DIARY

Book 34

September 25 and September 26, 1936

- B -

- S - (Continued)

- V -

September 25, 1936
9:30 A. M.

Present in the Secretary's office this morning were Dr. Haas, Dr. Viner, Mr. Taylor, Dr. Feis, Mr. Knoke, Dr. Williams, Mr. White, Mr. Oliphant and Mr. Lochhead.

The Secretary said, "I talked to Cochran this morning and the British have told Monick about what I told the British here and Monick told the French before Cochran even could get it to them. They phoned that at once." (See Cable 921 from Cochran, dated September 25, 1936, 2 P. M. attached).

Dr. Feis came in at this point and said, "Sorry to be a little late but I had to tell Mr. Hull of the status of the negotiations." Mr. Morgenthau inquired, "How does he feel?" Dr. Feis answered, "He really didn't have time to comment."

Continuing his remarks, the Secretary said, "What I was saying was, I talked to Cochran. He said that the British sent for Monick immediately and he told them what I said about the $5.00 pound. Monick phoned it to Cochran and Baumgartner had it before Cochran could even get it to them. The Deputy Governor of the Bank of England, who is over there, has raised the point about gold and I told Cochran to sit tight and he had already said he had to sit tight; that everything was waiting on the answer to the $5.00 pound. He said, How quickly could we act if we got the answer? I think we ought to get together right quick so I can get it to the President with our changes.

"Incidentally, I am very much pleased with the Vandenberg story this morning. The French Economist carried it in full and it made a very good impression in the French press, and laid the foundation for what is coming." Knoke commented, "I think it was very timely," and, Professor Williams said, "It was an excellent statement to come out right now."

The Secretary said to the group, "If this thing goes through tonight, I think we laid the foundation. I think the people who worked on it did an excellent job and I don't think the Vandenberg group can answer under a couple of days." Feis said, "They can't answer it at all." Haas said, "They can poke jibes at it." Mr. Morgenthau said, "They can go just like that (snapped his fingers) at it."

The Secretary began to read Exhibit D, the proposed English statement, which was brought in by Mallet last night. He said, "The only change we will make in that is to transfer the word 'peace' - that was Hull's thought." Feis said, "We just changed the position of 'safeguard peace' so that no one could give it a political interpretation. It's just a matter of changing the position of the phrase 'to safeguard peace'.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 25, 1936, 2 p.m.

NO.: 921

RUSH

FROM COCHRAN.

FOR SECRETARY OF THE TREASURY.

This morning at 10 o'clock I conveyed orally to Baumgartner at the Ministry of Finance the message given to me over the telephone at 3:15 this morning by Secretary Morgenthau. While I was at the Ministry of Finance, Monick was telephoning from London to let Baumgartner know that the British Treasury had told him of the Secretary of the Treasury's request for clarification of the dollar-sterling crossrate range.

As I was leaving the Ministry of Finance, Baumgartner promised to call Monick back, and tell him to urge upon the British the necessity for meeting the request of the American Treasury. I had a telephone call from Baumgartner at 1 p.m. just before the Secretary of the Treasury telephoned me this noon. Baumgartner said that Waley, of the British Treasury, had given Monick

END SECTION ONE.

WILSON.

EA:LWW

PARAPHRASE OF SECTIONS TWO AND THREE OF TELEGRAM NO. 931 of September 25, 1936, from the American Embassy, Paris.

the definite impression that the Chancellor of the Exchequer would give assurances to Secretary Morgenthau either by telephone or by letter, or possibly both. Waley did not reveal the probable terms of the assurances.

At noon I had a telephone call from Fournier. He said that it is urgent that he begin communicating with us with a view to cooperation on technicalities. The Undergovernor asked whether I could answer the questions he had raised earlier in the week with regard to yielding gold and the closing of the markets. In reply I told him that until settlement of a point which we have up with the British, nothing could be said.

I telephoned to Baumgartner just now at 1:45 and told him of my telephone conversation with the Secretary of the Treasury. I was asked by Baumgartner to express his Ministry's deepest appreciation of the cooperation and attention which is being given this matter by Secretary Morgenthau. He expressed the hope that we may suggest very few changes in the draft declaration in view of the urgency for speed. Baumgartner told me that the British and French agree to making the change from "realizing" to "considering" - the fourth word in the third paragraph of the British text of the draft declaration as contained in my telegram of September 24, 9 p.m., No. 920.

Reference is made to the Department's telegram No. 207 of September 23, 12 midnight, containing the draft announcement of the Secretary of the Treasury. May I respectfully request that in the first sentence of the draft announcement it would be desirable to omit the phrase "on twenty-four hours notice". It is presumed the Secretary could exercise such right freely, but it would not seem advisable to use a phrase which in the past has at least in Europe suggested an undetermined or stabilized (unstabilized?) monetary policy - just at a time when we are trying to inspire international stability in greater degree.

END OF MESSAGE.

WILSON.

EA:LWW

We suggest 'a common desire to foster those conditions which will safeguard peace and best contribute to the restoration of order in international economic relations.'" The Secretary asked, "Are you all agreed on that?"

Referring to the second paragraph, the Secretary said, "Why do you change 'of course'". Oliphant answered, "There was an objection to the word 'while' and those two sentences in Number 2 and then there are two possibilities set up in the pencilled notation."

The Secretary read, "They are ready to continue the policy which they have pursued in the course of recent years," and asked, "and the suggestion is 'They welcome this opportunity to reaffirm their purpose, etc." Mr. White said, "There was some difference of opinion. Some felt the original British draft placed too little emphasis on domestic conditions."

The Secretary continued reading: "His Majesty's Government share with the Governments of France and the United States the conviction that the continuation of this policy will serve the general purpose which all the Governments should pursue."

The Secretary asked, "What is 'two-fold'"(he was referring to the proposed insertion of the word 'two-fold' so that it would read 'The continuation of this two-fold policy will serve the general purpose, etc.'). Viner explained, "One is considerations of internal prosperity and the other is international stability." Taylor added, "Which introduces a new thought." The Secretary asked, "What is the new thought?" Taylor replied, "Calling it two-fold."

The Secretary continued reading the first sentence of the third paragraph: He said, "We want to leave out the phrase 'on the basis of world prices.'" Mr. White said, "We all agreed on that."

The Secretary said, "I think we ought to make a minimum of changes. Cochran told me definitely that they are going to put the profit from devaluation into a stabilization fund, that's his understanding. I also asked him about the French-English cross-rate and he said no one had discussed it." Oliphant said, "We were right in giving them that price." And H.M.Jr. said, "Yes, I don't think we have made a mistake yet. The idea is, we will send this to Cochran to hold until the President O. K.'s it."

Dr. Feis left at 10:00 a. m. to show Exhibit D to Mr. Hull as it was corrected. H.M.Jr. phoned Hull. "I am asking Feis to go to your office with suggested changes we have made in the final British note and I would like you, if you would, to go over it and any suggestions you have to make, I will be delighted to receive them. I talked to Cochran on the telephone this morning. He said that the British had informed Monick, who was in London, of the proposition that we had made and he had given that information to the French, namely: until it was decided what the pound was going to be, we were going to sit tight. I cannot understand the British. They are awfully pleasant people to meet, but when it comes to this sort of thing, I do not understand them. The Federal Reserve people who are here told me that on June 16, 1933, they had tentatively agreed in London to a $4.00 pound, so we have moved a little bit in the last three years. There is nothing more important and the French situation is steadily getting worse. They have already lost $20,000,000 worth of gold today. Feis will be over in five minutes."

The Secretary related to the group what Knoke and Lochhead had told him last evening on possibilities of what might happen in case the agreement did not go through.

H.M.Jr. said, "The franc, let's say, was devalued 30%. There is confidence in the French new situation and the French capital flows back to Paris from London and the English pound falls, and they let it fall. That is what can happen."

Knoke said, "Theoretically, it is correct, but it is not in the cards." Viner said, "It has possibilities. I thought you were asking about probabilities. Knoke's opinion is mine, too."

H.M.Jr. said, "Please find a weakness in my armor which I cannot answer to my own satisfaction."

Williams said, "I think the British are not planning to play with us in this matter at all. They are going to stabilize on the franc and they feel that probably the dollar-sterling rate will not be involved. It is true if capital goes back to France, the pound will fall and they are planning to support the franc and if they do, the dollar-pound rate will not be affected at all."

H.M.Jr.: "Do you feel that I can sit here with confidence and do nothing if I do not get the assurance from the Chancellor of the Exchequer that he is talking about a $5.00 pound?" Williams, "That is the only thing we can do, but I think it would clarify the situation if we would recognize that we have no real power over them at this stage and we cannot influence anybody."

H.M.Jr.: "Am I taking an undue risk for the American people by sitting tight?" Williams: "You are doing exactly right." Viner: "What do you mean by sitting tight -- refusing to sign the declaration?" Williams, "Yes."

H.M.Jr.: "The procedure right now is that I will not make another move. The President said last night, The sine que non is a $5.00 pound. Is it your judgment that we are doing the wise thing by not making any move unless the Chancellor says, Yes; what we have in mind is a $5.00 pound?" Williams: "Yes, I think so."

Viner said, "If it started out that way, it would get worse than you describe it." H.M.Jr., "In what are you going to get a nose dive? What can make American commodities go into a nose dive?" Haas replied, "That would be a very serious European development."

H.M.Jr. said, "Let's say we have a complete breakdown in Paris. How is that going to affect American commodities?" White answered, "The immediate effect would be very, very little; perhaps on the stock market." Haas: "It would depend upon whether people thought the future outlook for Europe was headed for complete chaos."

The Secretary said, "Now, Mr. White, I interrupted you and you said, if this thing broke there are certain things we can do. And we have been thinking about this thing for months."

Mr. White said, "There are many possibilities. We examined each possibility. Some are quite probable; some are less probable; some are very improbable. But we examined all possibilities to see what position we would be in and what we could do to protect ourselves. There is a probability, as Viner pointed out, there is a strong probability, that you will have a return and that sterling will decline somewhat. Possibly, if there is no interference on our part, it may even go to 4.95 or 4.90. They hesitate to go lower, because they know our attitude on it. Supposing, that as a result of return of funds from England and fear that possibly England might continue to go down with the expectation -- it hastens that movement -- expecting the fund doesn't want to interfere because it may feel the profitable level is around 4.75 or 4.60. I am assuming that this agreement is out for the movement. If it stands, that's out. Then, what can we do about it? So long as we continue, if we still permit gold to be taken out, whether through one country or through two countries, we are in a very vulnerable position to attempt to prevent sterling from declining. We can do very little without taking risks, which I do not think we should wish to do, because risk would involve considerable loss so long as we permit gold to be exported. If, however, the

British free gold market continues to operate, then our risk does not become so great and we can prevent sterling from declining below the level that we want it, with small losses possible, but the losses will be negligible in light of the larger interest. We could do that. If, however, by virtue of that expense, you engender, which is very likely, the expectation that the price of gold may begin to rise by virtue of the fact that we are buying gold and sterling in order to protect sterling, and that there is pressure against sterling, what you might have is not flight into any of the currencies at all, but flight from all currencies. In other words then, you would have the sterling price of gold beginning to rise. When that happens, the thing for us to do is then immediately, or before, to stop permitting any gold to be exported and keeping our exchange rates at approximately the same relationship with other exchange rates, and we don't involve the same risks, the risk being that we accumulate sterling balances. What we would get out of those sterling balances later may involve a risk. War might break out or anything might happen, but if we stop exporting gold, we become in a stronger position to protect exchange rates, if we so see fit -- not only the sterling rate, but several of the other rates, so we have a large measure of protection there. And if it goes that far -- this is less of a probability -- if it goes that far, then England becomes more concerned over the situation than we do. She would suffer more by that type of monetary struggle than we would and I think would soon call a halt to it and some arrangement would be made which would settle the difficulty. But, if no arrangement were made, and that thing persisted, then -- not going into extreme unlikely probabilities, but remaining in the realm of possibility -- you might have a very rapid rise in the price of gold, followed by a third eventuality, which Mr. Oliphant mentioned, that people might seriously begin to regard gold as of no value as a monetary metal because of wide fluctuations. When that arises, which again I say is unlikely but possible, you might have a collapse in the value of gold in terms of all currencies."

Mr. Morgenthau said, "Let me put it this way. I would like to ask you the same question I asked these other gentlemen. You know what is going on and you have studied these things and it is your job to get ready for this. Do you advise me to sit tight at this moment on the $5.00 pound, or shouldn't we?" Mr. White answered, "Absolutely, with this minor qualification - that, if the difference between the success of this statement and its failure is the question of a few points, I would want to have opportunity to revise my position."

The Secretary said, "You are talking in general terms. What you mean is, if they say between $4.95 and $4.86?" White answered, "I would think the agreement is more important than the other, because of the possibilities." The Secretary said, "But as to the general thing of my sitting here?" White answered, "That you continue to sit tight. In my opinion, you have done the right thing up to now." Haas said, "Absolutely. I think you are right. I think you might take this view in the negotiations. Try to put this in the terms of the British and figure out what they would like to have happen. And, as I see it, that if France devalues and they can get this simultaneous statement and France makes definitive devaluation, Great Britain is back just where they were before this struggle came. They have made no committments to us except a general stability agreement, which they made some months ago and I would think they would prefer to have it wind up that way."

Lochhead expressed his opinion as follows, "I can't see where the British would come back. But, after all, they have asked us if we would give up gold." Haas said, "They were in trouble then." Lochhead said, "But you can't tell about that. And if you talk about giving up gold, you have to have some point. They don't like the French situation a damn bit." Oliphant said, "The Vice Chairman of the Bank of England is again over in France."

The Secretary again called Secretary Hull and read to him the draft with the changes made by the Treasury group. He said to Secretary Hull, "I am going to put it on the wire to the President and see how he feels about it.

"I just thought I would tell you this: James Harvey Rogers has been trying to see me all day. Henry Wallace just called up and said he saw him and that Rogers saw Blum a year ago and then he saw somebody just now and Rogers told them that they could not expect us to go along with them on any devaluation unless the French would make some sort of promise on the French debt. And I just want to tell you, if you don't mind, that I won't see Rogers, because I don't trust him and the President doesn't either. You know of an incident that happened. He left my office and went over to see Feis and told Feis that he could see the confidential cables. I had told him that he could not. Feis called me up to check and Feis said, 'He is sitting outside. Didn't you say he could see the cables?' and I told him Rogers could not see the cables. And I just want to say I don't trust him and the President doesn't, either, and while this is on I am not going to see him. He is trying every way to see me and while this is on, I don't want him in my place, and I feel about it very strongly. That's the way I feel. May I say, when I talk to the President, that as far as you feel, this is all right? Thank's very much, thank you."

H.M.Jr.: "What I said we are going to do is this: I will start reading the British note."

At this point, Cochran called the Secretary and gave him over the phone summary of the British note as follows:

"1. Chancellor of the Exchequer recalls that he has no legal authority to fix the pound within gold points. Furthermore, the principal of the British policy is to let the pound find its natural level.

"2. It is possible that the natural level of the pound may be $5.00. It is possible, also, that it may be lower. This is an actuality which has been many times envisaged.

(No precise allusion to $4.86 was made in the cablegram but presumably the Chancellor had this in mind.)

"3. This being so, the Chancellor will in no way endeavor to depreciate the pound in a deliberate manner. It is no more the policy of England than of the United States to do this.

"4. Likewise, the Chancellor will not take advantage of the French monetary adjustment to depreciate sterling by way of reprisal no more than the United States will do this.

"5. The Chancellor, moreover, does not foresee any depreciation of the pound during the next few months which would constitute monetary dumping.

"6. The Chancellor does not object to the French adjustment although he finds it somewhat too wide."

Cochran, in his telephone conversation, also gave the declaration of Minister Auriol to Mr. Morgenthau, which follows:

"The French Government, while thanking Mr. Morgenthau for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought under monetary law.

(Interpolation that they will endeavor to stay at the middle point.)

"After simultaneous declaration despite the reservation which this country has been obliged to make to take account of its public opinion, they will consolidate effectively the stability of the major currencies and will constitute the starting point for a trustful cooperation between the three great countries. It insists on the urgency for its country of a final decision, the Council of Ministers being already in session since 4:00 o'clock. It is now ten 'til six.

Following is a record of the conversation between Cochran and the Secretary:

September 25, 1936
11:30 a.m.

Operator:	Your Paris call is coming through. Do you have his name?
H.M.Jr:	His name is Auriol.
Operator:	That's right.
H.M.Jr:	Baltimore.
Operator:	(Laughter) All right there's Secretary Morgenthau.
Overseas Operator:	Hello Mr. Morgenthau.
H.M.Jr:	Yes.
O.O:	Thank you - we're ready.
H.M.Jr:	Hello.
C:	Hello Mr. Morgenthau.
H.M.Jr:	Yes.
C:	This is Cochran speaking from the Ministry of Finance.
H.M.Jr:	I thought you'd be there.
C:	Yes.
H.M.Jr:	I could smell you.
C:	I thought you would suspect something.
H.M.Jr:	I see.
C:	Mr. Auriol called me over here at 4 o'clock.
H.M.Jr:	Yes.
C:	Hoping that he would be able to communicate personally a message to you.
H.M.Jr:	Yes.
C:	But it has taken so long to get the call through that he has had to go on to the Cabinet meeting.

H.M.Jr: Yes.

C: - it began at 4 o'clock and he waited half an hour and had to go on.

H.M.Jr: Yes.

C: So I have written down the message which I am to communicate to you.

H.M.Jr: Where are you now?

C: I'm sitting at his desk.

H.M.Jr: I congratulate you.

C: Thank you. It's not for long.

H.M.Jr: I hope you'll last throughout the day.

C: Yes.

H.M.Jr: All right.

C: Roueff and Baumgartner are here with me.

H.M.Jr: Who?

C: Roueff and Baumgartner.

H.M.Jr: O.K.

C: They've offered to disappear if I have anything to say that they shouldn't hear.

H.M.Jr: Well give them my best personal regards.

C: All right. Have you received a British reply yet.

H.M.Jr: I received yesterday four cables from the British.

C: Yes.

H.M.Jr: The last one being practically the same as the one that you read to me.

C: That is you have - have received a message today?

H.M.Jr: I have received nothing since 7:30 Washington time last night.

C: Nothing since 7:30 last night?

H.M.Jr: Yes.

C: Because Monick telephoned this afternoon - he had been at the British Treasury -

H.M.Jr: Yes.

C: He had seen the message which they were sending to you.

H.M.Jr: Well I have not.

C: And he has summarized the views of the people here and I have made a translation of it and can read their summary if you wish.

H.M.Jr: That would be very helpful.

C: Just a summary of it then.

H.M.Jr: Yes. Go ahead.

C: Yes. Article 1.

H.M.Jr: What?

C: The Chancellor of the Exchequer -

H.M.Jr: Yes.

C: - recalls - reminds you that he has no due authority to fix the pound before going off the point.

H.M.Jr: Say that again.

C: The Chancellor of the Exchequer recalls -

H.M.Jr: Yes.

C: That he has no due authority -

H.M.Jr: Yes.

C: - to fix -

H.M.Jr: - Yes.

C: the pound within the gold point.

H.M.Jr: Yes.

C: Furthermore, the principal of the British policy is to let the pound find its natural level.

H.M.Jr: Hello

C: Hello

H.M.Jr: - find it's natural what

C: - find

H.M.Jr: - find it's natural -

C: - level

H.M.Jr: - level - yes

C: - level

H.M.Jr: - level

C: Then 2 - It is possible that the natural level -

H.M.Jr: Wait a minute - wait a minute - you've faded out

C: Yes. - Paragraph two.

H.M.Jr: Wait a minute, Cochran - wait a minute

C: Hello

H.M.Jr: Wait a minute - wait a minute - they've got to do something on this - wait a minute

Operator : Just a moment please - hello?

H.M.Jr: It's faded out.

Operator: Oh I'm sorry - just a minute (pause)

HM.Jr: (Aside to someone in his office -"they listen to every word you say - that wasn't my operator)

Operator: I'll call you back.

H.M.Jr: What's that?

Operator: I'll call you back.

H.M.Jr: All right.

Operator: All right.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello Cochran.

C: Can you hear me now?

H.M.Jr: Go ahead Mr. Minister.

C: All right my colleague -

H.M.Jr: What?

C: I say mon chere colleague

H.M.Jr: oui, oui

C: (laughing) Paragraph 2.

H.M.Jr: Yes.

C: It is possible that the natural level of the pound -

H.M.Jr: Yes.

C: May be $5.00.

H.M.Jr: Yes.

C: It is possible also that it may be lowered.

H.M.Jr: Yes.

C: This eventuality has been envisaged many times.

H.M.Jr: Yes.

C: No precise allusion to four eighty-six was made but presumably this was in the mind of the Chancellor.

H.M.Jr: Yes.

C: Hello?

H.M.Jr: Go ahead.

C: Paragraph 3.

H.M.Jr: Yes.

H.M.Jr: Go ahead - go - go ahead.

C: Now one - one second till I tlook at this thing -

H.M.Jr: Surely (Long Pause)

C: And this being so - referring to the above - this being so -

H.M.Jr: Yes.

C: The Chancellor will in no way endeanvor to depreciate the pound in a deliberate manner. This is no more the policy of England than of the United States to do this.

C: Paragraph 4.

H.M.Jr: Yes.

C: Likewise the Chancellor shall not take advantage of the French monetary adjustment to depreciate sterling by way of reprisal no more than the United States will do this.

C: Paragraph 5. The Chancellor of England does not forsee any depreciation of the pound during the said two months which would constitute monetary dumping.

C: Paragraph 6. The Chancellor does not object to the present adjustment although he finds it somewhat too wide.

C: Now that's the summary of the cable but it's only a summary - it's not an exact discourse.

H.M.Jr: Yes. Well do it again, so we'll save time on it.

C: All right, I'll start from the beginning again.

H.M.Jr: Please.

2. It is possible that the natural level of the pound may be $5.00. It is possible, also, that it may be lower. This is an actuality which has been many times envisaged.

Then Monick put in his own parenthesis there of parenthetical interest. He said: "No precise allusion to $4.86 was made in the cablegram but presumably the Chancellor had this in mind." Now that is only a parenthetical interjection by Monick.

H.M.Jr: By Monick?

C: Yes.

H.M.Jr: I see.

C: 3. This being so, the Chancellor will in no way endeavor to depreciate the pound in a deliberate manner. It is no more the policy of England than of the United States to do this.

4. -

H.M.Jr: Just hold the wire a minute. Just hold it a minute.

C: All right.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Go ahead.

C: 4. Likewise, the Chancellor will not take advantage of the French monetary adjustment -

H.M.Jr: Yes.

C: - to depreciate sterling by way of reprisal no more than the United States will do this.

5. The Chancellor, moreover, does not foresee any depreciation of the pound during the next few months, which would constitute monetary dumping.

6. The Chancellor does not object to the French Adjustment although he finds it somewhat too wide.

H.M.Jr: Yes.

C: That's the text summarized by Monick to Baumgartner here.

H.M.Jr: All right. Now what next?

C: Then the Minister - Minister Auriol wanted me to transmit to you the following declaration which he wrote out here.

H.M.Jr: All right.

C: "The French Government, while thanking Mr. Morgenthau for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought in the monetary law. The -

H.M.Jr: It what?

C: - The simultaneous declarations, despite the reservation which each country has been obliged to make to take account of its public opinion, will consolidate effectively the stability of the major currencies, and will constitute the starting point for a trustful cooperation between the three great countries. It insists on the urgency for its country of a final decision. The Council of Ministers being already in session since 4:00. It is now ten to six. Mr. Auriol sends his warmest personal greetings to Mr. Morgenthau."

H.M.Jr: Yes.

C: That is the message which he asked me to convey to you.

H.M.Jr: Yes. Well you'd better do it again.

C: All right. Minister Auriol asked me to transmit to Secretary Morgenthau the following declaration:

"The French Government, while thanking Mr. Morgenthau for all that he has already done, want to give him the assurance that it intends in no way on its side to depreciate its money -

H.M.Jr: Wait a minute - wait a minute. Go back about 20 words.

C: - for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought under monetary law.

H.M.Jr: All right.

C: And Baumgartner says here - he interposes this remark to me - that they will endeavor to stay at the middle point.

H.M.Jr: Well, what is the middle point?

