoke: Same as yesterday. Nothing doing. The market at the moment is 4.75-5/8.

H.M.Jr: How much?

K: 4.95-5/8.

H.M.Jr: Yes.

K: Volume small as yesterday, and everybody sitting back.

H.M.Jr: Well, that's satisfactory to me.

K: Well, I - I think it is.

H.M.Jr: What?

K: I think it's very satisfactory.

H.M.Jr: All right, Knoke.

K: All right.

H.M.Jr: Thank you.

K: All right.

September 28th

At the 9:30 meeting in Secretary Morgenthau's office this morning the following were present:

- | | |
|----------|------------|
| Bell | McReynolds |
| Gaston | Taylor |
| Haas | Upham |
| Oliphant | |

Mr. Morgenthau to Mr. Bell: I have been disinvented for lunch and invited for a 5 o'clock swim with the President.

Mr. Bell: All right.

Mr. Morgenthau: I am not particularly anxious to go over on budget matters just at this stage. Would you like me to go over with you?

Mr. Bell: Yes, if you have time.

Mr. Morgenthau: There is not much fight left in me at this time.

Mr. Bell: I am going to bring up the \$300,000,000 - Ickes.

Mr. Morgenthau: I will toddle along then and hang on your shoulder.

Mr. Morgenthau: McReynolds?

Mr. McReynolds: Yes sir.

Mr. Morgenthau: What have you got?

Mr. McReynolds: You know a couple of months ago you said - on the closing agreements - you wanted to review them before you turned them loose. I have about eight or ten, none of which are urgent --

Mr. Morgenthau: Closing which?

Mr. McReynolds: Closing agreements on tax cases.

Mr. Morgenthau: About 10 o'clock I will be ready. I'll bet you're not ready now.

- 2 -

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Mr. McReynolds: I have to get King and the other boys.

Mr. Morgenthau: (Laughingly) See I told you you were not ready.

Mr. Morgenthau: Mr. Helvering comes at eleven. We will advance it to quarter of eleven. Let him be here.

Mr. McReynolds: Quarter to eleven. O.K.

Mr. Morgenthau: 15 minutes enough?

Mr. McReynolds: Yes.

Mr. Morgenthau: What else have you got worrying you?

Mr. McReynolds: Not worrying.

Mr. Morgenthau: Cy? Did you make the appointment?

Mr. Upham: Yes. 12 o'clock is all right. Governor Ransom said he would like six of their senior staff members present if it is all right with you and he named them.

Mr. Morgenthau: Sure.

Mr. Bell: I see Mc Carl has the first of his articles in the Saturday Evening Post starting to-day.

Mr. Morgenthau to Mr. Oliphant: You look better to-day. Did you get a haircut?

Mr. Oliphant: This will give him (Governor Winant) a chance to resign - bad job.

Mr. Morgenthau: Oh no.

Mr. Oliphant: I know but he doesn't like the job, does he?

Mr. McReynolds: Oh yes, but he doesn't know what a bad job he has.

Mr. Morgenthau: All right, Mac, you a quarter of eleven.

Mr. McReynolds: Yes sir.

Mr. Morgenthau: This is the first morning I woke up in two weeks singing.

Mr. Morgenthau: I had Ransom over here Friday afternoon and I said, "Anytime that your Board wants me I will be delighted to go over". He said, "No use of doing it Friday as the Board consists of only one person and that is myself. All the other Board members are out of town".

Mr. Morgenthau: So you (Upham) and I will walk over there I guess. We may take Archie with us.

Mr. Upham: O.K.

Mr. Morgenthau to Mr. Taylor: Do you want to go along?

Mr. Taylor: Not unless you find it necessary.

Mr. Morgenthau: I don't.

Mr. Morgenthau: Daniel W. Bell?

Mr. Bell: I want to start another audit of the Stabilization Fund.

Mr. Morgenthau: Fine -atta boy. Anything else?

Mr. Bell: I think I will appoint part of the same Committee. They know the ropes.

Mr. Morgenthau: Fine. What else?

Mr. Bell: That's all.

Mr. Morgenthau: Dan ran into a funny situation which he is running down. He finds five state corporations that own farms left over from the Hopkins' organization which were to be turned over to Tugwell's organization and weren't. Lawrence Westbrook has an office and a retainer from these five corporations as Adviser. They have about two million to invest that they don't need. They want us to invest it for them, It may be all right but it kind of smells to me.

Mr. Oliphant: It is surplus property?

Mr. Morgenthau: I don't know so Dan is holding it up. He caught it because it was a request for us to invest their money.

Mr. Bell: I am not so worried about the investment as the aurhotity for us to do it.

Mr. Gaston: After November 3d you can announce a prize for whoever can discover the most lost corporations.

Mr. Morgenthau: Mr. Taylor?

Mr. Taylor: I am just getting back to work again.

Mr. Morgenthau: You asked me something last night.

Mr. Taylor: Community Fund.

Mr. Morgenthau: Fine. You are stepping right into Chip Robert's shoes.

Mr. Taylor: Last year you had Miss Roche.

Mr. Morgenthau: Yes but it was the best job that Chip did while he was with the Treasury. I am perfectly serious.

Mr. McReynolds: You're beasting about what Chip did. Dan said he (Chip) actually got four or five letters out over his (Chip's) signature. (Laughter)

Mr. Morgenthau: Anything else Wayne?

Mr. Taylor: I am elected then?

Mr. Morgenthau: You're elected.

Mr. Morgenthau: George?

Mr. Haas: On these tax studies we have reached a stage where we ought to have another meeting.

Mr. Morgenthau: Just as soon as I can catch my breath I want to talk to you fellows. The Commissioner (Helvering) has made a study of the possibility of a new speech. Let's see what he has.

Mr. Haas: Just hold this up?

Mr. Morgenthau: Well you and Herman keep after me. I am here till Thursday afternoon. Maybe I will get a chance between now and Thursday.

- 5 -

Mr. Haas: You wished to look over personnel tentative estimates for 1938.

Mr. Morgenthau: Are they ready?

Mr. Haas: As soon as I put an hour and a half on them.

Mr. Morgenthau: Give me a ring.

Mr. Morgenthau: Don't you want to do some work for me?

Mr. Gaston: Yes.

Mr. Morgenthau: Herman?

Mr. Oliphant: I have a couple of boys working on that whole problem - legal status of the surplus property.

Mr. Morgenthau: You may have but it slipped me. What else?

Mr. Oliphant: That's the title thing.

Mr. Bell: The corporation?

Mr. Oliphant: No - all surplus of real and personal property. Just a lot of study has to be done - deeds and abstracts.

Mr. Morgenthau: Well I have nothing else.

Mr. Oliphant: But the big problem is administering property that we take over in the course of collection of debts.

Mr. Morgenthau: Incidentally, those of you who have not read Walter Lippmann read him to-day. He is going sour on Landon. In Europe on this question of stabilization, he said, Landon better just stop, look and listen - since that cheese speech.

Mr. Bell: What does he call the "cheese speech"?

Mr. Morgenthau: Minneapolis.

- 6 -

Mr. Oliphant: I'll bet John Owen, of the Baltimore Sun, is uneasy too.

Mr. Morgenthau: All right gentlemen all I can say is I am feeling better to-day than I did in three weeks.

TREASURY DEPARTMENT

#

53

INTER OFFICE COMMUNICATION

DATE September 29, 1936

TO Secretary Morgenthau

FROM Mr. Oliphant

The latest development in the Associated Gas matter is that the proposed settlement of the bankruptcy case between the petitioning creditors and the Company has been submitted to Judge Mack, who is still considering whether he will approve it but has told the lawyers that all creditors of the Company must be notified of the proposed settlement and that a provision permitting modification of the agreement by mutual consent must be eliminated.

In reporting this to me, Wideman said he was going to see Mack tomorrow or the next day, laying the Government's situation before him so that Mack will be in a position to protect the Government's interests by suggesting a Government observer on the Board of the Company, he retaining jurisdiction of the Government's foreclosure case. If the agreement is approved, he will lose jurisdiction of the present bankruptcy case.

LO

September 29, 1936.~~172~~

At the 11 o'clock meeting in Secretary Morgenthau's office this morning, concerning material which he might use for a speech in the near future, the following were present:

Commissioner Helvering
Mr. McReynolds
Mr. Gaston

Mr. W. T. Sherwood,
Ass't. Deputy Commissioner
of Income Tax.

Mr. E. O. Hanson,
Special Assistant to
Mr. Kent.

Mr. E. P. King,
Special Deputy Commissioner

Note: Mr. Hanson and Mr. King took no part in this meeting but they were present. Mr. McReynolds had sent for them to go over closing agreements with the Secretary on income tax cases after the 11 o'clock meeting.

Note: The first part of this meeting consisted of Commissioner Helvering and Mr. Gaston standing to the left of the Secretary while the Secretary was perusing sheets presented by Commissioner Helvering on income tax matters.

Mr. Helvering: This is the single person - \$2500.

Mr. Morgenthau: (Indicating) What's that?

Mr. Helvering: That's \$3500.

Mr. Morgenthau: (Enthused) It's wonderful.

Mr. Helvering: Right after the war.

Mr. Morgenthau: Now this is the \$3500 person with two dependents?

Mr. Helvering: Yes. That follows there. (Indicating)

Mr. Morgenthau: Well take your time. This is swell.

Mr. Morgenthau: Well personally, looking at this thing I would start here.

Mr. Helvering: When you get up to \$10,000 it's down there '32.

~~173~~

Mr. Gaston: (Reading aloud from sheet) Married person with no dependents.

Mr. Helvering: There is the \$15,000.

Mr. Morgenthau: This is still the individual?

Mr. Gaston: Yes. Married person - no dependents.

Mr. Gaston: That '23 Act shows you the war tax rates. They were paid without any great suffering. They paid those rates in 1933.

Mr. Morgenthau: Is this necessary?

Mr. Gaston: Oh yes. Of course, compared with those low Mellon rates he is up from one million sixty-one to five million sixty nine.

Mr. Morgenthau: Now this stuff has never been explained.

Mr. Gaston: No. That's a fine story.

Mr. Morgenthau: That's fine - swell. What else have you got? This has just never been gotten across.

Mr. Helvering: You couldn't hit individuals. (At this point Commissioner Helvering produced some individual incomes and the Secretary asked Mr. Gaston not to look any more, saying he would rather that no one but he and Helvering see them.)

Mr. Helvering: It is better to take the same income on the various years.

Mr. Morgenthau: I have the answer - it is "speech". I don't know whether I want to take '23 or '24. It is wonderful. A fellow has to get up in what class before he --

Mr. Helvering: \$10,000.

Mr. Morgenthau: No he doesn't. That --

Mr. Helvering: Not over '32.

Mr. Morgenthau: How many men do you think know what's in this - the men on the street?

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- 3 -

Mr. Helvering: Well I told you the other day.

Mr. Morgenthau: Which one of you boys did this?

Mr. Helvering: Mr. Sherwood had charge of the boys.

Mr. Morgenthau: Mac, don't you think this is swell?

Mr. McReynolds: I didn't know it. Yes.

Mr. Morgenthau: A fellow only has to talk about this.

Mr. Helvering: Well we figure in the rates for '36.

Mr. Gaston: You mean surtax rates? You are not talking in arbitrary finance that this is subject to the normal whereas it was not subject to the normal just the same as if the income came from a private business?

Mr. Sherwood: That's right.

Mr. Gaston: A man would be paying normal now?

Mr. Sherwood: A man with the larger tax gets about one third.

Mr. Helvering: There is a memorandum here. The whole thing shows that the little fellow is not paying for recovery and the big fellow is.

Mr. Morgenthau: This is the answer. Who is going to pay for recovery. Well you get up to \$30,000 before you pay. Don't you think this is swell?

Mr. Gaston: Yes.

Mr. Morgenthau: This is perfect.

Mr. Gaston: You get the fellows that are making a lot of money - they are the fellows that pay.

Mr. Helvering: On these rates, they still have more left than they had in the low years.

Mr. Morgenthau: Does it show that?

Mr. Helvering: Yes.

Mr. Morgenthau: You mean that they have more left?

Mr. Helvering: Yes.

Mr. Morgenthau: Well that does not show on the low tables, does it?

Mr. Gaston: No, but it can be made to show.

Note: At this point Mr. Morgenthau read the memorandum.

Mr. Gaston: That period - those tax rates in '23 and '24 - they did not cause a depression.

Mr. Morgenthau: Who is the man that Herbert (Gaston) can go to and sweat this thing through?

Mr. Helvering: Mr. Sherwood.

Mr. Morgenthau: Are you, Herbert, doing anything right now?

Mr. Gaston: Well what I planned to do was to get out a memorandum on the undistributed profit tax but that can wait.

Mr. Morgenthau: I'd love to show this to the President tomorrow afternoon.

Mr. Morgenthau: Herbert, if you could say, for instance, that in '35 or '36 - we can't do '36 we don't know - but in '35 the fellows had more left than they had in '32 and examine one thousand cases. Can you do that?

Mr. Sherwood: Yes.

Mr. Helvering: That's quite a job.

Mr. Morgenthau: Take a thousand of the richest men. Take a thousand cases and see if in '35, after paying the increased income, they didn't have more left than they did in '32. Take '34 and '35 - take one thousand people and see if they didn't have more left after paying the tax.

Mr. Gaston: That would be immensely stronger than just making the statement.

~~175~~

- 5 -

Mr. Morgenthau: Take one thousand names and put your group on it and show that in '34 and '35 they had more than they did in 1932.

Mr. Morgenthau: What's your name?

Mr. Sherwood: W. T. Sherwood, Assistant Deputy Commissioner of Income Tax.

Mr. Morgenthau: You and Gaston then. This is fine.

Mr. Gaston: There is another good point in including 1923 taxes. The highest surtax rates of the wartime acts didn't interfere with recovery. It went right on up but it was after we had made successive cuts - had drastically reduced the taxes on wealth that we had bur depression.

Mr. Morgenthau then signed four closing agreements, two submitted by Mr. King and two submitted by Mr. Hanson.

Mr. Morgenthau then asked only Mr. McReynolds and Commissioner Helvering to remain as he wanted to talk to them alone.

~~117~~**MEMORANDUM**

September 29, 1936.

The Attorney General called Secretary Morgenthau at 11:30 a. m. today to report that he had made careful inquiry in the Department of Justice and found that no orders or authorizations have been issued in that Department for an investigation of any kind relating to Elmer Irey.

The Attorney General stated that Mr. Tatro, who according to reports given Mr. Irey was conducting such an investigation, is away on leave of absence at the present time and for that reason inquiry had not been made of him, but as soon as he returns this would be done.

McR:gmc

TELEGRAM SENT

LMS

GRAY

September 29, 1936

6 p. m.

AMEMBASSY,

BERLIN (GERMANY).

126.

At the request of the Secretary of the Treasury we wish you particularly to watch the meeting of the Reichsbank tomorrow to follow closely the entire situation in Germany in relation to the recent readjustment of the value of the franc and to send us any information which may be of use to the Treasury in forming an opinion as to what action may be taken by the German Government in the financial and monetary field.

HULL

WE:JCD:GAM

LMS

GRAY

Geneva

Dated September 29, 1936

Rec'd 3:20 p. m.

Secretary of State,
Washington.

371, September 29, 8 p. m.

In his Assembly speech today Bruce, Australia, referred to the agreement between the United States, France and Great Britain as a great gesture of leadership to the world and said that these countries have all indicated that they propose to pursue a policy which will tend to restore prosperity in the world and improve the standard of living and for these purposes to assist towards the realignment of currency and to see progressive relaxation of the present system of quotas and exchange control with a view to their abolition. He urged that the Assembly respond to this lead and make every effort to further economic cooperation which would, he emphasized, greatly contribute to the maintenance of world peace.

GILBERT

WWC

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Paris, France

DATE: September 29, 1938, 6 p.m.

NO.: 376

FOR COCHRAN.

FROM THE SECRETARY OF THE TREASURY.

I make reference to telegram No. 940 of September 28 from you.

Such inquiries should be transmitted through the Federal Reserve Bank by Beyen.

HULL
HF

EA:LWW

September 29, 1936
9:30 a.m.

C3

H.M.Jr: Archie and I are sitting here talking things over, and we wondered - we thought after sterling got to 4.96, we might sell £50,000, what do you think? Try it out.

K: Mr. Secretary, I - London just told me they'd call me at 10:00. That's an hour ahead. I rather think they will have operated already, but I personally see a good deal of danger in two people from two different angles pulling at the same thing.

H.M.Jr: I see. Well, now -

K: My argument with the British yesterday morning was I told them that - I mentioned it to you - that we were not operating - of course, this applied to yesterday only - we would not operate as long as their market was open.

H.M.Jr: Ah ha.

K: Because otherwise you - you really are very likely to find yourself at cross purposes.

H.M.Jr: Knoke, enough said. You know my mind works very quickly, and after you talk to the British, will you call me back, please.

K: Yes, their - their call is put in for 10:00.

H.M.Jr: They're calling you?

K: Yes.

H.M.Jr: All right. Immediately after you have spoken to them -

K: I'll -

H.M.Jr: - call me.

K: I'll call you.

H.M.Jr: And until then I can sit tight.

K: Yes. All right.

H.M.Jr: All right?

K: Fine.

H.M.Jr: And if you want to be in a good humor -

September 29, 1936 65
11:46 a.m.

H.M.Jr: All right - so Archie can hear.

K: The London call was an hour and a half late.

H.M.Jr: Yes.

K: Due to heavy traffic. The - the extent to which the British had to intervene today was almost nil -

H.M.Jr: Yes.

K: They sold a half million dollars and bought nine hundred thousand dollars.

H.M.Jr: They sold how much?

K: Sold \$500,000 -

H.M.Jr: Yes.

K: - and bought \$900,000.

H.M.Jr: So that -

K: Average rate 4.94-1/4 about.

H.M.Jr: Yes.

K: On balance they bought \$400,000.

H.M.Jr: I see.

K: They are working at the moment on the range from .93 to .96.

H.M.Jr: I see.
Which is

K: Exactly what you had in mind, as I remember.

H.M.Jr: Yes.

K: They say the gold turnover was very big.

H.M.Jr: Yes.

K: \$10,000,000 yesterday; \$20,000,000 today.

H.M.Jr: Yes.

- 2 -

K: That - that led me to ask the question which you asked this morning.

H.M.Jr: I see.

K: The answer is entirely guess work, but probably between 150 to \$200,000,000 more needs to come out.

H.M.Jr: Well, I think they're low.

K: But they're still - let me - let me explain this.

H.M.Jr: Please.

K: First of all, the offers of gold are entirely for French account just now.

H.M.Jr: Oh !

K: The reason being that the French, under the new legislation, are compelled to declare their gold holdings.

H.M.Jr: I see.

K: In order to anticipate that, they are selling their gold.

H.M.Jr: I see.

K: They are the ones operating just now.

H.M.Jr: Yes, I see.

K: They are the ones who have furnished 10,000,000 yesterday; 20,000,000 today, and they are the ones whom it is figured will furnish from 150 to \$200,000,000.

H.M.Jr: I see.

K: None of them are likely - and I - I'm giving you the opinion of the Bank of England here - none of them are likely to bring back their money to France under present conditions.

H.M.Jr: I see.

K: As long as that is so, the effect upon the dollar rate - dollar - dollar-sterling rate is likely to support sterling.

H.M.Jr: Support sterling?

K: Yes.

H.M.Jr: Good.

K: The tendency - general tendency to push sterling slightly higher.

H.M.Jr: Yes.

K: Sterling is not likely to go very much higher because market opinion in London is convinced that the dollar is undervalued.

H.M.Jr: The dollar undervalued?

K: Yes. Sterling is overvalued.

H.M.Jr: That means that - that sterling would - would go down?

K: Yes.

H.M.Jr: Yes.

K: That's the market opinion.

H.M.Jr: Yes.

K: But as long as the French are not bringing back their - repatriating their funds -

H.M.Jr: Yes.

K: - sterling is likely to be supported by these dollar - by these gold transactions.

H.M.Jr: Yes.

K: The -

H.M.Jr: Well, that's all good for us, isn't it?

K: Oh, yes, but - it's all to the good but, of course -

H.M.Jr: Temporary.

K: - it's - it's near by.

H.M.Jr: Temporary.

K: Nearby problem - yes.

H.M.Jr: Yes. Well, that's all right. But it helps out until we get the thing levelled out.

K: That's right.