C: Well - of their range of devaluation. Half way between the two limits.

H.M.Jr: Well what is the middle point?

C: To devalue.

H.M.Jr: Yes, but what is their middle point?

C: Well, I gave you those two extreme points yesterday. They're 25 -

H.M.Jr: Please

C: - and 34 points.

H.M.Jr: I didn't get that - please say it again.

C: The limits which I gave you yesterday -

H.M.Jr: Yes.

C: - which they will seek for authority to devalue, by decree, -

H.M.Jr: Yes.

C: - are: The lower limit 25%.

H.M.Jr: Yes.

C: The upper limit 34.35.

H.M.Jr: All right.

C: So you can figure the middle point between those.

H.M.Jr: Yes.

C: Baumgartner says their efforts ~~will~~ be from the beginning to hold the rate at that middle point.

H.M.Jr: Yes.

C: And, incidentally, they intend to have a stabilization fund of 10,000,000,000 francs.

H.M.Jr: It will be - say that again.

C: They intend to have a stabilization fund of 10,000,000,-000 francs.

H.M.Jr: How many billion?

C: Ten.

H.M.Jr: Ten?

C: Ten (Spells) t-e-n - ten.

H.M.Jr: Ten?

C: Ten.

H.M.Jr: 10,000,000,000 francs?

C: That's right.

H.M.Jr: Yes. Well that sounds good.

C: Yes. And over here - it's sufficient, I should say, here.

H.M.Jr: Yes.

C: Then this declaration continues from where we interposed.

H.M.Jr: Oh, you're not through with it yet?

C: I - I was starting over again.

H.M.Jr: All right.

C: That the -

H.M.Jr: What's that?

C: After... simultaneous declarations, despite the reservation which each country has been obliged to make to take account of its public opinion, will consolidate effectively the stability of the major currencies, and will constitute the starting point of a trustful cooperation -

H.M.Jr: Of a what?

C: - a trustful -

H.M.Jr: Trustful?

C: Yes.

H.M.Jr: (Spells) t-r-u-s-t-f-u-l?

C: Yes - a close together, confident cooperation.

H.M.Jr: Yes. Wait a minute.

C: - between the three great countries.

H.M.Jr: Wait a minute - go back about 10 words. Go back 10 words.

C: All right. - and will constitute the starting point for a trustful cooperation -

H.M.Jr: O.K.

C: - between the three great countries. It insists -

H.M.Jr: Wait a minute - wait a minute. We got a fadeout - wait a minute.

C: All right.

Operator: Hello.

H.M.Jr: There's a fadeout on that, tell her.

Operator: All right - I'll get her right back.

C: Have you got that?

H.M.Jr: Wait a minute.

H.M.Jr: (Aside to some one - "What's the last you've got?)

C: - for a final decision, the Council of Ministers

H.M.Jr: Wait a minute - wait a minute - I'll tell you what is the last we have.

H.M.Jr: The last I have is "cooperation between the three great countries."

C: All right. Second begins this. On the urgency for its country of a final decision,the Council of Ministers being already in session since 4 o'clock.

H.M.Jr: Yes.

C: Then the conclusion would be Auriol encloses warm personal greetings to Secretary Morgenthau.

H.M.Jr: Yes.

C: It seems the Minister waited here for a half an hour before he went to the meeting.

H.M.Jr: Yes.

C: Because this also is the one, committing a private meeting before whic which he contemplated the proposal for action, you see?

H.M.Jr: I understand.

C: And so he's gone over there and they've had a very bad day here. The gold losses -

H.M.Jr: Now wait a minute - have you got anything else? I mean for me to take down or is this just going to be general conversation?

C: I was just trying to describe the situation.

H.M.Jr: All right.

C: There has been a very heavy sale of dollars. After 3:30 the Guaranty alone had sold 19 million.

H.M.Jr: Yes. Well now let me get this. We know how much money - Now Cochran - hello - Cochran.

C: Yes.

H.M.Jr: Can you hear me?

C: Yes.

H.M.Jr: All right. Now let me ask you this. What is the procedure - what is the timetable that they have in mind in following over there.

C: I'm telling you and let them check me -

H.M.Jr: - Right.

C: Their - their plans are to have the Council of Ministers are determined upon calling a special session of Parliament on Sunday are not permitted to have a special session of Parliament on Monday (Pause).

H.M.Jr: Yes.

C: And that the embargo on gold would be declared at the same time this common declaration was made.

H.M.Jr: Well now they're going to call Parliament Sunday or Monday.

C: They are just going to call Parliament on Sunday. They were trying to get the call out tonight -

H.M.Jr: Yes.

C: - so Parliament could be on Monday.

H.M.Jr: Yes. All right. Now then the embargo would go on tonight?

C: The embargo would go on when they issue the declaration.

H.M.Jr: I see.

C: That's why they so urgently desire - (squeal) declaration out.

H.M.Jr: Urgently desire what?

C: So heavy that they feel almost compelled to declare an embargo.

H.M.Jr: Yes.

C: And they don't want to do that now without adding the declaration.

H.M.Jr: Well now - let me - of course - I suppose the British message will be coming through in about an hour or so.

C: They called me over here at 4 and it had already been passed on from London, you see?

H.M.Jr: Yes, but it hasn't got here to Washington yet.

C: It has not.

H.M.Jr: I mean I can't act until I get - I can't act until I get Chamberlain's message.

C: That's what I told them here that I'd pass this on to you and give you the preliminary information -

H.M.Jr: Yes.

C: I doubted whether you could act until you had an actual message from the British.

H.M.Jr: Yes - now.

C: At the same time I - I thought you could benefit their situation here.

H.M.Jr: Well, so am I.

C: Yes, I know you are.

H.M.Jr: I mean please remind them that they sent us the first message last Friday, that we answered it Saturday and Mr. Chamberlain stayed away on his holiday until Tuesday.

C: I reminded the Minister of that when I came in this afternoon.

H.M.Jr: Because what they're asking me to do is almost impossible.

C: I reminded him - asked them if they could reply very quickly - that the big delay came in the five days over the weekend because the British were hesitating.

H.M.Jr: Yes. Now I mean - I have the greatest sympathy and the strongest desire to be very helpful.

C: Surely.

H.M.Jr: I have the greatest sympathy and the strongest desire to be helpful.

C: Surely.

H.M.Jr: Do you get that?

C: Surely.

H.M.Jr: And I wish you'd tell them that but I've got to wait until I hear from the British, then I've got to in turn communicate with the President.

C: Yes, that's all right. I'll explain that.

H.M.Jr: Now what I would suggest is - I think it's very helpful to save time. It's now - let's see - it's six there, isn't it?

C: Yes - it's exactly six o'clock here.

H.M.Jr: Well I would suggest that you be back there in two hours.

C: That I be back at the Ministry of Finance in two hours.

H.M.Jr: And I will put in a call for you there. I mean - now it may be -

C: The Ministry of Finance in two hours.

H.M.Jr: Yes, well now - hello.

C: Yes.

H.M.Jr:	I say to be there in two hours. You may have to wait there for an hour or two. I can't tell because I don't know when the British will come in.
C:	Let me speak to my comrades here on that. (Pause)
C:	Hello?
H.M.Jr:	Yes.
C:	They understand you have to await the message, that you then have to speak to the Pfesident, and we shall be here at 8 o'clock awaiting your call until it gets too late here, depending upon your receipt of the message and so on.
H.M.Jr:	Yes - I mean - Usually the British tell me when the messages come in and tell me they started to decode but I haven't heard anything from the British Embassy -
C:	Important.
H.M.Jr:	Hello?
C:	Embassy and the Ministry
H.M.Jr:	I mean - I haven't heard anything from the British Embassy here.
C:	They have not notified you that the message has come in yet?
H.M.Jr:	No.
C:	I see.
H.M.Jr:	And then I've got to get it to the President, Cochran, and I've got to talk it over so while I say to be there at 8 o'clock it may be 10 o'clock before I get an answer.
C:	Well, I think I'd better come here any way at 8 o'clock.
H.M.Jr:	I do too. Now let me tell you what I'm doing in the meantime.
C:	Beg pardon?

H.M.Jr: In the meantime we've corrected this British declaration.

C: Can you just read the corrections on that now?

H.M.Jr: No because I - we've just finished it and just sent it to be telegraphed to the President.

C: I see.

H.M.Jr: But the minute he O.K.'s it -

C: Yes.

H.M.Jr: I will either - I will phone it to you to the Embassy.

C: Well then I will go back to the Embassy and wait there and I shall be there until eight.

H.M.Jr: That's the point.

C: So if you want to phone me the corrections there -

H.M.Jr: I will phone you the corrections either there or at the Minister of Finance - French Minister of Finance.

C: At the French Embassy and be there until a quarter till eig and stay there till 1 o'clock.

H.M.Jr: That's right.

C: And the French authorities will be here with me.

H.M.Jr: That's right. Now just - just hold the wire a minute

C: - to get your answer.

H.M.Jr: Just hold the wire - (Pause)

H.M.Jr: Hello.

C: Hello.

H.M.Jr: The corrections we've made are not major corrections.

C: The corrections are not major corrections?

H.M.Jr: No.

C: They are corrections which they would accept.

H.M.Jr: What's that?

C: I say, they're corrections which would raise no difficulty.

H.M.Jr: No, no. Now, we will move just as fast as the British will move.

C: You'll move as fast as the British move?

H.M.Jr: Yes. We can't move any faster than they do.

C: We thought it might be helpful to you to have this information in advance.

H.M.Jr: It's very helpful.

C: And so then I shall go back to the Embassy to receive there any form of correction you make here.

H.M.Jr: Yes. Now just wait a minute please.

C: All right.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Just a minute. (pause)

H.M.Jr: Hello.

C: Hello - yes.

H.M.Jr: Now you go back to the Embassy and please give the Minister of Finance, Auriol, my very warm greetings -

C: Yes.

H.M.Jr: - and tell him that we're trying to do everything possible here to be helpful.

C: All right, sir.

H.M.Jr: We've tried to be helpful before and our policy here is to be helpful again.

C: Yes, sir.

H.M.Jr: Now just a moment, please.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Knoke is sitting here and he has had a telephone message from Cariguel -

C: Yes.

H.M.Jr: - asking him to use his discretion in supporting the franc in the American market on Saturday.

C: Yes.

H.M.Jr: In view of that request, Knoke wants to know whether we should say anything to the American banks who deal in foreign exchange.

C: Well, if this thing is going through, it's my understanding that you were to keep it secret.

H.M.Jr: They want it what?

C: That you were to keep it secret.

H.M.Jr: Well, now wait a minute. Tell Baumgartner and Roueff that Cariguel called us -

C: Yes.

H.M.Jr: - and asked us to use the French gold which is here to support the French franc Saturday in America.

C: Yes.

H.M.Jr: Now in view of that, does he want us to speak to the American banks about dealing in foreign exchange?

C: I see.

H.M.Jr: Now you ask Baumgartner and Roueff that question.

C: All right. (Pause)

C: They think that the private banks should be discouraged -

H.M.Jr: Should what?

C: - should be discouraged from operations.

H.M.Jr: All right. All right. Now let me ask you something else.

C: Fournier telephoned me earlier about that this noon.

H.M.Jr: What's that?

C: Fournier telephoned me this noon to see what we were going to do if we stuck to that.

H.M.Jr: Well, we'll do anything that they ask us to do.

C: Well, I had not given him a reply pending an outcome of this whole thing.

H.M.Jr: Well, now, please just make sure that what the Bank of France is telephoning to the Federal Reserve in New York is also what the French Treasury wants.

C: Yes.

H.M.Jr: See?

C: We haven't been in conversation since telephoning the Paris exchange.

H.M.Jr: Well, now, but tell Baumgartner and Roueff not to have the Bank of France phoning over any instructions which aren't in accord with what the Treasury wants.

C: Well, that's right. All right - I'll make that point. Baumgartner and Fournier had desisted from telephoning themselves.

H.M.Jr: Yes. Well, make sure about that.

C: All right. Because he told me that it was urgent that he should get in touch -

H.M.Jr: Yes - now -

C: With the Federal Reserve people in regard to cooperation.

H.M.Jr: Now one other question.

C: Yes.

H.M.Jr: Ask Baumgartner and Roueff how much they want me to tell and consult with Appert. He's just called up. He wants to see me.

C: All right. (Pause)

C: Hello - hello - hello?

H.M.Jr: Hello - yes.

C: They say that Appert is just bringing the note - just bringing the cablegram giving the French text of the declaration which France would make.

H.M.Jr: All right.

C: And they say for other things for us to continue talking directly this way.

H.M.Jr: All right.

C: That he's not acquainted with all of these negotiations.

H.M.Jr: He's what?

C: - with the message that they're not in stant communication just yet.

H.M.Jr: No. Now, just a minute.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Now we've typed this thing and let me read ir back to you.

C: All right.

H.M.Jr: "The Chancellor of the Exchequer recalls that he has no authority -

C: No legal authority.

H.M.Jr: Just a minute. Who's paying for this call - we or the French?

C: It's put in from here - I think they are.

H.M.Jr: Good - that's the - that's the only good - that's the only dividend we'll get out of this.

C: Yes. Well, I'll see that it is arranged that way.

H.M.Jr: But I'm just joking.

C: Surely - surely.

H.M.Jr: Tell them that I asked - that I'm worrying about it. Tell them - tell them that I'm Scotch.

C: They got the point.

H.M.Jr: Sure.

C: They're laughing over here in the corner.

H.M.Jr: Now wait a minute -
"The Chancellor of the Exchequer recalls that he has no legal authority -

C: Right.

H.M.Jr: - to fix the pound within gold points.

C: Right.

H.M.Jr: It is possible that the natural level of the pound may be $5.00.

C: No, you omitted one sentence.

H.M.Jr: Did I?

C: Yes. After "within gold points" there is another sentence.

H.M.Jr: Yes, well, give - what is that sentence?

C: Furthermore -

H.M.Jr: Just a minute. Go ahead.

C: Furthermore -

H.M.Jr: Yes.

C: - the principle of the British policy is to let the pound find its natural level.

H.M.Jr: Yes, that - well, now just a minute. (Pause while Secretary speaks to some one in the office) We have it all right. It's just that they made a mistake here. I'm not going to read it back again.

C: Yes. Well, Baumgartner reminds me again that he suggests an approximate time.

H.M.Jr: I understand and we'll wait - we've got to wait until we get the official British thing.

C: Yes, surely.

H.M.Jr: Anything else?

C: You didn't want to read any more of that, did you?

H.M.Jr: No, no. Tell Baumgartner I feel much better now that I know he's paying for this call.

C: All right. Fine.

H.M.Jr: All right.

C: Then I shall go back to the Embassy, and if you have the corrections, call me there. If not, I shall be here at 8:00.

H.M.Jr: And give Baumgartner and Roueff my best regards.

C: Surely. I'll be delighted to.

H.M.Jr: All right.

C: Goodbye.

H.M.Jr: Goodbye.

C: Goodbye.

September 25, 1936

DECLARATION OF MINISTER AURIOL
TO MR. MORGENTHAU

The French Government, while thanking Mr. Morgenthau for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought under monetary law.

(Interpolation that they will endeavor to stay at the middle point).

After simultaneous declaration despite the reservation which this country has been obliged to make to take account of its public opinion, they will consolidate effectively the stability of the major currencies and will constitute the starting Point for a trustful cooperation between the three great countries. It insists on the urgency for its country of a final decision, the Council of Ministers being already in session since 4:00 o'clock. It is now ten 'til six.

While H.M.Jr. was reading the British note, Knoke came back and said that Cariguel called the Federal Reserve Bank in regard to supporting the franc and obtaining gold. The Secretary said the time was not right to consider this until we had fixed up the agreements. (See copy of Dr. Burgess' memo following this page).

Mr. Mallet and Mr. Chalkley came in. Mr. Taylor, Mr. Lochhead and Dr. Feis were also present.

Mr. Mallet said, "I brought these telegrams. They only came in exactly an hour before I got down here and we unraveled them as quickly as we possibly could. The first one was a message giving you a personal, confidential reply from the Exchequer. He prefers to do it in this form, instead of telephoning as you had suggested, in order to avoid any risk of a leakage as to which he was equally as nervous as you."

The Secretary said, "In order to save time, may I read this to the telegraph operator, so I can get it right to the President, because the French have talked to me and they are getting terribly nervous." (See Exhibit A attached).

Mr. Morgenthau dictated over the telephone to the telegraph operator at the White House the following personal and confidential message from Mr. Chamberlain to Mr. Morgenthau, and asked the operator to put it on the wire right away, marked "Ultra-confidential for the President from the Secretary of the Treasury."

"As Mr. Morgenthau knows the Chancellor has no legal power to fix the pound within the gold points. His policy has been as often stated to let the pound find its natural level and to smooth out fluctuations. This he would continue to do. It may be that the natural level of the pound will in the new circumstances be five dollars as Mr. Morgenthau appears to assume but Chancellor would have expected it to be decidedly lower. Adverse balance of trade somewhat increased this year and if the flow of refugee capital from Europe which has been for a long time past strengthening the pound were reversed it seems most likely that the pound will weaken. He had understood that this view of probabilities was implicit in the discussions which took place at Washington between the United States and French Treasuries last June and he knows that it is the view of the French as well as of the monetary authorities at London.

"The Chancellor understands the proposed declarations to mean that there will be no deliberate depreciation either of the pound or of the dollar as a reprisal for the devaluation of the franc to a reasonable legal level. He has always under-

September 25, 1936

Letter from Dr. Burgess to Governor Harrison

At 12 o'clock this morning Mr. Cariguel of the Bank of France called me to say that they were still uncertain what they would do to handle their franc market this evening in New York; that they might ask us to hold the market by buying francs against dollars at usual rate, using their gold held here to cover the sales of dollars. He asked me if we would do that for them if they desired. I said that of course we would. He said that he would let us know by telephone or by cable their desires in the matter; that it might be quicker perhaps to to it by cable. He said that they had had a very heavy day, and on my inquiry said they had already lost $48,000,000 of gold.

stood that it was not Mr. Morgenthau's policy to use his resources deliberately to depreciate the dollar and similarly it would continue to be the Chancellor's intention not to intervene in the market in order deliberately to depreciate the pound. On the contrary he would hope if need arose to be able as in the past to check any landslide. While no one can foresee the precise rate at which the exchange can hold itself the Chancellor would not expect in the immediate future such a heavy depreciation as would be likely to give the United Kingdom any competitive advantage. But the future must be entirely reserved by His Majesty's Government as by the United States Government in the interest of their national prosperity. He is convinced that any attempt to peg the pound artificially at an unnatural level would be both futile and contrary to the real interests of both countries.

"The French Government have informed him that proposal will be that the new franc will have gold content of not more than 49 and not less than 43 milligrammes of gold nine-tenths fine. He regards these limits as unnecessarily wide and the mean point between them as representing probably a somewhat greater depreciation than is really justified but in the circumstances he has not objected to the French proposal on this score."

Mr. Morgenthau explained to Mr. Mallet, "We have a private wire here to the President and then it's a 5-mile drive from Poughkeepsie to the President's home in Hyde Park."

Mr. Mallet then handed the Secretary another message to read, but could not give him a copy because it was the only one he had. In this message, Mr. Mallet was informed that the British understood the French would devalue to a basis of 49 to 43. The Secretary asked Mr. Lochhead to have this checked and come back. Mr. Lochhead returned with the information that this worked out on the same basis of devaluation of 25% to 34.35%.

The Secretary said, "I am struck by the difference, mainly in emphasis, but somewhat in substance, in this message and the summary that we got from Paris. Is this more favorable to mutual British and American understanding, or less favorable, the way this reads?" Feis answered, "Developments of British-American relations must be determined by economic developments. The summary of the Chancellor's position, as I see itthere, is that it seems to forecast a judgment that in a way economic events will determine the exchange rate. It leaves this puzzling factor. The thing pictured by the declaration is continuing stability. There has been relative stability of the pound and the dollar and in the declaration you say, We look to the prospect of continuing that stability. That seems to be the declaration, though the declaration continues, Though all countries must of course take into full account the requirements of internal prosperity. The prospect that is rather pictured in this is one of a changing pound-dollar relationship. Somewhat different from the base that has been the base of the recent stability."

Mr. Mallet said, "I have one or two other messages. The next is a telegram that I received regarding the timing of the announcement." He read aloud: "Assuming that Mr. Morgenthau on receipt of the Chancellor's reply agrees to the simultaneous declaration, we understand that it is proposed that the three declarations should be issued after the meeting of the French Cabinet at approximately 9:00 P. M. our time, or 3 P. M. your time, today, September 25. We propose at that hour to give to the press terms of the French and American declarations, as well as terms of our own, and for this purpose we should like to have the precise wording of the American declaration at 8:00 P. M. our time, or as soon as possible thereafter. We should not, of course, issue it to the press until after receiving definite statement that it is being issued by the United States Government. Please do anything you can to enable us to receive text either through you or through the United States Embassy in London."

Mr. Mallet added, "They go on to say to me in a later telegram, 'We now understand that the three texts are identical. If that is the case, it will only be necessary for you to inform us to that effect'.

"Another thing, they further say, This is an amendment to the text which I gave you yesterday. If you happen to have it before you the easiest way to do would be to mark it straight on. They say now, We have agreed with the French Government to omit the first 17 words of the declaration so that it now begins, 'His Majesty's Government'. And one further alteration, in paragraph 3, the fourth word reads, as you have it, 'The French Government recognising'. Instead of the word 'recognising', substitute the word 'judging'. Those are the only alterations."

The Secretary said to Mr. Mallet, "Here is my point. I think I will be able to talk to the President in five minutes. We have here a revised draft - no major changes, but some changes. I will talk to him about this, and if he O. K.'s it, I will immediately hand you a copy with the corrections which we have made." Mr. Mallet inquired, "Have they in London got the text of this note?" The Secretary replied, "No, and they haven't it in Paris. I will phone it. I expect to telephone it to the French. I will cable it and phone it both, in order to save time. But I can't give you this until the President says, All right. What his reaction to this will be I haven't the faintest idea but I would like you, if you don't mind, to wait in the other room. Herbert Feis has a wonderful story on Persia, but when he starts to tell it no one will let him finish it."

Mr. Mallet said, "I will telegraph them. I will send them the whole text, because there have been alterations."

The Secretary said, "There are three different texts. One from the standpoint of His Majesty's Government, and in ours we would say the United States Government, and in the French declaration, they would say France.

Feis said, "As the matter stands, the British proposal for declaration and the American text of a proposed declaration differ in detail and therefore are not identical, but the object towards which we have worked is that there should be issued by all three governments a text identical, except for the necessary transpositions in each country."

The Secretary said, "The French say they want to get it out 9:00 o'clock our time, which is 3:00 A. M. tomorrow morning, Paris time. If we can't clear this thing until 10:00 o'clock, supposing it is 4:00 o'clock in the French morning or in London, it doesn't make any difference. I called poor Cochran at 3:30 o'clock this morning, Paris Time. And until I get the President and get his approval, and I have to give it to the French and to you, and you have to get a reply back because there may be a word or two your Government doesn't like -- this has to be ironed out, always providing this is acceptable to the President. But if you will go in there, and you don't mind waiting, I will be able to tell you whether we can do business on this or not."

H.M.Jr. spoke to the President. He said: "I do not know how much they have been able to get to you yet, but the British have just come in here and they say that the first sentence, starting with 'following' and ending with 'currencies' -- they want to cut that out. (This refers to note marked "D" which Mr. Mallet brought in last night). Have you had a chance to read it? Have you any objections?" The President consented to omit this sentence, and he also made two other changes. He asked that in two places where the word 'exchanges' is used to make it singular - 'exchange'. (Refer to paragraphs 2 and 3). "Now I have Chamberlain's note to me. It is on the wire and you ought to receive it any minute." He read the whole note aloud to the President. "The 'gram' business means that they will depreciate the franc at a minimum of 25% and maximum of 34%." The Secretary also read Auriol's statement to the President.

By authority of the President, the Secretary of the Treasury makes the following statement:

1. 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.

2. The Government of the United States must, of course, in its policy towards international monetary relations take into full account the requirements of internal prosperity, as corresponding considerations will be taken into account by the Governments of France and Great Britain; it welcomes this opportunity to reaffirm its purpose to continue the policy which it has pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchange and to avoid to the utmost extent the creation of any disturbance of that system by American monetary action. The Government of the United States shares with the Governments of France and Great Britain the conviction that the continuation of this two-fold policy will serve the general purpose which all the Governments should pursue.

3. The French Government informs the United States Government that, judging that the desired stability of the principal

currencies cannot be insured on a solid basis except after the re-establishment of a lasting equilibrium between the various economic systems, it has decided with this object to propose to its Parliament the readjustment of its currency. The Government of the United States, as also the British Government, has welcomed this decision in the hope that it will establish more solid foundations for the stability of international economic relations. The United States Government, as also the British and French Governments, declares its intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchange resulting from the proposed readjustment. It will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies.

4. The Government of the United States is moreover convinced, as are also the Governments of France and Great Britain, that the success of the policy set forth above is linked with the development of international trade. In particular it attaches the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. The Government of the United States, in common with the Governments of France and Great Britain, desires and invites the cooperation of the other nations to realize the policy laid down in

the present declaration. 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.

The President dictated to H.M.Jr. the following answer:

"The Secretary of the Treasury is glad to have Mr. Chamberlain's note. The Secretary can be in full accord with paragraphs two and three, but with respect to paragraph one, it is a matter of opinion as to whether under the new circumstances the natural level of the pound would be at $5.00, as he thinks is justified, or lower as Mr. Chamberlain says he expected. However, as long as Mr. Chamberlain understands that we believe the $5.00 level to be the appropriate one, the future operations can be conducted after suitable conference and therefore reserving every right to state our position as it develops in the future and, without agreeing to Mr. Chamberlain's present thought of a lower rate between the dollar and the pound, the Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the simultaneous statements in order to carry out their broad, useful and indeed essential objective."

H.M.Jr.: "I think it is all right. This is the way I feel. I think the French are going to do it anyway. Last night and this morning we talked about what would happen if we did not join them. I do not think for the short pull they can hurt us; for the long pull, they might. In announcing this, I can explain that this is not ideal; that the peace of the world is at stake and that for that reason we are going along. Here is the interesting thing. The real big financiers are going to be tickled to death with this; they are going to consider this the real turning point for world peace and there is nobody among the big financial crowd who can criticize you and that is where your real opposition comes from. I am almost dazed. I have the British in the other room. I have tied up the telephone from 2:00 o'clock on overseas. I hope you have had a good lunch. I have had none."

H.M.Jr. then called in Feis. It was 2:00 o'clock. He said, "The President has O. K.'d this copy. Send it on the wire to Cochran and you, Lochhead, read it to Cochran on the telephone."

Feis said, "What can I tell Cochran?" H.M.Jr.: "Tell Cochran to see whether the French will agree to this draft; that we are giving a copy to the British; that no decision has been reached as to whether we will take any action upon it pending further discussion with the British in regard to the pound-dollar."

The British were called in at 5 minutes after 2:00. As Mrs. Klotz went out to type up the reply suggested by the President over the telephone, she asked H.M.Jr. what he was copy sent to British

September 25, 1936

The Secretary of the Treasury is glad to have Mr. Chamberlain's note. The Secretary can be in full accord with paragraphs two and three, but with respect to paragraph one, it is a matter of opinion as to whether under the new circumstances the natural level of the pound would be at $5.00, as he thinks is justified, or lower as Mr. Chamberlain says he expected. However, as long as Mr. Chamberlain understands that we believe the $5.00 level to be the appropriate one, the future operations can be conducted after suitable conference and therefore reserving every right to state our position as it develops in the future and, without agreeing to Mr. Chamberlain's present thought of a lower rate between the dollar and the pound, the Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the ~~joint~~ Simultaneous statements in order to carry out their broad, useful and indeed essential objective.

September 25, 1936

The Sec of the Treas is ~~We~~ ~~are~~ glad to have Mr. Chamberlain's ~~his~~ note. The Secretary ~~That we~~ can be in full accord with paragraphs 2 and 3, ~~but when it comes~~ with respect to paragraph 1, it is a matter of opinion as to whether under the new circumstances the natural ~~new~~ level of the pound would be at $5.00, as he ~~we~~ thinks is justified, or lower as Mr. Chamberlain ~~the Chancellor~~ ~~says he expected.~~ However, ~~that~~ as long as Mr. Chamberlain ~~he~~ understands that we believe the $5.00 level to be the appropriate ~~correct~~ one, the future operations can be conducted after suitable ~~appropriate~~ conference and therefore reserving every right to state our position as it develops in the future and, without agreeing to Mr. Chamberlain's ~~the Chancellor's~~ present thought of a lower rate between the dollar and the pound, The Sec. of Treas ~~we~~ believes that this is not an obstacle which need ~~should~~ prevent the issuance of the simultaneous ~~joint~~ statements in order to carry out their broad, useful and indeed essential objective.

going to say to the British and he replied that he would hand the British draft statement with our suggested changes to Mr. Mallet and tell him to put it on the wire; that is, to cable them and telephone it to London and that if they would come back at 3:00 o'clock he would have an answer for them to the Chancellor's pink message on the pound.

Dr. Feis phoned the Secretary at 2:45. (Copy of conversation follows). Mallet had asked Feis if he understood that the Secretary wanted the British to change their draft to make it identical with ours. H.M.Jr. explained he was asking the British to change their text.

Appert came in at 3:00 o'clock. H.M.Jr. received him in Mrs. Klotz's office and said, "I received yesterday the text of the French note and the English note, which are different in some parts and the French Government instructed me to get in touch with you and to ask you for a cable."

Appert said he had no cable. H.M.Jr. said, "I do not understand. I am talking direct with Auriol. They told me you had a cable for me. Cochran is sitting in the office of Baumgartner and Roueff. They said you had a cable for us. For the sake of your Government, the greatest thing you can do is to let me continue so I can do this thing because they want to do it tonight and every minute counts. I really haven't the time to begin bringing you up-to-date."

H.M.Jr. then returned to his own office, where the group was waiting for him. He called Hull at 3:00 P. M. and said, "I wonder if you would be willing to do me a great courtesy. Would it be possible for you to come over for a few minutes, because I have only one copy of the British note and one copy of the President's suggested answer." Hull said he would be delighted to come over.

While they were waiting for Secretary Hull to arrive, Lochhead said when he read the British note to Cochran, Cochran said that the French wanted to add the word "monetary" between "authorized" and "agencies".

Secretary Hull arrived about 3:15 P. M.

The Secretary said to Mr. Hull, "The British came in about half past one, handed this to me, I telegraphed it to the President, he got it at half past two. On the telephone, he dictated a reply and I asked the British to come back at 3:00 o'clock. They are sitting outside now and with your help, we will try to answer them. That's the situation."

Secretary Hull said, "I don't know that I can be of any help, but how do you construe the real implications of the Chancellor's references to the rate of the pound?"

Mr. Morgenthau answered, "I just feel that he doesn't want to commit himself, and on the other hand, I don't feel that he is going to try to drive it down. And I don't think he likes

September 25, 1936
2:45 p.m.

H.M.Jr: Hello.

Operator: Dr. Feis.

Feis: I'm sorry to trouble you.

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

F: I couldn't - Mallet asked me one question I couldn't answer with certainty.

H.M.Jr: Yes.

F: In this draft of ours, are we asking the British Government merely to say, "That's all right," assuming then that they will go ahead and the French Government will go ahead and issue what they drafted and submitted to us, and we'll go ahead and issue what we drafted; or are you asking them to go further and change their own text to make it identical to ours?

H.M.Jr: We're asking them to change theirs.

F: Right. Now, I'll convey that to Mallet at once, although Mallet has the feeling that time won't possibly permit.

H.M.Jr: Pardon me.

F: Mallet has the feeling that time won't possibly permit.

H.M.Jr: Well, ah, that's his view.

F: All right, I'll tell him that.

H.M.Jr: You can still tell them that that's what we want, and we hope that they can change their draft to suit ours.

F: All right. I shall do it.

H.M.Jr: See?

F: Right, sir.

H.M.Jr: And then when you're free will you come over?

F: I'll be over very, very soon. I may stop to grab a sandwich, but I'll come over.

H.M.Jr: I think that's - or would you like me to order you something over here?

F: No, there are sandwiches over there.

H.M.Jr: Oh, there are.

F: I ordered them an hour ago.

H.M.Jr: Well, ah -

F: I'll pick them up and eat them over there.

H.M.Jr: Do you mind because I would like to get this thing - the way the President suggested - I would like to get this thing.

F: Right.

H.M.Jr: And is Mr. Hull in this afternoon?

F: I don't know, sir.

H.M.Jr: You might just ask.

F: All right. If you'll hold on a second I'll buzz.

H.M.Jr: All right. (Pause)

F: He'll be here this afternoon.

H.M.Jr: All right. Thank you.

F: All right.

the fact that the French have picked from 25% to 34% as a margin. And that affects them more than it does us. And what the President said is, that this thing has gone so far now that he doesn't feel that he wants to stop it. He thinks there is too much at stake. I would like something a little bit stronger from the Chancellor and I don't feel that there is enough there to really object to. On the other hand, the thing that surprises me is that the part of this thing the British have not come forward with is what they did in June, and get us to agree to give up gold. They haven't raised that at all and that is still an ace up our sleeve, and any time they begin to push the pound back too far, if we should decide in the next day or two to give up gold, we could stop on a minute's notice. If we did it for England, we would have to do it for Norway, Sweden, or any other sterling country. If they used the gold that we gave up, to push the thing down, we would just revoke the license."

Hull said, "This looks good to me." Mr. Morgenthau's comment was, "It isn't ideal, but I have been here long enough to forget the ideal." Hull said, "This is so much better than I hoped for." The Secretary said, "I thought the President might back off and say, No. For instance, the French have lost $48,000,000 gold today. They are going to put an embargo whether we do anything or not."

Secretary Hull said, "Of course, we will have to move mighty fast. I don't see why we can't go on with this, with what little I understand of it."

H.M.Jr. said, "On this thing, I don't quite know what the diplomatic usages are, in what form I would send this to the Chancellor. How would I address it?" Feis said, "You would request the British Embassy in Washington to give the following message to Mr. Chamberlain, from the Secretary of the Treasury." Mr. Morgenthau asked Dr. Feis, "Just hand it to them?" And Feis answered, "Yes".

And Mr. Morgenthau replied, "All right, so we do that. Up to now, we have kept saying to the British and the French during the last hour that we do not release this three-cornered statement until we come to an agreement with the British on the pound. Do I wait to find out that this sort of hedge is agreeable to the Chancellor before we release it?" Hull answered, "I think, myself, you would want to do that. I do not know what the other fellows think."

Oliphant said, "I think the Chancellor would have to decide if he wanted to join in a three-partite arrangement."

Mr. Morgenthau said, "Is this the way to put it -- if this is agreeable to the Chancellor, then we are ready to go ahead?" Mr. Hull answered, "Why not, that brings it together."

Mr. Morgenthau said, "Who sees anything the matter with that? Let me read this aloud again." He read, "We are glad to have his note. That we can be in full accord with paragraphs 2 and 3, but when it comes to paragraph 1, it is a matter of opinion as to whether under the new circumstances the natural level of the pound would be at $5.00, as we think is justified, or lower as the Chancellor says he expected. However, that as long as he understands that we believe the $5.00 level to be the correct one, the future operations can be conducted after appropriate conference and therefore reserving every right to state our position as it develops in the future and, without agreeing to the Chancellor's present thought of a lower rate between the dollar and the pound, we believe that this is not an obstacle which should prevent the issuance of the joint statements in order to carry out their broad, useful and indeed essential objective."

Dr. Feis suggested, "Keep it in the third person - the Secretary of the Treasury is glad to have Mr. Chamberlain's note."

H.M.Jr. said, "Incidentally, you will be very much amused. The President said, I am sick and tired of seeing the Chancellor of the Exchequer call you Mr. Morgenthau. The next time you address him, call him Mr. Chamberlain."

Feis suggested that the last four lines of the draft read, "The Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance, etc."

Dr. Feis, Mr. Taylor and Mr. Lochhead were with the Secretary when Mr. Mallet and Mr. Chalkley came in at 3:55 P. M.

The Secretary said to Mr. Mallet, "This is a note I would like you to transmit to the Chancellor please. If you care to, I would like to have you read it now."

Mr. Mallet then said to the Secretary, "This, I take it, is of a very secret nature and is that safe to send in care of the telephone?" Mr. Morgenthau answered, "I'm doing everything by telephone." Mr. Mallet again inquired, "You think that is safe? You would authorize me to send it on the telephone straight through to the Foreign Office?" Mr. Morgenthau answered, "Yes, you would certainly save a couple of hours. It would save four or five hours. I don't see how we can do this thing otherwise. The newspapers are crowding us."

Mr. Mallet said to the Secretary, "So this should go on the telephone. Am I to say at the same time that there is no need for them to hold up the statement for publication any longer?" Mr. Morgenthau replied, "May I put it this way — two things: (1) If this is acceptable to the Chancellor, as we say in our vernacular 'That's that'. I don't expect an answer from him. If this is acceptable to the Chancellor, that's that."

Mr. Mallet said, "Perhaps that's not clear to put through on the telephone." Mr. Morgenthau said, "How would you put it?"

Mr. Mallet answered, "If that is acceptable to the Chancellor, the statement....." Mr. Morgenthau interrupted and said, "If this is acceptable to the Chancellor, then the statement which we gave you at 1:30 could be released at a time mutually agreeable to the three countries."

Mr. Taylor inquired, "Do you want to indicate a time?" To this, Mr. Morgenthau replied, "No. I think that's distinctly up to the French, but if this is agreeable to the Chancellor, then the statement which I gave you, as far as we are concerned, we are ready to release it any time that either you or the French suggest."

Mr. Mallet said to the Secretary, "Will you expect to hear from us, or will you expect to hear from Cochran about the time of release?" Replying, Mr. Morgenthau said, "As for the time, I would say Cochran - but as to this, from you." Mr. Mallet then asked, "You would like to get an O. K. from us about this?"

Mr. Chalkley then addressed the Secretary and said, "I think we want to enlarge the word 'acceptable'. Does that mean acceptable as a statement of Mr. Morgenthau's?" The Secretary explained, "I feel this is an answer to the Chancellor. Unless he wants to raise some new issue, this particular exchange of notes is accomplished - finished. There isn't anything more to say." Dr. Feis added, "Unless he feels it necessary to continue this discussion immediately."

Mr. Morgenthau then said to Mr. Mallet, "Instead of taking down what I want to say, you can put it in your own language that when I hand you this note, that unless the Chancellor wishes to raise some additional questions, we are ready to go ahead and release these statements, which is mutually agreeable. This is a very carefully worded statement. As far as I am concerned, you know our phrase 'That's that'. That's finished. I don't want to say - is it acceptable? Then it means that the Chancellor has to agree to everything I have said. We have exchanged notes and we are ready to go ahead."

Mr. Mallet said, "I would rather expect there will be an answer 'All is well and we are ready to release it at such-and-such a time,' but you don't want to be consulted about the time of release, but just be informed of the time of release?" Mr. Morgenthau answered, "It is now 10:00 o'clock in London. If they will simply let me know what time they will release this and will they release the statement that I gave you or not."

Mr. Mallet then said, "We haven't heard you say whether the fresh draft of your statement is going to be released by the other two countries." In reply to that, Dr. Feis said, "You will probably get something fromLondon on that."

The Secretary then asked Mr. Mallet, "But do we understand each other, that as far as this thing goes, that ends this?" Mr. Mallet answered, "Yes, there is only one thing. Issuance of the joint statement." Dr. Feis said, "'Joint' is wrong. It should be 'simultaneous'". The Secretary said, "We read this over to Cochran, who was sitting in Auriol's office, and when it comes to the last page, it refers to 'their authorized agencies'. They have been talking about banks of issue. They suggested either monetary or fiscal. We put in authorized fiscal agent. The Federal Reserve of New York is our fiscal agent. The last three words of paragraph 3 read 'Their authorized agencies' and we made it read 'authorized fiscal agencies.'"

Mr. Mallet said, "You have agreed with the French?" And Mr. Morgenthau answered, "Yes. Cochran was sitting at Auriol's desk. May I again add that this statement that I am handing you has the approval of both the President and Secretary of State. They have both signed it and approved."

Mr. Mallet said, "Yes. You would not take the essence of that statement as saying the Chancellor agrees; that there is no further reply to that statement necessary?" Dr. Feis said, "I suppose the Chancellor just acknowledges it. He can't leave it unacknowledged." Mr. Morgenthau said, "He has to say that he received it."

Dr. Feis said, "May I put it this way - the release of this statement is being taken by our Government and your Government in the face of this divergence of opinion. We noted it. We are making a record of the divergence of judgment. If the Chancellor agrees, he will acknowledge our note and say, 'The Chancellor notes a divergence of opinion', and goes ahead." Mr. Morgenthau added, "Oh, yes, but he can't simply say he never received it. As a matter of fact, what I sent to him and what he sent to me is not given out for publicity purposes. The only thing we give out to the public here are these statements which have been prepared."

To Mr. Mallet he said, "Were you able to get through by the telephone?" Mr. Mallet replied, "I wasn't because I was coming back and I got Broadhead to do it. He probably has done it by now." The Secretary asked him, "Is everything quite clear?" And Mr. Mallet answered, "Quite clear."

If this goes through," the Secretary said, "I think it is the greatest move taken for peace in the world since the World War. I don't think anything approaches this since the World War." Chalkley remarked, "I can't remember any other simultaneous statement by three Governments." Mr. Morgenthau said, "No I don't think it has ever been done before. I think it is the greatest move for peace and it may be the turning point for again resuming rational thinking in Europe." Chalkley said, "We trust it will." Continuing, the Secretary said, "It may be just the thing to again bring reason back to those perfectly mad people. Let's hope so." Chalkley said, "Let's hope so. It's a great thing to feel we are working so closely together on this."

Mr. Morgenthau then said, "After all, we are the only three liberal governments left practically. The President has gone very far on this thing. I feel he has given a great deal. We haven't gotten everything we want by great means, but the thing is so pressing. France lost $48,000,000 in gold today, and I am so hopeful that out of this will be a turning point in really a new era. As you say, I don't know anything like it in history." And Mr. Chalkley said, "No."

Mr. Morgenthau added, "And the beauty of the thing is - there are no signatures. It is good faith. We have confidence in each other, and I would ten times rather shake hands than have all the signatures in the world. Signatures haven't been worth much. We will stay right here. We are going to call Cochran in five minutes, and I will say that we have come to an amicable arrangement but still we will have to wait until I hear from the Chancellor."

At this point, (4:18 P. M.), H. M. Jr. called Cochran and told him that the British had just left with a note to Chamberlain which they are going to telephone to the Chancellor. It was in this telephone conversation that Mr. Cochran said the only way to get the French text to Mr. Morgenthau was to have the French Ministry of Finance wire it to Appert.

Record of the telephone conversation between the Secretary and Mr. Cochran follows:

PARTIAL PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Paris, France

DATE: September 25, 1936, 3 p.m.

NO.: 370 RUSH

FOR COCHRAN.

FROM THE SECRETARY OF THE TREASURY.

The text of our latest redraft of the proposed simultaneous declaration is given below. The proposed revisions of the Anglo-French text submitted to us are slight, as you will observe. You are requested to ascertain at once whether this draft is acceptable to the French Government, and whether its draft will be modified in accordance therewith. This Government is giving a copy to the British Embassy in Washington at once, with the request that the same question be put to the British.

The text is transmitted to you now in order to avoid possible unnecessary delay later. However, pending further discussion with the British in regard to the pound-dollar relationship, no decision has been reached here. The following is the text:

His

EA:LWW

LMS 2-No. 370 to Amembassy, Paris.

His Majesty's Government after consultation with the United States Government and the French Government join 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.

2. His Majesty's Government must of course in its policy towards international monetary relations take into full account the requirements of internal prosperity of the countries of the Empire, as corresponding considerations will be taken into account by the Governments of France and the United States; they welcome this opportunity to reaffirm their purpose to continue the policy which they have pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchange and to avoid to the utmost extent the creation of any disturbance of that system by British monetary action. His Majesty's Government share with the Governments of France and the United States the conviction that the continuation of this twofold policy will serve the general purpose which all the Governments

should

should pursue.

3. The French Government informs us that judging that the desired stability of the principal currencies cannot be ensured on a solid basis except after the reestablishment of a lasting equilibrium between the various economic systems have decided with this object to propose to their parliament the readjustment of their currency. His Majesty's Government has as also the United States Government welcomed this decision in the hope that it will establish more solid foundations for the stability of international economic relations. His Majesty's Government, as also the Government of France and of the United States of America, declare their intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchange resulting from the proposed readjustment. They will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies.

4. His Majesty's Government are moreover convinced, as are also the Governments of France and the United States of America, that the success of the policy set forth above is linked with the development of international

LMS 4-No. 370 to Amembassy, Paris.

national trade. In particular they attach the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. His Majesty's Government, in common with the Governments of France and the United States of America, desire and invite the cooperation of the other nations to realize the policy laid down in the present declaration. They trust 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.

HULL
(HF)

EA:HF:LWW

September 25, 1936.
4:18 P.M.

Operator: Go ahead.

C: Hello?

H.M.Jr: Hello Cochran.

C: Yes Mr. Secretary.

H.M.Jr: Now are you still sitting in Mr. Auriol's chair?

C: No I've been demoted. I've got Baumgartner's now.

H.M.Jr: Your in Baumgartner's - well your slipping.

C: Yes - yes.

H.M.Jr: All right.

C: They'll have me out before the night's over.

H.M.Jr: Yes, well now this is what happened.

C: Yes.

H.M.Jr: Five minutes' ago the British left here with an answer to Mr. Chamberlain's special private note to me.

C: Yes.

H.M.Jr: The answer which we have given him I am 98% sure that he can accept - hello?

C: You say that he can expect your answer?

H.M.Jr: Yes.

C: Surely.

H.M.Jr: If he can accept it (aside to someone in his office - "Got it?")- The last - (aside to someone - "is this it? K or C "to the President? H.M.Jr: the one to Chamberlain. Oh yes. (pause)

H.M.Jr: The last part of the Sentence reads like this, 'The Secretary of the Treasury believes -

C: Yes

H.M.Jr: - 'that this is not an obstacle which need prevent the issuance of the joint statements - of the simultaneous statements in order to carry out their broad useful and indeed essential objectives, see?

C: Did I miss some then when you were not speaking to me or was I cut off?

H.M.Jr: I guess you were cut off. I'll repeat it.

H.M.Jr: The last -

C: There was quite a gap there when I didn't hear anything.

H.M.Jr: Well may be I hiccoughed I don't know.

C: Well the British left with the note - which you thought would be 98% acceptable.

H.M.Jr: Well then I said the end - the last sentence in my note -

C: Yes.

H.M.Jr: - to Mr. Chamberlain reads as follows.

C: Do you want me to take that down?

H.M.Jr: No.

C: No.

H.M.Jr: No. I just want you to get the gist of it.

C: Oh. Right.

H.M.Jr: 'The Secretary of the Treasury believes -

C: - Yes.

H.M.Jr: 'that this is not an obstacle' - we're talking now about the $5.00 pound, you see? I mean he's given certain interpretations and I've given certain interpretations.

C: Yes - yes

H.M.Jr: So it says 'The Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the joint statements - oh (pause)

H.M.Jr: Hello

C: Hello

H.M.Jr: I keep reading the wrong copy all the time.

C: I see.

H.M.Jr: I'll start once more. 'The Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the simultaneous statements -

C: of the simultaneous - yes.

H.M.Jr: Yes. - 'in order to carry out their broad useful and indeed essential objectives - hello?

C: Yes.

H.M.Jr: Now the point of this - this is an answer of a confidential memorandum from the Chancellor to myself.

C: Right.

H.M.Jr: I've answered him. hello?

C: Yes.

H.M.Jr: I've just given this five minutes ago to the British here.

C: Yes.

H:M.Jr. They're going to telephone it to the Chancellor.

C: They're telephoning it to the Chancellor.

H.M.Jr: Yes.

C: I see.

H.M.Jr: Now, if he says O.K. and then if he has no objection to the copy of the message which we have given you for the French and have given him over the telephone, we're ready to go but we're not ready to go until we again hear from the British.

C: I see.

H.M.Jr: Now they're going to telephone right away.

C: I see.

H.M.Jr: And as soon as they hear they're going to come back and see me.