H.M.Jr: Yes - ah -

K: Are you keeping a report on this telephone conversation which will be made to you today?

H.M.Jr: I just got a flash. "French Senate Finance Committee approves devaluation."

K: The Finance Committee?

H.M.Jr: French Senate Finance Committee -

K: Oh, yes, the Senate itself has adjourned until tomorrow.

H.M.Jr: Well, but this is the Finance Committee.

K: Yes. There - there can be no decision - no final decision until tomorrow morning -

H.M.Jr: Well that's -

K: - until tomorrow night because the Senate has adjourned until then.

H.M.Jr: That's all right.

K: Yes.

H.M.Jr: That's all right. Well, we take this thing over now in a few minutes, don't we?

K: That's right.

H.M.Jr: And so far as you know - has there been much business done in America, or don't they start until after -

K: A very little. The - a few hundred thousand pounds was the biggest item I heard of; 50,000 pounds sold commercially by the Chase.

H.M.Jr: I see.

K: No, the volume is not here at all today - the volume is in - in London as a result of the liquidation of the gold.

H.M.Jr: I see. Well, I'd say that that's all very cheerful.

K: Yes, I agree. I think it is.

H.M.Jr: Fine. I'm now going over^{to} the Federal Reserve Board to explain to them what I've been doing.

K: Oh, I see (Laughs).

H.M.Jr: They've - they've invited me to come over. You might tell that to Governor Harrison.

K: I will - yes.

H.M.Jr: And when I come back I'll give you a ring.

K: All right, sir.

H.M.Jr: Thank you very much.

K: All right.

September 29, 1936
11:54 a.m.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

Harrison: Hello, Henry.

H.M.Jr: Yes.

H: (Laughs) How are you?

H.M.Jr: I'm going in about 30 seconds to the Federal Reserve Board of Washington, D.C., to explain to them what you and I have been doing the last couple of days.

H: Well I know - what I wanted to tell you before you went over there - I've been on the telephone a couple of times since Ransom has been there, and they've been sore as the devil, and principally at me, I think -

H.M.Jr: What -

H: - because I didn't tell them. I said I'm sorry -

H.M.Jr: Oh, well, now -

H: - but I'm acting as fiscal agent of the Treasury in confidence.

H.M.Jr: I told Mr. Ransom here in my office, and Commissioner Landis happened to be present, that I called you up Wednesday and put ^{you} under an oath to me personally, that you could not discuss it with anybody.

H: Yes. Well they were pretty - I don't know ^{who} they're sore at, but they said the setup is all wrong - it's outrageous that we should know and they shouldn't know. And I said, "Well, we're under the law fiscal agents, and we're required to do what you want; that under old letters of the Board -

H.M.Jr: Yes.

H: - it was understood that the Board had nothing at all to do with what we do as fiscal agents for the Treasury.

H.M.Jr: Well, I'm glad you called me, and I will stress that point and, George -

H: And - and, in fact, I talked to Eccles during the winter -

H.M.Jr: Yes.

H: - and I told him that I thought that it was up to him to establish close relations with the Treasury, that any case where I was acting for the Treasury, the Treasury ought to give him what they want him to know, and that I wasn't the one to do it. And I don't think I am the one to do it.

H.M.Jr: George, -

H: Yes.

H.M.Jr: You've known me now for 3 years, haven't you?

H: Yes, sir.

H.M.Jr: And, when people work with me if they get friendly, I never left them down in my life, and the people that help me, I take care of - when they're in trouble, if I can.

H: [Laughs]

H.M.Jr: Now I'll go over there -

H: Well, all I was wondering - I didn't want you to think that I'd been talking behind your back.

H.M.Jr: That's all right.

H: But I didn't say a word to them until after you'd -

H.M.Jr: Oh -

H: - talked.

H.M.Jr: Listen - somebody has told them undoubtedly that they should have been in on this. I told Ransom I placed you under your word of honor to me, and let me go over there and -

H: And I told him also that when - I spoke out - I said that when it got to the point where I was being really embarrassed by my knowledge, and I couldn't talk to him - that I had mentioned that fact to you and that you had immediately sent for him.

H.M.Jr: Yes. O.K.

H: All right.

H.M.Jr: Listen -

H: Yes.

H.M.Jr: Don't worry, it's - when I come back I'll call you up this afternoon.

H: (Laughs) All right, sir.

H.M.Jr:8 George, this thing is going so beautifully and there's so much credit we can spread it all around amongst us.

H: Yes. Well - well, it certainly is going well.

H.M.Jr: And it's going beautifully -

H: Yes.

H.M.Jr: And if there's a little jealousy here and there, don't let it bother you, and you can put all of it on me.

H: Well, I don't want to put any of it on you.

H.M.Jr: You can put it on - I can take it.

H: But I - no, I told them, I said I didn't know whose fault it was. I said I knew it wasn't mine. I said it's up to them to work it out with you. I wasn't going to do it.

H.M.Jr: Oh, don't - and put it all on me - I can take it.

H: (Laughs)

H.M.Jr: And like it.

H: You're very generous.

H.M.Jr: O.K., George.

H: All right; thank you.

September 29, 1936
3:20 p.m.

73

H.M.Jr: Well, how did it go today, Knoke?
Knoke: Same as yesterday. Nothing doing. The market at the moment is 4.75-5/8.
H.M.Jr: How much?
K: 4.95-5/8.
H.M.Jr: Yes.
K: Volume small as yesterday, and everybody sitting back.
H.M.Jr: Well, that's satisfactory to me.
K: Well, I - I think it is.
H.M.Jr: What?
K: I think it's very satisfactory.
H.M.Jr: All right, Knoke.
K: All right.
H.M.Jr: Thank you.
K: All right.

ITALY
ROME

UNITED PRESS - September 29, 1936.

74

Export Lira

WCNS84

ROME.--A NEW "EXPORT LIRA" VALUED ABOUT 25 TO 30 PER CENT UNDER THE INTERNAL LIRA MAY BE CREATED SO ITALY CAN MAINTAIN HER FOREIGN TRADE AFTER DEVALUATION OF THE FRENCH FRANC, INFORMED FINANCIAL QUARTERS SAID TODAY.

THE INTERNAL LIRE, UNDER THIS PLAN, WOULD NOT BE CHANGED.

WHEN THE NEW LIRA IS ANNOUNCED--POSSIBLY WEDNESDAY AND AT LEAST BEFORE THE BOURSE REOPENS THURSDAY--ITALY WILL HAVE THREE TYPES OF LIRA, THE INTERNAL LIRA FOR DOMESTIC USE; THE EXPORT LIRA FOR FOREIGN BUSINESS AND THE TOURIST LIRA FOR VISITORS.

9/29--E158P

WCNS120

ADD EXPORT LIRA, ROME

THE BOURSE WILL NOT BE REOPENED UNTIL MONDAY. MANY BELIEVED THIS INDICATED SOME FORM OF DEVALUATION WAS IN PROSPECT.

/929--E437P

SEP 29

Sept 29 1936

ITALIAN BOURSES

9.20

ROME-BY REUTERS- - ALTHOUGH STOCK EXCHANGE
-S IN ITALY ARE DUE TO REOPEN ON THURSDAY
IT IS CONSIDERED POSSIBLE THAT THEY MAY BE DEPT
CLOSED FOR A DAY OR TWO LONGER

NO DECISION HAS BEEN ANNOUNCED OFFICIALLY
REGARDING FUTURE OF THE LIRA BUT PREVALENT OPIN-
ION IS THAT ITALY WILL NOT DEVALUE AT ANY
RATE FOR TIME BEING - ON OTHER HAND IT IS
THOUGHT THAT INCREASED EXPORT BOUNTIES AND A
CHEAPER TOURIST LIRA MAY BE INTRODUCED TO
NEUTRALIZE FRENCH DEVALUATION SINCE THREE
QUARTERS OF THE TOURISTS AT PRESENT COME
FROM FRANCE

-0-

SWITZERLAND
BERNE

DOW JONES - September 29, 1938.

76

9661 68 d 10

9.24

SWISS TO MAINTAIN FREE GOLD MOVEMENTS
BERNE- IT IS ANNOUNCED OFFICIALLY THAT
SWITZERLAND WILL MAINTAIN THE FREEDOM OF GOLD
MOVEMENTS AND THAT THE SWISS CURRENCY WILL BE
BASED ON GOLD- THE SWISS PROVINCES WILL FOLLOW
THE CURRENCIES OF THE BIG POWERS AT A DISTANCE
OF 10 PC

ALIGNMENT OF THE SWISS FRANC ON THE
AMERICAN BRITISH AND FRENCH CURRENCIES WILL BE
EFFECTED ONLY SO FAR AS THESE CURRENCIES ARE
STABILIZED ON A GOLD BASIS

PROFITS MADE BY SWITZERLAND FROM REVALUA-
TION OF ITS GOLD RESERVE WILL BE USED TO CREATE
A COMPENSATION FUND TO SUPPORT THE CURRENCY

-0-

SWISS DEVALUATION MOVES 10.00

GENEVA- THE MOVES BEHIND THE SCENES WHICH LED TO THE SWISS DECISION ON SATURDAY TO DEVALUE THE SWISS FRANC ARE NOW KNOWN

FRENCH OFFICIALS ARRIVED AT BERNE ON THURSDAY THE DAY BEFORE THE FRENCH DEVALUATION WAS ANNOUNCED AND INVITED SWISS AUTHORITIES TO JOIN THE DEVALUATION MOVE

SWISS GOVERNMENT RESISTED THE INVITATION HOWEVER AND ON SATURDAY NOON BROADCAST THE STATEMENT THAT THE CIRCUMSTANCES WHICH OBLIGED FRANCE TO DEVALUE ITS FRANC DID NOT APPLY TO SWITZERLAND

HOWEVER ON SATURDAY MORNING A VIOLENT ATTACK DEVELOPED AGAINST SWISS FRANC WHICH COST THE SWISS NATIONAL BANK A 30 000 000 SWISS FRANC LOSS IN ITS GOLD RESERVES- OFFICIALS IN LONDON AND PARIS TELEPHONED THE SWISS AUTHORITIES URGING A REVERSAL OF THE OFFICIAL SWISS ATTITUDE

DECISION TO FOLLOW ADVICE OF LONDON AND PARIS THEN WAS TAKEN AT 2 PM SATURDAY AND ON SUNDAY M MEYER CHIEF OF FINANCE DEPARTMENT IN A RADIO BROADCAST ARGUED THAT DEVALUATION WOULD HELP WORLD STABILIZATION AND TRADE

PUBLIC OPINION IN SWITZERLAND HOWEVER IS CRITICAL TO THE MOVE AND SOME OPPOSITION IS EXPECTED

HOLLAND
AMSTERDAM

78

DOW JONES - September 29, 1936.

855
HOLLAND GOLD EMBARGO APPROVED SEP 29 1936
AMSTERDAM - PARLIAMENT WITHOUT DIVISION
ADOPTED EMERGENCY BILLS SANCTIONING
A GOLD EMBARGO ON EQUALIZATION FUND AND
DRASTIC MEASURES AGAINST EXCESSIVE PRICES -
THE GOVERNMENT DECLARES THAT ONLY AFTER
ACTUAL DEVALUATION WILL THE GOLD OF BANK OF
THE NETHERLANDS BE REVALUED WITH A PROFIT
ACCRUING TO THE TREASURY

-0-

SEP 29 1936

NO GOLD VALUE FOR GUILDER 9.25
THE HAGUE - PREMIER COLYN DECLARED BEFORE
THE SECOND CHAMBER TODAY THAT THE DUTCH GOVERN-
MENT HAS NOT CONTEMPLATED FIXING A NEW GOLD
VALUE FOR THE GUILDER IN THE NEAR FUTURE NOR
HE ADDED WAS THE GOVERNMENT CONTEMPLATING A
REVISION OF THE COINAGE ACT SHORTLY

-0-

SEP 29 1938

11.06

ADD NO GOLD VALUE FOR GUILDER

THE HAGUE- REUTERS- AFTER POINTING OUT THAT THE GENERAL CONFUSION IN THE INTERNATIONAL MONEY MARKET MADE LEGAL DEVALUATION OF THE GUILDER INADVISABLE AT THIS TIME PREMIER COLYN SAID-

-A NATURAL DEPRECIATION OF THE GUILDER WITH RELATION TO FOREIGN CURRENCIES MAY BE EXPECTED- HOW MUCH THE DEPRECIATION WILL BE CANNOT BE SAID AT THE MOMENT-

HE EXPRESSED THE HOPE THAT A NEW DE FACTO VALUE FOR THE GUILDER WOULD BE CREATED SHORTLY AS THE BASIS FOR TRADE AND COMMERCE

HE ALSO ANNOUNCED THAT THE RELATIONSHIP BETWEEN THE NETHERLANDS GUILDER AND THE NETHERLANDS INDIAN GUILDER WOULD REMAIN THE SAME AS FORMERLY

-0-

80

ALTHOUGH NEW SHIPMENTS OF GOLD ARE NOT ALLOWED THE METAL WHICH WAS ENGAGED PRIOR TO THE EMBARGO IS STILL BEING SHIPPED - THE S S VEENDAM IS CARRYING 16 000 000 GULDERS GOLD TO NEW YORK

AS COMPARED WITH THE WIDE FLUCTUATIONS ON MONDAY THE FOREIGN EXCHANGES WERE MUCH QUIETER TODAY WITH THE GUILDER DEPRECIATING ON BALANCE 21 PC FROM ITS FORMER LEVELS - THE DOLLAR OPENED AT 1 83 GULDERS AND STERLING AT 9 05 - AFTER THE OPENING THERE WERE ENORMOUS OFFERINGS OF FOREIGN EXCHANGE PARTLY OWING TO BRITISH BUYING OF DUTCH STOCKS - THIS DEPRESSED THE EXCHANGE RATES TO 1 80 AND 8 89 RESPECTIVELY AFTER WHICH A CERTAIN DEGREE OF STABILITY WAS REACHED AT 1 79 1-2 AND 8 91

AS YET THE DUTCH EQUALIZATION FUND HAS NOT OPERATED - CONSEQUENTLY THE NEW LEVEL WHICH HAS BEEN FOUND BY THE GULDERS IS CONSIDERED TO BE VERY SATISFACTORY - IT IS GENERALLY BELIEVED HOWEVER THAT THE GUILDER WILL STRENGTHEN FURTHER AS THUS FAR THERE HAS BEEN COMPARATIVELY LITTLE REPATRIATION OF DUTCH CAPITAL

NO TIGHTENING OF MONEY RATES HAS DEVELOPED - MONEY IS VERY EASY WITH THE PRIVATE DISCOUNT RATE AT 1 1-2 PC

PREMIER COLYN TODAY STRESSED THAT HE WILL KEEP THE GUILDER FLOATING OWING TO THE CONFUSION IN THE INTERNATIONAL MONETARY PICTURE RATHER THAN ATTEMPTING TO FIX A NEW GOLD VALUE FOR THE PRESENT

AMSTERDAM BOORSE

AMSTERDAM - THE AMSTERDAM BOURSE WITNESSED ⁸¹
UNEQUALED SCENES TODAY WHEN IT RE-OPENED FOR
THE FIRST TIME AFTER THE DUTCH EMBARGO ON
GOLD - THERE WAS AN ENORMOUS ATTENDANCE
AND LARGE TURNOVER WITH THE CLOSING QUOTA-
TION NEAR THE HIGHEST POINT FOR THE DAY

AMERICAN SHARES WERE EXCEEDINGLY ACTIVE
AND HIGHER FOLLOWING THE COURSE OF THE
DOLLAR BUT THERE WAS MUCH PROFIT TAKING AND A
MARKED GENERAL TENDENCY OF EXCHANGING FOREIGN
FOR DOMESTIC STOCKS

GAINS IN DUTCH SHARES RANGED FROM 20 PC TP
90 PC - A VERY KEEN DEMAND DEVELOPED FOR DUTCH-
INDIAN COMMODITY SHARES INCLUDING RUBBERS
SUGARS TOBACCOS TINS AND TEAS - SHARP
RISES TOOK PLACE IN SHIPPING SHARES WHICH
TOGETHER WITH COMMODITY SHARES PROMISE TO
HAVE INCREASED PROFIT MARGINS

AMONG DUTCH INDUSTRIES PHILLIPS GLOW
LAMPS ROSE 28 POINTS TO 197 UNILEVER NV 26
TO 145 ROYAL DUTCH 50 TO 344 BILLITON 90
TO 430

THE SHARE INDEX PREPARED BY DE TELEGRAAF
WAS 186 FOR TODAY COMPARED WITH 161 FOR
FRIDAY

NOTEWORTHY WAS THE STRENGTH IN DUTCH
GOVERNMENT AND OTHER BONDS WITH THE 2 1-2
PC CONSOLS RALLYING 8 POINTS TO 83 1-4 AND
4S UP 1 AT 100 1-4

COMMODITY PRICES NOW ARE MORE STABLE AT
ABOUT 20 PC ABOVE THE PRE DEVALUATION LEVEL
- PRIMARY FOODSTUFF PRICES HOWEVER ARE BEING
MAINTAINED

SEP 29 1936

2:45

GREAT BRITAIN
LONDON

82

DOW JONES - September 29, 1936.

JUL 8.38
SEP 29 1936
SWISS DEVALUATION APPROVED

LONDON - REUTERS DISPATCH FROM BERNE STATES THAT AFTER DEBATE LASTING 13 HOURS THE LOWER CHAMBER OF THE SWISS PARLIAMENT APPROVED THE ACTION OF THE GOVERNMENT IN DEVALUING THE SWISS FRANC AND IMPOSING A TEMPORARY GOLD EMBARGO

-0-

8.39
SEP 29 1936
NO RUMANIAN DEVALUATION

LONDON - REUTERS DISPATCH FROM BUCHAREST SAYS THAT AFTER A CONFERENCE WITH THE GOVERNOR OF THE BANK OF RUMANIA THE FINANCE MINISTER ANNOUNCED THAT THERE WILL BE NO CHANGE IN THE VALUE OF RUMANIAN CURRENCY FOLLOWING THE DEVALUATION OF THE FRENCH AND SWISS FRANC

THE GOVERNMENT WILL EXAMINE THE SITUATION CREATED BY THE LATEST DEVELOPMENTS IN ITS BEARING UPON THE COUNTRY-S FOREIGN TRADE AND ANY MEASURES WHICH IT TAKES WILL BE IN HARMONY WITH THOSE OF OTHER STATES SIMILARLY AFFECTED

-0-

SEP 29 1936 8.45

NO CHANGE IN JAPANESE CURRENCY POLICY
LONDON - A REUTERS DISPATCH FROM TOKIO
STATES THE SITUATION ARISING FROM DEVALUA-
TION OF THE FRANC AND GUILDER WAS DISCUSSED
BY THE MINISTRY OF FINANCE - IT WAS
DECIDED THAT NO ALTERATION SHOULD BE MADE IN
JAPAN-S CURRENCY POLICY AND THE PURCHASE PRICE
OF GOLD ACCORDING TO DOMEI AGENCY - DESPITE
THE GOVERNMENT-S DECISION THE MARKET PRICE OF
GOLD REACHED A RECORD LEVEL BEING QUOTED
13 YEN 60 SEN PER MOMME UP 20 SEN

SEP 29 1936

COMMODITY OUTLOOK 10.59

LONDON- REUTERS- LEADING COMMODITY TRADERS
SAY THAT THE DEVALUATION OF THE FRENCH FRANC
AND THE RESULTANT ACTION OF OTHER GOVERNMENTS IS
BULLISH AND THAT INTERNATIONAL TRADE SHOULD
BENEFIT ENORMOUSLY

IT IS RECOGNIZED THAT THERE MAY POSSIBLY
BE COME INITIAL SPECULATIVE UNCERTAINTY BUT THIS
MAY BE OFFSET OWING TO THE UPWARD ADJUSTMENT OF
STERLING PRICES TO DOLLARS

TIN TRADERS ARE BULLISH IN VIEW OF THE
INCREASED PURCHASING POWER OF THE UNITED STATES
COUPLED WITH EXPECTATIONS THAT THE SIAMESE WILL
ACHE RE TO RESTRICTION -

SEP 29 1938

11.01

84

DEHOARDING LONDON GOLD

LONDON- THE LARGE AMOUNTS OF GOLD OFFERED IN LONDON OPEN MARKET ON TODAY AND MONDAY PARTLY REPRESENTS APPEARANCE OF GOLD WHICH FORMERLY HAD BEEN HOARDED- OF TOTAL AMOUNT OF METAL AVAILABLE THIS MORNING 350 000 PDS REPRESENTED OFFERINGS OF DEHOARDED GOLD