C: I see.

H.M.Jr: But we're still not ready to release that statement until we hear from the British.

C: I see.

H.M.Jr: Now do you want to repeat that to what's his name?

C: Well let me/just tell you ~~suggest~~ what's happened here.

H.M.Jr: Yes.

C: And then I'll tell them what you say.

H.M.Jr: Yes.

C: The French are willing to accept completely the amendment which you transmitted.

H.M.Jr: What's that? Hello?

C: Hello - I say the French accept completely -

H.M.Jr: Yes.

C: - the amendment which you suggested to the text.

H.M.Jr: All right. Now wait a minute before you say anything else.

C: Yes.

H.M.Jr: We accepted the - that suggestion that they made. The end of Paragraph 3.

C: The end of Paragraph 3.

H.M.Jr: The last three words.

C: The last three words.

H.M.Jr: Read 'Their authorized agencies'.

C: Yes.

H.M.Jr: We've inserted the words 'Their authorized <u>fiscal</u> agencies'.

C: Their authorized fiscal agencies.

H.M.Jr: Yes.

C: Yes.

H.M.Jr: That was their suggestion wasn't it?

C: That makes a different thing here.

H.M.Jr: What's that?

C: I say they don't like that - that refers to taxation over here.

H.M.Jr: Well what was the word - what

C: Monetary they wanted.

H.M.Jr: Well now wait a minute. The Federal Reserve in New York is our fiscal agent.

C: Yes but the fiscal agent over here is the tax collector.

(Laughter by the group)

H.M.Jr: Well now just a minute - they're all - just hold on and we'll settle it right now - it's down to one word. They want <u>monetary</u> - is that what they want?

C: Well I mean London has already accepted it as 'authorized agencies'.

H.M.Jr: Yes.

C: The people here would rather accept it as that without putting in the modifying adjective.

H.M.Jr: Just leave it 'authorized agencies'

C: 'Authorized agencies'.

H.M.Jr: Well, as Monnick says, we strike (rolled r's) it out. (Laughter).

C: Yes. Then we strike it out.

H.M.Jr: Yes. That's - we strike out <u>fiscal</u>.

C: Yes - yes and leave it 'authorized agencies'.

H.M.Jr: All right. Now everything else is O.K?

C: Well they accepted your text.

H.M.Jr: Fine.

C: And they telephoned this text to Monnick.

H.M.Jr: What's that?

C: I say they telephoned your English text.

H.M.Jr: Yes.

C: Yes.

H.M.Jr: Yes - to Monnick at London

C: Who in turn submitted it to the British.

H.M.Jr: Yes.

C: And they are in agreement, so Monnick tells us.

H.M.Jr: They are?

C: Although they had not yet when he talked with them - received the cable text.

H.M.Jr: Uh huh -

C: They are quite willing to accept this.

H.M.Jr: Well now - did you get our cable text?

C: No I haven't it yet. I just 'phoned the Embassy 10 minutes ago and it had not even begun to come in.

H.M.Jr: Uh huhh

C:	I'll have to go on the oral text which I understood completely from Lochhead and checked it badk with him.
H.M.Jr:	But the French have accepted our text as is?
C:	As is absolutely - with all those amendments and they preferred not to amend that phrase about -
H.M.Jr:	All right.
C:	- peace.
H.M.Jr:	Now -
C:	They'd rather leave it out than raise another question now.
H.M.Jr:	Well now I imagine that the British are now talking to Mr. Chamberlain.
C:	Yes.
H.M.Jr:	And I ought to hear from them any minute.
C:	Yes.
H.M.Jr:	And just as soon as I hear I'll 'phone you again.
C:	'Phone what?
H.M.Jr:	Just as soon as I hear from the British I'll 'phone you.
C:	'phone me at the Ministry office.
H.M.Jr:	I think it's better to stay there, don't you?
C:	Yes, by all means. I'll stay right here?
H.M.Jr:	Have they got a nice comfortable chair?
C:	Oh, yes.
H.M.Jr:	What?
C:	Let me explain one or two methods of procedure which we had in mind here.
H.M.Jr:	O.K.

C: They say that the statement will be given out - when it's given out - by the Minister of Finance.

H.M.Jr: Yes.

C: And in London by Chamberlain.

H.M.Jr: Yes.

C: And what they're trying to do is to give it out here, that is, always provided we come to final agreement.

H.M.Jr: Yes.

C: At 11 o'clock.

H.M.Jr: 11 o'clock. 11 from 6 is what? That's five. It won't be ready by then. I mean unless the British move faster than they have any time before.

C: You see after Ministry - after a meeting of the Cabinet, M. Auriol got blank authority to go ahead but he has to consult the President of the Republic.

H.M.Jr: Yes. Well, they won't be ready by 11 o'clock Paris time. It'll be nearer 12 o'clock Paris time.

C: Oh I see it will be 12 o'clock Paris time.

H.M.Jr: At the earliest.

C: Well, we'll try and keep the President up then, if we can.

H.M.Jr: (Very hearty laughter) How does one keep the President of France up? What's going on at the Momarte tonight?

C: I don't know - I haven't been there for some time.

H.M.Jr: (More hearty laughter). Well there's that very nice Russian restaurant you know that opens at 12 o'clock.

C: Yes, I reckon I'll make an application out if I keep this job I think.

H.M.Jr: (Laughing) Well far be it from me to say how to keep the President of France up. Hasn't Baumgartner got any suggestions?

C: Let me see on this matter of Fournier and Cariguel.

H.M.Jr: Yes.

C: I talked with Cariguel.

H.M.Jr: Yes.

C: I say that he had referred, I find, to Knoke simply in line with their routine, you see?

H.M.Jr: Yes.

C: Irrespective of what might be done tonight.

H.M.Jr: Yes.

C: And then they would ask the Federal to take care of the market tomorrow morning.

H.M.Jr: I didn't quite get that.

C: They would leave it to the Federal -

H.M.Jr: Yes.

C: New York -

H.M.Jr: Yes.

C: To take care of the market - support the franc tomorrow morning and but for the other point he referred me to Fournier.

H.M.Jr: Yes.

C: And Fournier in turn talked with Roueff here while I was out and Fournier would like for us, if this thing goes through, to use our good offices to influence them to refrain from franc operations.

H.M.Jr: Good.

C: Until Tuesday.

H.M.Jr: To do what?

C: To refrain from operations in French exchange until Tuesday.

H.M.Jr: Well that's going to be a little difficult but we'll do the best we can.

C: Chamberlain is going to do the same thing in London.

H.M.Jr: Well -

C: To - to do everything they can to stop speculation.

H.M.Jr: We'll do everything that we can but, after all, this is a Republic.

C: And then is going to do the same thing.

H.M.Jr: Did you hear what I said?

C: do everything they can.

H.M.Jr: We'll do everything we can. The only thing we're worrying about is that $150,000 that belongs to Federal Reserve of New York.

C: All right, well that's the last thing I'm going to insist on - just at the end.

H.M.Jr: (Laughing) All right. Professor Williams is sitting right here and he's laughing.

C: Yes - he always was a refugee money devaluation and all that.

H.M.Jr: All right. Williams has come back.

C: Do you want me to check the French translation here?

H.M.Jr: What French translation?

C: I mean they'll get out a French -

H.M.Jr: Yes - yes - that's a very good idea.

C: I mean they haven't as yet.

H.M.Jr: Yes - that's a good idea.

C: London - Leith Ross is checking it with Monnick.

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

C: And it was my idea of getting the French text to you that you people could look it over there, too.

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

C: It's more important that our British and American text - are entirely accurate and identical.

H.M.Jr: Good.

C: I'll go over there, too.

H.M.Jr: All right.

C: If you wish.

H.M.Jr: Now if Baumgartner doesn't object you sit right there with him.

C: What's that?

H.M.Jr: I'd like you to stay right in the Ministry of Finance.

C: We're - I'll stay here. And the Regents of the Bank of France are leaving at midnight.

H.M.Jr: All right. Now just a minute. Mr. Feis is asking -

H.M.Jr: How are you going to get the French text over to us?

C: The best way to get the French text to you is to have them wire it to Appert as they did before.

H.M.Jr: Oh don't - don't - listen - don't - isn't there any other way?

C: Well the only other way would be - well after it's once released I can cable it in clear.

H.M.Jr: Well, send it to Appert and let's see what happens.

C: Well, see, we - it will be in the press here as soon as it is released.

H.M.Jr: Well, send it to Appert.

C: It would be much quicker if we put it just in - prepare a cablegram when it's released but I can't put the French text into our diplomatic code - English code book you see?

H.M.Jr: No. Send it to Appert.

C: Have them send it to Appert?

H.M.Jr: Yes.

C: But you want me to check it with them -

H.M.Jr: Yes.

C: Before it's released?

H.M.Jr: Yes - yes.

C: All right.

H.M.Jr: Why don't they telephone it to Appert?

C: Just a minute - (Aside to someone in his office "What's that"?)

C: Roueff just tells me that the British have him on the other 'phone.

H.M.Jr: Yes.

C: Trying to get the declaration out before midnight.

H.M.Jr: Yes. Well, have they heard from Chamberlain?

C: (Talked aside to someone - can't make it out)

H.M.Jr: Well why don't you speak to them and I'll hold the wire? Let him speak to the British and I'll just stay on the 'phone.

C: They say that your message is just being deciphered now.

H.M.Jr: Yes.

C: And they were just talking on the 'phone in the other room and in the Treasury the higher officials do not yet have the message. It's just being decoded.

H.M.Jr: Why they telephoned it.

C: No, they just - there was one message that you coded was there not?

H.M.Jr: I see.

Feis: Telephone and cable.

H.M.Jr: I told them to telephone and cable it both.

C: I see.

H.M.Jr: Look - either way - I'll hang up now - my

hear yet as to what the British say on it.

H.M.Jr: By using this 'phone may keep them from telephoning so I'm going to hang up and the minute I hear something from the British I'll phone and if they hear anything, don't hesitate to call me.

C: All right. Fine.

H.M.Jr: How's that.

C: That's all right. If I hear first I'll put the call in for you.

H.M.Jr: If you hear anything call me. Don't spare any expense.

C: All right. Fine.

H.M.Jr: And if I hear I'll call you.

C: Sir?

H.M.Jr: Now wait a minute - Feis wants -

C: There's just one thing - may I ask you yet?

H.M.Jr: Yes.

C: On this thing, do you want the French text wired to Appert tonight? I mean -

H.M.Jr: Why can't they telephone the French text to Appert?

C: Just a minute (Aside to someone in his office: "Could you telephone the French text to Appert?") (Pause)

C: They can do that.

H.M.Jr: What's that?

C: They can do that and I would really prefer that you people see the French text there and rather then leave the final thing with me.

H.M.Jr: Let's do it both ways, you check it there - the translation -

C: Yes.

H.M.Jr: - and ask them to phone it to Appert.

C: All right. And you people will see it then.

H.M.Jr: Right.

C: Fine. All right and we'll start 'phoning it to Appert then.

H.M.Jr: O.K.

C: Is he with you now or is he at the Embassy, do you know?

H.M.Jr: He's at the Embassy.

C: He's at the French Embassy?

H.M.Jr: Yes.

C: All right.

H.M.Jr: All right.

C: We'll 'phone it through then.

H.M.Jr: Yes.

H.M.Jr: Goodbye.

C: Goodbye.

September 25, 1936

For Colonel McIntyre:

Will you please send the following ultra-confidential message by special messenger to the President of the United States.

We have taken the British message which I sent you last night and was marked "D" and have made certain changes in it which we believe are an improvement. This corrected message has been shown to Secretary Hull and meets with his entire approval.

After you have read the following message, I would greatly appreciate it if you would telephone me and give me your own suggestions.

HMJr.

Message & with corrections made by Secretary Morgenthau

"Following upon the decision of French Government to propose to their Parliament an adjustment of their currency His Majesty's Government after consultation with the United States Government and the French Government join 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.

2. His Majesty's Government must of course in its policy towards international monetary relations take into full account the requirements of internal prosperity of the countries of the Empire, as corresponding considerations will be taken into account by the Governments of France, the United States; they welcome this opportunity to reaffirm their purpose to continue the policy which they have pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchanges and to avoid to the utmost extent the creation of any disturbance of that system by British monetary action. His Majesty's Government share with the Governments of France and the United States the conviction that the continuation of this twofold policy will serve the general purpose which all the Governments should pursue.

3. The French Government informs us that recognizing that the desired stability of the principal currencies cannot be ensured on a solid basis except after the reestablishment of a lasting equilibrium between the various economic systems have decided with this object to propose to their parliament the readjustment of their currency. His

Majesty's Government has as also the United States Government welcomed this decision in the hope that it will establish more solid foundations for the stability of international economic relations. His Majesty's Government, as also the Government of France and of the United States of America, declare their intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchanges resulting from the proposed readjustment. They will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies.

4. His Majesty's Government are moreover convinced, as are also the Governments of France and the United States of America, that the success of the policy set forth above is linked with the development of international trade. In particular they attach the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. His Majesty's Government, in common with the Governments of France and the United States of America, desire and invite the cooperation of the other nations to realize the policy laid down in the present declaration. They trust 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."

Respectfully yours,

H Morgenthau Jr.

Henry Morgenthau, Jr.

British told us to correct. (3.) OK. 75 jan 2

~~Following upon the decision of French Government to propose to their Parliament an adjustment of their currency~~ His Majesty's Government after consultation with the United States Government and the French Government join 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.

2. His Majesty's Government must of course in its policy towards international monetary relations take into full account the requirements of internal prosperity of the countries of the Empire, as corresponding considerations will be taken into account by the Governments of France and

the United States; they welcome this opportunity to reaffirm their purpose to continue the policy which they have pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchange, and to avoid to the utmost extent the creation of any disturbance of that system by British monetary action. His Majesty's Government share with the Governments of France and the United States the conviction that the continuation of this twofold policy will serve the general purpose which all the Governments should pursue.

3. The French Government informs us that ~~recognizing~~ judging that the desired stability of the principal currencies cannot be ensured on a solid basis except after the reestablishment of a lasting equilibrium between the various economic systems have decided with this object to propose to their parliament the readjustment of their currency. His Majesty's Government has, as also the United States Government, welcomed this decision in the hope that it will establish more solid foundations for the stability of international

economic relations. His Majesty's Government, as also the Government of France and of the United States of America, declare their intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchanges resulting from the proposed readjustment. They will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies.

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FROM: MR. GASTON'S OFFICE

The Secretary

TO: ....

Central News tells me it has been officially announced in Paris that there will be a statement today.

Trans-Radio News informs us by telephone that they have dispatch that it has been officially announced in Paris that a monetary agreement has been reached between France, U.S. and Great Britain. I am trying to get text of this.

H.E.G.

3:45 p.m.

Statement of Havas gives same info from [illegible]

[illegible]

FROM: MR. GASTON'S OFFICE

TO: The Secretary

A P has Paris despatch that Havas agency says France has reached agreement with Great Britain and U S as to monetary move. Chamber of Deputies has been called to meet Monday.

H.E.G.

3:53 p.m.

~~This [illegible] about [illegible] of~~

Swinehart of Havas gives same info over phone

HEG

The Transradio bulletin is as follows:

PARIS- French officials announced this evening that an international monetary agreement had been reached between Washington, London and Paris.

I told them our only response at this time was "No comment." - RBF.

3:53 pm.

At 4:40, the Secretary called Mr. Appert on the telephone, told him he understood he would receive the French text over the telephone, and asked him to come directly to the Treasury with the French text so that it might be compared with the English text. Text of this conversation follows:

September 25, 1936
4:40 p.m.

Operator: Mr. Appert.

Appert: Yes, Mr. Secretary.

H.M.Jr: Mr. Appert, I've just got through talking again to Paris.

A: Yes, sir.

H.M.Jr: And in a very little while they are going to telephone you the French text -

A: Yes, sir.

H.M.Jr: - and after you have the French text -

A: Yes, sir.

H.M.Jr: - will you bring it right down here so that we can compare it with the English text.

A: Y Yes, sir.

H.M.Jr: We've - We've agreed on the text.

A: You wish that I come to you with the French text?

H.M.Jr: As soon as they telephone it to you.

A: As soon as it comes over -

H.M.Jr: No, no. They have - they're going to telephone it to you.

A: They will telephone to me the text?

H.M.Jr: Mr. Baumgartner will telephone you at the Embassy -

A: Yes.

H.M.Jr: - the French text.

A: And then I will immediately come to your office.

H:M.Jr: If you please.

A: Yes, I will do it.

H.M.Jr: Thank you very much.

A: Yes, sir.

H.M.Jr: Thank you.

Friday afternoon
Sept. 25,1936

The Bank of England telephoned the Federal Reserve Bank of New York and stated that they were fearful that the large amount of gold might be offered in the London market for sale on Saturday. They reminded us that we had previously placed an order with them for gold in their market at the rate of $34.77, but that only $12,000,000 of the original order of $25,000,000 remained unfilled. They inquired as to whether or not we would be willing to increase our order to take care of any possible developments in the London market on Saturday morning. The Secretary instructed the Federal Reserve Bank to notify the Bank of England that we would purchase up to $100,000,000 of gold in their market at $34.77 or better.

H.M.Jr. called Governor Harrison at 10 minutes to 5:00. Record of this conversation follows.

Then H.M.Jr. called Landis and also Governor Ransom, Acting Chairman of the Federal Reserve, and asked them to come right over. Record of these conversations follow. The Secretary acquainted Mr. Landis and Mr. Ransom with the status of the negotiations up to this point.

After talking to Governor Ransom of the Federal Reserve Board, the Secretary telephoned to Chairman Eccles, who is in Utah, and brought him up-to-date on the pending negotiations. Copy of this telephone record follows.

September 25, 1936
4:45 p.m.

H.M.Jr: Hello.

Operator: Operator.

H.M.Jr: Ask Mr. Williams and Mr. Knoke to come in here. I don't know where they all are. And then after I have them in here, I'll talk to Governor Harrison.

Operator: All right.

H.M.Jr: Hello.

Operator: Governor Harrison.

H.M.Jr: Hello.

Harrison: Yes, Henry.

H.M.Jr: George.

H: Yes, sir.

H.M.Jr: I have in the room here with me Williams, Knoke and someother Treasury people. Now, you called me and I'm calling you.

H: Yes.

H.M.Jr: Have you something special on your mind?

H: Only one thing, and I'm going to take a liberty with you.

H.M.Jr: Please.

RANSOM

H: Grafton has been calling me two or three times a day about the French situation.

H.M.Jr: Yes.

H: And what's going on, and he's been getting reports from the press, and he called me up a little while ago to say that he just heard from a newspaper reporter there would probably be an embargo tomorrow.

H.M.Jr: Yes.

H: And, of course, I've been ignorant of it all.

H.M.Jr: Right.

H: And -

H.M.Jr: Your suggestion is a good one. I'll send for Mr. Ransom at once.

H: If you do that, I think it would be very helpful and in good spirit.

H.M.Jr: It's a splendid suggestion, and I'll send for him at once.

H: Very good. That's all I had to say.

H.M.Jr: Now, this thing, if you don't mind, I'm going to ask you to stay at your office, can you?

H: Yes.

H.M.Jr: And it looks now as though it will go through any minute.

H: Yes.

H.M.Jr: And the thing that they're asking us is that we please use our good offices to impress upon the dealers in foreign exchange that they do not try to buck this. See?

H: Yes.

H.M.Jr: Now I've been talking to Knoke about this since last night, and I asked him to talk to you about it this morning.

H: Yes.

H.M.Jr: Now, have you and Knoke come to any conclusion as to how best to handle this?

H: Well, I've been talking it over here in the bank -

H.M.Jr: Yes.

H: Tomorrow is a very difficult day for the reason that all the principal officers will be out of town.

H.M.Jr: Yes.

H: There won't be any but second lieutenants ... and exchange dealers down the line.

H.M.Jr: Yes.

H: And, a meeting of such a crowd is out of the question. The only way I could do it would be either to call each bank and talk to the senior officer whoever happens to be there on the telephone -

H.M.Jr: Yes.

H: Or else try to get the top fellows wherever they may be in the country.

H.M.Jr: Yes.

H: If I could do it tonight, of course, it would be a lot simpler to do it.

H.M.Jr.: Yes.

H: I could get them; but to try to get them tomorrow morning on the telephone that way is going to be a difficult, tedious thing, and may delay the thing.

H.M.Jr: No, I think it ought to be done tonight.

H: But if you were to let me do it tonight, it would be a cinch.

H.M.Jr: I will as soon as the statement is released here.

H: Yes.

H.M.Jr: But, it ought to be released now any time.

H: Yes.

H.M.Jr: Now do you think I can help any or do you think you can do it?

H: I think I can do it all right. I think it is really the best way to do it.

H.M.Jr: All right.

H: I don't want to suggest you shouldn't do it, but I really -

H.M.Jr: No.

H: - think this is the best way to do it if you leave it with me.

H.M.Jr: I will.

H: All right.

H.M.Jr: If you'll assume the responsibility?

H: Yes, I will.

H.M.Jr: All right. Well, then, what I will say is that if you don't mind staying right where you are, the minute I hear, I'll call you.

H: Yes, because then I can get busy.

H.M.Jr: The minute.

H: Well now I wonder, may I ask another thing?

H.M.Jr: You can ask a dozen.

H: In the meantime, wouldn't it be helpful - if you don't mind doing it, if you have the time to do it - to let Williams, or Knoke or somebody dictate the statement to me so that if you release me to go ahead on it, I'll know what I'm talking about.

H.M.Jr: That's all right. Surely. That's all right. I'll give Williams a copy. As a matter of fact, he's - they haven't finished it. Williams is working on it with several others putting it into the language so that it's United States instead of reading "The French Government", and the minute that's finished, I'll - wait a minute. (Pause) No, no. You want the statement that's going to be given out to the press, don't you?

H: That's right.

H.M.Jr: Well, the minute that Williams hasfinished it, and I've O.K'd. it - I haven't seen it yet; it isn't finished -

H: Yes.

H.M.Jr: I'll tell Williams or Knoke to phone it to, where? Wherever you have a confidential secretary.

H: I'll have my own secretary here.

H.M.Jr: Well, the minute that he's got it - have you got it Williams? He says he's only half way through it.

H: Yes.

H.M.Jr: So the minute he's through and I O.K. it, even before we give it out, I'll let him dictate it over the phone to you.

H: Yes; well that will be very helpful to me.

H.M.Jr: How's that?

H: Fine.

H.M.Jr: Now wait a minute - just a second. (Pause) Well, you understand that when we dictate it to you, that - that there's still a chance that it never will be released.

H: Oh, I understand that, and I shall not call any bankers until you've released me on that, but I thought that in the meantime I might be getting the statement so that we won't then have to do it after you authorize me to release it.

H.M.Jr: Perfectly true. Now - now just take a minute - how do you feel about it.

H: Oh, I think it's a grand thing, as I understand it. They haven't tried to give me the works but they gave me the substance of it and I think it's a great thing.

H.M.Jr: But I mean - the whole proposition - how do you feel about it?

H: Well, as I - as I understand it - I - I'm a little - a little disappointed that the best the French are going to do is a stabilization fund within a limit.

H.M.Jr: Yes.

H: And - because I think that's going to make it more difficult for them - maybe it is the best they can do.

H.M.Jr: Yes.

H: I would have liked to have seen them devalue x per cent definitely.

H.M.Jr: Yes.

H: And let it go at that.

H.M.Jr: Yes.

H: In fact, I think it would have been very much easier on our own position because if you have a fluctuation of 10%, you invite the very thing they are trying to avoid.

H.M.Jr: Yes.

H: Which is speculation.

H.M.Jr: But, under the circumstances, we'll take it and think it's pretty good, eh?

H: Oh, yes, I do.

H.M.Jr: Right.

H: I think something would have to be done.

H.M.Jr: Well, I wanted -

H: I think your statement is grand.

H.M.Jr: All right. Well, I want - Williams and Knoke have been very helpful.

H: Well, I'm awfully glad they have.

H.M.Jr: All right - and just the minute that Williams brings it in and I O.K. it, I'll let him phone it to you.

H: Thank you very much.

H.M.Jr: And I'll take your suggestion. I'll immediately send for Mr. Ransom.

H: Will you, and -

H.M.Jr: At once.

H: And explain why I haven't been able to say anything.