BULK OF TODAY-S OFFERINGS IS UNDERSTOOD TO HAVE BEEN TAKEN UP BY THE BULLION MARKET WHICH AVAILED ITSELF OF THE ARBITRAGE PROFIT OBTAINABLE BY SALES OF DOLLARS AGAINST THE PURCHASES OF GOLD FOR SHIPMENT TO NEW YORK

SEP 29 1938

11.04

ADD DEHOARDING LONDON GOLD

LONDON- THIS MORNING GOLD PRICE WAS AT A DISCOUNT OF 1 1-2 PENCE PER FINE OUNCE COMPARED WITH STERLING-DOLLAR RATE- CONSEQUENTLY SUCH TRANSACTIONS YIELD A PROFIT OF ABOUT 3 CENTS AN OUNCE- IT IS ESTIMATED THAT LONDON BULLION MARKET TOOK ABOUT 400 BARS OUT OF THE TOTAL 503 WHICH WERE OFFERED

SOME QUARTERS BELIEVED BRITISH EQUALIZATION FUND BOUGHT THE BALANCE IN ORDER TO PREVENT A TOO STEEP FALL IN STERLING IN TERMS OF DOLLARS WHILE OTHERS THINK THAT THE PURCHASER WAS THE AMERICAN CONTROL

-0-

FRENCH SENATE DEBATES MONEY BILL

833
SEP 29 1936

PARIS-UP- THE SENATE BEGAN DEBATE ON DEVALUATION OF THE FRANC - PASSAGE OF THE GOVERNMENT'S FINANCIAL MEASURES WAS EXPECTED

MEANWHILE FINANCE MINISTER VINCENT AURIOL TALKING WITH NEWSPAPERMEN IN THE SENATE CORRIDORS SAID HE DID NOT INTEND IMMEDIATELY TO FIX THE EXACT RATE OF THE DEVALUED FRANC BUT RATHER WOULD WATCH OTHER CURRENCIES AND ALLOW THE FRANC TO SEEK ITS OWN LEVEL BETWEEN THE MAXIMUM AND MINIMUM RATES PROVIDED IN THE DEVALUATION BILL

-0-

SEP 29 1936 8.53

FRENCH SENATE GETS DEVALUATION BILL

PARIS-UP- A GOVERNMENT BILL PROVIDING FOR DEVALUATION OF THE FRANC PASSED OVERWHELMINGLY BY THE CHAMBER OF DEPUTIES WENT TO THE SENATE TODAY AND FINAL PASSAGE WAS EXPECTED AT A CONTINUOUS SESSION TOMORROW

THE BILL WAS SUBMITTED TO THE SENATE THIS MORNING BY FINANCE MINISTER VINCENT AURIOL AND REFERRED TO THE FINANCE COMMITTEE WHICH MET AT ONCE UNDER JOSEPH CAILLAUX

THE SENATE ADJOURNED UNTIL TOMORROW MORNING WHEN IT WILL BEGIN DEBATE

THE CHAMBER OF DEPUTIES PASSED THE BILL COMPRISING 25 ARTICLES AND PROVIDING FOR A SLICE OF FROM ONE-FOURTH TO ONE-THIRD IN THE FRANC-S PRESENT GOLD VALUE AT 9 30 A M TODAY -3 30 AM EST- AFTER A 24-HOUR SESSION BY A VOTE OF 350 TO 221 - IT REMAINED IN SESSION ANOTHER 1 1-2 HOURS

THE SENATE MET AT 10 A M IN EMERGENCY SESSION AND RECEIVED IT FROM FINANCE MINISTER AURIOL - IT WAS HOPED AT FIRST THAT THE FINANCE COMMITTEE WOULD REPORT IT THIS AFTERNOON AND THAT THE SENATE BEGIN ITS DEBATE AT ONCE AND VOTE ON IT IN TIME FOR THE BILL-S PROMULGATION AS LAW IN TOMORROW-S OFFICIAL JOURNAL - THE SENATE REFUSED TO BE SO HURRIED

-0-

-BY UNITED PRESS-

9.06 SEP 29 1936
PARIS DISPATCH SAYS FRANCE TODAY PROVISIONALLY

ALLY ORDERED THAT NO GOLD MAY BE EXPORTED OR
RE-EXPORTED - THE DECREE - - SIGNED BY PRESI-
DENT ALBERT LEBRUN - - APPEARED IN THE
OFFICIAL GOVERNMENT JOURNAL - IT WAS DATED
SEPTEMBER 28

ADD FRENCH GOLD DECREE

PARIS-U P- THE DECREE SPECIFIED THAT THE
EXCEPTIONS WILL BE MADE BY THE BANK OF FRANCE
AND WILL APPLY TO INGOTS GOLD COINS AND GOLD
DUST

-0-

SEP 29 1936

9.17
BLUM TO GIVE PROPOSALS TO LEAGUE

PARIS-UP- PREMIER LEON BLUM ACCOMPANIED BY
MINISTER OF NATIONAL ECONOMY CHARLES SPINASSE
AND MINISTER OF COMMERCE PAUL BASTID PLANS
TO GO TO GENEVA TOMORROW OR FRIDAY TO PRESENT
TO THE LEAGUE A SERIES OF PROPOSALS TO NOR-
MALIZE INTERNATIONAL EXCHANGE IT WAS
UNDERSTOOD

-0-

SEP 29 1936

925

ADD FRENCH SENATE DEBATES MONEY BILL
PARIS - THE BILL WHICH REPORTER ABEL
GARTEEY OF THE SENATE FINANCE COMMITTEE PRE-
SENTED WAS GREATLY ALTERED FROM THE FORM IN
WHICH IT LEFT THE CHAMBER OF DEPUTIES - SECTIONS
COMPENSATING WORKERS WERE STRUCK OUT

THE GOVERNMENT WAS HOPEFUL THAT THE
DEBATE WOULD BE ENDED TONIGHT AND THE BILL BE
SENT BACK TO THE CHAMBER FOR CONFERENCE TO IRON
OUT THE DIFFERENCES IN THE FORM IT PASSED THE
TWO BODIES

IF THE GOVERNMENT-S HOPES ARE REALIZED THE
DEVALUATION OF THE FRANC CAN BE MADE OFFICIAL BY
PUBLICATION OF THE LEGISLATION IN THE LAW JOURN-
-AL EITHER THURSDAY OR FRIDAY MORNING

THE SENATE COMMITTEE WITHOUT FLATLY
ANNOUNCING THAT IT FAVORED DEVALUATION DE-
CLARED IN ITS REPORT THAT THE GOVERNMENT BY
SUBMITTING A DEVALUATION BILL HAD FACED THE
SENATE WITH A -FAIT ACCOMPLI- AND THAT IT MUST
SUBMIT

BUT THE COMMITTEE EXERCISED ITS POWER BY
STRIKING OUT ARTICLES 14 TO 25 WHICH CONTAINED
THE SO-CALLED -SOCIAL RIDERS- -THE COMMITTEE
EXPLAINED THAT WHILE IT SUBMITTED TO THE DEMAND
FOR DEVALUATION IT WANTED TO ELIMINATE THE
POSSIBILITY OF INFLATION OR SOCIAL P THE
POSSIBILITY OF INFLATION OR SOCIAL CONFLICT

SEP 29 1936

11.15

FRENCH DEVALUATION DEBATE

PARIS- DEBATE IN FRENCH CHAMBER OF DEPUTIES REGARDING THE DEVALUATION BILL CONCLUDING WITH A HANDSOME MAJORITY VOTING FOR THE MEASURE SHOWS THE FOLLOWING-

FIRST THE INTENTION TO MANAGE THE FRANC BETWEEN LIMITS IN THE DOLLAR AND STERLING RATES CORRESPONDING TO A FRANC WITH GOLD CONTENT RANGING FROM 43 TO 49 MILLIGRAMS OF GOLD COMPARED WITH FORMER FIXED CONTENT OF 65 5 MILLIGRAMS

SECOND THE DEBATE SHOWED THAT THERE WAS NO CRITICISM OF THE TREASURY SITUATION BUT THAT THE GOLD DRAIN COMPELLED DEVALUATION AT A MOMENT WHEN THE MONTH LONG ANGLO-FRANCO-AMERICAN CONVERSATIONS LUCKILY WERE REACHING THEIR GOAL

THIRD WAS A GOVERNMENT ADMISSION THAT ITS ATTEMPT TO RESTORE PROSPERITY BY MEANS OF REFLATION WITHOUT DEVALUATION FINALLY WAS DOOMED BY THE SPANISH CIVIL WAR GERMANY-S TWO-YEAR MILITARY SERVICE AND CONSEQUENT NECESSITY OF HUGE EXTRA MILITARY OUTLAYS

FOURTH WHEN FACED BY THE ALTERNATIVES OF AUTARCHY IN EXCHANGE CONTROL AND DEVALUATION

THE GOVERNMENT WITHOUT HESITATION CHOSE DEVALUATION AND THUS AVERTED AN EXPERIMENT WHICH WOULD BE DISASTROUS ALIKE TO FRANCE AND PROSPECTS OF WORLD RECOVERY

FIFTH THE SHOALS UPON WHICH THE DEVALUATION EXPERIMENT MIGHT HAVE BEEN SHIPWRECKED WERE REMOVED BY ELIMINATION OF THE SLIDING WAGE SCALE AND ANY PROVISION FOR ATTEMPTING TO TAX EXCHANGE PROFITS INDISCRIMINATELY ALTHOUGH TAXATION ON APPRECIATION OF FOREIGN SECURITIES REMAINS PROBABLE

SIXTH A CONTINUANCE OF LABOR AGITATION REMAINS THE CHIEF PERIL TO BOTH REVIVAL OF BUSINESS THROUGH DEVALUATION AND THE GOVERNMENT-S STABILITY BUT EVEN IF OCCUPATION OF FACTORIES BY WORKERS CEASES THE PROSPECT IS FOR LONG MONTHS OF FRICTION BETWEEN EMPLOYERS AND WORKERS OVER EXECUTION OF COLLECTIVE CONTRACTS AND OVER THE INCALCULABLE DIFFICULTIES WHICH WILL ARISE FROM ENACTMENT OF THE 40-HOUR WEEK - HERE THE COMMUNISTS WILL FISH IN TROUBLED WATERS

IT IS NOT EXPECTED THAT THE DEVALUATION BILL WILL RECEIVE FINAL VOTE IN THE SENATE BEFORE WEDNESDAY AND THEREFORE THE BOURSE AND FOREIGN EXCHANGES WILL NOT RESUME UNTIL THURSDAY

ADD FRENCH SENATE FINANCE COMMITTEE
PARIS-U P- THE SENATE FINANCE COMMISSION
TODAY APPROVED THE DEVALUATION PROGRAM
-0-

SEP 27 1936

11 45

FRENCH SENATE FINANCE COMMITTEE APPROVES
DEVALUATION
PARIS -UP-

FRENCH SENATE APPROVES DEVALUATION BILL
PARIS -UP- THE SENATE APPROVED THE
GOVERNMENT-S DEVALUATION BILL
-0-

12.25

SEP 29 1936

12.35

ADD FRENCH SENATE COMMITTEE APPROVES
DEVALUATION
PARIS - ALTHOUGH APPROVING THE DEVALUATION
PROJECT THE COMMISSION MADE RESERVATIONS
OF THE GOVERNMENT-S COMPENSATORY MEASURES-
THE BILL AS IT WAS PASSED BY THE CHAMBER OF
DEPUTIES IS BEING REWRITTEN BECAUSE SENATE
CONFEREES OBJECTED PARTICULARLY TO THE CABINET
BEING GRANTED FULL POWERS

-RY UNITED PRESS-

SEP 30 1936

1, 10

ADD FRENCH SENATE APPROVES DEVALUATION
PARIS-U P- SENATE APPROVED THE GOVERNMENT-S
PROJECT FOR DEVALUATION OF THE FRANC 137 TO 127
THE MEASURE ALREADY HAS BEEN PASSED BY
THE CHAMBER OF DEPUTIES- THE SENATE HOWEVER
ALTERED SOCIAL RIDERS OF THE BILL SUCH AS
THOSE AFFECTING THE STATUS OF WORKERS AND THE
MEASURE MUST BE RETURNED TO THE CHAMBER FOR
ITS ACCEPTANCE BEFORE THE GOVERNMENT CAN ISSUE
ITS DECREE REVALUING THE FRANC

SEP 30 1936

1:20

PARIS BOURSE

PARIS - IN ORDER TO PREVENT AN INCREASE IN SPECULATIVE POSITIONS WHEN THE PARIS BOURSE IS REOPENED THE BOURSE AUTHORITIES HAVE ORDERED A 50 PC CASH COVER ON ALL NEW OPERATIONS CONTRACTED IN THE NEXT TWO DAYS PENDING END OF THE MONTH SETTLEMENT

-0-

FRENCH STABILIZATION FUND

1:45

PARIS - THE RATE AT WHICH THE NEW FRENCH STABILIZATION FUND WILL OPEN ITS DEALINGS IN THE FRANC IS BEING DISCUSSED ACTIVELY BUT NO RELIABLE INFORMATION IS AVAILABLE ON VERY GOOD AUTHORITY IT IS UNDERSTOOD THAT IT WILL BE AT BEST A TENTATIVE RATE AND WILL BE VARIED ACCORDING TO THE CONDITIONS IN THE MARKET

THE EXTREME SCARCITY OF FRANCS AND THE DESIRE TO REALIZE PROFITS MAKE IT POSSIBLE THAT THE DEMAND WILL EXCEED THE OFFERS AT THE BEGINNING AND THAT THE EXCHANGE FUND MAY FIND IT NECESSARY TO BUY FOREIGN CURRENCIES

THE FUND WILL BE MANAGED BY THE EXISTING FOREIGN EXCHANGE DEPARTMENT OF THE BANK OF FRANCE WHICH IS FULLY EQUIPPED TO PERFORM THE ROLE

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SEP 29 1936

150

FRENCH CREDIT SITUATION

-BY CHARLES R HARGROVE-

PARIS - PRACTICALLY NO CREDIT BUSINESS IS BEING DONE IN PARIS BECAUSE THERE ARE NO LENDERS AT ANY RATES NOT ONLY BECAUSE THE ENTIRE COUNTRY IS AWAITING THE FINAL DEVALUATION VOTE BUT ALSO BECAUSE THE AVAILABLE SUPPLY OF LIQUID FUNDS IS SCARCE FOLLOWING THE HUGE EXPORTS OF GOLD

THE BANK OF FRANCE ALONE IS ABLE TO SUPPLY CREDIT AND THIS IT IS EXPECTED TO DO FREELY OVER THE END OF THE MONTH BY MEANS OF LOANS AND REDISCOUNT OPERATIONS

THE HEAVIEST CARRYOVER IN SEVERAL YEARS IS EXPECTED ON THE BOURSE AND SPECIAL ARRANGEMENTS ARE BEING MADE WITH THE AUTHORITIES - MONEY IS NEEDED BOTH ON ACCOUNT OF THE GROWTH OF SPECULATIVE POSITIONS AND THE APPRECIATION OF SECURITIES ESPECIALLY FOREIGN ISSUES WITH THEIR AUTOMATIC REVALORIZATION OF AT LEAST 25 PC

BUT FRENCH INDUSTRIALS ALSO HAVE APPRECIATED AS WAS REFLECTED IN BELGIAN PRICES ON TUESDAY - THESE WERE THE EQUIVALENT FO 965 FOR BANQUE DE PARIS

SEP 29 1937

CUMPARED WITH 630 IN PARIS ON FRIDAY
METROPOLITAN RAILWAYS 969 AGAINST
790 ELECTRICITE DU SEINE 295 AGAINST 229

QUOTATIONS ON THE BLACK BOURSE WHICH HAS
SPRUNG UP IN PARIS SHOW A SIMILAR TREND WITH
MICHELIN AT 830 AGAINST 729 GNOME MOTORS
AT 620 AGAINST 549 ETC

THE SHARES OF NUMEROUS FRENCH ENTER-
PRISES WHOLLY OR PARTLY DEPENDENT UPON
PROFITS PAYABLE IN FOREIGN CURRENCIES
SUCH AS SHIPPING FOREIGN RAILWAYS MORTGAGE
AND MINING AFFAIRS ARE BOUND TO APPRECIATE

STOCK BROKERS REPORT THAT THERE IS A LARGE
ACCUMULATION OF BUYING ORDERS FOR THE OPENING
OF THE BOURSE AND TALK OF OFFICIAL LIMITATION
ON RISE IN PRICES

FOREIGN CIRCLES IN PARIS COMMENT ON THE
COMPLETE EXEMPTION OF FOREIGNERS UNDER THE OR-
IGINAL DEVALUATION BILL ARTICLE COMPELLING DE-
CLARATION OF FOREIGN EXCHANGE TRANSACTIONS FOR
LAST WEEK AND THE REQUISITIONING OF GOLD AND
GOLD COIN - UNDER THE TERMS OF AN AMENDMENT
IN THE CHAMBER THE OBLIGATIONS HOWEVER WAS
EXTENDED TO ALL INDIVIDUALS AND COMPANIES
DOMICILED IN FRANCE - FRENCH AND FOREIGN OWNED
FOREIGN BANK NOTES ARE NOT AFFECTED BY THE TERMS
OF THE BILL

FRANCE
PARIS

UNITED PRESS - September 29, 1936.

85

WCNS11

French Devaluation Bill

PARIS.--A GOVERNMENT BILL PROVIDING FOR DEVALUATION OF THE FRANC,
PASSED OVERWHELMINGLY BY THE CHAMBER OF DEPUTIES, WENT TO THE SENATE
TODAY AND FINAL PASSAGE WAS EXPECTED AT A CONTINUOUS SESSION TOMORROW.

THE BILL WAS SUBMITTED TO THE SENATE THIS MORNING BY FINANCE MINIS-
TER AURIOL AND REFERRED TO THE FINANCE COMMITTEE, WHICH MET AT ONCE.

THE SENATE ADJOURNED UNTIL TOMORROW MORNING WHEN IT WILL BEGIN
DEBATE. IT WAS INTENDED THAT THE SENATE SHOULD STAY IN SESSION
UNTIL IT PASSED THE BILL, THAT THE CHAMBER SHOULD THEN MEET AT ONCE
TO VOTE ON POSSIBLE SENATE AMENDMENTS, AND THAT THE BILL MIGHT BE
PUBLISHED IN THE OFFICIAL JOURNAL OF THURSDAY AND SO BECOME LAW.

AN EXHAUSTED CHAMBER PASSED THE BILL, COMPRISING 25 ARTICLES AND
PROVIDING FOR A SLICE OF FROM ONE-FOURTH TO ONE-THIRD IN THE FRANC'S
PRESENT GOLD VALUE, AT 9:30 A.M. TODAY (3:30 A.M. EST) AFTER A
24-HOUR SESSION BY A VOTE OF 350 TO 221. IT REMAINED IN SESSION ANOTHER
1 1/2 HOURS.

9/29--R840A

WCNS11

French Gold Exports

PARIS.--FRANCE TODAY PROVISIONALLY ORDERED THAT NO GOLD MAY BE
EXPORTED OR RE-EXPORTED, A TECHNICAL INSTALLATION OF A GOLD EMBARGO.

THE DECREE--SIGNED BY PRESIDENT LEBRUN--APPEARED IN THE OFFICIAL
GOVERNMENT JOURNAL. IT WAS DATED SEPTEMBER 28.

9/29--R903A

add Devaluation Bill.

WCNS15

ADD FRANC, PARIS.

IN THE CHAMBER, THE BIG FIGHT WAS ON A PROVISION FOR A SLIDING WAGE SCALE FOR CERTAIN CLASSES OF GOVERNMENT EMPLOYEES, DESIGNED TO ADJUST WAGES TO BUYING POWER.

THE GOVERNMENT HAD TO REVISE THE PROVISION IN ORDER TO OBTAIN THE SUPPORT OF THE RADICALS IN ITS LEFT FRONT COALITION.

AT 10:30 A.M., AFTER 25 1/2 HOURS, THE CHAMBER ADJOURNED. IT HAD NOT BEEN NECESSARY EVEN, ON ANY OF THE VOTES, TO POSE THE QUESTION OF CONFIDENCE IN THE GOVERNMENT, SO AGREED WERE DEPUTIES THAT THE BILL MUST PASS.

THE NEW FRANC WILL BE WORTH BETWEEN 20.15 AND 22.95 TO THE DOLLAR, COMPARED WITH THE CLOSING RATE OF 15.18 TO THE DOLLAR LAST FRIDAY.

PREMIER LEON BLUM CLOSED DEBATE IN THE CHAMBER AS DAY SUCCEEDED NIGHT.

NO OTHER GOVERNMENT, HE ARGUED, COULD HAVE ACTED OTHERWISE THAN HIS DID. BLUM PAID TRIBUTE TO PRESIDENT ROOSEVELT FOR HIS EXAMPLE IN SHOWING THE BENEFITS OF DEVALUATION.

9/29--R917A

WCNS62

ADD DEVALUATION, PARIS

ALTHOUGH APPROVING THE DEVALUATION PROJECT, THE COMMISSION MADE RESERVATIONS ON THE GOVERNMENT'S COMPENSATORY MEASURES. THE BILL, AS IT WAS PASSED BY THE CHAMBER OF DEPUTIES, IS BEING REWRITTEN BECAUSE SENATE CONFEREES OBJECTED PARTICULARLY TO THE CABINET BEING GRANTED FULL POWERS.

9/29--R1202P

Add French Selection

WCNS60

ADD DEVALUATION, PARIS

THE SENATE FINANCE COMMISSION APPROVED THE DEVALUATION PROGRAM.

9/29--R1149A

WCNS67

PARIS.--THE GOVERNMENT HAS VIRTUALLY DECIDED ON 29 PER CENT
AS THE AMOUNT OF THE DEVALUATION OF THE FRANC, THE UNITED PRESS
SAYS.

THIS WOULD PLACE THE FRANC AT 21.46 FRANCS TO THE DOLLAR OR ^{4.66}~~4.71~~
CENTS PER FRANC. FRIDAY THE FRANC WAS 15.18 TO THE DOLLAR OR AROUND
6.58 CENTS PER FRANC.

9/29--R1215P

WCNS73

IN SECOND PARAGRAPH WCNS 65, PLEASE READ " X X X TO THE DOLLAR
OR 4.66 CENTS PER FRANC. FRIDAY ETC."

9/29--F104P.

WCNS67

ADD DEVALUATION, PARIS

THE BILL IS BEING REWRITTEN AS SENATE CONFEREES OBJECTED TO THE CABINET BEING GRANTED FULL POWERS TO MAKE ADJUSTMENTS.

THE FINANCE COMMITTEE'S VERSION WILL GO TO THE SENATE FOR DEBATE TOMORROW.

THE MEASURES AS PASSED BY THE CHAMBER OF DEPUTIES WOULD PERMIT THE GOVERNMENT TO FIX THE RATE OF DEVALUATION BETWEEN 25 AND 33 PER CENT; TO FIX THE GOLD CONTENT OF THE DEVALUED FRANC AT BETWEEN 43 AND 49 MILLIGRAMS.

ANTICIPATING THAT THE SENATE WILL APPROVE A DEVALUATION BILL TOMORROW, THE BLUM GOVERNMENT IS UNDERSTOOD TO HAVE DECIDED ON A 29 PER CENT DEVALUATION. THIS WILL FIX THE GOLD CONTENT OF THE FRANC AT 46 MILLIGRAMS.

THE ACTUAL AMOUNT OF DEVALUATION WILL BE PROCLAIMED BY CABINET DECREE AS SOON AS THE FINAL VOTING IN PARLIAMENT ALLOWS PUBLICATION OF THE MEASURE IN THE OFFICIAL JOURNAL. THIS PROBABLY WILL BE THURSDAY

FR
I
DAY MORNING.

9/29--R1226P

UNITED PRESS - September 29, 1956.

U.S. C of C

WCNS102

U.S. CHAMBER OF COMMERCE DIRECTORS WILL MEET FRIDAY AND SATURDAY TO CONSIDER, AMONG OTHER SUBJECTS, THE NEW TRI-POWER STABILIZATION AGREEMENT.

THE CHAMBER SAYS DISCUSSION WILL CENTER ON THE EFFECTS OF THE NEW AGREEMENT UPON THE U.S. AND THAT AT SOME LATER DATE A SPECIAL COMMITTEE WOULD PRESENT SUGGESTIONS FOR CONGRESSIONAL ACTION IN CONNECTION WITH AMERICAN MONETARY LAWS EXPIRING AT THE END OF JANUARY.

REPORTS WILL BE MADE BY THE CHAMBER'S SPECIAL EMPLOYMENT COMMITTEE AS WELL AS THOSE ON SOCIAL SECURITY, CONSUMERS COOPERATIVES, PRICE DISCRIMINATION, AGRICULTURE, FOREIGN COMMERCE, AND THE FEDERAL BUDGET.

9/29--R330P

UNITED PRESS - September 29, 1936.

WCNS14

Secy. Morgenthau

SECRETARY MORGENTHAU TODAY ISSUED AN OPEN INVITATION TO ALL NATIONS TO JOIN THE BRITISH-AMERICAN-FRENCH CURRENCY STABILIZATION AGREEMENT.

"IT WOULD BE VERY HELPFUL TO HAVE OTHERS JOIN," MORGENTHAU SAID. "THE MERE FACT THAT THEY DO NOT HAVE STABILIZATION FUNDS WOULD NOT EXCLUDE THEM."

MORGENTHAU SAID THERE WERE NO "SECRET" OR "HIDDEN" AGREEMENTS BEHIND THE CURRENCY EQUILIBRIUM PACT, THAT IT WAS BASED ON THE "HONOR AND FAITH" OF THE THREE NATIONS IN A DESIRE TO PROMOTE STABILITY AND IMPROVE TRADE RELATIONS.

9/29--R914A

SEP 29 1956

8.51

101

INTERNATIONAL MONETARY DEVELOPMENTS

AMSTERDAM - FOREIGN EXCHANGES REACTED THIS MORNING WITH THE DOLLAR AT 1 80 GULDERS - SECURITIES ALSO WERE LOWER

-0-

ROME - AN IMPORTANT DECISION REGARDING THE FUTURE OF THE LIRA WAS EXPECTED TO BE TAKEN AT AN EMERGENCY MEETING OF THE CABINET NOW BEING HELD ACCORDING TO REUTERS

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LONDON - A REUTERS DISPATCH FROM BERNE SAYS THE UPPER CHAMBER OF THE SWISS PARLIAMENT APPROVED BY A LARGE MAJORITY THE ACTION OF THE GOVERNMENT IN DEVALUING THE SWISS FRANC AND PLACING A TEMPORARY EMBARGO ON GOLD- THE LOWER CHAMBER WILL DEBATE THE GOVERNMENT-S MEASURES TODAY

POLITICAL GROUPS OF THE TWO CHAMBERS AND CONFERENCE GROUPS WERE GIVEN A FULL EXPLANATION OF THE CAUSES FOR THE GOVERNMENT-S DECISION AND ALL DECLARED THEMSELVES READY TO SUPPORT THE GOVERNMENT IN ITS ACTION

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LONDON - A REUTERS DISPATCH FROM BELGRADE SAYS DEVALUATION OF OTHER CURRENCIES HAD NO REPERCUSSIONS ON THE DINAR ACCORDING TO THE YUGO-SLAV MINISTER OF FINANCE - THE UNIMPORTANT ADVERSE EFFECT ON EXPORT TRADE WITH OTHER COUNTRIES WHICH HAVE DEVALUED HE SAID WILL BE BALANCE BY THE SLIGHT FAVORABLE EFFECT IN CONNECTION WITH YUGO-SLAVIA-S FINANCIAL OBLIGATIONS TOWARD THEM - THE POUND RATE FELL TO 210 FROM 230 IN THE OPEN MARKET HERE TODAY

INTERNATIONAL MONETARY SITUATION

PARIS - THERE IS MUCH COMMENT HERE ON THE QUANDARY INTO WHICH GERMANY HAS BEEN THROWN BY THE MERGING OF THE STERLING-DOLLAR GOLD BLOC -GERMANY FACES COMPLETE ECONOMIC AND MONETARY ISOLATION UNLESS DR SCHACHT IS ABLE TO PERSUADE CHANCELLOR HITLER TO REVERSE HIS POLICY OF POLITICAL ISOLATION REENTER THE LEAGUE OF NATIONS AND AGREE TO A LIMITATION OF ARMAMENTS AS A PRICE OF AN INTERNATIONAL CREDIT TO RESTORE THE REICHSMARK TO THE GRADE OF AN INTERNATIONAL CURRENCY

IT IS GENERALLY SUPPOSED THAT ITALY WILL ADHERE TO THE INTERNATIONAL MONETARY ENTENTE ALTHOUGH RESTORATION OF THE LIRE ALSO IS EXPECTED TO IMPLY AN INTERNATIONAL STABILIZATION CREDIT

September 30th

The following were present at the 9:30 staff meeting this morning:

Gaston	Oliphant
Gibbons	Roche
Haas	Taylor
McReynolds	Upham

Mr. Morgenthau: I'm mad at Herbert Gaston this morning. I wanted to say that I caught the Russians in this exchange deal red handed and he wouldn't let me.

Mr. Morgenthau: I don't know whether any of you people know what the expression "well done" in the Navy means. It means - in time of battle the highest praise you can give in the Navy is "well done". I mean this is purely personal. I don't want it mentioned outside.

Note: Mr. Morgenthau then passed around to the group a letter which he had received from the President.

Mr. Morgenthau: (Speaking of the letter) It happened to be here when Captain Puleston was here and he said, "you only get that in time of battle".

Mr. Oliphant: Well it gets better every day.

Mr. Morgenthau: Well I'm so sore at Herbert Gaston I won't talk to him.

Mr. Gibbons: Wasn't that the most marvelous speech he (President Roosevelt) ever made last night?

Mr. Morgenthau: Yes.

Mr. Morgenthau: Mr. Oliphant?

Mr. Oliphant: Nothing special.

Mr. Morgenthau: How is your friend Eddie? (Greenbaum) Let me know when you get through with him. He might want to come up to the house for supper.

Mr. Oliphant: He will get in just about noon.

Mr. Morgenthau: Well if he wants to come out to the house let me know.

Mr. Morgenthau: Miss Roche?

Miss Roche: Nothing special. I sent you a memorandum yesterday about what I had done.

Mr. Morgenthau: Everybody, according to the President, who is getting relief money should get it by October. What they did is this - this is very confidential. They tried to again put me on the spot. They wrote letters to everybody that they were going to lay off every single person, who wasn't under the control of the Hopkins' organization, on October 1st. I don't know how many thousands of people are involved.

Mr. McReynolds: About 13,000 people.

Mr. Morgenthau: I took it up with the President and the President's message is, if you don't mind my giving it, "you tell Corrington Gill that I don't give a God-damn where he gets the money from but not one person is to be laid off on the 1st of October". I told the President, "for God's sake get Harry Hopkins back here. I at least do business with Harry and that ends it. Harry has never broken his word to me once."

Mr. Oliphant: Where is Harry?

Mr. Morgenthau: He is in California.

Miss Roche: He is coming back.

Mr. Morgenthau: I don't know.

Mr. Morgenthau: These people are not on the level in their government relationship - neither Aubrey Williams or Gill. They are constantly trying to play these tricks and they forget that the people we have working for Health need it just as much as anybody else but because they are in the Treasury, in order to get even with me, they are going to lay them off. It's outrageous.

Mr. McReynolds: The Treasury has the cleanest group of people on relief.

Mr. Morgenthau: They are trying to make the President sign a piece of paper far in excess of the billion twenty-five. I will not let the President be put in the position of authoriz-

ing money in excess of a Congressional appropriation. It is my job as Fiscal Officer to protect him from that kind of thing. I will do anything I can but I will not have the President put in the position that he approves projects in excess of a Congressional appropriation. Why they say, "just let us have it - we won't spend it". And they think I'm just crazy.

Mr. Morgenthau to McReynolds: Am I right? Am I over exaggerating?

Mr. McReynolds: No but what they wanted to do in the Comptroller's office was worse than what they (Gill's outfit) wanted to do with it.

Mr. Morgenthau: But on the stroke of a pen they want to lay off everybody and these people are supposed to have social background.

Mr. Morgenthau: When Hopkins' is here everything is settled. We have our fights, yes, but you make a bargain and everything is settled. These people won't stay put. They are like a lot of fleas. He says we will spend 150 million a month and that ends it. All that Hopkins wants is his money and to be left alone and he goes ahead but these other people are constantly torpedeing you and you don't know where you stand. I have done business with Hopkins for six years - two at New York and four here.

Mr. Oliphant: Taylor gave me the pleasure of seeing Dr. Ratigan.

Mr. Taylor: He was sent to you by Anslinger.

Mr. Morgenthau: Nobody should see him. Graves and Anslinger were at my house last night.

Note: At this point Mr. Morgenthau called in Mr. Kieley and instructed him that if Dr. Ratigan came around no one would see him.

Mr. Gibbens: He had a fictitious telegram sent from Seattle.

Mr. Morgenthau: (Still talking of Dr. Ratigan) The reason I am doing this this way is that I want to relieve you all of that responsibility. There is a Washington detective at his side every minute. He will make it so uncomfortable for him that he will leave town. I want to protect Taylor and Oliphant.

Mr. Gibbons: How did he see you?

Mr. Taylor: He came to me from Anslinger and he said Oliphant knew about it. I wasn't trying to wish him on you but I was just wishing him off.

Mr. Oliphant: It was a very pleasant interview. It lasted 34 seconds. He came in and said, "I want to know if the Treasury approves what Anslinger did". I said, "they do" and he said he would see Cummings (Attorney General).

Mr. Morgenthau: You know he broke the arm of one of our Treasury people in a fight.

Mr. Oliphant: He is dangerous. I would not want to meet him in a dark alley.

Mr. Gaston: I have a rough draft. It will be ready inside of an hour if you want to look at it.

Mr. Morgenthau: All right. Fine.

Mr. Gibbons: Pat Harrison was in to see me and he said in his fight in Louisiana the best help he got was from the Treasury. He said they were as smart as the devil. He said, "I am going to tell Henry sometime".

Mr. Morgenthau: Tell him not to come around till after election. The less I know the better.

Mr. Oliphant: Is he going to be in town some time?

Mr. Gibbons: He is in town now.

Mr. Morgenthau: I did it for Mrs. Greenway in Colorado. We had some mortgages in Arizona and we turned the state inside out for her.

Mr. Gaston: It didn't pay, did it?

Mr. Morgenthau: It didn't pay in dividends. (Laughter)

Mr. Morgenthau: Well I am glad. Pat appreciates it. He can be a good friend and a tough enemy.

Mr. Morgenthau: Taylor?

Mr. Taylor: Nothing special.

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Mr. Morgenthau: If you could get your table up with your new sketches just as soon as this is over I would like to see you.

Mr. Tayler: All right. Fine.

Mr. Morgenthau to Mr. Haas: Have you got your figure on that?

Mr. Haas: (Handing Mr. Morgenthau a large chart) We made them up very conservative. We have another shot at it in November. Want me to point over your shoulder?

Mr. Morgenthau: Do you mind?

Note: Mr. Haas then pointed out various items to the Secretary.

Mr. Morgenthau: It's all right.

Mr. Oliphant: There are quite a number of those excises that can be picked out.

Mr. Upham: One small thing from San Francisco might interest you. The American Bankers Association have reserve funds for $1\frac{1}{2}$ million all of which are invested in United States Government Bonds.

Mr. Morgenthau: Say that again. I don't get it.

Mr. Upham: They have reserve funds.

Mr. Morgenthau: Who?

Mr. Upham: The American Bankers Association $1\frac{1}{2}$ million reserve funds which they use for this and that and it is all invested in government bonds. They have no other kind of investment at all.

Mr. Gaston: Well the Treasury coerced them into buying those bonds.

Mr. Upham: Oh yes.

Mr. Morgenthau: Mac?

Mr. McReynolds: Nothing.

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Mr. Morgenthau: I might say this to you people. The Foreign Exchange Market is behaving beautifully because the French are having their troubles. The Senate meets sometime to-day and then the Assembly - the lower house is called for 9 o'clock tonight and they hope to get the thing through tonight but Blum is having his troubles. They are going to give him all the technical things which he needs on his devaluation but on Baby Bonds, etc., he will have his troubles.

Mr. Morgenthau to Mr. McReynolds: Mac, make a note that we want two operators (telephone) right straight through tonight. I guess it will be all right.

Mr. Morgenthau: I am still mad at Herbert Gaston for not letting me say I caught the Russians red handed. But I got a great thrill last night on that speech.

Mr. Gibbons: He (The President) did some acting last night.

Mr. Morgenthau: What did Jimmy Roosevelt mean in Boston when he said, "Coughlin was sincere". He (Jimmy Roosevelt) came out with the statement, "no criticism of Coughlin. He was sincere in what he said".

Mr. Gibbons: Terrible.

Mr. Morgenthau: But I was glad the President brought in Smith the way he did.

Mr. Gibbons: That was the best speech he ever made in his life.

Mr. Morgenthau: I would say "the best political speech".

September 30th

At the 11 o'clock meeting this morning in Secretary Morgenthau's office the following were present:

Mr. Bell Mr. Corrington Gill Mr. McReynolds

Mr. Morgenthau to Mr. Bell: I haven't had time to get into this so would you mind explaining it?

Mr. Bell: He (Gill) spoke about a project in which we are interested. It is the womens project. In the Act the limitation is 80 million 85 thousand. That can be increased by the President for 15% of that amount which makes it 98 thousand. We are now up to the limitation specified in the Act.

Mr. Gill: On projects approved?

Mr. Bell: Yes. Expenditures are under 10 million and the obligations are approaching 30 million as I recall.

Mr. Gill: I think it is around 25.

Mr. Bell: Projects are up to 85 which is the limitation in the Act. Approved 13 million more in projects. Now Mr. Gill has pointed out that this does not give them the flexibility that they would like to have. They may pick out some other kind of a proposal. This is the kind of a project in which you don't obligate months ahead. It is a project that requires day to day labor and it can be stopped almost instantly. What he wants to do is to approve projects far in excess of the limitation but control the expenditure through the obligations incurred. The first proposal submitted was that obligations incurred equal 80% of the limitation of the Act - 80% of 98 million or about 79 million. The Treasury would begin to contract from that point on. The projects approved then would come down to the obligations incurred within the 98 million. Now I think that's the best plan. When the obligations equal 80% of the limitation under the Act, the Treasury Accounts office and Works Progress working together will begin to shut down these projects.

Mr. Morgenthau: Well I can't go along. After all I haven't the authority. I mean it's right back where we were. But to run this thing you want to approve 140 or 150 more projects?

Mr. Gill: I don't know the exact number.

Mr. Morgenthau: This month when you reach 80% stop.

Mr. Gill: Some of these have been held up for two or three weeks since we reached that limitation. Regardless of that there has to be a way worked out. For example, we have a womens sewing room in Wilmington, Delaware, with 600 women in it. That project has reached it's end. Assume for the moment that that project is not put through and that no other projects can be put through - what will you do with those 600 women?

Mr. Morgenthau: Then let's try. Let's see if you have the right to spend 98 million. You spent 10 million. If it was my job I would send out a telegram to every State Administrator and say, "How many of these projects have you started, if you haven't started them, why not and I want an answer back in 24 hours if you haven't cancelled them".

Mr. Gill: They have got to have projects. I do not - it may be that we could wiggle through by cancellation but that is not quite as easy a job as that. The state office has to go to the district office and they have to go to the locality. They have to try a plan.

Mr. Morgenthau: Well six months from now we may not have any money. I'd say if they knew where they would be for the month of October they would be damn lucky.

Mr. Gill: How about pushing through these problems for the womens bureaus that would be under the 98?

Mr. Morgenthau: That would be fine - O.K.

Mr. Gill: Then I will be very glad to see if we can do it. I am not guaranteeing that I can. I will see how many we can cancel.

Mr. Morgenthau: That's fair. If you are doing it, you are doing it on your own. I don't want you to say the Secretary of the Treasury says that these things have to be canceled.

Mr. Gill: I won't word it that way.

Mr. Bell: You could cancel projects in the city. They are large.

Mr. Morgenthau: Is that all right?

Mr. Bell: Yes, that's within the 98.

Mr. Morgenthau: Well on this basis, can you clear them in 48 hours?

Mr. Gill: After we get the President's signature.