H.M.Jr: I'll tell him that I'm - I'm the bad fellow who swore you to secrecy.

H: Yes, all right.

H.M.Jr: I would - I'll take care of that.

H: All right - thank you.

H.M.Jr: Goodbye.

H: Goodbye.

Operator: Operator.

H.M.Jr: Get me Mr. Ransom over at Federal Reserve.

Operator: All right.

September 25, 1936
5:00 p.m.

Operator: Governor Ransom.

H.M.Jr: Hello.

Ransom: Hello, sir. How are you today?

H.M.Jr: I'm fine. Are you free to come over and see me?

R: Yes, sir, I am.

H.M.Jr: Well, if you'd come over I'd appreciate it.

R: I'll do that.

H.M.Jr: Thank you.

H.M.Jr: Hello.

Operator: Mr. Landis.

H.M.Jr: Hello.

Landis: Hello.

H.M.Jr: Morgenthau speaking.

L: Yes.

H.M.Jr: Could you drop over at the office? I'd like to tell you what I've been doing.

L: All right. Thank you very much.

H.M.Jr: Fine.

L: All right.

H.M.Jr: Thank you.

RY
D-
5.06

September 25, 1936

For Colonel McIntyre:

Would you please send the following ultra-confidential message by special messenger to the President of the United States.

"The following is a draft which we handed Mr. Mallet of the British Embassy for Mr. Chamberlain at 4:00 o'clock Eastern Standard Time.

'The Secretary of the Treasury is glad to have Mr. Chamberlain's note. The Secretary can be in full accord with paragraphs two and three, but with respect to paragraph one, it is a matter of opinion as to whether under the new circumstances the natural level of the pound would be at $5.00, as he thinks is justified, or lower as Mr. Chamberlain says he expected. However, as long as Mr. Chamberlain understands that we believe the $5.00 level to be the appropriate one, the future operations can be conducted after suitable conference and therefore reserving every right to state our position as it develops in the future and, without agreeing to Mr. Chamberlain's present thought of a lower rate between the dollar and the pound, the Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the simultaneous statements in order to carry out their broad, useful and indeed essential objective.'

"And the following is Mr. Auriol's declaration to me which was read to me over the telephone by Mr. Cochran:

'The French Government, while thanking Mr. Morgenthau for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought under monetary law.

After simultaneous declaration despite the reservation which this country has been obliged to make to take account of its public opinion, they will consolidate effectively the stability of the major currencies and will constitute the starting point for a trustful cooperation between the three great countries. It insists on the urgency for its country of a final decision, the Council of Ministers being already in session since 4:00 o'clock. It is now ten 'til six.'"

Respectfully,

H Morgenthau Jr.

Secretary of the Treasury.

Operator: Mr. Eccles.

H.M.Jr: Thank you.

Operator: Go ahead.

H.M.Jr: Hello.

Eccles: Hello there; how are you?

H.M.Jr: Hello, Marriner, how are you?

E: I'm pretty good.

H.M.Jr: Marriner, I'm calling you up in the strictest of confidence . I've got your Acting Chairman here, Mr. Landis, and Mr. Taylor, and Mrs. Klotz - all friends of yours sitting here. We are about 90% sure that between now and the next couple of hours we're going to have an agreement with the English and the French on devaluation.

E: Yes.

H.M.Jr: But we won't know for another hour or two. It'll take the form of simultaneous, similar statements by each Government; and the French will at midnight, or as soon as this is released, will put an embargo on gold, then call Parliament and ask for the approval of this devaluation, and I suppose a vote of confidence in the Blum Government.

E: Yes.

H.M.Jr: And this will - I think they're going to call Parliament on Sunday. But the chances are about 90% that it'll go through, but you know how those things are.

E: Yes.

H.M.Jr: And we're now waiting to hear from the English. The French have agreed to everything. And we've been fighting for a \$5.00 pound and that's what has been holding the thing up. And the thing - as far as the actual agreement as to rates and all that - is very sketchy and we - we're not signing anything. It's purely a neutral agreement to try to keep the -

E: Purely a gentlemen's agreement.

H.M.Jr: Purely a gentlemen's agreement which I think is much more valuable than any signed document.

E: Well if it's a question of - if it's of mutual interest, it ought to [illegible] be bound any way.

H.M.Jr: That's right. And the word that we use - we've coined a new word - we will continue this as long as it is in the interest of national prosperity.

E: Yes.

H.M.Jr: How's that?

E: That's all right.

H.M.Jr: Instead of using the words "internal price levels."

E: Yes - national prosperity.

H.M.Jr: Yes.

E: It's a good campaign word.

H.M.Jr: It isn't bad.

E: (Laughs) Who thought of that one?

H.M.Jr: Oh, we never thought of that, you know - the campaign. This is purely monetary.

E: Say, what - what - what will the price of the franc be?

H.M.Jr: Well, they're talking about devaluation between 25 and 34%, which would put the franc at around 5¢.

E: And then they'll immediately hold it there. I mean it will be a -

H.M.Jr: They're - they're going to have a stabilization fund of 10,000,000,000 - 10,000,000,000 francs.

E: Yes. Well that ought to be - that ought to be very helpful.

H.M.Jr: Don't you think so?

E: It ought to be very,very helpful because to have France forced off and no agreement -

H.M.Jr: Yes.

E: - and then to have the franc drift -

H.M.Jr: Yes.

E: - which couldn't help but be very demoralizing and certainly would be terribly demoralizing to France -

H.M.Jr: Yes.

E: - and it would leave both the pound and the dollar in an uncertain situation, and particularly the pound.

H.M.Jr: That's right.

E: Now it would be bad because the pound would have no basis upon which it could operate.

H.M.Jr: That's right.

E: So it does seem to me - personally I - I've been wondering just what the outcome was going to be after watching the paper on this French situation.

H.M.Jr: Yes.

E: But it does - it does look to me that a three-way agreement enabling France to immediately stabilize at a new level -

H.M.Jr: Yes.

E: - with a stabilization fund, ought to be very, very helpful to the entire - to not only the national situation but to the world situation.

H.M.Jr: I think so.

E: Do you - do you think England will agree to $5.00?

H.M.Jr: Well, they haven't agreed to it but, on the other hand, they said they wouldn't fight it. That's about what it boils down to. They've given me a confidential memorandum on that.

E: But they're going to have to agree though, aren't they?

H.M.Jr: No.

E: Well, of course, if they don't fight it, it means the same thing.

H.M.Jr: Well they - they've agreed -

E: It means that they're not going to further devalue, doesn't it?

H.M.Jr: They've - they've agreed very, very definitely not to fight it, and they've also told me they're satisfied with the present level.

E: They'll support the pound at that price?

H.M.Jr: Yes.

E: Isn't that what it means.

H.M.Jr: No, what they say is they'll let it sort of seek its own level, but, on the other hand, they won't push it down.

E: Well, of course -

H.M.Jr: Everybody here who's worked on it thinks that -

E: That that's where it'll stay?

H.M.Jr: They think that that's about where it will stay - they think temporarily it may go up but it will stay about there. They - they don't feel it to be a great return of capital to France because they're not sure of France.

E: They're not sure of the political situation.

H.M.Jr: No.

E: It's more than the monetary there, isn't it?

H.M.Jr: Yes.

E: Now later if there is a return, then the pound may recede.

H.M.Jr: It might. It might go to $4.90. That wouldn't be any tragedy.

E: Yes. Well, it may even go lower than that if they lost a lot of capital. But even if it did go lower -

H.M.Jr: Yes.

E: If it's a natural level -

H.M.Jr: Yes.

E: - we could stand it.

H.M.Jr: I think so. We think so here. It's such an important thing after all. The French are going to do something tonight whether we join them or not.

E: Well, by golly, I - I hope the British will - will - and we can join them ourselves. I mean it looks to me like that would help because otherwise it just looks like France is left out on a limb.

H.M.Jr: Well, it - the way we feel here if this goes through, it's - it's a great stroke for liberal government.

E: Yes.

H.M.Jr: And it may - it may be the turning point in Europe. I mean it - it might pull them through.

E: It'll help France. Without it, the francs will drift, won't they?

H.M.Jr: Pardon me.

E: I say without that France would just be drifting -

H.M.Jr: Well.

E ; - France couldn't devalue, could they?

H.M.Jr: Well, Marriner, they lost $48,000,000 gold today.

E: Yes, but, France would just drift without an agreement.

H.M.Jr: Well, they'd go - I mean if this doesn't happen, I would say within a couple of weeks they'd have anarchy there.

E: Yes. Yes. Well then - well I wish - I wish I was back there, but I

H.M.Jr: I wish you were, too, and -

E: I could come, I guess.

H.M.Jr: I phoned you the minute that I felt that it was 90% sure.

E: Yes.

H.M.Jr: I'll give your office a copy of this, and if you want me to as soon as the thing is signed, I'll - I'll - I'll telegraph it to you.

E: Well, that would be - I'd appreciate having it.

H.M.Jr: What's your address. I'll - I'll telegraph it the minute you release it.

E: Send it to - in care of the Eccles Investment Company.

H.M.Jr: Well, where - where will you be tonight?

E: Ogden.

H.M.Jr: Where will you be tonight.

E: Well, let's see. I'll be in Salt Lake tonight.

H.M.Jr: Well, do you want me to send it there?

E: Why - why not send it here and I'll get it tomorrow?

H.M.Jr: Well, then you'll get it in the papers. Every paper in the world will carry it.

E: Yes, I - I know that. How soon do you think you'd be able to wire it?

H.M.Jr: Oh, from two to three hours.

E: Yes. I'll tell you what you do - you - you wire it right here to me at Ogden and I'll arrange to have it forwarded wherever I am.

H.M.Jr: What address?

E: Just send it to M. S. Eccles, Ogden, Utah.

H.M.Jr: M.S.?

E: M.S. - Ogden, Utah.

H.M.Jr: I get the "M". What's the next letter?

E: S - S.

H.M.Jr: M. S. Eccles.

E: Ogden.

H.M.Jr: Ogden, Utah.

E: That's right. And I'll leave word at the Western Union.

H.M.Jr: Right.

E: Well, listen, tell - tell Ransom that I'll be - hello.

H.M.Jr: Hello.

E: I say, tell Ransom that I'll be back there at the end - by Sunday at the latest.

H.M.Jr: He says that's all right. He doesn't say he's delighted, but he says it's O.K. with him.

E: (Laughs) Who says that?

H.M.Jr: Ransom. He says it's all right with him. He says you can take another week.

E: I can.

H.M.Jr: Yes.

E: Well, I'm - I'm scheduled to stop at - I'm going to talk to the bankers over in Iowa.

H.M.Jr: Yes.

E: I thought maybe I could do a little good over there.

H.M.Jr: My God ! Haven't they stood enough punishment over there?

E: I don't know. (Laughs)

H.M.Jr: (Laughs).

E: I - I agreed to meet with them over in Des Moines and then I'm going over to Kansas City, and then I'm coming on to Washington.

H.M.Jr: All right, Marriner. When you get back, I'll look forward to seeing you.

E: All right.

H.M.Jr: I'll look forward to seeing you when you get back.

E: All right. Goodbye.

H.M.Jr: Thank you.

E: Goodbye.

Shortly after the Secretary concluded his conversation with Mr. Eccles, Mr. Appert came in and brought the French text. (See Exhibit B attached).

Auriol sent word to Appert that the President of France wants to go to bed tonight and cannot go to bed until he gets our approval. H.M.Jr. became very provoked and then laughed, and said to Appert, "As a matter of history, please tell Mr. Auriol that we have approved the note but we are waiting for the Chancellor of the Exchequer. The British Government is holding this up. They just telephoned and said that they would have word for us about 7:00 o'clock."

The President phoned H.M.Jr. at 6;00 o'clock.

H.M.Jr. said, "Mr. Hull was kind enough to come over and help me on our answer, and we worked on it for half an hour. The French have accepted our new draft in toto without changing a word. I handed this thing to the British around 4:00 o'clock, and I told them that I wanted some kind of an acknowledgment from the Chancellor, and that they should phone it, but that we would not release the various messages until we heard from the Chancellor, so the French and ourselves are sitting here waiting. It is right in their lap. The French telephoned the British that they had accepted our draft just as it was written, and I told the French that we were simply waiting on the British. The French have given it all out to the papers. They now say that they are going to meet at 12:00 o'clock in Paris, 6:00 o'clock our time, and they keep postponing it one hour all the time, waiting on the British.

"While I have you, I want to tell you something that will amuse you. Cochran is sitting there with the French Ministry, and the thing they are worrying about is if this thing comes through after 12:00 o'clock, what should they do to keep the President of France from going to bed? My reply was, what is going on tonight in the Mommarte? They just howled. After they hear from us, they have to go to the President of France to get him to sign this decree, calling Parliament, so the whole thing is just waiting now on our dear friends, the British.

"Hull is just tickled pink. He thinks it is the greatest thing that has happened. I sent for Landis and told him about it in confidence. I also told Ransom of the Federal Reserve Board. They told me that my statement to Vandenberg is a peach. I called up Eccles and told him and he is delighted. A few minutes ago Gaston handed me two possible versions as the heading to this American statement. In France, it is the Minister of Finance that will make the statement; in England, the Chancellor of the Exchequer. 1. By authority of the President, the Secretary of the Treasury makes the following statement, and, 2, The Secretary of the Treasury makes the following statement in behalf of the United States Government." The President asked H.M.Jr. which one he preferred, and he said, "By authority of the President." The President said he agreed.

"Now the other thing which is almost unbelievable is that the British have overlooked the most important thing and that is the right to get gold from us. I cannot understand why they have not asked for this before. This is something they know I would give them and I told Bewley if we entered into a three-cornered agreement, I would then be willing to give up gold to England. This is something they have been hinting at for months. Your policy, and one you have taught me, is to make them ask.

"When can I get you conveniently again? If this thing comes through I will call you at once."

At 6:35 P. M. the Secretary talked to Cochran again and told him that the British had advised that they would call on the Secretary in about 20 minutes with the statement from the Chancellor. Record of the conversation between the Secretary and Mr. Cochran follows.

Record also follows of conversation between Mallet and Feis in which Mallet said he would be down in 20 minutes.

September 25, 1936
6:35 p.m.

Operator: Yes, I've placed my call but they're going to complete theirs..

H.M.Jr: All right. Tell - tell what's his name - Lochhead, and Feis, and Taylor to come in.

Operator: Do you want Miss Chauncey?

H.M.Jr: No - yes - that's right.

Operator: All right.

Operator: Hello.

H.M.Jr: How soon is it coming?

Operator: Right away.

H.M.Jr: Is it on the wire?

Operator: Are you ready?

H.M.Jr: Yes.

Operator: Yes. (Pause)

Operator: Go ahead.

H.M.Jr: Hello.

Cochran: Hello.

H.M.Jr: Yes, Cochran.

C: I - I can hear you now.

H.M.Jr: Go ahead.

C: I'm here with the Minister now - with Mr. Auriol.

H.M.Jr: Yes.

C: And they telephoned from London that London had accepted your proposition, and that Chamberlain was releasing the statement at 12:30.

H.M.Jr: Yes.

C: - with your approval.

H.M.Jr: Now 12:30 - what time is that?

C: It's just now 12:36.

H.M.Jr: 12:00 what?

C: 12:36 here now.

H.M.Jr: Well, now the British Embassy here phoned -

C: Yes.

H.M.Jr: - and that they were just taking down the statement over the telephone from the Chancellor and they would be in my office in about 20 minutes.

C: Yes.

H.M.Jr: I have not yet heard from them. They said they will be here in 20 minutes.

C: I see.

H.M.Jr: So if you people would please wait another 20 minutes to half an hour, the minute they come I'll phone you.

C: They - they haven't communicated with you yet?

H.M.Jr: They called me at 6:30 Washington time. Hello -

C: Did they talk with you directly?

H.M.Jr: No, they have not.

C: The Embassy?

H.M.Jr: The British Embassy called me 6:30 Washington time, which is 12:30 Paris time.

C: Yes.

H.M.Jr: And said they were taking down over the telephone a statement from the Chancellor of the Exchequer to the Secretary of the Treasury -

C: Yes.

H.M.Jr: - and that they would be down here in about 30 minutes.

C: I see.

H.M.Jr: So you - which means they'll be here now in about 20 minutes.

C: Yes, but Monick told the French that they - the English - wanted to release the statement at 12:30.

H.M.Jr: Well, they won't do that -

C: It actually is being released in England.

H.M.Jr: No, no, no.

C: Well, that - that's what they say.

H.M.Jr: No, no.

C: And so they're - they're ready to give it out here when you give the word.

H.M.Jr: No - please. There's - there's a mistake. There's been nothing done. They've got to wait another 20 minutes.

C: I see.

H.M.Jr: Now the - the English are on the way down. Now don't let them make a mistake.

C: All right.

H.M.Jr: I've had no word. Everything has gone beautifully.

C: Yes.

H.M.Jr: So please ask the French to be patient for another 20 minutes to a half an hour.

C: I see.

H.M.Jr: And - and the minute that this - this comes, I'll phone you.

C: But - and you've given the British definite understanding that they are not to release it?

H.M.Jr: That's right.

C: But Monick said just the contrary, you see, to people here.

H.M.Jr: Well, please - Mr. Monick has several times given them wrong information.

C: Yes - I'm - I'm very much aware of that.

H.M.Jr: Now please - please ask the Minister whether he won't wait until he hears from me. Now don't let's spoil this by not waiting for a half an hour.

C: Well, let me turn to him now and ask him.

H.M.Jr: All right.

C: Hello.

H.M.Jr: Hello - I've got plenty of time.

C: Well let - let me speak to him now.

H.M.Jr: Take all the time that you want.

C: All right.

H.M.Jr: Take all the time that you want.

H.M.Jr: Hello, Telegraph Operator. Now Mrs. Klotz is going to read to you an ultra-confidential message for the President - the President, see? So you take it just as it is. The President called me. Take it just word for word, see? And then sign it the Secretary of the Treasury, see? (Mrs. Klotz reads the message.)

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Hello.

C: They're - they're very much worried, you see, because if they don't get it out very near this time it cannot be in the papers. See?

H.M.Jr: Well, now I can't do anything and they're no more worried than I am.

C: Yes.

H.M.Jr: Now, Mr. Mallet, the Chargé in the British Embassy, phoned the State Department at 6:30 -

C: Yes.

H.M.Jr: - that he was taking down over the telephone -

C: Yes.

H.M.Jr:- - a message of the Chancellor of the Exchequer for me.

C: Yes.

H.M.Jr: I have not seen what's in it.

C: Yes.

H.M.Jr: He said he would be down here in about a half an hour.

C: Yes.

H.M.Jr: And the minute he comes, I'll call you.

C: Fine.

H.M.Jr: Now what I'll do is - I'll put - if you want me to, I'll hold this call, or - I can hold this wire open.

C: Let's hold this call open.

H.M.Jr: Well, who's -

C: Let's hold this line open.

H.M.Jr: Let's - let's keep this line open and the minute they come in, I'll talk.

C: All right. I'll - I'll stick here and we'll keep the line open then.

H.M.Jr: All right. Now just a minute.

C: Yes.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Will you please tell the Minister of Finance this:

C: Yes.

H.M.Jr: That I have told the British as emphatically as I can that they are not to release this statement until they hear from me.

C: Yes.

H.M.Jr: They have given me their word of honor that they will not release it.

C: Yes.

H.M.Jr: And I don't give a damn what Monick says.

C: All right - fine.

H.M.Jr: Now, Monick has lied a number of times.

C: Yes.

H.M.Jr: And I don't care what Monick says. On this - I have it on authority that on this checkup back and forth, a number of the messages that Monick has given have been absolutely misinformation.

C: I know it. Well I -

H.M.Jr: Now tell the Minister of Finance.

C: I know it.

H.M.Jr: Tell the Minister up - up there that I'm just as anxious as he is and will he - and the British have given me their word they will not do anything until they hear from me.

C: Yes. All right.

H.M.Jr: Now I think that my word is better than Mr. Monick's.

C: All right. Fine.

H.M.Jr: Now will you please tell him that.

C: All right.

H.M.Jr: Now I'm right here. (Pause)

H.M.Jr: What's that? Hello. Hello. (Pause) Hello.

Operator: Hello.

C: Hello.

H.M.Jr: Mrs. Spangler.

Operator: Yes.

H.M.Jr: They want to keep this wire open, you see?

Operator: All right.

H.M.Jr: Hello.

Operator: Yes.

H.M.Jr: Hello, Cochran.

C: I'm giving your message through Roueff to the Minister.

H.M.Jr: What's that? What's that? Hello.

C: Hello.

H.M.Jr: What's that?

C: I'm just giving your message through Roueff to the Minister.

H.M.Jr: Yes; what did he say?

C: And he's - he's telling him now, you see?

H.M.Jr: Yes.

C: They - they have not given it out, and they're holding off.

H.M.Jr: Well that's very - that's - that's the honorable thing to do. Now, we're not going to give it out either.

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C: Well, we will - we'll hold it.

H.M.Jr: Yes.

C: And you - just keep the line open so that we can get you.

H.M.Jr: Sure, now I'm very sorry that the President of France (laughs) can't go to bed. Appert was just coming in here and he said they're so worried. Baumgartner told him about the President of France going to bed, and I said I haven't been to bed in a week.

C: Yes; right.

H.M.Jr: And I think that over there they could think up something to keep the President of France up.

C: I - I really think so, too.

H.M.Jr: Yes.

C: So then let me give you just a little idea as to the statement -

H.M.Jr: Yes.

C: - in which they are issuing this.

H.M.Jr: Yes.

C: They - they say that the Council of Ministers has approved the terms of a declaration, the text of which has been arrived at after long and friendly conversations -

H.M.Jr: Yes.

C: - with the Governments of the United States of America and Great Britain with the French Government. This declaration is to be published simultaneously by the 3 Governments.

H.M.Jr: Yes.

C: Then the French text follows.

H.M.Jr: Yes.

C: And I checked the French text, and there's - oh, just one little change in order of words - something like that. Nothing at all.

H.M.Jr: Wall, we had to change the order but not the meaning in order to make it read "United States Government."

C: To read what?

H.M.Jr: Well, just to change it so that it reads "United States Government" instead of the "French Government."

C: Yes. Yes.

H.M.Jr: Just a minute.

C: And -

H.M.Jr: Wait a minute. Cochran - Cochran.

C: Yes.

H.M.Jr: Mallet has come now. Mallet's outside. See?

C: He's there now, is he?

H.M.Jr: So I'll tell my operator to just - to Mrs. Spangler to hold this open.

C: All right, and you'll talk to Mallet now.

H.M.Jr: I'll talk to Mallet.

C: Yes.

Operator: Go ahead.

H.M.Jr: Hello, Cochran.

Cochran: Yes, Mr. Morgenthau.

H.M.Jr: Now let me (Said aside: Just a minute gentlemen.) Do you understand that the British are going to release this - well, the same text that I sent to you?

C: Yes, absolutely.

H.M.Jr: You do?

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C: Yes.

H.M.Jr: You understand that?

C: Yes, because they read this text from here.

H.M.Jr: Pardon me.

C: I say, the French repeated our text with amendments to the British -

H.M.Jr: Yes.

C: And the British said they accepted it entirely.

H.M.Jr: They have?

C: Exactly.

H.M.Jr: All right. Now just a moment please. (Pause)

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Well now they think that the British are going to release this now at once, so I say it's all right to release it, and I'd like to try some of my very poor French to congratulate Mr. Auriol if he would come to the telephone.

C: Fine.

Mr. Auriol: Hello.

H.M.Jr.: Bon soir, M. Auriol.

Auriol: (Speaks French)

H.M.Jr: Oui.

A: (Speaks French)

H.M.Jr: Le meilleure félicitation.

A: Pardon.

H.M.Jr: (aside: I can't -)

A: Pardon.

H.M.Jr: Well, - (Aside: 'What's - good luck or something?' Some one in the room answers, 'Bonne chance') Bonne chance -

A: (Speaks French)

H.M.Jr: oui - oui (Aside: 'Then a goodnight')

H.M.Jr: Good night, Mr. Minister.

Auriol: Hello.

H.M.Jr: Hello.

Auriol: Hello.

H.M.Jr: I want to wish you the best of success.

Auriol: Hello.

H.M.Jr: I wish you the best of success.