Mr. Bell: We can get it to-day.

Mr. Morgenthau: Will that take care of your immediate projects?

Mr. Gill: Yes.

Mr. Morgenthau: Someone told me Harry is back.

Mr. Gill: Yes, he is back. I haven't seen him.

Mr. Morgenthau: When did he get back?

Mr. Gill: This morning.

Mr. Morgenthau: Will you tell him that these are my plans? I am leaving here tomorrow. — I will be back here Monday or Tuesday and I'd like very much to have a half a day - us three and yourself and let's thrash this thing out.

Mr. Gill: The first of the week?

Mr. Morgenthau: I'd say the first of the week.

Mr. Morgenthau to Bell: You can take this over when you go at noon.

Mr. Bell: They will be signed to-day.

Mr. Morgenthau: Now that take^s care of things for this week. You're a very lucky man because we work on a minute basis.

Mr. Bell: We got a request from Lawrence Westbrook to invest some funds in a farm.

Mr. Gill: Cherry farms.

Mr. Bell: We were starting to send them through and somebody objected to the character of it and then I got into it and I wondered what it was all about and I find that Westbrook is not your man any more.

Mr. Gill: No. How much do they want to invest?

Mr. Bell: Two million.

Mr. Morgenthau: How much is Westbrook being paid?

Mr. Gill: I don't know. He is being paid from the corporations.

Mr. Bell: Are these in any sense federal funds?

Mr. Gill: They were granted to the governor and the governor set up 4 of them.

Mr. Bell: Why aren't they in the other?

Mr. Gill: Well it was decided that would take over all of these four which the states wanted to control themselves. They hired Westbrook and he was consulted for these four corporations. He wanted me to recommend a bond house and I told him that since they were state funds they should consult the Treasury to discuss the investment with them so I called Maurice Collins and Maurice told me that the Treasury would either recommend or make the purchase for him, thereby saving possible commissions and gaining advantage of the Treasury's knowledge.

Mr. Morgenthau: Should they be here?

Mr. Gill: I haven't anything to do with it.

Mr. Morgenthau: They took the others over.

Mr. Gill: Well I don't know about that.

Mr. Bell: As long as they are not federal funds --

Mr. Gill: They are not federal funds.

September 30, 1936
8:58 a.m.

Knoke: - the sterling rate yet is 4.96.

H.M.Jr: Yes.

K: But I had a very - very long and interesting call from Cariguel just now.

H.M.Jr: Good. Archie is -

K: You know how upsetting the - how upset the franc market was yesterday.

H.M.Jr: Yes.

K: And he has instructed me - authorized me to sell any amount of francs for delivery today, tomorrow or Friday at the rate of 5.16-3/8.

H.M.Jr: Well, now, that's what London is doing.

K: Well, that's what London is doing, too - right. He told me he had given a similar order to the Bank of England, and he had so far sold 30,000,000 francs in London.

H.M.Jr: Well now is - for whose account is this?

K: Well, that - you mean who's handling it here?

H.M.Jr: No, I mean - you're handling it, but I -

K: Yes. Well, that should be for Stabilization Fund.

H.M.Jr: Which -

K: That should be for account of the Treasury.

H.M.Jr: Which Treasury?

K: Our Treasury - I mean - no - I mean, I'm acting here as fiscal agent. The business is done for account of the Bank of France.

H.M.Jr: Well, that's what I'm trying to find out.

K: That's - that's entirely for their account. The dollars are credited to their account on our books; they pay out the francs.

H.M.Jr: I mean I can't have a little piece of that business, can I?

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K: No, you can't (Laughs).

H.M.Jr: (Hearty laughter)

K: You can't - no, sir.

H.M.Jr: I told Archie this morning - I said, "Archie, if you want to make a little money, let's sell some francs."

K: Yes.

H.M.Jr: I said, "It's a cinch." Yes, but this is for the account of the Bank of France.

K: Yes.

H.M.Jr: O.K. Good. Now let - keep us posted -

K: Yes.

H.M.Jr: - how you're getting along.

K: Yes. I want to get busy on that right away because I think that situation should be taken care of.

H.M.Jr: Well, now, wait a minute - old belle France can wait a minute.

K: Yes.

H.M.Jr: You're going to work - now how - do you do that through the American banks?

K: Yes. I will probably call the Bankers Trust to handle it.

H.M.Jr: The Bankers Trust?

K: Yes. In order to change off.

H.M.Jr: What?

K: In order to change off. First of all, they have a very good man and they have - they are known close - to be close to the Paris market -

H.M.Jr: Yes. The Bankers' Trust?

K: Yes.

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H.M.Jr: But now - well that - that's all right.

K: Yes.

H.M.Jr: Good. Well, let us know a little later how you get along.

K: I will.

H.M.Jr: Fine.

September 30, 1936
10:30 a.m.

H.M.Jr: Hello.

Operator: Governor Harrison. Go ahead.

H.M.Jr: Hello.

Harrison: Yes, Henry.

H.M.Jr: "Did you hear any echoes from my going over to the Federal Reserve Board?"

H: No; I haven't talked to a soul down there.

H.M.Jr: Well, we had a very good talk, and I told them that if there had been any niceties overlooked, that it was entirely my fault, but that I had needed the help of experts of our fiscal agency in New York, and I had placed you under personal oath to me not to discuss it with anybody.

H: Thank you, Henry. That's fine.

H.M.Jr: - including the chairman of your Board.

H: Yes.

H.M.Jr: And then they began to press me a little bit, and I said, "Well, I agree perfectly. We should have cooperation," but I said, "After all you people sit here as a judicial body, and you forget that there is such a thing as a market." So they said -

H: Good for you.

H.M.Jr: So they said, "What do you mean?" I said, "Well, for example," I said, "it was fortunate that I was able to get in touch with George Harrison five minutes before the market opened on the day after you announced that you were going to increase the reserves, and George Harrison and I were able to go into action and take care of the situation." And they said, "Well, what do you mean?" I said, "Well," I said, "I read it in the papers for the first time," and I said that my first thought was what shall we do about the market. So they said, "Well, we told the Open Market Committee to do something." I said, "Well, you may have told it but you didn't transmit it." Well, they were just flabbergasted. Eccles hadn't told them a thing about my conversation with him.

H: Yes.

H.M.Jr: So I said, "Well, I've never discussed this with anybody. And I said, "My whole attitude is that we must get along - but I - together." And I said, "I want to get along, and the fact is that - that I haven't discussed this thing with anybody since July;" but I said, "you people sit here and create these orders and then you forget that there is such a thing as a Government bond market."

H: (Laughs) Good for you.

H.M.Jr: And I said, "If it hadn't been that Harrison and I went into action together, and decided we'd do this thing fifty-fifty, I don't know what would have happened." Well, of course, they're going to check all the minutes and all the records to see when they told the Open Market Committee to do this, that, and the other thing. But the answer is - is the story the way I told it to them.

H: Yes.

H.M.Jr: And if we hadn't talked to each other, we might have had a very bad bond market that morning.

H: Ah - I never heard a word about it until 9 o'clock the night before.

H.M.Jr: Well, I never heard anything about it until I picked up the morning paper and read it.

H: Yes.

H.M.Jr: And I said that it hadn't been discussed with me for three months. Well, I - the reason I brought it up was because they were crowding me a little bit. And I said, "Well, these things - you've got to remember this - you've got a market;" and I said, "over in the Treasury we're on the firing line." And I said, "We can't always think of the niceties." And I said, "If we - anybody in any way feels the slightest bit hurt," I said, "it's my fault because," I said, "everybody in the Federal Reserve in New York was under personal oath to me." And I said, "After all, I let -" I said, "I told you before the thing happened." And I said, "When you people act, I've got to read it in the New York Times."

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H: Good for you. (Laughs)

H.M.Jr: Well -

H: You had them cold on that.

H.M.Jr: Oh, Eccles hadn't told them a word of it.

H: Hadn't told them a word of what?

H.M.Jr: Well, that - that I had felt very much hurt.

H: Oh, I see. Yes.

H.M.Jr: Because we hadn't discussed it for three months.

H: Yes.

H.M.Jr: And that I felt very much hurt at the time but I kept my mouth shut because I think it's much more important that the Treasury and the Federal Reserve toward the public have united front, and we - than the fact that I feel hurt should get into print. But I - I never would say anything, and never have mentioned it to anybody since that happened in July.

H: Good for you.

H.M.Jr: And - because all these columnists and scandal-mongers would love to get hold of a story like that.

H: Yes.

H.M.Jr: But after - I was dumbfounded that Eccles hadn't reported back the fact that he hadn't told me.

H: Yes.

H.M.Jr: And, of course, that's just - it just floored them completely. They looked at one another and -

H: (Laughter)

H.M.Jr: And they all gasped.

H: (Laughter)

H.M.Jr: And I said, "I appreciate that the Board here is a judicial body," but I said, "you've also got to

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appreciate that the Treasury has to act."

- H: You know that's perfectly true. They just plain forget - they don't think that there is a market. They think that they can run the whole thing right sitting there at their desks just as though they were here.
- H.M.Jr: And I said -
- H: They never come up here. They don't know a damn thing about the market.
- H.M.Jr: And I - I repeated three times. I said that - I said that I had this all out with Harrison, and Harrison said that as long as they didn't have to take any risks, they didn't have to report it to anybody. And I said, "Under those circumstances, I put him under personal oath to me." And I said, "They're our agents and they operate for us." And that ended it. No one said a peep.
- H: Well, I think you have it just right, Henry.
- H.M.Jr: And I said, "If there's any blame, you've just got to remember it's mine." But I said, "I've got to act so quickly and there's so much to do, and I kept thinking I've got to watch the market and I have to keep my eye on it;" and I said, "I'm all alone over there;" and I said, "if - if I acted too fast and anybody's feelings were hurt, it's my fault, and I'm sorry."
- H: Well, I think that's splendid.
- H.M.Jr: So I don't think you'll hear anything more because I - this thing about not telling the Treasury about the raising the requirements just completely floored them.
- H: (Laughter) I think that's splendid.
- H.M.Jr: So I - I -
- H: I'd forgotten that myself. (Laughs)
- H.M.Jr: Well, you remember it now all right?
- H: Yes - sure.
- H.M.Jr: But I remember when I talked to you, you couldn't hang up the phone quick enough to give your orders.

H: Yes. That's quite right. (Laughs)

H.M.Jr: What?

H: Yes.

H.M.Jr: All right, George.

H: All right. Well, thank you so much for letting me know.

H.M.Jr: I don't think you'll hear anything more about that.

H: What's that?

H.M.Jr: I don't think you'll hear anything more -

H: No; if I do I'll let you know.

H.M.Jr: And - I'm sure it will - that it will take them three, four days to go through their files now.

H: Yes. Well, they'll see their files - the first thing that we heard here -

H.M.Jr: What?

H: About 5 o'clock they sent word to my telegraph operator -

H.M.Jr: Yes.

H: - to please keep an officer of the bank here until further notice.

H.M.Jr: Yes.

H: They didn't tell me.

H.M.Jr: But when did you get the order to buy in the bond market?

H: Oh, I guess it was late that night when Eccles finally called me on the telephone.

H.M.Jr: Yes.

H: Must have been between 9 and 10 o'clock, as I remember.

H.M.Jr: Yes.

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H: I've got a memorandum of it. I can go ahead and find out, too -

H.M.Jr: Yes.

H: But I think it was about -

H.M.Jr: Yes. Well, they won't say anything more.

H: What?

H.M.Jr: And - they won't say anything more. And the - I'm glad about the order we got from France on the francs.

H: Yes.

H.M.Jr: That's - that's helpful.

H: Yes; that's better.

H.M.Jr: Yes. All right, George. Everything seems -

H: All right. Thank you so much for calling me.

H.M.Jr: O.K. Goodbye.

September 30, 1936
11:30 a.m.

Operator: Mr. Knoke. Go ahead.

H.M.Jr: Hello.

Knoke: Yes, Mr. Secretary.

H.M.Jr: Knoke, I just read on the Dow Jones ticker that - that the Stabilization Fund in England is taking care of this French franc thing. I'd like to, somehow or other, get out that it was the Bank of France which, in an orderly way, through the Federal Reserve of New York, was able to take care of this thing. Hello -

K: Yes.

H.M.Jr: Isn't there some way that that could be told?

K: Well, let me say this, Mr. Secretary. The statement from London isn't quite correct.

H.M.Jr: No.

K: They - they did not take care of it. They acted under the request of the - of the French fund. The British fund operated in the London market. Now I think we can safely get something to the press as far as this market is concerned.

H.M.Jr: Yes. Well, now, do you people want to do it down there, or do you want me to do it indirectly here? How - how do you contact the press there?

K: Well, I - I think it would be prompter if you do it - if you do it there as you have done before.

H.M.Jr: Yes, supposing - I mean I won't do it personally. I'll tell Mr. Gaston simply to tell the men that the squeeze in the French francs - that's the way they headed it, didn't they?

K: Yes.

H.M.Jr: - or the shortage of the francs - that that situation was taken care of through the Bank of France making arrangements with the Federal Reserve of New York here.

K: Yes.

H.M.Jr: Just making arrangements.

K: Yes. Yes.

H.M.Jr: Isn't that -

K: Don't use - use the word "shortage" as you suggest.

H.M.Jr: What's that?

K: I would say shortage - I think that was your suggestion, wasn't it.

H.M.Jr: Yes, shortage.

K: Not squeeze.

H.M.Jr: No; no. I wouldn't use the word "squeeze."

K: Yes. Yes.

H.M.Jr: It's a shortage of francs.

K: Yes.

H.M.Jr: That - that was taken care of so that legitimate needs of commercial concerns were taken care of by arrangements which were made between the Bank of France and - and through the Federal Reserve of New York acting as agent for the Bank of France.

K: Right.

H.M.Jr: Is that right?

K: Yes. That's right.

H.M.Jr: What?

K: That's right.

H.M.Jr: Isn't that what happened?

K: That's what happened. They - that we, at the request - that the Bank of France took care of the situation here by requesting us to operate on its behalf.

H.M.Jr: That's right.

K: Yes, and if you get that out now, then I think that will be more effective than for us to wait until the afternoon.

H.M.Jr: Yes. We could do it right away.

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K: Yes.

H.M.Jr: I want the Bank of France to get the credit.

K: Yes, I understand.

H.M.Jr: See?

K: Yes.

H.M.Jr: I think that just shows that - that's all helpful because Archie tells me there were about 22 banks involved, weren't there?

K: Yes, 22 banks, but there was evidence - from today's experience we know that there were only 3 really seriously involved, and the City Bank was the whole cheese.

H.M.Jr: The City Bank?

K: Yes.

H.M.Jr: The -

K: The others were bankers had small amounts, and that was simply because one of their customers didn't -

H.M.Jr: (Aside: You too.) Yes.

K: - didn't deliver

H.M.Jr: Well, now you did about what - 25,000,000 francs?

K: 20 - 23 - 22,350,000.

H.M.Jr: I won't say how much.

K: 22,350,000 francs. No, I wouldn't - I wouldn't that either.

H.M.Jr: But I - I'll - I'll put it again. I'm going to tell - have Gaston tell them that the Bank of France has made arrangements to supply the necessary francs to take care of the shortage through the Federal Reserve of New York. Is that right?

K: Yes.

H.M.Jr: What?

K: Yes, that's - May I make one suggestion?

H.M.Jr: Please, Knoke.

K: - took care of the demand.

H.M.Jr: Yes.

K: I think that is a little bit better.

H.M.Jr: Take care of the demand. All right.

K: - through Federal Reserve Bank.

H.M.Jr: I - I'm just tiddled pink the way the whole thing is going.

K: Yes. Sterling is a little perplexing to me this morning.

H.M.Jr: Why?

K: Well I can't - I can't understand why one moment it goes down to 4-1/8 and then up to 5 again.

H.M.Jr: Yes .

K: I have had a call in for the Bank of England and it should come through any moment.

H.M.Jr: Archie just stepped in and he said he wondered whether the Bank of France would have any objections to our giving this out. (Pause) Hello.

K: Well, it - of course, that - I don't know how they will square themselves with the - with the French Parliament.

H.M.Jr: Yes. Would you like me to ask Cochran to ask them if it's all right - whether they'd like us to say something here?

K: I think - I think you would have no cause to regret that in -

H.M.Jr: All right. I'll put in a call for Cochran, and ask him whether they want us to say anything or whether it would hurt or help them if it was received the day the thing is pending.

K: Yes. Yes, I think that's the safest way.

H.M.Jr: Then there can be no criticism.

K: Yes.

H.M.Jr: Thank you.

K: All right, sir.

H.M.Jr: Thank you.

September 30, 1936
12:08 p.m.

H.M.Jr: Hello.

Operator: Mr. Cochran.
H. Merle
Cochran: Hello.

H.M.Jr: Oh - Cochran?

C: Yes, Mr. Morgenthau.

H.M.Jr: Now here's a situation that I want you to check.

C: Yes.

H.M.Jr: This morning the Bank of France gave, in London, to the Bank of England and to us, the Federal Reserve, an order to supply whatever francs were necessary to keep the squeeze in the franc, you see?

C: Yes.

H.M.Jr: And, the Federal Reserve sold some - about 23,000,000 francs. Hello -

C: The Federal sold 23,000,000?

H.M.Jr: About 23,000,000. Now the point that I wanted - they've got this story all wrong. They think it's the Federal - they think it's the British Stabilization Fund which is operating, and I think, unless it interferes with their debate in Parliament there, that either the Bank of France should announce what they've done -

C: Yes.

H.M.Jr: - or else let me give it out here, but - but I don't want to do it because I'm fearful on account of their not having devalued that they don't want any publicity.

C: Yes. Yes.

H.M.Jr: Do you see what I mean?

C: Yes.

H.M.Jr: They may not want any publicity and they may want - maybe they want it thought that the British Stabilization Fund is working.

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C: I see.

H.M.Jr: But the thought that I had is that if it's explained, the less mystery we have in these things, the better.

C: The less what?

H.M.Jr: Mystery. The less mystery. The less doubt.

C: - a little while ago that they had done 30,000,000 in London.

H.M.Jr: Well, they've done 23 here.

C: Yes. Yes.

H.M.Jr: Now supposing you talk it over with Cariguel -

C: Yes.

H.M.Jr: And I'll call you back again at 3 o'clock our time, which is 9 o'clock your time. Right?

C: But - could you make it 9:30?

H.M.Jr: I could make it 9:30 very nicely.

C: - because I put in an order - a request down in Basle to (Fadeout)

H.M.Jr: Hello.

C: - telephoning Berlin. See?

H.M.Jr: Yes.

C: They - that has just ended there at 5:30.

H.M.Jr: Yes.

C: And so they were going to let me have anything on that.

H.M.Jr: Well, supposing I call you about 9:30?

C: 9:30 - at my home number.

H.M.Jr: Now just a minute. Have we got that?

C: Yes, I cabled it to -

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H.M.Jr: All right. We'll call you at your home.

C: That - that's

H.M.Jr: Yes, we got it.

C: Pardon?

H.M.Jr: Yes, we have it.

C: Yes, you have it.

H.M.Jr: Now you see, you can put on your bed slippers, your bath robe, and sit there and talk to me.

C: All right. Fine.

H.M.Jr: How's that?

C: All right.

H.M.Jr: Yes, we'll call you. And then by that time, you let me know. I don't - I don't lay any great stress on this, but I just feel that when they make moves like this in our market, if it can be explained -

C: That it should be explained?

H.M.Jr: That it should be explained, and then there's less mystery about it, you see?

C: The - the idea is for them to explain it, or do you want -

H.M.Jr: Well -

C: - want to know whether they want you to make it?

H.M.Jr: That's the point. Whether - whether the Bank of France wants to explain it there or whether they want it here.

C: All right.

H.M.Jr: Of course, it's their business, and if they'd explain it, that would be the best way.

C: Yes. Yes.

H.M.Jr: Do you see what I mean?

C: Yes. Surely.

H.M.Jr: Then our papers tomorrow morning would carry it.

C: I see.

H.M.Jr: But I - I want just as little mystery going on as possible.

C: Surely. The - the Bank of Italy complimented very nicely this afternoon the American attitude. They said, well, you've been coming out with statements which were really helping.

H.M.Jr: Oh, they did.

C: The British haven't said a word.

H.M.Jr: Yes.

C: See?

H.M.Jr: Well, that's the whole point. I mean there's no - there's not - I can't see that there's anything to be gained in covering these things up -

C.H.Jr: Surely - surely.

H.M.Jr: - at the beginning.

C: Yes. Yes.

H.M.Jr: And - and if the public can understand what we're doing, then they get confidence.

C: Yes. Surely.

H.M.Jr: But if there are a lot of things they don't understand then they - then they're frightened.

C: Yes. Yes. May I summarize just what happened this afternoon?

H.M.Jr: Please.

C: There's - the debate is still going on in the Senate. They've been fighting all day over the social measures -

H.M.Jr: Over what?

C: Over the social measures - those compensation measures -

H.M.Jr: Yes.

C: - in the devaluation bill.

H.M.Jr: Yes.

C: And the Chamber is scheduled to meet at 9 o'clock tonight.

H.M.Jr: Yes.

C: It is now doubtful whether the Senate will have the bill finished for them.

H.M.Jr: What - I didn't get that.

C: I say, we are not sure that the Senate will have finished its study -

H.M.Jr: Yes.

C: - of the bill -

H.M.Jr: Yes.

C: - in time to get it to the Chamber at 9 o'clock.

H.M.Jr: I see.

C: But they're - they're going to try to work on it tonight. There's been no - no postponement so far, of the sitting of the Chamber.

H.M.Jr: Yes.

C: But the bankers are afraid now that it won't go through in time to open up tomorrow.

H.M.Jr: Well, that's all the more reason to have an explanation that the Bank of France operated in both London and New York today.

C: I - I get the point. And - and the Bank of Italy told me a while ago that the Italians had just decided not to release their markets tomorrow.

H.M.Jr: Yes.

C: They're - they're closed until further notice, and my friend Haley interprets that as meaning that they're studying very seriously what to do. See?

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H.M.Jr: Yes.

C: They're waiting to see what France does.

H.M.Jr: I see.

C: Down at Basle they told me that the Swiss security market is - is very active. Government securities have risen from 15 to 23%.

H.M.Jr: Good.

C: And that - the Swiss themselves are buying these securities and thus they are almost doubling - so they think that it is probable that they are taken by Swiss investors.

H.M.Jr: Yes.

C: So there won't be such an incentive there for Swiss to sell their American shares and move back, you see?

H.M.Jr: I see.

C: And that the Swiss will get the profit themselves so quickly that it ~~couldn't~~ be obtained by foreigners selling in the market.

H.M.Jr: Yes. Yes. All right, Cochran, I'll talk to you later.

C: All right. Fine.

H.M.Jr: Goodbye.

C: At 9:30 you'll call me?

H.M.Jr: I'll call you.

C: Goodbye. Thank you.

H.M.Jr: Goodbye.

September 30, 1936
12:25 p.m.

H.M.Jr: Hello.

Operator: Mr. Knoke.

Knoke: Yes, Mr. Secretary.

H.M.Jr: Hello, Knoke?

K: Yes.

H.M.Jr: Can you hear me?

K: Yes.

H.M.Jr: I talked to Cochran -

K: Yes.

H.M.Jr: - and told him to take it up with Cariguel, and I'd speak to him again at 3:30.

K: Yes.

H.M.Jr: He said to put it off until then because he thought by then he might have an inside story on the German situation for me.

K: Yes.

H.M.Jr: See?

K: Yes.

H.M.Jr: He's got somebody in Basle who's trying to get it for him.

K: I see.

H.M.Jr: So I won't have any answer on the publicity until 3:30, and after I talk to him I'll - I'll call you.

K: All right, sir. Fine.

H.M.Jr: Now he has some doubts that - that this will get through tonight because even though it's passed the Senate, it's got to go back to the lower house.

K: Because of the changes made by the Senate.

H.M.Jr: Yes.

K: Yes. Yes. Well, I just saw on the ticker here a report from Paris saying that it didn't look as though the Bourse would be open tomorrow.

H.M.Jr: Yes.

K: - believe that the reopening of the Bourse and franc trading will be further deferred.

H.M.Jr: Yes. Well, of course, that's what Cochran said, but now that they've passed this so quickly -

K: Yes.

H.M.Jr: - maybe they'll straighten it out.

K: Well, I think that the greatest - our greatest troubles or this market's greatest troubles are over for the time being.

H.M.Jr: Really.

K: - on the franc situation, I mean.

H.M.Jr: Yes, now what about sterling? What's sterling now?

K: Well, sterling I - I got a cable from the Bank of France - from the Bank of England and I had put in my call. They said the turnover in gold has been smaller than yesterday.

H.M.Jr: Yes.

K: And about the same as the day before -

H.M.Jr: Yes.

K: Roughly 10,000,000. Fluctuations very small. They bought on balance a half million dollars at about 4.95.

H.M.Jr: 500,000 dollars?

K: Yes.

H.M.Jr: Yes.

K: They bought.

H.M.Jr: Yes.

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K: And I just got a few details with them that I'm sending a report -

H.M.Jr: Good.

K: - about tonight.

H.M.Jr: Good. Well -

K: But - oh, he - I asked him how about the franc sales in his market, and he - he had sold about the same amount that we sold here.

H.M.Jr: Yes.

K: In other words, about 25,000,000 francs in London and 25,000,000 francs here.

H.M.Jr: Yes. Well, Cochran said he heard it was 30,000,000, but you say -

K: Well, we sold 25 and Bank of England said on the phone, "Well, we sold about the same amount."

H.M.Jr: Yes. Cochran said it was about 30, but that - that - that about checks.

K: Yes. That's near enough.

H.M.Jr: Yes. Well, I most likely - unless something breaks I most likely won't talk to you again until after I hear from Cochran.

K: Yes.

H.M.Jr: But he's going - he said he's going to have something on this German thing by then.

K: Bank of England told me this - that - that there was a flash out saying that Schacht had declared Germany would not devalue just now.

H.M.Jr: Yes.

K: That's all he had.

H.M.Jr: Yes. Well, we have that here, too, on United Press. We have the same thing.

K: I see. yes.

H.M.Jr: But also - well, this is what he said. This is what United Press says: "Schacht, head, etc., said that the German Government, the Reichsbank, decided against devaluation of the German mark. Addressing the Central Committee of the Bank, Schacht expressed doubt over the success of unconsidered devaluation measures of France, Holland, and Switzerland." Now what does the word "unconsidered" mean? I don't know.

K: Well - well probably what he has in mind whether - more definite - by definitely binding -

H.M.Jr: Yes.

K: - arrangement.

H.M.Jr: Well, of course - if the Germans do nothing that suits me all right.

K: Yes.

H.M.Jr: I mean rather than have them devalue.

K: Rather than have them - I didn't quite get you.

H.M.Jr: Well, the - the thing that the English have been so afraid of and the French whenever they talked to us -

K: Yes.

H.M.Jr: - was that the Germans were going to devalue 40%.

K: Yes.

H.M.Jr: Now if they devalued 40%, it might affect France.

K: Yes. Yes.

H.M.Jr: So rather than have them devalue 40%, I'd rather have them do nothing, wouldn't you?

K: Well, of course, that's all right, but Schacht doesn't say that he won't eventually devalue. He says -

H.M.Jr: No.

K: - that he won't devalue now.

H.M.Jr: No. Well - and the other thing Cochran said - that the Italians are watching this thing very closely,

and they think that - that we've handled the thing beautifully in America.

K: Yes. That's what the Italians say?

H.M.Jr: Yes.

K: I see.

H.M.Jr: The representative of the Italian Bank there in Paris -

K: Yes.

H.M.Jr: They're very much pleased the way we've handled it.

K: Well, what - what are they going to do now?

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

K: Oh, I see.

H.M.Jr: No.

K: Yes.

H.M.Jr: No. (Pause) All right. I'll call you around a quarter of four.

K: All right. Thank you very much, sir.

H.M.Jr: Goodbye.

September 30, 1936
3:30 p.m.

H.M.Jr: Hello.

Cochran: Hello, Mr. Morgenthau.

H.M.Jr: How are you?

C: All right. Thank you.

H.M.Jr: What's going on now?

C: I talked to - to Cariguel after you called me -

H.M.Jr: Yes.

C: - and he said that he was afraid to let any publicity be given those operations before actual devaluation.

H.M.Jr: Yes.

C: He said that he had left Baumgartner at the movement of funds section of the Ministry to see what they were doing, but was afraid to give publicity anticipating devaluation.

H.M.Jr: Yes - well.

C: I talked with the Ministry of Finance at 9:20 -

H.M.Jr: Yes.

C: - no, 9:30.

H.M.Jr: Yes.

C: And by that time the Senate had passed the Thirteenth -

H.M.Jr: Had - had done what?

C: - of the bill.

H.M.Jr: Had done what?

C: Had passed the Thirteenth Article -

H.M.Jr: Yes.

C: - and was working on what they call Thirteenth - Thirteenth and a Half. Now that - those first

thirteen constitute the real devaluation provisions.

H.M.Jr: Yes.

C: Beginning with fourteen are those social provisions.

H.M.Jr: Yes.

C: - compensation, and so on -

H.M.Jr: Yes.

C: And when I talked, they were working on this Thirteenth and One-half.

H.M.Jr: Yes.

C: - which is the text that Herriot, President of the Chamber, has lined up -

H.M.Jr: Yes.

C: - to replace those social measures. It's just a simple provision that under a law of August 20 -

H.M.Jr: Yes.

C: - which is authority to stop unjustified price raising. And they're going to say this: "The increases which were unfairly made on the pretext of devaluation," -

H.M.Jr: Yes.

C: - and have a committee to examine such figures. And the Senate the whole day had been talking in favor of such a compromise.

H.M.Jr: Yes.

C: But they would not give this Government authority to control prices and set up all these exemptions from devaluation effects.

H.M.Jr: Yes.

C: And - oh, yes, the Chamber was to meet at 9 o'clock -

H.M.Jr: Tonight?

- C: And now its - its meeting has been postponed until 11:00.
- H.M.Jr: Yes.
- C: And so if the Chamber is willing to take this half, see?
- H.M.Jr: Yes.
- C: Thirteen Articles and put them into a law, why it certainly ought to get by today all right.
- H.M.Jr: Now what time do they meet again?
- C: At 11:00.
- H.M.Jr: 11:00?
- C: They will meet then to consider this bill which the Senate has been working on.
- H.M.Jr: Yes.
- C: Now when I was talking, they were working - the Senate was working on this Thirteen and One-half.
- H.M.Jr: Yes.
- C: And they told me that they thought it would adjourn in 10 minutes.
- H.M.Jr: Yes.
- C: So my guess is that they're not - the Senate is not going ahead to consider the other half of the bill.
- H.M.Jr: Yes.
- C: They want to see if the Chamber will enact the first half as a separate law.
- H.M.Jr: Yes.
- C: And then consider the other provisions later or some other time.
- H.M.Jr: Yes.

C: But whether the Chamber can do that will depend upon the Communists, you see?

H.M.Jr: I see.

C: Because they're the ones who wanted the compensation.

H.M.Jr: Yes.

C: But we - we can't know anything more until after the Chamber sits at 11:00.

H.M.Jr: Now at 2:40, Washington time -

C: Yes.

H.M.Jr: - the Dow Jones news ticker carried the following statement -

C: Yes.

H.M.Jr: With a Paris headline, and said as follows: This was at 2:40 our time - "It is understood that francs were made available by official action in London and New York in order to facilitate covering of commitments."

C: Francs were made available?

H.M.Jr: Yes, and of - and, of course, that's all that I wanted. Somebody has given out the statement and I'm perfectly satisfied.

C: Well yes - yes.

H.M.Jr: Shall I repeat that to you?

C: From official sources though -

H.M.Jr: Shall I repeat it?

C: I say - if you would repeat that?

H.M.Jr: This is what it says: "Paris - hello -
Paris
Operator: (Speaking in French)

C: (Speaking in French)

H.M.Jr: All right.

C: (Speaking in French to Paris Operator)

H.M.Jr: All right?

C: Yes. I guess they're off.

H.M.Jr: Did you get the Mademoiselle all right.

C: (Laughs) I got her off the line - yes.

H.M.Jr: (Laughs) All right. This says: "Paris -

C: Yes.

H.M.Jr: - It is understood that francs were made available by official action in London and New York in order to facilitate covering of commitments."

C: Yes.

H.M.Jr: That's all I want.

C: Surely.

H.M.Jr: That's enough.

C: Yes but if it could have come from the official sources, it would have been probably a little bit better.

H.M.Jr: What's that?

C: I say if you had been free to announce it there or the Bank of France here, it might have been a little better.

H.M.Jr: Well, but this - this explains what I wanted to - that these francs have been made available from France.

C: Yes.

H.M.Jr: And not from London. See?

C: Yes. Yes.

H.M.Jr: I mean that this is all right. Evidently after you spoke to them, they changed their mind and

gave out a statement in a round-about way.

C: It's barely possible but I - I didn't talk to him until 7:00. It was almost 7:00 when I called him.

H.M.Jr: Well, this is 2:40 Washington time -

C: Yes.

H.M.Jr: - which is 8:40 -

C: Yes.

H.M.Jr: - your time.

C: Yes. They may have -

H.M.Jr: Couldn't -

C: They may have acted on it because -

H.M.Jr: Well, this accomplishes what I wanted any way.

C: Well, I'm glad of that.

H.M.Jr: Yes. Now will you talk to me again or not?

C: Just as you wish.

H.M.Jr: Well, the thing is that I don't want to talk to you so late. That's the only - well, let's leave it this way - if you have any news for me, see?

C: Yes.

H.M.Jr: - that's really important, why you - I - I won't be available until 8 o'clock Washington time which is 12 - is 2 o'clock your time.

C: Yes.

H.M.Jr: Hello.

C: Yes.

H.M.Jr: If you have anything which is important, you call me at 2:00.

C: At 2 o'clock where?

H.M.Jr: At 2 o'clock Paris time.

C: Fine. If - if I can get at any information I'll - I'll put in a call about 1 o'clock for the Ministry of Finance and the Senate.

H.M.Jr: But if it's really important, call me at 2. Otherwise, I'll talk to you the first thing in the morning.

C: All right. And now just - just one thing. Do you know the German story?

H.M.Jr: No, I do not. (Squeal) Hello -

C: Did you hear the report of Schacht's affair?

H.M.Jr: Well, it said on the ticker that he said he was not going to devalue.

C: I talked with Basle which had his complete statement, you see?

H.M.Jr: Yes.

C: And they thought it was fairly favorable - that he is not going to devalue, not going to create any special foreign mark, see?

H.M.Jr: (Aside: Tell them that I can't come right now).

C: He is going to leave it where it is.

H.M.Jr: Yes.

C: So that Germany couldn't - didn't want to increase the insecurities of the present situation -

H.M.Jr: Yes.

C: - and they said that if they did reduce, that they could not base their restrictions and terms on exchange. They say people take money out of -

H.M.Jr: Well, I guess we'll get that any minute now, won't we? Did he give that out officially?

C: I think not.

H.M.Jr: What's that?

C: I - I think you should get it.

H.M.Jr: Yes. Just - just - I don't hear very well. It was reassuring though?

C: And he said that Germany was ready, however, to take part in any international negotiations. He said that they would be glad to make a new investigation into the situation -

H.M.Jr: Yes.

C: - and my finance friend said that he went to some degree talking about Versailles and the need for protecting German savings, and so on.

H.M.Jr: Yes.

C: But still, their impression from a careful study of the German text is that he has not committed himself against devaluation.

H.M.Jr: I see. That's what we got.

C: Yes.

H.M.Jr: That's what we got.

C: - would really welcome contacts.

H.M.Jr: Yes.

C: And down at Basle the - the officers there think that both the British and the French would be glad to contact him after this first thing is settled.

H.M.Jr: I see.

C: Along in the autumn some time.

H.M.Jr: Yes.

C: And that he's left the door open so that he could get into any such (Growling Noise).

H.M.Jr: All right.

C: That - that's all. And if I have the definite - any definite news at 2 o'clock, I'll call you then.

H.M.Jr: Are you home?

C: Yes, I'm home now.

H.M.Jr: All right.

C: You can hear all right on this phone?

H.M.Jr: Very well.

C: Good.

H.M.Jr: Yes.

C: And I'll call you at two if I have anything definite.

H.M.Jr: Thank you.

C: If not, I shall not.

H.M.Jr: All right. Good night.

C: Good night.

September 30, 1936
3:48 p.m.

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H.M.Jr: Hello.

Operator: Mr. Knoke. Go ahead.

H.M.Jr: Hello.

Knoke: Yes, Mr. Secretary.

H.M.Jr: Knoke -

K: Yes.

H.M.Jr: I just got through talking with Cochran -

K: Yes.

H.M.Jr: - and I read him what the Dow Jones ticker said, which was the following, from Paris: "It is understood that francs were made available by official action in London and New York in order to facilitate covering of commitments." Hello -

K: Yes.

H.M.Jr: - which I said was perfect.

K: Yes.

H.M.Jr: Now the funny thing is that he asked them to do that and they turned him down. Then they went ahead and did it any way. (Pause) Hello -

K: Yes. I understood.

H.M.Jr: Isn't that funny?

K: Yes. Well -

H.M.Jr: But for our purpose, I'd much rather have it come from Paris and that ends it.

K: Your purpose is - is -

H.M.Jr: Is accomplished.

K: Is accomplished.

H.M.Jr: Yes. It just shows where those francs came from and that ends it.

K: Yes.

H.M.Jr: That's all I wanted. I just wanted to clear up the mystery - where did the francs come from today? They came from official sources in France.

K: Yes.

H.M.Jr: Now, we had a - we had a swell bond market, didn't we?

K: Yes, I see - (Laughs)

H.M.Jr: And did you - we didn't do anything in sterling, did we?

K: Nothing at all - no. No.

H.M.Jr: And I see the francs are up a little again.

K: Yes they are up - they were down to 4.85 on selling from Italy - selling from Italy -

H.M.Jr: Selling from Italy?

K: Yes.

H.M.Jr: Yes.

K: Well I think that as a matter of fact what happened is that Italy saw last night rates here of 4.80 - 5.85 -

H.M.Jr: Yes.

K: - and decided that that was nonsense.

H.M.Jr: Yes.

K: They happened to have a few balances and gave orders.

H.M.Jr: Yes. Did they do much selling?

K: No, I don't think so very much - a few million francs. The moment - the market I think had covered this morning at higher prices for those who needed badly.

H.M.Jr: Do you think I ought to give out a statement about Italy the way I did about -

K: (Laughs)

H.M.Jr: (Laughs) Oh, you wouldn't let me go through with it.

K: I wouldn't dare go and leave this bank again.

H.M.Jr: (Laughs) Is it as bad as all that?
K: (Laughs)
H.M.Jr: Say, listen -
K: Yes.
H.M.Jr: - you fellows don't get it. I'm the boy who gets it.
K: Yes - well, they know the information came to them.
H.M.Jr: Oh, yes. (Laughs). All right. Did you see the story - the official Russian announcement today in the official Russian paper?
K: No.
H.M.Jr: That I did it in order to re-elect Roosevelt.
K: Yes (Laughs). What paper is that?
H.M.Jr: Well we have these - this ticker service you know.
K: Oh, yes.
H.M.Jr: The Pravda - the official Russian organ.
K: Oh yes - yes.
H.M.Jr: Now -
K: Oh, I see.
H.M.Jr: Well, another - I'd say it was another good day, wouldn't you?
K: Very satisfactory.
H.M.Jr: You sound very tired. Are you?
K: I am very tired - yes. I - this thing last night kept me - I - I couldn't go to sleep and I was thinking half the night of this franc situation.
H.M.Jr: Yes. Well that - that's been taken care of.
K: Yes.
H.M.Jr: You've been doing a grand job, Knoke, and I'm delighted.

K: Thank you very much.

H.M.Jr: And I talked to the Governor today, and he's so delighted with what I did over at the Federal Reserve Board here.

K: Oh (Laughs).

H.M.Jr: You know I took the entire responsibility and said if there was any misunderstanding with New York, that the responsibility was entirely mine.

K: That ought to help.

H.M.Jr: And Governor Harrison was very much pleased. I said, "Now if you people got any kick, tell me about it. It's my responsibility and nobody in New York, because they were simply carrying out my orders."

K: Fine.

H.M.Jr: And the Governor is very much pleased because that completely clears him.

K: Yes. Yes - I think he was a little -

H.M.Jr: Well, he's very happy today. I mean I said, "Now if you men got anything tell me about it, because," I said, "it's my responsibility and they were simply carrying out my orders in New York." And they didn't have anything to say. So that clears the New York Bank.