Auriol: (Speaks in French) -

H.M.Jr: Bon soir.

Auriol: Hello.

H.M.Jr: M. Cochran?

Auriol: Hello.

H.M.Jr: Hello - M. Cochran?

Auriol: You wish to speak to Mr. Cochran?

H.M.Jr: Yes, who is this, please?

Auriol: (Speaks in French) -

H.M.Jr: Well, I just wish you great success, M. Auriol.

Auriol: Thank you very much for your wishes.

H.M.Jr: Thank you.

Auriol: You want to speak to Mr. Cochran?

H.M.Jr: If you please.

Auriol: One moment.

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H.M.Jr: Cochran?

Cochran: Yes, Mr. Secretary.

H.M.Jr: I just wished the Minister the greatest of success, and we'll do everything possible to help out.

Cochran: I didn't get that - I'm sorry.

H.M.Jr: I want to wish him the greatest of success and the American Government will do everything possible to try to make this move on the French part a success.

C: Fine - fine. I'll - I'll explain to him.

H.M.Jr: And I want to thank you for the splendid work you've - for the splendid work you've done there.

C: Oh, please, that's nothing.

H.M.Jr: Well, now, you and the Auriol can all go out and have a drink on me. (Laughs)

C: All right - fine. We'll charge it up to you.

H.M.Jr: All right (Laughs).

C: And now I'll give you a wire tomorrow as to how things go.

H.M.Jr: All right.

C: Goodbye.

H.M.Jr: Good night.

C: Good night.

September 25, 1936
6:30 p.m.

Mallet: - on the telephone.

Feis: On the telephone?

Mallet: Yes, and so I shall probably be coming straight down in a few minutes - as soon as I have got it.

F: Right, sir.

M: Are you at the Treasury now?

F: I'll tell the Secretary.

M: Will you tell the Secretary?

F: I shall. He's in the Treasury and I'll just tell him.

M: You tell him that I'll be down as soon as I have the message. It's being taken down at this minute on the telephone.

F: It will probably be a matter of 15 minutes or something like that.

M: Yes, well, it will take me another 10 minutes to get it down. I think I will start in about a half hour.

F: Right, sir. Good.

M: Thank you.

F: Right. Goodbye.

While Cochran was on the phone, word came to the Secretary that Mr. Mallet had arrived, and the Secretary suggested to Cochran that the telephone wire be held open until he could talk to Mr. Mallet and get the Chancellor's reply. Mr. Mallet came into the Secretary's office and the Secretary said to him, "My god, the President of France is having kittens. He sent me an emissary to ask, 'When can the President of France go to bed?'" And Mr. Morgenthau added, "I told him that the French ought to keep him up."

Mr. Mallet said, "This is the message I have for you: (See Exhibit C)

"The Chancellor thanks Mr. Morgenthau for his reply. While maintaining his own view the Chancellor takes note of the view expressed by Mr. Morgenthau. He agrees that Mr. Morgenthau's reply need form no obstacle to publication of the declaration. It is proposed to publish at once so as to enable the text to appear in the morning papers."

H.M.Jr.: "Monick phoned that you had released this thing half an hour ago, and I said it was not true - that we had exchanged words of honor." Mr. Mallet said, "They may even have released it," and Chalkley added, "I think it is conceivable. Is it all right to tell the French to go ahead?" Mr. Morgenthau answered, "As far as we are concerned, absolutely."

He told Mrs. Klotz to tell Gaston to have the statement mimeographed.

Mr. Mallet said, "I suppose you know what text they have agreed on." And Mr. Morgenthau answered, "They have agreed on my text." And Mallet said, "That's what I gathered from my telegram." Feis explained, "We only have it indirectly from the French. We wish we had it from you, too."

Mr. Mallet said, "When I sent my telegram giving your reply to the Chancellor, I said Mr. Morgenthau would like word at once, and also information when the publication would be, and I got an answer that it prefers to publish at once." Mr. Morgenthau said, "You talked with me and raised the question whether we visualized the completely identical communication."

At this point the Secretary resumed his conversation with Cochran. He said to him, "Do you understand the British are going to release the same text that I sent to you?" And Cochran replied, "Yes, absolutely, because they read this text from here. The French repeated our text with amendments to the British and the British said they accepted it entirely."

The Secretary said to the group present in the room, "It's all over."

The President

Sent 6:45 P.M.
Sept 25 120

a special messenger has just arrived from the French Embassy and wishes to inform me ~~that~~ the Pres of France wishes to go to Bed. ~~Str~~ please advise ~~me~~ what I should do in ~~this~~ great emergency

Regraded Unclassified

See Exhibit "D"

Again resuming his conversation with Cochran, H.M. Jr. said, "Tell them that the British are going to release this now at once so I say it's all right to release it, and I'd like to try some of my very poor French to congratulate Mr. Auriol if he would come to the telephone." (The message of congratulation is included in the full text of the Secretary's conversation with Cochran, which immediately follows page 22.)

The Secretary said to Mr. Mallet and Mr. Chalkley, "I wish you gentlemen success." Mr. Chalkley said, "It's the finest day's work I have ever had the pleasure of assisting in." And Mallet said, "It's really fine having a chance to be in on this." Mr. Morgenthau said to Mr. Mallet, "I am terribly happy and so is the President." Feis remarked, "This really moved smoothly from the beginning."

Mr. Mallet and Mr. Chalkley left.

The Secretary called in Mr. Gaston and said to him, "We will have a press conference at 7:30." Mr. Gaston congratulated the Secretary, and Mr. Morgenthau replied, "I am taking congratulations. I am a very happy man."

He then called the White House telegraph operator and said, "This is my last message, ultra-confidential, to the President," and dictated the reply from the Chancellor which Mr. Mallet had delivered in person.

At 7:05 P. M. the Secretary called the President and said, "Well, the message just came from the Chancellor. It said, 'The Chancellor thanks Mr. Morgenthau for his reply. While maintaining his own view the Chancellor takes note of the view expressed by Mr. Morgenthau. He agrees that Mr. Morgenthau's reply need form no obstacle to publication of the declaration. It is proposed to publish at once so as to enable the text to appear in the morning papers.' I am thrilled - so thrilled I don't know what to say."

To some comment of the President, the Secretary replied, "Well, I am quite pleased." He also said, "Well the British either have or are releasing it now. Cochran was on the wire and I held him on the wire until the British came in and they are releasing it and we will release it in 20 minutes. The British and French will release it a little before us. After all, it's only 20 minutes' wait. Did you get my telegram about 20 minutes ago? I expect an answer." (See Exhibit D).

To the President's comment on this, the Secretary answered, "Marvelous - that's wonderful. Did you send that? I would frame that all right - all right." (The Secretary later explained that at this point the President told him that McIntyre

TELEGRAM

VIA SPECIAL WHITE HOUSE
WIRE----7:58PM. (RV-C)

The White House
Washington

EXECUTIVE OFFICES,
POUGHKEEPSIE, N.Y., 7:58PM. SEPT. 25, 1936.

HONORABLE HENRY M. MORGENTHAU, JR.,
SECRETARY OF THE TREASURY,
WASHINGTON, D.C.

THE PRESIDENT SAYS TELL YOU TO TELL EMBASSY TO EMPLOY ANY AMERICAN VISITOR NOW IN PARIS. COSTS ON THE FRENCH GOVERNMENT--NO COMMISSIONS OR LIABILITIES.

M. H. McINTYRE,
ASSISTANT SECRETARY TO
THE PRESIDENT.

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The White House
Washington

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THE PRESIDENT.

had received the Secretary's message to the President advising him that the President of France wanted to go to bed and asking the President of the United States what he, the Secretary, should do to keep the President of France up. McIntyre, it seems, thought this was a code message to the President and was quite indignant that Mr. Morgenthau trusted him so little that he had to send a message in code to the President.) The Secretary then said, "Oh, really? Oh, really, he didn't know. Ha! ha! And he's furious. I will leave it to you to take it out on McIntyre. Don't you love it?"

The President made some other comment, and the Secretary said, "Thank you, sir. If I come up, which I most likely will Saturday noon, I may drop up, if I may. Right. Thank you."

Miss LeHand then came on the phone to speak to the Secretary, and the Secretary said, "I think it's pretty good. Thank you, Missy. That's very sweet of you." Miss LeHand evidently suggested that the Secretary go to bed because Mr. Morgenthau next said, "I think I will. The President of France and me."

The Secretary then said to the group, "McIntyre thought it was a code message and he is perfectly wild that I was trying to send something that he could not understand, so he called up the President and said, 'I have this perfectly damn fool message but I suppose it's code and why can't Henry trust me,' and I can't even tell you what the President sent me. He sent me the wildest message I have ever heard. He prescribed what we should do with the President of France. He has left absolutely nothing for the imagination. Miss LeHand came to the phone and she said, 'I don't know what it's all about but I haven't seen the President so happy in a long time.'"

Mr. Morgenthau telephoned to Secretary Hull and said, "Well, it's accomplished. And I want to thank you for your help, and particularly for the help that Herbert Feis gave us. I may swipe him or rather borrow him. If you are interested, I will read you what the Chancellor said." He then read to Mr. Hull the Chancellor's reply. "Isn't that fine? I have just talked to the President and I have not heard him so happy in a long time. It may save the little Governments over there."

Mr. Appert was announced at this point. The Secretary said, "Bring him in." He was accompanied by Mr. Livesey, Economic Advisor of the State Department who had been assisting Mr. Appert in translating the French text.

Mr. Appert said to the Secretary, "I wish to express the thanks of my Government for your very helpful action. I know you worked day and night."

The Secretary answered, "Thank you. It has been extremely difficult but the final message just came through and I spoke to Mr. Auriol about 15 minutes ago and they are releasing it. I think this, you will tell your Ambassador, I think if you will keep in touch with Mr. Lochhead on the mechanics of it - and there may be some questions, and he will help you - but we are very, very happy here. If I may say it, it may mean the turning point in Europe." Mr. Appert said, "It will be very helpful for conditions in the world. Goodnight, Mr. Secretary."

Viner said to the Secretary, "I have been reading the French text of our note and we haven't finished, but there are two points and possibly three where the sense differs somewhat. I don't think they are vital, although I don't think we ought to be particularly happy at the way in which it is stated. " The Secretary said, "Let it go, it's too late. The French released theirs and the British have released their draft and for our purpose, our text is official. And if there is a slight difference, I am sure it will not hurt."

Viner said, "I congratulate you. When they build your monument, this will be high up on the list of your battles."

Lochhead said, "Knoke has a telephone call from the Federal Reserve that the Bank of England has put in a call and he thinks, rightly or wrongly, they may be worried about the sterling rate. The Governor thinks, rightly or wrongly, they may be worried about sterling and might pop the question whether we will take more gold from them in London at the price of 34.77. The order is still good for $12,000,000. Personally, I think it will be time enough tomorrow to take care of it."

The Secretary asked, "What would you suggest?" Lochhead replied, "Personally, I think we have an interest in not seeing sterling go too low. I think there is no reason to feel uneasy about our gold in England. We can easily have it shipped." The Secretary answered, "You tell them I will take up to 100 million dollars at 34.77." (This is referred to in more detail in a separate entry for September 25).

Knoke said to the Secretary, "Mr. Secretary, may I also express my congratulations, and will you let me go back tonight?" The Secretary said, "Thank you. Yes, I think you should go back tonight." The Secretary said to the group, "I need 10 minutes to repair myself before my press conference." During this 10 minutes, the Secretary wrote out a statement he would read at his press conference (See Exhibit E).

At 7:30 P. M. the newspapermen came in for their press conference, and the following is a transcript of the questions and answers:

PRESS CONFERENCES

September 25, 7:30 P. M.

The Secretary distributed copies of Press Release No. 8-53 and then read the statement aloud.

H.M.Jr.: I might say that a similar statement is being given out simultaneously in London and by the French Government in Paris. The Chancellor of the Exchequer in London is giving out a similar statement and Minister of Finance Auriol is also giving out a statement in Paris and I think it rather significant and as far as I know I think it is the first time that three similar statements by three Governments have been given out by three Governments simultaneously.

I might just add something which I have jotted down before you question me. I did it very hastily. "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. Stabilization 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."

I am at your service.

Q.- Do you consider this de facto stabilization?

A.- I don't want to answer that.

Q.- How far is France going?

A. Let me explain to you for background. Most of this stuff has been coming in all day but as I understand it, you will have to get this confirmed from abroad, but in order to give you the picture - you can't take it as coming from me - the French will tonight issue a decree which calls Parliament together. Some have said Sunday and some say Monday but you will have to confirm it in your offices abroad. As I understand it, they will propose to Parliament the percentages of devaluation that they have in mind, and ask Parliament to ratify or reject what they propose. But you will have to get this confirmed from your offices abroad.

Q.- Any idea of the percentage?

A.- That will have to come from the French.

Q.- Those percentages are known to this Government?

A.- Yes.

Q.- And they are satisfactory as far as this Government is concerned?

A.- Yes.

Q.- You know about the British attitude?

A.- Oh, yes.

Q.- How does that suit you?

A.- This whole thing- when you consider that the British have their problem, the French have their problem, and we have ours, after all this is something we have been looking forward to for three-and-a-half years. As I said a year or two ago, America was ready and would not stand in the way when the world wanted stabilization. Now the French have approached us on this matter.

Q.- Who, the French?

A.- Yes. Because they are taking the lead in this and after several weeks, days and nights, we have been able to bring the objectives of the three Governments close enough together so that it is possible to make this kind of statement.

Q.- Can you tell us whether this depreciates Sterling in terms of dollars to any extent?

A.- I don't look forward to any great change in the Sterling-Dollar rate.

Q.- Mr. Secretary, this is perhaps an elementary question but could you give in more detail how you expect it to aid commerce?

A.- You have asked me the question. We have said and I think we have demonstrated now since we devalued that the American dollar has gradually become certainly as strong a currency as there is in the world and with that strength of our currency, money has sought investment here and our exporters have been able to sell in the world's market to advantage; they have been able to sell at a profit and they have been able to sell in terms of a currency which was stable, and if other countries are able gradually to get the same stability that the American dollar has it is only natural that their trade will expand and as these various exchange regulations and restrictions are gradually dropped money will flow freely from one country to another. There will be less risk in selling from one country to another and we will have, we believe, if this is a success - and I think the chances are excellent that it will be a success - we will gradually have recovery of trade and I have sufficient confidence in the acumen of the American businessman that he will get his share in the world trade.

Q.- You say here that this Government "will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies." What conferences did you specifically have in mind?

A.- What we have in mind is that the various Treasuries will talk to each other very freely. Their fiscal agents will act for them just - an amusing incident; we wanted to say our "fiscal" agent but the fiscal agent in Paris is the tax collector so they said No, no, you can't call it a fiscal agent! So they are calling it the monetary agent but here our fiscal agent is the Federal Reserve. When this thing begins to work our fiscal agent, which is the Federal Reserve, will talk to the Bank of England and the Bank of England will talk to the Bank of France and they will gradually work this thing out and one of the things that I look forward to is that this whole question of foreign exchange will gradually come more and more into the governmental fiscal agents and therefore will be more and more difficult for the international speculator to try to break down these exchanges and take advantage of temporary weaknesses of particular Governments.

Q.- That's a warning to speculators?

A.- It's a warning to speculators.

Q.- Is this the end of your 24-hour basis?

A.- Yes, and no. If you will notice, we hope and will use every effort to make it a success, but I say here the Government of the United States "must, of course, in its policy towards international monetary relations take into full account the requirements of internal prosperity." If this agreement should, in any way, affect our internal prosperity we will take the steps necessary to correct that and the other Governments have that same right.

Q.- Subject to that provision, is it a promise, or can we interpret it as being a promise to keep the American dollar on its present gold basis?

A.- Let me explain something. I think the unique thing about this is that nobody is signing anything. We have simply got confidence in each other that we mean what we say and we express our confidence that the British will act in good faith, that the French will do the same, and each Government is saying in so many words that we have faith in the other Government and the minute any one of the three break faith, why, the agreement is off, but there is nothing to be signed and it is purely a gentleman's agreement and I would rather have a gentleman's agreement than all the signed documents in the world.

Q.- You mean a gentleman's agreement that the dollar will not be devalued further?

A.- No-one has talked about dollar devaluation. It says here "must, of course, in its policy toward monetary relations take into full account the requirements of internal prosperity". In other words, our internal prosperity comes first and if anything in this statement should react on our internal prosperity, we take care of our internal prosperity first. That's first and foremost and has been, if I may say so, President Roosevelt's policy to have first and last and foremost our internal prosperity, and I think the record of the last three-and-one-half years speaks for itself and if any citizen will look at it and be honest with himself, the answer is we have taken mighty good care of our internal prosperity. The figures speak for themselves.

Q.- Are you permitting the British to take gold out of the United States or export gold out of the United States?

A.- That bridge has not yet been crossed.

Q.- Any change been made in the regulations?

A.- No change, and when it does it becomes a matter of public record.

Q.- Is a provisional clause in the trade agreement with France involved in this?

A.- The State Department tells me no trade agreement is affected by this; quite the contrary, they feel — Mr. Hull can speak for himself, but I know that he is simply delighted with it. After all, this is a step in the same direction that he has been working on over in the State Department and the State Department has been most helpful in working with me and assisting me and advising me in bringing this about. They coult not have been more cooperative.

Q.- Do you anticipate the franc will be entirely off gold for a period.

A.- Again for background - you have to get your information from abroad - I think they will more or less follow what the Belgians did. You know what that is.

Q.- 28%?

A.- No, I don't mean the rate but I mean they will follow that pattern; their way of going off gold.

Q.- Mr. Secretary, this agreement would place the three countries on the same level of a competitive basis as far as currencies are concerned? The statement says that no country will attempt to obtain an unreasonable competitive exchange advantage.

A.- That's talking to other countries that are not interested in this. That statement - again for background - is a stop, look and listen sign to any country that tries to - please don't quote me - to wreck this by undervaluing, by further depreciation. It's a stop, look and listen. Again, that's for your guidance; don't quote me.

Q.- Could you amplify this reference to quotas;-the steps taken to relax the present system of quota restrictions?

A.- That, again for background, is something that one of the other countries wanted. They wanted that in there. We are very glad to see it in there. Very glad, because as a matter of fact, one of these countries has already said that immediately this goes into effect that we will benefit through lower quotas.

Q.- This is something you expect in the future?

A.- In the future, but they volunteered that; and as far as this country is concerned, we benefit first.

Q.- But this action removes the biggest barrier you had?

A.- This action, being in the Treasury, has to be a purely monetary one. Quotas was something the other countries wanted to bring in there. We were very glad to have it. This was something they wanted. Naturally, the United States, Great Britain and France would benefit by that but we didn't ask for this because of the Treasury conducting this.- Quotas is not in my shop.

Q.- At any time in the conferences in the last two or three days, were the British represented by some individual?

A.- Oh yes, Mr. Mallet of the British Embassy has been here numerous times and Mr. Appert of the French Embassy has been here.

Q.- Have the currencies of the three nations ever before been on a non-competitive basis?

A.- I don't think three countries have ever had an agreement like this before in the world, as far as I know.

Q.- This may be a foolish question....

A.- Coming from Mr. Duffield, I don't think so.

Q.- You have referred to peace so many times. There is nothing here that concerns you except money?

A.- There is nothing here except money, but maybe because I am here in the Treasury I think the basis of peace is the first economic security in terms of dollars and if, without mentioning any particular country, they have economic security for a stable currency, they have that as a first foundation. They can then build on that for peace but, as long as their monetary relationships are built on a mire they are in a very vulnerable position and that's why I feel very, very strongly that this move abroad is a stroke for peace, which I feel very sincerely, and I feel our work here is monetary. Still, if these countries have a sound monetary basis - I think the agreement we went into with China; what's happened in China the last six months; their recovery in trade is perfectly remarkable, and the whole thing, if you will study the Chinese situation, started as she began to get a stable currency and as China has a stable currency, she has been able to go forward in the last six months.

Q.- You refer to the continued use of appropriate resources. Do you refer to the Stabilization Fund?

A.- I do.

Q.- Well, the Stabilization Fund expires in January. Do you think it will be necessary to extend that under this new system?

A.- Personally, I don't know of any better insurance fund that the Government can have than the continuation of the Stabilization Fund and I am quite sure - certainly I will recommend - I can't speak for the President, but I will recommend to the President that the Stabilization Fund be continued.

Herbert (Gaston), have I overlooked anything?

Mr. Gaston- I don't think so.

H.M.Jr.:- Have I said anything I shouldn't?

Mr. Gaston- I don't think so.

H.M.Jr.:- Do you want to add anything?

Mr. Gaston- I don't know of anything.

H.M.Jr.:- Have I made any bulls?

Mr. Gaston- I don't think so.

Q.- Wouldn't it be possible for you to suggest, off the record, what is the extent of the devaluation of the Franc?

A.- No, I am sorry. That's French information, and I have been here long enough - I feel that is distinctly up to the French.

Q.- I mean as to the point of realignment on the old basis.

A.- Anything on that - they may have already announced it. It is 2:00 o'clock in the morning in Paris.

Has Lins gone? Then I can tell a story, off the record. One of the funniest things that happened on this thing - seriously! - the French Embassy sent down an emissary that the President of the French Republic wanted to go to bed and wouldn't I please hasten it so that the President of the Republic of France could go to bed. So I told them that they would have to think up something of their own devices to keep him up. (Much laughter).

That's off the record for Havas too. My own boys have never used anything that I have told them not to. I thought you would be amused. This is just an American Treasury family story. But I think now that the President of France is sleeping, and I hope peacefully, - but please don't quote me - but I thought you would enjoy it.

Q.- How long have you had the French note under consideration - the note in which this suggestion was offered?

A.- This has been going on since the first week of September.

Q.- But wasn't the note you received this week something more definite?

A.- The thing started about the first week in September.

Q.- Did you receive a telephone call from France?

A.- As you may have noticed, there have been several telephone conversations. Poor Flynn, I was getting excited and he walked in and he got an earful. I don't know what my telephone bill is going to be but it's plenty. But this has been going on for weeks and weeks.

Q.- Quite a bit of telephone diplomacy in this?

A.- I don't know, but I notice A. T. & T. was bringing out a new issue, maybe on the strength of my telephone conversations.

Q.- Maybe that's to help them carry on until the Government pays its telephone bill.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Friday, September 25, 1936

Press Service
No. 8-53

By authority of the President, the Secretary of the Treasury makes the following statement:

1. 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.

2. The Government of the United States must, of course, in its policy towards international monetary relations take into full account the requirements of internal prosperity, as corresponding considerations will be taken into account by the Governments of France and Great Britain; it welcomes this opportunity to reaffirm its purpose to continue the policy which it has pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchange and to avoid to the utmost extent the creation of any disturbance of that system by American monetary action. The Government of the United States shares with the Governments of France and Great Britain the conviction that the continuation of this two-fold policy will serve the general purpose which all the Governments should pursue.

3. The French Government informs the United States Government that, judging that the desired stability of the principal currencies cannot be insured on a solid basis except after the re-establishment of a lasting equilibrium between the various economic systems, it has decided with this object to

propose to its Parliament the readjustment of its currency. The Government of the United States, as also the British Government, has welcomed this decision in the hope that it will establish more solid foundations for the stability of international economic relations. The United States Government, as also the British and French Governments, declares its intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchange resulting from the proposed readjustment. It will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies.

4. The Government of the United States is moreover convinced, as are also the Governments of France and Great Britain, that the success of the policy set forth above is linked with the development of international trade. In particular it attaches the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. The Government of the United States, in common with the Governments of France and Great Britain, desires and invites the cooperation of the other nations to realize the policy laid down in the present declaration. 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.

---oOo---

While the Secretary was having supper, Governor Harrison called him and as soon as H. M. Jr. returned to his office, he talked to Governor Harrison on the telephone.

Record of their conversation follows:

September 25, 1936.
9 P.M.

H.M.Jr: Hello - hello

Geo. Harrison: Hello - Henry?

H.M.Jr: Yes George.

H: Well I want to congratulate you.

H.M.Jr: Thank you.

H: I called you as soon as I got a release.

H.M.Jr: Yes.

H: And you were busy with the press then.

H.M.Jr: Yes.

H: And since then I've been on the telephone trying to reach everybody in this neck of the woods.

H.M.Jr: Well what is the reaction?

H: Oh excellent.