K: Yes, until - until the next thing comes up (Laughs).

H.M.Jr: Well, after all, I'm your client. I'm the best client you've got, and as long as I'm satisfied, what the Hell?

K: All right.

H.M.Jr: And -

K: That - that reminds me. Have you ever heard from Cochran about those balances again?

H.M.Jr: (Laughs).

K: (Laughs).

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(Some one says something to Secretary in the office)

H.M.Jr: Oh - oh - oh - oh - oh - oh - oh! I didn't get it for a minute. No - when he calls me tomorrow I'll take that up with him.

K: Well, all right.

H.M.Jr: Archie is here and he says most likely those are the ones that they sold out at 4.85.

K: (Laughs)

H.M.Jr: (Laughs). All right.

K: Well, that's good. Thank you.

H.M.Jr: Good night.

K: Good night.

September 30, 1936
3:53 p.m.

H.M.Jr: Hello.

Operator: Governor Harrison.

H.M.Jr: Hello.

Harrison: Yes, Henry.

H.M.Jr: George -

H: Yes.

H.M.Jr: If you don't mind my saying I'm a little worried about the way Knoke sounds. I think you ought to send him home. He sounds completely all in. Hello -

H: Yes. Well, I didn't know that. I - he seemed all right to me this morning.

H.M.Jr: Well, I know, but I just got talking to him and he sounds the way I feel.

H: Well I'll - I'll look into it right away.

H.M.Jr: I - I think he ought to go home. He sounds com - I never heard him so down.

H: Really.

H.M.Jr: Yes, and I talked to Archie, and Archie says, Lochhead, he says that Knoke - last night was what seemed to have got him, but he - he's all right. But if you don't mind - I just talked to him and he sounds terribly low.

H: All right. I - I'm glad you told me.

H.M.Jr: And we're so dependent on him. (Laughs) I want you to - he done a perfectly grand job.

H: Well, I think he has, too. He has been great.

H.M.Jr: And I called up France, and I was just telling him - I wanted to get the French to say something about these damn francs, you know, so people could understand it. They first refused to, but evidently they came through because this is what the Dow Jones carried, and it says: "Paris--It is understood that

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francs were made available by official action in London and New York in order to facilitate covering of commitments." Which is entirely acceptable to us.

H: Oh, yes, I think that's all right.

H.M.Jr: And that comes out of Paris, and that's all right.

H: Yes.

H.M.Jr: I got Knoke though to laugh. He was telling me that the thing went down a little bit because the Italians had been selling francs, so I said to him, "Well, do you think that I ought to make a statement similar to the Russian?" He said, "No, no, no - if you do that I could never leave - go out even for lunch."

H: (Laughs)

H.M.Jr: So he hasn't lost his sense of humor anyway.

H: (Laughing) All right. All right. Well, thank you for calling me, Henry, and I'll look into it right away.

H.M.Jr: Thank you.

H: All right.

H.M.Jr: Good bye.

H: Good bye.

9/30/36 12:28
BRAZIL MAY JOIN DOLLAR BLOC

RIO DE JANIERO - REUTERS - IT IS CONSIDERED PROBABLE HERE THAT IN THE FUTURE THE BANCO DO BRASIL WILL ADOPT THE DOLLAR AS THE UNIT TO WHICH THE MILREIS IS TO BE PEGGED FOR INTERNATIONAL TRANSACTIONS IN THE PLACE OF STERLING WHICH FORMERLY HAD BEEN USED

THE BANCO DO BRASIL NOW IS OFFERING STERLING AT THE RATE OF 84 400 MILREIS DOLLARS AT 17 000 AND FRANCS AT 0 845

-0-

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 30, 1936.

COMMERCIAL FILES

L. W. Knoke

SUBJECT: TELEPHONE COMPENSATIONWITH BANK OF FRANCE.

Mr. Carlguel called this morning at 8:45 with reference to our cable of last night. You can tell your New York bank, privately of course, because I don't care to enter into an argument, that I am sorry for them but want to remind them that during the New York holiday in March, 1935, Paris bankers were in such the same position as the New York banks are today. At that time, the Bank of France, although it knew that the dollar was to be devalued, had retained at its own risk \$4,000,000 which enabled it to take care of the situation as a matter of fact we actually lent dollars to the Paris market at that time.* However, if the New York banks need francs now, the Bank of France will give them all the francs against dollars. I, therefore, in answer to your cable now instruct you to sell francs for account of Bank of France value tomorrow in any amount at 516 5/8 which is the equivalent of about francs 19.565 to the dollar. You are also authorized to sell, value today, provided your paying instructions reach us in Paris before 5 p. m. I am willing to take your instructions on the telephone if you want to call me before 5 p. m.*

For your information I have given the Bank of England a similar order today at 96 francs to the pound (which, at 4.96, figures 516.666). So far the Bank of England has done 20,000,000.*

I told Carlguel I thought this was very helpful and that I would keep in touch with him. I made no comment on his remarks regarding the bank's message of last night other than to say that I hoped I had made it very clear to him that we did not as intermediaries only and felt that the urgency of the situation required our complying with the

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 22, 1950.CONFIDENTIAL FILESSUBJECT: TELEPHONE CONVERSATIONL. W. KnackBANK OFFRANCE.

- 2 -

bank's request. Cariguel laughed, saying he saw the whole situation very clearly.

LWK:KMC



* It is impossible for us, under our regulations, to grant overdrafts against dollars.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 30, 1938.CONFIDENTIAL FILESSUBJECT: TELEPHONE CONVERSATIONL. W. KnokeWITH BANK OF FRANCE.

Mr. Cariguel called me at 11 o'clock today. I advised him that we had just sent him a tested cable asking him to pay 20,000,000 francs to City Bank, Paris, for account of National City Bank, New York; 2,250,000 francs to Societe General for account of Bankers Trust Company; 100,000 francs to Banque de Paris de Pays Bas for account of New York Trust Company. I told him we had effected these sales at 5.16 3/8 net to him but collected from the buyer at the rate of 5.16 5/8, the difference representing compensation for the bank through whose intermediary the sale was effected (Irving Trust Company) and brokerage according to established custom. I mentioned that we might have to credit his account a few dollars in addition if we subsequently found that the cost of brokerage collected from the buyers was in excess of the amount paid out.

I informed Cariguel that Switzerland now was offering francs in this market for regular delivery at 5.00, so that it did not look as though we would sell much more during the rest of the day against his order of this morning of 5.16 3/8. I added that I was hopeful that the demand for francs for delivery today had been filled by us this morning. At any rate, we had instructed the Irving to make sure, through its brokers, that the market knew that francs were available for delivery today if prompt action was taken. I added that the New York market was now feeling much better than yesterday.

LWK:ENC

FEDERAL RESERVE BANK
OF NEW YORK

157

OFFICE CORRESPONDENCE

DATE September 30, 1936.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

L. W. Knoch

WITH BANK OF ENGLAND.

I got my call through to Mr. Bolton at 12:10 p. m. just when I received his cable reading:

"No. 234/36 CONFIDENTIAL FOR KNOKE

Dollar has fluctuated between 4.95 and 4.9625. Rate now 4.9525. About 1,250,000 pounds gold dealt in at fixing at 140 shillings 2 pence and since then about 1,000,000 pounds at 140 shillings 1 1/2 pence to 140 shillings 2 1/2 pence. Bought about \$500,000. Market turnover so far \$25,000,000. Propose cabling daily at your opening short report of conditions here."

The rate at which the above \$500,000 were bought was about 4.95, Bolton said; they were now trying to operate between 4.95 1/2 to 4.96 1/2. I suggested that at times we might find it advisable to operate in this market even though London was still open. Would that make matters more difficult for him? Bolton thought it would be easier for him if, in a case like that, I told him what we were doing. I replied that he could take that for granted.

I mentioned this morning's order from the Bank of France and told him that we had sold here a little less than 25,000,000 francs for today's delivery. Bolton replied that they had done about the same under a similar order. Apart from these operations trading in London in French francs continued in suspension as agreed between the Bank of France and the Bank of England.

We discussed the gold market in London during the last few days, particularly the fact that, in spite of the low price for gold in London yesterday, no purchases had been made under our weekly order. Bolton explained that it had always been a cardinal point of the bank's policy not to intervene in any market unless the market alone could not

FEDERAL RESERVE BANK
OF NEW YORK

158

OFFICE CORRESPONDENCE

DATE September 29, 1924.

CONFIDENTIAL FILE

SUBJECT: TELEPHONE CONVERSATIONL. W. KokeWITH BANK OF ENGLAND.

- 2 -

cope with the business offered. Accordingly, as long as the market experienced no difficulty in absorbing all the gold available, as was the case yesterday, they had always thought it best not to intervene. I replied that this had been my understanding but suggested that at times they also might wish to bear in mind that the original purpose of giving these orders was to cut down on the amount of gold actually shipped to this country, particularly since the problem of incoming gold shipments was one that was being given a great deal of thought here. Bolton continued that it was frequently for them a matter which presented considerable technical difficulties because of the violent fluctuations in the exchange rates taking place at the time of fixing the gold price, which most of the time made it impossible to do the gold and exchange transaction simultaneously and therefore forced the operator to take an open position either in gold or in exchanges. I replied that I appreciated these difficulties, that I had touched upon the problem not in a critical vein but solely for the purpose of getting into the habit of frankly discussing with him problems of this nature as they came up.

LWK:KMG

U

GRAY

The Hague

Dated September 30, 1936

Rec'd 10:45 a.m.

Secretary of State

Washington

45, September 30, 1 p.m.

Premier Colijn speaking before both Chambers said that the international monetary situation was very confusing and that the government had no intention of fixing a new gold content for the florin. He called for and secured the passage of three bills: (a), authorizing an embargo on gold; (b) establishing a 300,000,000 florin equalization fund; (c) providing for a system of price control.

Exchange and other (*) today indicate continued confidence and general acceptance of approximately 20% devaluation despite fact that Government for the moment will confine itself to the gold export embargo.

WILSON

WWC

(*) Apparent omission

U

GRAY

Geneva

Dated September 30, 1936

Rec'd 11:20 a.m.

Secretary of State

Washington

373, September 30, noon.

One. At the request of the French and British delegations the discussion of economic questions in the Second Committee will not begin before Friday. The Assembly is expected to close toward the end of next week.

Two. I learn that the British are sounding out delegates respecting a resolution providing for a study of the question of access to raw materials. It is expected to provide judicious joint inquiry by the Economic and Financial Committees with the assistance of experts.

Three. Stoppani today gave me the following statement of his views of the situation: "the very important operation of 'alinement' of the three more important continental countries has been done on the basis of a rapid and effective collaboration between Washington, Paris and London to which Holland and Switzerland joined themselves immediately.

It is not only the devaluation in itself but also the way in which it was made e. g. not merely by each nation individually with its own strength and its own weakness but

as

U -2- #373, Sept. 30, noon, from Geneva

as an international operation.

The problem of the moment, as I see it, is to keep up this method of plurilateral and collective action also for the second part of the program i.e. liberation of exchange control which is not applied by the countries in question but by others in a further stage of the operation which will have to be done later and which will also require international collaboration).

If the countries concerned, in particular countries with strong protectionist interests like France and Switzerland are now allowed simply to fall back on their own autonomous individual action I am afraid that there is very little prospect that devaluation be followed by rapid and wide abolition of restrictions as would be necessary. Indeed I fear that if a change in import policy does not take place devaluation might be followed by such a rise in price as might give origin to very difficult situations and possibly social trouble, especially in France.

It is therefore of the utmost interest that in some way the plurilateral collaboration begun in the monetary field (in which not only the five countries are concerned but also the countries of the sterling and dollar block are mute participants) should be continued in the commercial field. We must not therefore, after the Second Commission has adopted a nice resolution, let the people drift asunder.

If

U -3- #373, Sept. 30, noon from Geneva

If the United States Government could find it possible to express in some way this thought to the other Governments concerned, it would be at this moment, in my opinion, of a very great value for the economic recovery of the world and also to a very great extent for the pacification of Europe."

GILBERT

CSB

LMS

GRAY

Moscow

Dated September 30, 1936

Rec'd 12:27 p. m.

Secretary of State,
Washington.

230, September 30, 6 p. m.

My 226, September 28, 1 p. m.

After reporting Secretary Morgenthau's second interview concerning the sale of pounds by the Soviet State Bank today's PRAVDA makes brief editorial comment. It quotes from the New York HERALD TRIBUNE passages critical of Morgenthau's action which it ridicules as an unsuccessful trick to deceive the public. It concludes with the following passages:

"Not only the press of the whole world, American included, but also the bourse circles of England and the United States of America are wondering why the American Minister needed such a cheap trick. It is significant that all agree on one point; the trick was necessary for election campaign purposes. In the heat of pre-election fever Mr. Morgenthau availed himself of a method of the notorious Mr. Hearst, king of the yellow press, in whose arsenal anti-Soviet calumny is the best seller. It is not surprising that the Minister fell into the awkward and ridiculous situation from which he is now vainly trying to
extricate

LMS 2-No. 230, September 30, 6 p. m., from Moscow.

extricate himself".

The PRAVDA also carries stories from the Tass correspondent in New York quoting at length critical passages from the American press, particularly those which connect Morgenthau's action with recent charges that the President is receiving Communist electoral support.

Today's IZVESTIYA carries a special article signed with the pseudonym Charley Yuk entitled "The Knight of the Pitiful Countenance - or - Mr. Morgenthau in the role of the defender of the English pound". The article is in a facetious tone throughout and is devoted to the ridicule of Morgenthau who is alleged to be vying with Charley Chaplin and Hitler for the honor of being the funniest man in the world. The author is careful to put all his thoughts in the mouths of the foreign press and states that world opinion is divided as to whether the matter was a pre-election trick or whether Morgenthau lost control of himself upon realizing that the rate of the dollar was rising in relationship to the pound against his own wishes.

Translation of editorial comments going forward today by pouch.

HENDERSON

KLP:HPD

U

GRAY

Sydney, N.S.W.

Dated September 30, 1936

Rec'd 12:30 a.m.

Secretary of State

Washington

September 30, 11 a.m.

Department's August 8, 2 p.m.

Today's bank selling rate of exchange 394125 dollars
to pound sterling.

MOFFAT

RR

U

GRAY

Paris

Dated September 30, 1936

Rec'd 1:10 p.m.

Secretary of State

Washington

951, September 30, 5 p.m.

The debate began in the Senate this morning on the Government's monetary bill. It is understood that the bill as reported by the Senate Finance Committee consists of only the monetary provisions and that the social provisions such as powers to deal with higher living costs were eliminated. We understand that the present atmosphere of the Senate is unfavorable to the bill as passed by the Chamber and competent observers have expressed the view this afternoon that any tactical mistake by the Government during the debate in the Senate might result in a defeat for the Government. However it is generally believed that, as a result of Blum's political skill and as a result of long drawn out conferences between the Chamber and the Senate which will take place tonight, it may be expected that the bill in a modified form finally will be enacted into law sometime during the early morning hours.

BULLITT

USB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rome, Italy

DATE: September 30, 1936, 6 p.m.

NO.: 394

Reference is made to telegram of September 28, 1 p.m., No. 389, from the Embassy.

Today it is announced that until further notice Italy's stock exchanges are to remain closed. It is understood in financial circles that the Government intends to open them on the fifth of October. As to the future of the lira, there is still no reliable information forthcoming.

PHILLIPS.

EA:LWW

MED

GRAY

BERLIN

Dated September 30, 1936

Received 6:25 p.m.

Secretary of State,

Washington

RUSH. 296, September 30, 6 p.m.

Text of Schacht address this afternoon to Central Committee of the Reichsbank states that the circumstances and the fact of French devaluation and the considerable effect that this must have on international economic and currency relations made it desirable that the German viewpoint on this subject be made public.

He stated that the announced intention of the three powers concerning preserving peace and creating conditions contributing to the restoration of order in international relations calculated to improve the standard of living, completely corresponded to the wishes and the will of the leader and in this connection referred to the Reichstag speech of May 21, 1935, and to the diplomatic note of the Reich Government of March 31, 1936, containing a comprehensive peace plan. He added, however, that while greeting the three power declaration of policy to "maintain the greatest possible balance in the international currency market" reference could not be withheld that English and American devaluation had most grievously disturbed the economic balance of the zones. However, this

MED - 2 - #296, September 30, 6 p.m. from Berlin

this would not restrain the German Government from all endeavors to support the announced purpose of "mitigating little by little with the goal of full removal of existing quota and currency control tacitly".

He continued that if French devaluation was measured by such intentions unfortunately then it must be determined that the uncertainty of the international currency situation has been little changed by this step and that while the gold block had at least provided stability in its sphere this has now disappeared. The currency agreement between the three powers does not even provide a fixed relationship between them nor have Switzerland and Holland provided such a one so that instability is greater than before.

If we do not believe in the success of such measures, he said, Germany is, however, far removed from criticising or in any way disturbing the measures which the French Government believed it had to take, but that on the contrary, it could only be welcome if the success desired according to the French announcement comes to pass and especially if international peace, security, and freedom are again attained. We also thoroughly feel it our duty to exempt by what measures on our side we can assist in attaining this goal. The Government and the Reichsbank have come to the conclusion in this examination that we did not want to add to the increased uncertainty of international traffic brought about by the foregoing
devaluation

MED c-3- #296, September 30, 6 p.m. from Berlin

devaluation measures since we would also introduce an uncertain element in the currency situation. The Government desires to maintain purchasing power and working accord in their full value.

If there were occasional German wishes expressed for devaluation, Schacht said he did not want to exaggerate these by polemizing against them individually but that he would rather say to Germany that the foreign exchange control system could not be made superfluous by any mere devaluation. The Versailles debt burden and the acquisition of raw materials required this. The solution of this problem depended not only on the welfare of Germany but on the countries interested in a market of seventy million people.

He admitted that Germany was aware that the present international currency situation imposed severe burdens on it but declared that no pressure would cause the German Government to do anything against the interests of its own people and country, adding that on the other hand "the German Government is ready at all times to participate in purposeful international negotiations which under the assumption, emphasized also in the currency declaration of the three powers, of protection of national interests strive for a free international economic and payment traffic

MED - 4- #296, September 30, 6 p.m. from Berlin

traffic. Should such a possibility present itself in connection with the action of the three powers we would welcome this and be ready for renewed examination. In the meantime we can and will look upon the development with all calmness and reach our decisions from time to time with a free will". In concluding Schacht said that thanks to foreign exchange control Germany had maintained a stable economic basis and would retain it.

The foregoing close summary reveals that Germany has no present intention of revaluing the mark but does not close the door to future action.

Schacht has summoned the foreign press to a conference, still in progress, the results of which will no doubt appear in the morning newspapers.

DODD

NPL:SMS

SEP 30 1936

10:44

SCHACHT SAYS NO GERMAN DEVALUATION
BERLIN-

ADD SCHACHT SAYS NO DEVALUATION
BERLIN- IN A STATEMENT TO THE CENTRAL
COMMITTEE OF THE REICHSBANK DR HJALMAR SCHACHT
PRESIDENT OF TH

E REICHSBANK SAID THERE WOULD
BE NO DEVALUATION OF THE GERMAN REICHSMARK
BECAUSE -GERMANY DOES NOT WANT TO CARRY INTO A
CONFUSED INTERNATIONAL CURRENCY SITUATION ANOTH-
ER ELEMENT OF INSECURITY-

-0-

SEP 30 1936

11.55

ADD SCHACHT SAYS NO DEVALUATION
BERLIN -DR SCHACHT SAID- WE WILL ALWAYS BE
PREPARED TO PARTICIPATE IN INTERNATIONAL NE-
GOTIATIONS WHICH AIM AT A FREE ECONOMIC
SYSTEM AND FREE PAYMENT TRAFFIC - SHOULD
SUCH A POSSIBILITY BE OPENED THROUGH THE MONE-
TARY AGREEMENT REACHED BETWEEN AMERICA
BRITAIN AND FRANCE GERMANY WILL HAIL IT AND
BE PREPARED TO RE-EXAMINE ITS ATTITUDE-

-0-

GERMANY
BERLIN

UNITED PRESS - Sept. 30, 1936.

173

WCNS68

Dr Schacht

BERLIN.--DR. HJALMAR SCHACHT, HEAD OF THE REICHSBANK, TODAY SAID THE GERMAN GOVERNMENT AND THE REICHSBANK HAD DECIDED AGAINST DEVALUATION OF THE GERMAN MARK.