H.M.Jr: Excellent.

H: Everywhere.

H.M.Jr: Fine.

H: A good deal of curosity is to what the French going to do.

H.M.Jr: Well I told the press that they'd have to get that from the French.

H: Yes but my answer to that is I don't known and I suppose it won't be known until they put it up to Parliament.

H.M.Jr: That's right.

H: I think that's as good an answer as I can give.

H.M.Jr: I think so.

H: And - but the statement - they think it is fine and it is an excellent job.

H.M.Jr: Yes.

H: And there is every intention and desire on the part of everybody with whom I talked to cooperate 100%. As a matter of fact - oh some time ago we put the brakes on it to protect the from of these banks around here and I don't think any of them have to do it.

H.M.Jr: Yes.

H: But I

HM.Jr: Yes.

H: And I think it should relate not merely to the franc but to other exchanges as well.

H.M.Jr: That's right.

H: Because others will be weaker tomorrow perhaps even than the franc.

H.M.Jr: That's right.

H: There's no point in there starting to raise the guilders, the Swiss franc or the pound.

H.M.Jr: That's right.

H: You know my opinion is that while I don't think the exchange market ought to be closed; nevertheless it ought to be just as quiet as is possible to make it.tomorrow. ~~tomorrow~~.

H.M.Jr: That's right.

H: And everyone with whom I've talked has assured me that so far as they're concerned that's what will happen.

H.M.Jr: Ah ha. How about some of the private banking institutions.

H: Well I've - Ive got a list from these reports that we get - the exchange does that you see -

H.M.Jr: - Yes

H: - 15 or 16 figures for all of them.

H.M.Jr: Yes.

H: and I'm going to cover all those.

H.M.Jr: Yes.

H: And tomorrow I'll cover some of the smaller ones too.

H.M.Jr: Yes. Well has anybody attempted to buck you?

H: Buck me?

H.M.Jr: Yes.

H: Not one.

H.M.Jr: Have you talked to [illegible].

H: No, I haven't. I tried to get him once but they didn't answer but I'm going to call them. I've still got them on my list.

H.M.Jr: I see.

H: It's a slow business. It's been awfully hard to get people tonight.

H.M.Jr: Ah ha.

H: There's more of them out of town, or away or don't answer - or out at dinner - gosh, it's a hell of a job. (Laughter by the group) - but, nevertheless, there's a good reaction -

H.M.Jr: All right.

H: And they seem very happy about it.

H.M.Jr: Well I had a Press Conference which lasted 35 minutes, which is a long one for me.

H: Yes.

H.M.Jr: And I didn't have - I mean I had some of the star reporters here from Washington and I didn't have a single unfriendly question.

H: Yes.

H.M.Jr: Now I think five weeks before an election, that is remarkable.

H: Very good.

H.M.Jr: What?

H: Very good.

H.M.Jr: I mean there wasn't a single unfriendly reporter who tried to give it - you know give this thing an unfriendly twist.

H: Well I haven't had one either.

H.M.Jr: And altogether I think it's pretty good - pretty good.

H: There's only one - I don't even remember who it was to tell you the truth - who raised - he wasn't asked about it at all but on the sentence where you say, 'The Government welcomes this opportunity to reaffirm its purpose to continue the policy -

H.M.Jr: Yes:

H: 'One constant object of which is to maintain the greatest equilibrium, and so on in the international exchanges -

H.M.Jr: Yes.

H: - 'and to avoid the creation of any disturbance of that system by American monetary action.

H.M.Jr: Yes.

H: That - that word 'reaffirm' -

H.M.Jr: Yes.

H: Is - is subject to a little bit of question on - on that basis.

H.M.Jr: Well.

H: But that - I didn't notice it myself.

H.M.Jr: Ah ha.

H: But that's the only thing that anybody has said at all about it.

H.M.Jr: Well -

H: It wasn't really unfriendly -

H.M.Jr: - No

H: It just - you know.

H.M.Jr: I know. Well if that's all they can find - have the reporters been calling you?

H: But nobody was looking for it - I mean everybody's ready to take it whole-heartedly fine.

H.M.Jr: Didn't anybody - I mean - of course the press had it all day but I suppose they didn't know whether it was definitely coming or not.

H: Well they've been calling up Burgess - Burgess is handling the press.

H.M.Jr: Yes.

H: He got a copy of this.

H.M.Jr: Well both Williams and Knoke were both helpful.

H Well I'm glad to hear that.

HMJr: Most helpful.

H: Well that is first rate.

H.M.Jr: Thank you.

H: Well I'm much obliged to you.

H.M.Jr: Thank you.

H: Good job.

H.M.Jr: Good night.

H: Good night to you. Get a rest tonight.

H.M.Jr: I think so.

H: All right.

1419 Exhibit A

Personal and Confidential message from Mr. Chamberlain for Mr. Morgenthau. Sept 25th 1936

As Mr. Morgenthau knows the Chancellor has no legal power to fix the pound within the gold points. His policy has been as often stated to let the pound find its natural level and to smooth out fluctuations. This he would continue to do. It may be that the natural level of the pound will in the new circumstances be five dollars as Mr. Morgenthau appears to assume but Chancellor would have expected it to be decidedly lower. Adverse balance of trade somewhat increased this year and if the flow of refugee capital from Europe which has been for a long time past strengthening the pound were reversed it seems most likely that the pound will weaken. He had understood that this view of probabilities was implicit in the discussions which took place at Washington between the United States and French Treasuries last June and he knows that it is the viewof the French as well as of the monetary authorities at London.

The Chancellor understands the proposed declarations /

declarations to mean that there will be no deliberate depreciation either of the pound or of the dollar as a reprisal for the devaluation of the franc to a reasonable legal level. He has always understood that it was not Mr. Morgenthau's policy to use his resources deliberately to depreciate the dollar and similarly it would continue to be the Chancellor's intention not to intervene in the market in order deliberately to depreciate the pound. On the contrary he would hope if need arose to be able as in the past to check any landslide. While no one can foresee the precise rate at which the exchange can hold itself the Chancellor would not expect in the immediate future such a heavy depreciation as would be likely to give the United Kingdom any competitive advantage. But the future must be entirely reserved by His Majesty's Government as by the United States Government in the interest of their national prosperity. He is convinced that any attempt to peg the pound artificially at an unnatural level would be both futile and contrary to

the /

the real interests of both countries.

The French Government have informed him that proposal will be that the new franc will have gold content of not more than 49 and not less than 43 milligrammes of gold nine-tenths fine. He regards these limits as unnecessarily wide and the mean point between them as representing probably a somewhat greater depreciation than is really justified but in the circumstances he has not objected to the French proposal on this score.

Appt brought this a Fri

Exhibit B.

Ambassade
de la République Française
aux Etats-Unis.

Washington, le

1° - Le Gouvernement français après s'être concerté avec le Gouvernement des Etats-Unis d'Amérique et le Gouvernement de la Grande-Bretagne se joint à eux pour affirmer une volonté commune de sauvegarder la paix, de favoriser l'établissement des conditions qui pourront le mieux contribuer à restaurer l'ordre dans les relations économiques internationales et de poursuivre une politique tendant à développer la prospérité dans le monde et à améliorer le niveau de vie des peuples.

2° - Le Gouvernement des Etats-Unis d'Amérique et le Gouvernement de la Grande-Bretagne doivent naturellement dans la politique monétaire internationale tenir pleinement compte des exigences de la prospérité intérieure de la république américaine, de l'Empire britannique, de même que le Gouvernement français tiendra naturellement compte de considérations analogues en ce qui

concerne

concerne l'économie de la métropole et des possessions d'outre-mer. Ils saisissent avec plaisir l'occasion qui leur est offerte de réaffirmer qu'ils entendent poursuivre la politique par eux pratiquée au cours des dernières années et dont un des objectifs constants est de maintenir le plus grand équilibre possible sur le marché international des changes et de ne rien négliger pour éviter qu'aucun trouble ne soit apporté dans cet équilibre du fait d'une action monétaire américaine ou britannique. Le Gouvernement français partage avec le Gouvernement des Etats-Unis d'Amérique et le Gouvernement de la Grande-Bretagne la conviction que la continuation de cette politique coordonnée servira les buts généraux que tous les gouvernements devraient poursuivre.

3° - Le Gouvernement français considérant que la stabilité désirable des principales monnaies ne peut être assurée sur des bases solides sans que soit préalablement rétabli un équilibre durable entre les diverses économies, a décidé dans ce but de proposer à son parlement l'ajustement de sa devise. Le Gouvernement des Etats-Unis d'Amérique

et

et le Gouvernement de la Grande-Bretagne, dans l'espoir que seront ainsi établies des fondations plus solides pour la stabilité des relations économiques internationales, ont accueilli favorablement cette décision. Le Gouvernement des Etats-Unis d'Amérique, le Gouvernement de la Grande-Bretagne et le Gouvernement français déclarent qu'il est de leur intentiondd'user des moyens appropriés dont ils disposent pour éviter dans toute la mesure du possible que des troubles puissent affecter les bases nouvelles des changes résultant de l'ajustement envisagé. Il est entendu que les consultations nécessaires seront assurées à cette fin avec les deux autres gouvernements et entre les instituts qualifiés.

4° - Le Gouvernement français est au surplus convaincu comme le Gouvernement des Etats-Unis d'Amérique et le Gouvernement de la Grande-Bretagne, que le succès de la politique définie ci-dessus est liée au développement du commerce international. En particulier, il attache la plus grande importance à ce qu'une action soit entreprise sans délai pour atténuer progressivement, en vue de leur

abolition,

abolition, les régimes actuels de contingents et de contrôles de changes.

5° - Le Gouvernement français, comme le Gouvernement des Etats-Unis d'Amérique, et le Gouvernement de la Grande-Bretagne, souhaite et sollicite la coopération des autres nations pour la réalisation de la politique formulée dans la présente déclaration. Il compte qu'aucun pays n'essaiera d'obtenir un avantage de change déraisonnable et par là de contrecarrer l'effort qu'entendent poursuivre pour restaurer des relations économiques plus stables le Gouvernement des Etats-Unis d'Amérique, le Gouvernement de Grande-Bretagne et le Gouvernement français./.

1° - Le Gouvernement français après s'être concerté avec le Gouvernement des Etats-Unis d'Amérique et le Gouvernement de la Grande-Bretagne se joint à eux pour affirmer une volonté commune ~~de~~ sauvegarder la paix, de favoriser l'établissement des conditions qui pourront le mieux contribuer à restaurer l'ordre dans les relations économiques internationales et de poursuivre une politique tendant à développer la prospérité dans le monde et à améliorer le niveau de vie des peuples.

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Exhibit C

The Chancellor thanks Mr. Morgenthau for his reply.

While maintaining his own view the Chancellor takes note of the view expressed by Mr. Morgenthau. +He agrees that Mr. Morgenthau's reply need form no obstacle to publication of the declaration. It is proposed to publish at once so as to enable the text to appear in the morning papers.

STANDARD FORM No. 14A
APPROVED BY THE PRESIDENT
MARCH 2, 1926

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM The White House 153
Washington

SEPTEMBER 25, 1936.
TRANSMITTED AT 6:45PM.-C.
(VIA SPECIAL WHITE HOUSE WIRE)

U.S. GOVERNMENT PRINTING OFFICE

ULTRA-CONFIDENTIAL

Exhibit D

FOR THE PRESIDENT,
HYDE PARK, N.Y.

A SPECIAL MESSENGER HAS JUST ARRIVED FROM THE FRENCH EMBASSY AND WISHES TO INFORM ME THAT THE PRESIDENT OF FRANCE WISHES TO GO TO BED (STOP) PLEASE ADVISE ME WHAT I SHOULD DO IN THIS GREAT EMERGENCY.

SECRETARY OF THE TREASURY.

Exhibit E
154

americans position is fully safe guarded while at ~~the~~ same time our action should encourage Peace and Commerce

This will in my opin be the turning point for Peace ~~in~~ of the World.

Stablization of world currincies the foundation that has to be first built before we could look for foward to ~~a~~ ~~greater stability~~ lasting peace and real recovery in world trade

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

TREASURY DEPARTMENT

ORIGINAL

Honorable M. S. Eccles,
Ogden, Utah.

September 25, 1936.

FOLLOWING IS STATEMENT I GAVE TO THE PRESS AT SEVEN THIRTY TONIGHT QUOTE

By authority of the President, the Secretary of the Treasury makes the following statement:

1. 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.

2. The Government of the United States must, of course, in its policy towards international monetary relations take into full account the requirements of internal prosperity, as corresponding considerations will be taken into account by the Governments of France and Great Britain; it welcomes this opportunity to reaffirm its purpose to continue the policy which it has pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchange and to avoid to the utmost extent the creation of any disturbance of that system by American monetary action. The Government of the United States shares with the Governments of France and Great Britain the conviction that the continuation of this two-fold policy will serve the general purpose which all the Governments should pursue.

3. The French Government informs the United States Government that, judging that the desired stability of the principal currencies cannot be insured on a solid basis except after the re-establishment of a lasting equilibrium between the various economic systems, it has decided with this object to propose to its Parliament the readjustment of its currency. The Government of the United States, as also the British Government, has welcomed this decision in the hope that it will establish more solid foundations for the stability of international economic relations. The United States Government, as also the British and French Governments, declares its intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchange resulting from the proposed readjustment. It will arrange for such consultation for this purpose as may prove necessary with the other two Governments and their authorized agencies.

4. The Government of the United States is moreover convinced, as are also the Governments of France and Great Britain, that the success of the policy set forth above is linked with the development of international trade. In particular it attaches the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. The Government of the United States, in common with the Governments of France and Great Britain, desires and invites the cooperation of the other nations to realize the policy laid down in the present declaration. 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.

UNQUOTE

HENRY MORGENTHAU, JR.

September 25, 1936

Paris (Central News)

It was officially announced here tonight that Finance Minister Vincent Auriol would issue a statement on the French situation probably for release simultaneously in New York, London, and Paris.

LMS

GRAY

Paris

Dated September 25, 1936

Rec'd 4:42 p. m.

Secretary of State,

Washington.

924, September 25, 6 p. m.

FROM COCHRAN.

Today on the Paris exchange market witnessed a wild demand for dollars resulting from fear of embargo possibly tonight on export of gold from France. There were a variety of rumors about prospective cabinet changes, difficulties in connection with efforts to obtain extension of British bankers' credit to French Treasury, calling of special session of Parliament, international monetary negotiations, et cetera. The raising of Bank of France discount rate yesterday confused many people, there being uncertainty as to whether this was a step in preparation for devaluation or indication of orthodox effort to stay on old gold parity. Excitement increased when Paris syndicate of stockholders suspended forward operations on Bourse. Rentes which had risen from two to three francs then dropped. Bank of France and other French shares soared upwards today.

Sterling

LMS 2-No. 924, September 25, 6 p. m., from Paris.

Sterling weakened. Guaranty alone sold $30,000,000. Gold had not been removed for equivalent of 14.5 million dollars of this amount at the close of business this evening. Total day's gold losses certainly over $60,000,000.

WILSON

SMS

U

GRAY

London

Dated September 26, 1936

Rec'd 9 a.m.

159

Secretary of State

Washington

RUSH

446, September 26, 11 a.m.

This morning's editorial comment on the tripartite monetary agreement is mainly explanatory rather than analytical because (1) the agreement came as a complete surprise, (2) its text was not given out until shortly before the first morning editions were due to appear.

The TIMES welcomes the agreement in that it may "prove to be a step, the first of several, towards the ultimate stabilization of the world's currencies" and emphasizes that "the risk of a destructive competition to reduce the purchasing power of currencies is avoided and an important preliminary step taken towards promoting the restoration of sound monetary conditions".

The DAILY TELEGRAPH points out that "this new experiment in international cooperation seems likely to be as welcome as it was unexpected".

The MANCHESTER GUARDIAN connects the monetary agreement with the League Economic Committee's report and expresses the hope that "the way to European economic

cooperation

U -2- #446, Sept. 26 11 a.m. from London

cooperation will become easier".

The NEWS CHRONICLE characterizes the agreement as "one of the very few positive contributions to world reconstruction that have been made by Governments for a very long time."

BINGHAM

KLP

HOLLAND
AMSTERDAM

UNITED PRESS - September 25, 1936.

Amsterdam

WCNS161

AMSTERDAM, SATURDAY.--A GOVERNMENT SPOKESMAN ANNOUNCED THAT THE PROPOSED DEVALU

A

TION OF THE FRENCH FRANC WOULD NOT LEAD TO ANY CHANGE IN THE MONETARY POLICY OF HOLLAND.

IT WAS UNDERSTOOD SWITZERLAND WOULD ADOPT THE SAME POLICY.

9/25--E736P.

9.10

FORWARD FRANCS DROP IN LONDON

LONDON - DISCOUNTS ON FORWARD FRANCS HAVE SAGGED TO A NEW LOW - DISCOUNT ON ONE MONTH FRANCS HAS WIDENED TO 7 1-2 FRANCS PER POUND COMPARED WITH 3 625 AT THE OPENING AND ON THREE MONTHS TO 10 FRANCS PER POUND AGAINST 7 125 AT THE OPENING

-0-

SEP 25 1936

SEP 25 1936

11.05

GOLD UP IN LONDON

LONDON- DECLINE IN STERLING HAS CAUSED THE OPEN MARKET PRICE FOR GOLD IN LATER UNOFFICIAL TRADING TO RISE TO THE HIGHEST POINT SINCE AUGUST 11- COURSE OF THE PRICE HAS FLUCTUATED BUT IT IS CURRENTLY QUOTED AT 138S 6D PER FINE OUNCE WITH AN ACTIVE BUSINESS BEING DONE- THIS COMPARES WITH THE OFFICIAL POSTED PRICE THIS MORNING OF 137S 9 1-2D

-0-

SEP 25 1936

1:10 SEP 25 1936

LONDON EXCHANGE MARKET ACTIVE

LONDON - FOREIGN EXCHANGE BROKERS WERE INUNDATED THIS AFTERNOON WITH HEAVY BIDS FOR DOLLARS WHICH CAUSED SHARP APPRECIATION OF DOLLARS IN TERMS OF STERLING AND SYMPATHETIC APPRECIATION OF FRANCS IN TERMS OF STERLING

BUYING ON DOLLARS IS BELIEVED TO HAVE BEEN ACTUATED BY VIEW THAT IF THE FRANC IS DEVALUED THERE WILL BE NO FURTHER NEED TO SELL DOLLARS FOR THE SUPPORT OF THE FRANC AND ALSO THAT THE PRESENT EXAGGERATED OVER-VALUATION OF STERLING IN TERMS OF DOLLARS WILL TEND TO BE LEVELED OUT

OPINION WHETHER FRANCE IS LIKELY TO TAKE ANY FURTHER STEPS TOWARD DEVALUATION OVER THE WEEK END IS STILL DIVIDED IN LONDON AND WHILE ACTION OVER THE WEEK END WOULD NOT CAUSE SURPRISE MANY LONDON BANKERS BELIEVE THE STEP MAY BE DELAYED ANOTHER 10 DAYS OR EVEN THREE WEEKS

-0-

DOW JONES

[illegible] BRITISH TREASURY, LONDON

British

TREASURY STATEMENT ANNOUNCED THAT BRITAIN, FRANCE AND THE UNITED STATES DECLARE THEIR INTENTION TO CONTINUE TO USE APPROPRIATE AVAILABLE RESOURCES TO AVOID ANY DISTURBANCE OF THE BASIS OF INTERNATIONAL EXCHANGES IN CONSEQUENCE OF THE PROPOSED READJUSTMENT OF THE FRANC.

THE BRITISH FIGURE AT WHICH IT WAS SUGGESTED THE FRANC BE STABILIZED, [illegible] TO 105, REFERS TO THE NUMBER OF FRANCS TO THE POUND STERLING APPROXIMATELY 105.

[illegible] 1220P

WCNS152

ADD BRITISH TREASURY, LONDON

THE STATEMENT SAID FRANCE HAD INFORMED BRITAIN SHE HAD DECIDED TO PROPOSE TO PARLIAMENT "READJUSTMENT" OF THE FRANC.

IT WAS UNDERSTOOD THAT BRITAIN BELIEVES THE FRANC SHOULD BE STABIL-IZED BETWEEN 95 AND 105, A FIGURE BASED ON WORLD INDEXES. IT WAS REPORTED ON EXCELLENT AUTHORITY THAT REALIGNMENT AND DEVALUATION WOULD BE ACCOMPLISHED IN ONE OPERATION AND THAT THE EXTENT WOULD BE BETWEEN 25 AND 33 PER CENT.

9/25--E711P.

WCNS151

LONDON, (SATURDAY)--THE TREASURY ANNOUNCED AT 12:30 A. M. TODAY THAT AFTER CONSULTATION WITH THE UNITED STATES AND FRANCE, BRITAIN "JOINS THEM IN AFFIRMING A COMMON DESIRE TO FOSTER THESE CONDITIONS WHICH SAFEGUARD PEACE AND BEST CONTRIBUTE TO THE RESTORATION OF ORDER IN INTERNATIONAL ECONOMIC RELATIONS."

THE STATEMENT REAFFIRMS THE POLICY OF MAINTAINING "THE GREATEST POSSIBLE EQUILIBRIUM IN THE SYSTEM OF INTERNATIONAL EXCHANGES AND AVOIDING TO THE UTMOST EXTENT THE CREATION OF ANY DISTURBANCE OF THE SYSTEM BY BRITISH MONETARY ACTION."

9/25--E704P.

add British

WCNS166

ADD BRITISH TREASURY, LONDON

IT WAS EXPLAINED THAT THE TREASURY STATEMENT INTENDED TO MAKE CLEAR THAT BRITAIN WILL NOT DELIBERATELY DEPRECIATE THE POUND STERLING BY WAY OF REPRISAL FOR MONETARY MEASURES PROPOSED BY FRANCE, THE POUND STERLING TO REMAIN FREE CURRENCY NOT LINKED WITH GOLD OR WITH ANY OTHER CURRENCY.

9/25--E748P.

add British

WCNS158

ADD BRITISH TREASURY, LONDON

THE STATEMENT SAID THE THREE POWERS ARE CONVINCED OF THE SUCCESS OF THIS POLICY, LINKED TO THE DEVELOPMENT OF INTERNATIONAL TRADE, AND ATTACH THE GREATEST IMPORTANCE TO PROMPT ACTION WHICH WILL "PROGRESSIVELY RELAX THE PRESENT SYSTEM OF QUOTAS AND EXCHANGE CONTROLS WITH THE VIEW OF THEIR ABOLITION."

THE STATEMENT SAID THE THREE POWERS INVITED THE COOPERATION OF OTHER NATIONS, TRUSTING THAT NONE WILL ATTEMPT TO OBTAIN AN UNREASONABLE COMPETITIVE EXCHANGE ADVANTAGE WHICH WOULD HAMPER RESTORATION OF MORE STABLE ECONOMIC RELATIONS.

9/25--E730P.