ADDRESSING THE CENTRAL COMMITTEE OF THE BANK, SCHACHT EXPRESSED DOUBT OVER THE SUCCESS OF "UNCONCERTED" DEVALUATION MEASURES OF FRANCE, HOLLAND SWITZERLAND.

9/30--R1211P

9661 08200
1936 08 20

ADD HOLLAND GOLD EMBARGO APPROVED
AMSTERDAM- PRESIDENT TRIPP OF THE BANK
OF THE NETHERLANDS STRESSED THE ABSENCE OF
PANIC POINTED TO THE VERY EASY MONETARY
CONDITIONS GIVING RISE TO GREAT CONFIDENCE
AND EXPECTATIONS OF A LOWER DUTCH INTEREST
STANDARD- HE STATED THAT REPATRIATION OF
CAPITAL HAS COMMENCED THOUGH IT IS MUCH SHORT
OF THE CAPITAL STILL ABROAD- THE DUTCH BALANCE
OF PAYMENTS IS IN EQUILIBRIUM AND THEREFORE THE
GUILDER RATE IS MAINLY A PSYCHOLOGICAL QUESTION-
THE LINKING OF THE GUILDER NOW EITHER TO GOLD OR
STERLING IS HIGHLY INADVISABLE

9.45

1936 08 20

THE EQUALIZATION FUND WILL START PURCHASING
STERLING AIDED BY THE GOLD OF BANK OF THE
NETHERLANDS DR TRIPP STATING THAT THE FUND
WILL BE FULLY EFFECTIVE

-0-

SEP 30 1936

GUILDERS WEAK IN LONDON

9:45

LONDON- FOLLOWING RATHER HEAVY DEMAND FOR GUILDERS IN LONDON FOREIGN EXCHANGE MARKET ON TUESDAY RESULTING FROM REPATRIATION OF CAPITAL AND BEAR COVERING THE AMSTERDAM RATE ONCE MORE HAS WEAKENED IN LONDON ON THEORY THAT THE STERLING-GUILDER RATE EVENTUALLY WILL BE AROUND 9 50 GUILDERS TO THE POUND

THERE HAS BEEN A CERTAIN AMOUNT OF BUYING OF SWISS FRANCS IN LONDON ATTRIBUTED PRINCIPALLY TO NON-SWISS SOURCES WHO ARE INCLINED TO TAKE A MORE BULLISH VIEW OF FUTURE OF THE CURRENCY AFTER TUESDAY-S DEVELOPMENTS

PREMIUM ON THREE MONTHS FORWARD DOLLARS NOW IS 1 3-8 CENTS AND ON ONE MONTH DOLLARS 1-2 CENT -DISCOUNT ON THREE MONTHS GUILDERS IS 11 1-2 DUTCH CENTS

-0-

SEP 30 1936

9:50

ITALIAN BOURSES TO REMAIN CLOSED

LONDON- A REUTERS DISPATCH FROM ROME STATES IT WAS OFFICIALLY ANNOUNCED THAT BOURSES IN ITALY WILL NOT REOPEN TOMORROW AND WILL REMAIN CLOSED UNTIL FURTHER ORDERS

-0-

SEP 30 1936

2.512

STERLING-FRANC RATE

LONDON - FRENCH FRANCS ARE BEING OFFERED IN SWITZERLAND AT A RATE EQUIVALENT TO A LITTLE OVER 100 FRANCS TO THE POUND BUT THE ONLY TRANSACTIONS WHICH HAVE BEEN EFFECTED IN LONDON ARE THOSE REPORTED EARLIER TO 96 TO THE POUND

SEP 30 1936

ADD STERLING-FRANC RATE

2.53

LONDON - IN PREVIOUS ITEM FIGURE IN THIRD LINE SHOULD READ -100 FRANCS-

LATTER RATE HOWEVER IS BELIEVED TO BE A SPECIAL RATE TO MEET AN EMERGENCY ARISING OUT OF NECESSITY OF FINDING FRANCS FOR SETTLEMENT OF MATURING FORWARD CONTRACTS AND DOES NOT IMPLY THAT THIS WILL BE THE RATE WHEN FREE DEALINGS REOPEN BETWEEN LONDON AND PARIS

IT IS UNDERSTOOD THAT NO INDICATION WILL BE GIVEN TO LONDON OF THE AMOUNT OF FRANC DEVALUATION UNTIL FRENCH CHAMBER APPROVED THE LEGISLATION FOLLOWING SENATE REVISION - IT WAS REPORTED AT 5 30 PM THAT THE FRENCH SENATE SESSION WAS SUSPENDED

SEP 30 1936

ADD PARIS BOURSE

2:40

PARIS - IT IS UNDERSTOOD THAT FRANCS WERE MADE AVAILABLE BY OFFICIAL ACTION IN LONDON AND NEW YORK IN ORDER TO FACILITATE COVERING OF COMMITMENTS

IN WELL INFORMED QUARTERS IT IS FORECAST THAT THE OPENING FRANC RATE WILL BE NEAR THE MIDDLE POINT BETWEEN THE NEW GOLD LIMITS IN ORDER TO CHECK SPECULATION FOR OR AGAINST THE FRANC - FORWARD EXCHANGE TRANSACTIONS ARE EXPECTED TO BE FORBIDDEN OR AT ANY RATE IMPRACTICABLE

DESPITE DRASTIC AMENDMENTS IN THE DEVALUATION BILL BOTH SENATE AND CHAMBER OF DEPUTIES ARE EXPECTED TO REACH AN AGREEMENT ON THE TEXT DURING THE NIGHT PERMITTING REOPENING OF FOREIGN EXCHANGE MARKET AND THE BOURSE IN PARIS ON THURSDAY

IT IS EXPECTED FRENCH BANK RATE WILL BE CUT FROM THE 5 PC LEVEL TO WHICH IT WAS LIFTED LAST WEEK

WEEKLY STATEMENT OF CONDITION OF BANK OF FRANCE TO BE PUBLISHED THURSDAY WILL SHOW THAT THE GOLD RESERVES ARE STILL FIGURED IN POINCARE FRANCS - CALCULATION OF GOLD RESERVE ON THE BASIS OF THE NEW BIUM FRANC WILL NOT BE SHOWN UNTIL NEXT WEEK-S STATEMENT

FRANCE
PARIS

UNITED PRESS - Sept. 30, 1936.

178

WCNS21

French Senate

PARIS.--THE SENATE BEGAN DEBATE TODAY ON DEVALUATION OF THE FRANC. PASSAGE OF THE GOVERNMENT'S FINANCIAL MEASURES WAS EXPECTED, BUT NOT WITHOUT VIOLENT ARGUMENT.

THE BILL WHICH THE SENATE FINANCE COMMITTEE PRESENTED, WAS GREATLY ALTERED FROM THE FORM IN WHICH IT LEFT THE CHAMBER OF DEPUTIES. SECTIONS COMPENSATING WORKERS WERE STRUCK OUT.

THE GOVERNMENT WAS HOPEFUL THAT THE DEBATE WOULD BE ENDED TONIGHT AND THE BILL BE SENT BACK TO THE CHAMBER FOR CONFERENCE.

THE GOVERNMENT HOPES DEVALUATION OF THE FRANC CAN BE MADE OFFICIAL BY PUBLICATION OF THE LEGISLATION IN THE LAW JOURNAL EITHER THURSDAY OR FRIDAY MORNING.

9/30--R928A

WCNS29

Bullitt

LE HAVRE, FRANCE.--WILLIAM C. BULLITT, AMERICA'S NEW AMBASSADOR TO FRANCE, ARRIVED TODAY ON THE WASHINGTON. HE WAS GREETED BY HIGH GOVERNMENT OFFICIALS AND IMMEDIATELY TOOK A TRAIN FOR PARIS.

9/30--R944A

WCNS31

Blum to be

PARIS.--PREMIER BLUM, ACCOMPANIED BY MINISTER OF NATIONAL ECONOMY SPINASSE AND MINISTER OF COMMERCE BASTID, PLANS TO GO TO GENEVA TOMORROW OR FRIDAY TO PRESENT TO THE LEAGUE A SERIES OF PROPOSALS TO NORMALIZE INTERNATIONAL EXCHANGE, THE UNITED PRESS SAYS.

9/30--R946A

WCNS74

179

PARIS--THE SENATE APPROVED THE GOVERNMENT'S DEVALUATION BILL TODAY, COMPLETING ITS PASSAGE THROUGH PARLIAMENT.

9/30--R1222P.

Add French Senate

WCNS90

ADD DEVALUATION, PARIS (WCNS74.)

THE VOTE WAS ~~137 TO 127~~.

THE MEASURE ALREADY HAS BEEN PASSED BY THE CHAMBER OF DEPUTIES. THE SENATE, HOWEVER, ALTERED SOCIAL RIDERS OF THE BILL, SUCH AS THOSE AFFECTING THE STATUS OF WORKERS, AND THE MEASURE MUST BE RETURNED TO THE CHAMBER FOR ITS ACCEPTANCE BEFORE THE GOVERNMENT CAN ISSUE ITS DECREE REVALUING THE FRANC.

9/30--E109P

WCNS127

PARIS, THURSDAY.--THE CHAMBER OF DEPUTIES STOOD BEHIND THE POPULAR FRONT GOVERNMENT EARLY TODAY ON ITS FRANC DEVALUATION PLAN.

THE CHAMBER FINANCE COMMISSION REJECTED THE PRICE SAFEGUARD CLAUSE OFFERED BY THE SENATE AND AGAIN VOTED APPROVAL OF ITS OWN VERSION, 24 TO 14.

9/30--E806P.

WCNS124

PARIS.--POSSIBILITIES OF A MINISTERIAL CRISIS AROSE TONIGHT AFTER THE SENATE APPROVED DEVALUATION BUT TURNED DOWN PREMIER BLUM'S DEMAND FOR A FREE HAND IN HALTING ANY PRICE RISE THAT MIGHT RESULT FROM THE CHANGE IN GOLD CONTENT OF THE CURRENCY.

SOURCES CLOSE TO THE GOVERNMENT SAY THAT BLUM IS DETERMINED TO GET BROAD POWERS AS A COUNTERPART TO DEVALUATION AND IS PREPARED TO REFUSE THE SENATE BILL, WHICH HAS GONE BACK TO THE CHAMBER OF DEPUTIES FOR CONSIDERATION. SUCH A DEMAND LIKELY WOULD LEAD TO A QUESTION OF CONFIDENCE, WHEN THE BILL COMES BACK TO THE SENATE AFTER DEPUTIES VOTE ON IT. THE SENATE ALSO IS REPORTED AS ADAMANT NOT TO GIVE THE GOVERNMENT BROAD POWERS AND THEIR ATTITUDE IS HOSTILE TO THE GOVERNMENT.

DEBATE IN THE SENATE TODAY WAS AIMED AT THE SOCIAL MEASURES AND DESPITE BLUM'S INTERVENTION, SENATORS REFUSED TO ACCEPT THE MEASURES AS ADOPTED BY THE CHAMBER OF DEPUTIES FOR TWO REASONS:

1. THEY OPENED THE WAY FOR FURTHER SOCIAL UNREST AND LABOR CONFLICTS AT A TIME THE NATION NEEDS A SERENE ATMOSPHERE IN ORDER FOR DEVALUATION TO SUCCEED.
2. SOCIAL MEASURES HAVE NO PLACE IN THE SAME BILL WITH A PURELY FINANCIAL OPERATION.

THE ARTICLES GIVING THE GOVERNMENT POWER TO REQUISITION GOLD AND COMBAT SPECULATION WERE CHANGED TO MAKE EXCEPTIONS FOR BANKERS AND EXPORTERS WHO NEED GOLD IN THEIR BUSINESS AFFAIRS.

9/30--E740P.

WCNS120

ADD DEVALUATION, PARIS (WCNS127.)

THE CHAMBER RECONVENED AFTER THE COMMISSION CONSIDERED THE SENATE'S ACTION OF YESTERDAY AND HEARD THE REPORT OF THE COMMISSION'S ACTION.

MINISTER OF FINANCE VINCENT AURIOL, AMID APPLAUSE FROM THE LEFT PARTIES, TOLD THE DEPUTIES THAT THE GOVERNMENT ACCEPTED THE COMMISSION'S DECISION AND URGED THE UTMOST SPEED IN CONCLUDING ACTION OF THE DEVALUATION PROGRAM.

"THE UNITED STATES AND GREAT BRITAIN, OUT OF COURTESY, CLOSED THEIR EXCHANGE MARKETS THIS WEEK AND WE MUST RETURN THE COURTESY TO END THE PRESENT SITUATION AS SOON AS POSSIBLE," HE SAID. "I ASK THAT PARLIAMENT MAKE A CLEAR AND RAPID DECISION."

DEPUTY JOSEPH DENAIS ATTEMPTED TO REOPEN EXAMINATION OF THE DEVALUATION. HE DEMANDED NEW CONSIDERATION OF ARTICLE ONE OF THE PROGRAM, WHICH SETS FORTH THE DEVALUATION PRINCIPLE, AND THE CHAMBER REITERATED ITS FORMER APPROVAL BY A VOTE OF 343 TO 218.

THE CHAMBER READOPTED THE WHOLE DEVALUATION BILL THIS MORNING, BY A VOTE OF 351 TO 217. THE MEASURE NOW GOES BACK TO THE SENATE.

9/30AAE831P

RUSSIA
MOSCOW

UNITED PRESS - Sept. 30, 1936.

182

WCNS42

MOSCOW.--THE COMMUNIST PARTY ORGAN, PRAVDA BRANDED AS A "CHEAP POLITICAL TRICK" TODAY SECRETARY MORGENTHAU'S STATEMENT THAT THE SOVIET STATE BANK HAD TRIED TO DEPRESS THE POUND STERLING ON THE NEW YORK MARKET.

"IT WAS A CHEAP POLITICAL TRICK DESIGNED TO HELP PRESIDENT ROOSEVELT'S POLITICAL CAMPAIGN," THE PAPER SAID.

9/30--R1019A

FRANC SQUEEZE ENDED

11.02

* SQUEEZE WHICH DEVELOPED IN FRANC MARKET YESTERDAY OWING TO LACK OF SUPPLIES OF FRANCS TO MEET DEMANDS FOR CONTRACTS MATURING TODAY HAS BEEN BROKEN IN LONDON AND NEW YORK THROUGH OFFICIAL COOPERATION WITH FRENCH AUTHORITIES IN CONFORMITY WITH TERMS OF THE TRI-PARTITE MONETARY AGREEMENT *

LARGE BLOCKS OF FRANCS HAVE CHANGED HANDS FOR DELIVERY TODAY AT 5 16 5-8 CENTS- THIS COMPARES WITH A HIGH OF 5 75 CENTS WHICH WAS PAID YESTERDAY FOR TODAY-S DELIVERY- IN LONDON TODAY-S FRANCS ARE AVAILABLE AT 96 FRANCS TO THE POUND

-REGULAR- FRANCS WHICH ARE SPOT FRANCS HAVING A TWO DAY DELIVERY ARE QUOTED AT 5 10 CENTS

STERLING IS STEADY AT 4 95 1-4 TO 4 95 1-2 SOLUTION OF THE PROBLEM BY MEANS OF

OFFICIAL INTERNATIONAL COOPERATION OBVIATES NECESSITY FOR A CONFERENCE WHICH WAS TO HAVE BEEN HELD TODAY AMONG LOCAL BANKS TO DISCUSS THE DESIRABILITY OF A LOCAL MORATORIUM OF FRANC PAYMENTS TO REMAIN IN EFFECT UNTIL PARIS FOREIGN EXCHANGE MARKET REOPENS AND FRANC SETTLEMENTS COULD BE MADE

THE OFFICIAL ACTION IS BELIEVED TO HAVE BEEN INITIATED BY BRITISH EXCHANGE FUND IN LONDON WHICH MADE AVAILABLE AMPLE SUPPLIES OF FRANCS TO MEET THE REQUIREMENTS- IT IS BELIEVED ALSO THAT AMERICAN STABILIZATION FUND IS TAKING SAME STEP IN NEW YORK MARKET BUT THIS LATTER BELIEF HAS NOT YET BEEN CONFIRMED- IT IS OBVIOUS HOWEVER THAT AMPLE SUPPLIES OF FRANCS ARE AVAILABLE TO MEET NEEDS OF THIS MARKET TODAY TO PROVIDE FRANCS FOR SETTLEMENT OF CONTRACTS MATURING AT THE END OF THE MONTH

-0-

SEP 30 1936

WCNS106

NEW YORK.--FURTHER HEAVY ADDITIONAL ENGAGEMENTS OF GOLD IN PARIS, LONDON, AND AMSTERDAM FOR SHIPMENT TO NEW YORK PRIOR TO TODAY WAS DISCLOSED BY THE NEW YORK FEDERAL RESERVE BANK.

THE BANK REVEALED THAT IN ADDITION TO THAT PREVIOUSLY REPORTED, \$3,379,000 IN GOLD WAS ENGAGED IN FRANCE AND \$4,887,000 FROM HOLLAND LAST WEEK. AN ADDITIONAL \$12,604,000 WAS REPORTED ENGAGED IN ENGLAND YESTERDAY.

TODAY'S ENGAGEMENTS COMPRISED \$3,000,000 FROM ENGLAND AND \$716,000 FROM INDIA.

GOLD RECEIVED AT THE PORT OF NEW YORK UP TO 3 P. M. TODAY CONSISTED OF \$1,857,000 FROM FRANCE AND \$1,822,500 FROM CANADA. YESTERDAY'S UNREPORTED RECEIPTS COMPRISED \$2,001,300 FROM ENGLAND IN ADDITION TO THAT ALREADY REPORTED.

9/30--E453P.

WCNS65

Roper

SECRETARY ROPER PREDICTED THIS NOON THAT THE RECENTLY NEGOTIATED
MONETARY STABILIZATION AGREEMENT INVOLVING THE U.S., GREAT BRITAIN
AND FRANCE WOULD LEAD TO A GENERAL LOWERING OF INTERNATIONAL
TARIFF AND TRADE BARRIERS.

9/30--R1202P

WCNS66

ADD ROPER

"IT TAKES DOWN ONE OF THE PRINCIPAL WALLS THAT HAVE RESTRICTED TRADE," ROPER SAID. "I ANTICIPATE THAT IT WILL BE THE BASIS FOR THE REMOVAL OF OTHER BARRIERS, INCLUDING TARIFF AND QUOTA RESTRICTIONS IN A NEW ERA FOR INCREASING INTERNATIONAL TRADING."

ROPER, AT THE SAME TIME, REVEALED THAT EXPORTS FROM THE U.S. FOR AUGUST TOTALLED \$178,249,000, AS COMPARED WITH IMPORTS OF \$195,016,000, GIVING THIS COUNTRY AN UNFAVORABLE TRADE BALANCE OF \$16,767,000 FOR THE MONTH.

LAST YEAR, HE SAID, EXPORTS FOR THE SAME MONTH WERE \$172,126,000 AS AGAINST IMPORTS OF \$169,030,000--A FAVORABLE TRADE BALANCE OF \$3,096,000 FOR THE MONTH.

HE POINTED OUT, HOWEVER, THE TOTAL TRADE FOR AUGUST THIS YEAR WAS \$373,265,000 COMPARED WITH \$341,156,000 LAST YEAR, A GAIN OF 6.1 PER CENT IN VOLUME.

THE AUGUST FIGURES BROUGHT THE TOTAL FOREIGN TRADE FOR THE FIRST EIGHT MONTHS OF THIS YEAR TO A TOTAL OF \$3,064,067,000. THIS WAS BROKEN DOWN INTO EXPORTS, \$1,511,730,000 AND IMPORTS, \$1,552,337,000, GIVING THE COUNTRY AN UNFAVORABLE TRADE BALANCE OF \$40,607,000.

LAST YEAR, THE TOTAL WAS \$2,709,593 DIVIDED INTO EXPORTS, \$1,369,466,000 AND IMPORTS, \$1,340,127,000, A FAVORABLE BALANCE OF \$29,339,000.

ROPER SAID THAT DESPITE THE UNFAVORABLE BALANCE, OUR FOREIGN TRADE HAD GAINED 12.5 PER CENT. HE REFUSED TO PREDICT WHETHER THE U.S. WOULD END THE YEAR WITH AN UNFAVORABLE TRADE BALANCE.

9/30--R1207P