FRENCH BUYING DOLLARS AND STERLING

PARIS- FOREIGN EXCHANGE MARKET AGAIN IS VERY ACTIVE WITH THE DEMAND FOR DOLLARS AND STERLING SHOWING NO SIGNS OF DIMINISHING- THE GUILDER IS WEAKENING AND HAS REACHED THE POINT WHICH SHOULD RESULT IN SHIPMENTS OF GOLD FROM AMSTERDAM TO NEW YORK- BELGAS ARE FIRM IN THE PARIS MARKET AT THE POINT AT WHICH SHIPMENTS OF GOLD FROM PARIS TO BRUSSELS MAY BE EXPECTED

SEP 25 1936

IN WELL INFORMED QUARTERS NO CREDIT IS ATTACHED TO RUMORS OF FRANC DEVALUATION OVER THE WEEK-END- THERE ARE INDICATIONS HOWEVER THAT THE FRENCH CABINET IS LOOKING TOWARD EVENTUAL REALIGNMENT OF THE FRANC WITH OTHER CURRENCIES ACCOMPANIED BY MEASURES TO PROTECT THE VICTIMS OF DEVALUATION AND TO PREVENT PROFITEERING- THIS IT IS BELIEVED THAT PRICES MIGHT BE PREVENTED FROM RISING BY MANIPULATION OF TARIFFS QUOTAS AND INTERNAL CONTROL WHILE THROUGH STRICT SUPER -VISION OF REPATRIATION OF CAPITAL AND EMBARGOES ON THE PRIVATE OWNERSHIP OF GOLD THE STATE MIGHT PREVENT FRENCH CITIZENS FROM REALIZING PROFITS FROM HOARDED CAPITAL

APPARENTLY A PROGRESSIVE TAX ON PROFITS FROM APPRECIATION OF FOREIGN SECURITIES LISTED ON THE PARIS BOURSE IS CONTEMPLATED

L-INTRANSIGEANT HAS ANNOUNCED THAT FINANCE MINISTER AURIOL WILL SUBMIT TO THE MEETING OF THE MINISTERIAL COUNCIL THIS AFTERNOON A FINANCIAL PROGRAM WHICH CONFORMS WITH THE ACTUAL CIRCUMSTANCES NOW OBTAINING- HIS PROGRAM EMBRACES A COMPLETE REORGANIZATION OF THE FINANCIAL ADMINISTRATION AND OUTLINE OF TAXATION REFORM

9005

INTERNATIONAL ISSUES STRONG IN PARIS

PARIS-U P- A BOOM IN INTERNATIONAL ISSUES BEGAN ON THE BOURSE TODAY- THE MARKET WAS ACTIVE

A SPECIAL BOURSE COMMISSARY ISSUED AN ORDER DESIGNED TO CURB SPECULATION ANNOUNCING THAT SPECULATIVE MARGINAL OPERATIONS WOULD NOT BE CARRIED OVER THE END OF THE MONTH AND THAT PURCHASERS MUST LIQUIDATE OR PAY UP

RENTES ROSE I 1-2 POINTS IN THE FIRST HOUR- ROYAL DUTCH WAS QUOTED AT 3285 AGAINST 3220 BANK OF PARIS 820 AGAINST 750 SUEZ 20 875 AGAINST 20 205

-0-

SEP 25 1936

9.13

FRENCH CABINET TO MEET AT 2 30 PM

PARIS -UP- THE CABINET WAS CALLED INTO SESSION AT 2 30 PM BY PREMIER LEON BLUM TO HEAR REPORTS FROM FINANCE MINISTER VINCENT AURIOL AND BLUM ON THE FRANC CRISIS

-0-

ADD FRENCH CABINET MEETS

PARIS -UP- THE CABINET ALSO WILL HEAR PLANS FOR THE 1937 BUDGET AND DISCUSS THE INTERNATIONAL SITUATION

IMMEDIATELY AFTER THE CABINET MEETING THE CABINET WILL BE RECEIVED BY PRESIDENT ALBERT LEBRUN AT THE ELYSEE PALACE WHERE ANY CABINET DECREES WILL BE SIGNED

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PARIS STOCK MARKET STRONG 1050

PARIS - THE BOURSE EXPERIENCED AN EXCEEDING-LY FEVERISH SESSION WITH SPECULATION BOOSTING QUOTATIONS ON ALL DOMESTIC BONDS AND SHARES WITH EXCEPTION OF PUBLIC UTILITIES - INTERNATIONAL ISSUES WERE NEGLECTED SEP 25 1936

DURING THE SESSION THE BOURSE AUTHORITIES ANNOUNCED THAT ALL TRANSACTIONS FOR THE END-OF-THE-MONTH SETTLEMENT MUST BE SETTLED IN CASH ON SEPT 30 AND THAT NO CARRYOVER WOULD BE ALLOWED

THIS CAUSED A SETBACK IN PRICES BUT LATER IN THE DAY THE ADVANCE WAS RESUMED AND RENTES BANK AND CHEMICAL SHARES CLOSED AT THE HIGHEST LEVELS OF THE DAY - RENTES WERE UP TWO FRANCS UNDER THE INFLUENCE OF NOT ONLY DOMESTIC BUT ALSO FOREIGN DEMAND WITH THE EXCEPTION OF THE 4 PC RENTES OF 1925 WHICH COULD NOT BE QUOTED OWING TO THE OVERWHELMING DEMAND

THE BOURSE EXPECTS DRASTIC DECISIONS TO BE TAKEN IN THE CABINET MEETING THIS EVENING - IT IS INCLINED TO BELIEVE THAT SEVERE RESTRICTIONS WILL BE PLACED ON ALL TRANSACTIONS IN FOREIGN SHARES AND POSSIBLY EVEN COMPULSORY REGISTRATION OF FOREIGN SECURITIES IN FRENCH POSSESSION - THERE IS ALSO TALK OF THE PROHIBITION OF ALL HOLDINGS OF GOLD

IF THE SPECULATIVE FEVER DOES NOT ABATE IT IS THOUGHT LIKELY THAT ONLY CASH TRANSACTIONS WILL BE ALLOWED IN ALL DEPARTMENTS OF THE BOURSE

11.01

ADD FRENCH SITUATION

PARIS-U P- PREMIER BLUM CANCELLED HIS DEPARTURE FOR GENEVA SCHEDULED FOR TONIGHT IN ORDER TO REMAIN IN PARIS DURING THE CRISIS

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11.10

ADD FRENCH SITUATION

PARIS-U P- WHILE THE CABINET WAS IN SESSION REPORTS IN THE CORRIDORS SAID THAT THE DE CISION HAD BEEN MADE TO SUMMON PARLIAMENT- IN ORDER LEGALLY TO DEVALUATE THE CURRENCY OR ESTABLISH A GOLD EMBARGO PARLIAMENT MUST PASS THE NECESS- ARY LEGISLATION

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11.20

ADD FRENCH SITUATION

PARIS-U P- TODAY-S CABINET MEETING HAD NOT YET CALLED PARLIAMENT BUT WAS EXPECTED TO SET A DATE FOR THE MEETING NEXT WEEK AFTER CONSULTA- TION WITH THE PRESIDENTS OF THE CHAMBER AND SENATE

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SEP 25 1936 12.22

FRENCH SITUATION

PARIS-COPYRIGHT BY U P- THE FRENCH PARLIAMENT LIKELY WILL BE CONVOKED MONDAY OR TUESDAY TO VOTE NECESSARY GOLD PROTECTION LAWS LOUIS MALVY RADICAL SOCIALIST LEADER SAID WHILE A CABINET SESSION OF THE MONETARY SITUATION WAS IN PROGRESS

ADD FRENCH SITUATION

PARIS - THE GOVERNMENT COMMUNIQUE WHEN ISSUED DID NOT REVEAL FINANCIAL PLANS BUT IT WAS REPORTED THAT PARLIAMENT WILL BE CONVOKED MONDAY

VINCENT AURIOL FINANCE MINISTER IS EX-
PECTED TO REVEAL THE GOVERNMENT POSITION IN A STATEMENT LATER TONIGHT

FRENCH AUTHORITIES WERE IN TELEPHONIC COMMUNICATION WITH LONDON AND NEW YORK BANKING OFFICIALS

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12.25 SEP 25 1936

ADD FRENCH SITUATION

PARIS-U P- IT WAS ANNOUNCED THAT 360 000 000 FRANCS IN GOLD WAS BEING SHIPPED TODAY FROM CHERBOURG ON THE DEUTSCHLAND FOR THE UNITED STATES- THIS IS THE LARGEST SINGLE SHIPMENT IN SEVERAL YEARS- ABOUT 300 000 000 FRANCS OF THE GOLD WAS SENT BY TRAIN OVERNIGHT TO CHERBOURG AND THE REMAINDER ARRIVED BY MOTOR CAR

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ADD FRENCH SITUATION 12.25 172

PARIS-

SEP 25 1936

P- LATE TODAY THE HEAD OF THE BOURSE FORMALLY REQUESTED BROKERS TO EXECUTE AS FAR AS POSSIBLE ONLY FUTURE PURCHASES OF ORDERS TO COVER SHORT OPERATIONS- OTHER PURCHASES WOULD BE CONSIDERED SPECULATION ANTICIPATING REALIGNMENT OF THE FRANC- THIS VIRTUALLY ENDED ALL FUTURES- -OR MARGINAL- - OPERATIONS ON THE BOURSE

1:16

SEP 25 1936

ADD FRENCH SITUATION

PARIS - IN THE AFTERNOON STERLING RELAPSED TO AROUND 76 30 FRANCS BUT THE DOLLAR WAS IMMUTABLE AND GOLD TRANSACTIONS WERE REPORTED TO HAVE BEEN HEAVIER THAN EVER INDICATING THAT THE 5 PC BANK RATE IS PROVING INEFFECTIVE IN CHECKING THE CRISIS

THE PRACTICAL SUSPENSION OF FORWARD DEALINGS ON THE BOURSE ALSO PROVED INEFFECTIVE IN LOWERING THE FEVER OR CURBING SPECULATION AND CLOSING PRICES ON THE BOURSE FOR BOTH DOMESTIC AND INTERNATIONAL SHARES WERE GENERALLY AT THE HIGHEST LEVELS FOR THE DAY

THE INFERENCE IS DRAWN FROM THE PREVAILING OPINION IN PARIS FINANCIAL CIRCLES THAT DEVALUA-

TION OF SOME SORT IS APPROACHING ALTHOUGH IT MAY BE POSTPONED OR DISGUISED IN THE FORM OF VARIOUS RESTRICTIVE MEASURES

THERE IS A STRONG BELIEF THAT THE CABINET ITSELF FINDS IT DIFFICULT TO TAKE THE DECISION - THE CABINET PROBABLY WOULD UNDERTAKE A REALIGNMENT OF THE CURRENCY IF IT COULD SECURE ANGLO-AMERICAN STABILITY UNDERTAKINGS BUT THESE ARE NOT FORTHCOMING FROM ENGLAND AND PROBABLY NOT FROM AMERICA

IT IS THOUGHT THAT A SERIES OF REGULATIONS AFFECTING MONEY AND STOCK TRANSACTIONS WERE VOTED IN THE MINISTERIAL COUNCIL AND WILL BE PUBLISHED ON SATURDAY BUT NO INKLING HAS BEEN GIVEN OF THE CONTENTS OF SUCH REGULATIONS AND FOR THE MOST PART THEY PROBABLY HAVE NOT YET BEEN COMPLETELY DRAFTED

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ADD FRENCH SITUATION 3.10

PARIS -UP- THE COUNCIL OF MINISTERS ADJOUR-NED AT 8 15 PM AFTER DELIBERATING WITH ONLY SHORT INTERRUPTIONS SINCE 2 30 PM - NONE OF THE MINISTERS WOULD MAKE A STATEMENT - AN OFFICIAL COMMUNIQUE WAS EXPECTED SHORTLY

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SEP 25 1936

FRANCE UNITED PRESS - September 25, 1936.
PARIS

French Situation

85

PARIS.--GOLD SHIPMENTS TOTALLING 18 TONS AND VALUED AT 300,000,-00 FRANCS ($19,799,000)--THE LARGEST SINGLE SHIPMENT IN RECENT YEARS-ERE SENT TO CHERBOURG TODAY FOR EMBARKATION IN THE LINER DEUTSCHLAND, HIPPERS SAID. THE GOLD IS DESTINED FOR NEW YORK.

THE DOLLAR OPENED TODAY AT ITS USUAL RECENT LEVEL, 15.19 FRANCS 6.583 CENTS A FRANC) AND THE POUND OPENED AT 76.83 FRANCS.

RUMORS CONTINUED TO CIRCULATE OF A POSSIBLE EMBARGO ON GOLD.

YESTERDAY'S BANK OF FRANCE STATEMENT, FOR THE WEEK ENDED SEPTEMBER 8, SHOWED A LOSS OF 841,000,000 FRANCS ($55,369,337) IN GOLD ESERVES. THE RESERVE TOTAL WAS AT A NEW LOW SINCE 1930 AT 52,691,-00,000 ($3,469,043,712).

9/25--R837A

ADD GOLD, PARIS

THE LOSS TWO WEEKS AGO WAS 653,000,000 ($42,966,990).

IT WAS ESTIMATED THAT THE NEXT STATEMENT, OCTOBER 1, WOULD SHOW LOSS OF ABOUT 850,000,000 ($55,955,500).

A BOOM IN INTERNATIONAL ISSUES BEGAN ON THE BOURSE TODAY AS NVESTORS SPECULATED ON EARLY REALIGNMENT OF CURRENCIES. THE MARKET AS ACTIVE. A SPECIAL BOURSE COMMISSARY ISSUED AN ORDER DESIGNED TO URB SPECULATION, ANNOUNCING THAT SPECULATIVE MARGINAL OPERATIONS WOUL OT BE CARRIED OVER THE END OF THE MONTH AND THAT PURCHASERS MUST IQUIDATE OR PAY UP.

RENTES ROSE 1-1/2 POINTS IN THE FIRST HOUR. ROYAL DUTCH WAS QUOTED T 3285 AGAINST 3220. BANK OF PARIS 820 AGAINST 750, SUEZ 20875 GAINST 20205.

9/25--R859A

WCNS38

French Situation

ADD GOLD, PARIS

THE CABINET MET AT 3:30 P.M. TO HEAR REPORTS FROM FINANCE MINISTER AURIOL AND PREMIER BLUM ON THE FRANC CRISIS. IT WAS UNDERSTOOD THE CABINET WOULD DRAFT MEASURES IMMEDIATELY TO CURB ACTIVITIES OF SPECULATORS IN EVENT OF ANY "REALIGNMENT" OF CURRENCIES.

IMMEDIATELY AFTER THE CABINET MEETING, THE CABINET WILL BE RECEIVED BY PRESIDENT LEBRUN AT THE ELYSEE PALACE.

THE FRENCH STARTED HEDGING AGAINST POSSIBLE DEVALUATION OF THE FRANC SHORTLY AFTER THE BOURSE OPENED FOR TRADING TODAY. INTERNATIONAL ISSUES WERE SOUGHT AS THE NATIONALS TRIED TO FIND HAVEN FOR THEIR FUNDS. ROYAL DUTCH SHARES WENT UP 65 POINTS. FRENCH STOCKS ADVANCED, INCLUDING BANK OF PARIS AND SUEZ CANAL.

9/25--R955A

French Strike Situation

WCNS43

EPINAL, FRANCE--THE TEXTILE STRIKE IN THE VOSGES AREA ENDED TODAY AND 400,000 WORKERS RETURNED TO THEIR JOBS IMMEDIATELY FOLLOWING THE SIGNING OF A COLLECTIVE CONTRACT AT NOON.

9/25--TP1006A

add French Sit

WCNS55

ADD GOLD, PARIS

CABINET MEMBERS MET AT MATIGNON PALACE ON THE CALL OF PREMIER BLUM TO DISCUSS THE FRANC SITUATION. LATER THEY WILL BE RECEIVED BY PRESIDENT LEBRUN AT ELYSEE PALACE, AT WHICH ANY DECREES DECIDED UPON WILL BE SIGNED.

WHILE THE CABINET WAS IN SESSION, REPORTS IN THE CORRIDORS SAID THAT THE DECISION HAD BEEN MADE TO SUMMON PARLIAMENT. IN ORDER TO DEVALUATE THE CURRENCY OR ESTABLISH A GOLD EMBARGO--LEGALLY--PARLIAMENT MUST PASS THE NECESSARY LEGISLATION. PREMIER BLUM CANCELLED HIS RESERVATIONS FOR DEPARTURE FOR GENEVA, SCHEDULED FOR TONIGHT, IN ORDER TO REMAIN IN PARIS DURING THE CRISIS.

9/25--R1059A

WCNS58

ADD GOLD, PARIS

IT WAS LEARNED UNOFFICIALLY THAT THE CABINET WAS PREPARING DECREE WHICH MAY BE SUBMITTED TO PARLIAMENT IMMEDIATELY FOR RATIFICATION.

THE DECREES WOULD PROVIDE FOR A MODIFIED GOLD EMBARGO AS FOLLOWS:

1. A TAX ON GOLD EXPORTS.

2. GOLD EXPORTS HEREAFTER WILL BE SUBJECT TO PRIOR DECLARATION OF INTENTION TO EXPORT, WHICH MAY BE AUTHORIZED OR REFUSED BY THE FINANCE MINISTRY.

9/25--R1102A

WCNS73

ADD GOLD, PARIS

MEANWHILE THE PARIS BOURSE WENT THROUGH ONE OF THE MOST EXCITING SESSIONS IN RECENT MONTHS.

PRICES SHOT FORWARD AT THE OPENING ON HEDGING BY FRENCH NATIONALS. THEN A THE SPECIAL BOURSE COMMITTEE ISSUED ITS RULING THAT SPECULATIVE MARGINAL OPERATIONS WILL NOT BE CARRIED OVER THE MONTH-END AND THAT HOLDERS EITHER MUST LIQUIDATE OR PAY. THIS TENDED TO STOP SPECULATION AND THERE ALSO WERE RUMORS OF GOVERNMENT ACTION TO PREVENT SPECULATION. SHARES WERE DUMPED. BUYERS WERE SCARCE.

BUT THE MARKET SOON REVERSED ITS POSITION AS THE BUYERS TURNED FROM MARGINAL ACCOUNTS TO OUTRIGHT PURCHASES. ALL PRICES SOARED AND CLOSED HIGHER. BANK OF FRANCE SHARES CLOSED AT 7190 FRANCS. BANK OF PARIS SHARES CLOSED AT 850 FRANCS COMPARED WITH 750 YESTERDAY; SUEZ CANAL SHARES CLOSED AT 20875 FRANCS COMPARED WITH 20740 FRANCS, AND ROYAL DUTCH SHELL SHARES WERE 3285 FRANCS COMPARED WITH 3,220.

9/25--R1145A

WCNS79

ADD GOLD, PARIS

TODAY'S CABINET MEETING HAD NOT YET CALLED PARLIAMENT, BUT WAS EXPECTED TO SET A DATE FOR THE MEETING NEXT WEEK AFTER CONSULTATION WITH THE PRESIDENTS OF THE CHAMBER AND SENATE.

9/25--R1203P

WCNS80

ADD GOLD, PARIS

LATE TODAY THE HEAD OF THE BOURSE FORMALLY REQUESTED BROKERS TO EXECUTE, AS FAR AS POSSIBLE, ONLY FUTURES PURCHASE OF ORDERS TO COVER SHORT OPERATIONS. OTHER PURCHASES WOULD BE CONSIDERED SPECULATION, ANTICIPATING REALIGNMENT OF THE FRANC. THIS VIRTUALLY ENDED ALL FUTURES--OR MARGINAL--OPERATIONS ON THE BOURSE.

9/25--R1204P

WCNS91 French Silver Stabilization

ADD GOLD, PARIS

THE FRENCH PARLIAMENT LIKELY WILL BE CONVOKED MONDAY OR TUESDAY TO VOTE NECESSARY GOLD PROTECTION LAWS, LOUIS MALVY, RADICAL SOCIALIST LEADER, SAID.

PARLIAMENT MUST ENACT LEGISLATION TO PERMIT ANY CHANGE IN THE VALUE OF THE FRANC. THE CABINET IS EMPOWERED TO DECREE ANY OTHER RESTRICTIVE MEASURES TO PREVENT THE OUTFLOW OF GOLD.

9/25--E1240P.

WCNS95

ADD GOLD, PARIS

IT WAS REPORTED THAT THE CONTEMPLATED TAX ON GOLD EXPORTS TENTATIVELY HAD BEEN FIXED AT 33 PER CENT.

9/25--E1257P.

French Situation

WCNS121

ADD GOLD, PARIS

A GOVERNMENT COMMUNIQUE DID NOT REVEAL FINANCIAL PLANS, BUT IT WAS REPORTED THAT PARLIAMENT WILL BE CONVOKED MONDAY.

VINCENT AURIOL, THE FINANCE MINISTER, IS EXPECTED TO REVEAL THE GOVERNMENT POSITION IN A STATEMENT LATER TONIGHT. FRENCH AUTHORITIES WERE IN TELEPHONIC COMMUNICATION WITH BANKING OFFICIALS IN NEW YORK.

THE CABINET, FURTHERING ITS ECONOMIC REHABILITATION PROGRAM, APPROVED A 40-HOUR WEEK FOR THE MINING INDUSTRY AND ANNOUNCED THAT SIMILAR DECREES WOULD BE ISSUED SOON GOVERNING THE METALLURGICAL AND BUILDING INDUSTRIES.

9/25--R331P

French Situation

WCNS135

PARIS.--VINCENT AURIOL, FINANCE MINISTER, TONIGHT WILL ANNOUNCE THAT THE FRENCH PARLIAMENT WILL BE CONVOKED MONDAY TO EXPRESS ITS APPROVAL OF DEVALUATION OF THE FRANC IN A GENERAL SCHEME FOR REALIGNMENT OF WORLD CURRENCIES.

9/25--E515P.

WCNS136

ADD GOLD, PARIS

THE CABINET WILL BE UNANIMOUS IN FACING PARLIAMENT IN EXPLAINING THAT THE GOLD CRISIS NECESSITATES THE SWIFTEST ACTION.

PERCENTAGE OF THE DEVALUATION HAS NOT YET BEEN ESTABLISHED BUT IS AT PRESENT THE SUBJECT OF CONVERSATION BETWEEN OFFICIALS OF THE BRITISH AND UNITED STATES GOVERNMENTS. IT WAS BELIEVED THE PERCENTAGES WOULD BE SIMILAR TO THE RECENT BELGIAN DEVALUATION OF 30 TO 35 PER CENT IN ONE OR TWO STEPS.

9/25--E519P.

NS137

ADD GOLD, PARIS

PARLIAMENT WILL NOT BE ASKED TO FIX THE MAXIMUM OR MINIMUM FOR VALUATION, LEAVING IT ENTIRELY TO THE GOVERNMENT TO ESTABLISH THE TES.

IT WAS BELIEVED THAT APPROVAL WILL BE OBTAINED FROM PARLIAMENT, CAUSE PAUL REYNAUD PROMISED PREMIER LEON BLUM HE WOULD SPEAK BEHALF OF DEVALUATION IN AN ATTEMPT TO SWING THE OPPOSITION TO EVALUATION.

9/25--E523P.

WCNS139

ADD GOLD, PARIS

BLUM HAS SUMMONED A MEETING AT MATIGNON PALACE OF THE CABINET MINISTERS CHIEFLY INVOLVED, NAMELY: COMMERCE MINISTER PAUL BASTID; NATIONAL ECONOMY MINISTER CHARLES SPINASSE; INTERIOR MINISTER ROGER SALENGRO. THE LATTER IS CHARGED WITH ELABORATE PREPARATIONS TO AVOID DISORDER.

IT APPEARED LIKELY THAT COMMUNISTS WILL REFUSE TO SUPPORT REALIGNMENT OF CURRENCIES BUT MAY ABSTAIN FROM VOTING RATHER THAN VOTE AGAINST THE GOVERNMENT.

9/25--E528P.

WUNS143

ADD GOLD, PARIS

AURIOL HAD BEEN SCHEDULED TO ANNOUNCE THE GOVERNMENT'S FINANCIAL PLAN TO THE PRESS AT 11 P. M. BUT THIS ANNOUNCEMENT WAS POSTPONED TO MIDNIGHT (6 P. M. EST.)

9/25--E550P.

WCNS145

ADD GOLD, PARIS

ALTHOUGH THE U. S. AND GREAT BRITAIN REPORTEDLY HAVE ASSURED THE FRENCH GOVERNMENT THAT THE DOLLAR AND STERLING WOULD REMAIN PEGGED NO AGREEMENT ON THE FRANC RATE HAS BEEN REACHED, IT WAS UNDERSTOOD.

FRANCE NOT ONLY IS NEGOTIATING WITH THE U. S. AND GREAT BRITAIN BUT ALSO IS UNDERSTOOD TO BE SEEKING A NEUTRAL ATTITUDE FROM CONTINENTAL COUNTRIES SUCH AS SWITZERLAND AND HOLLAND.

9/25--E605P.

WCNS146

ADD GOLD, PARIS

IT WAS LEARNED SIR FREDERICK LEITH-ROSS, BRITISH MONETARY AUTHORITY, WAS IN PARIS TODAY AND HAS NOW DEPARTED FOR BASLE.

9/25--E607P.

WCNS154

PARIS.-SATURDAY--AN OFFICIAL MORATORIUM WILL DECREED IMMEDIATELY ON ALL COMERCIAL DEBTS PAYABLE IN GOLD OR FOREIGN CURRENCIES.

IT WAS ANNOUNCED OFFICIALLY THAT ALL STOCK EXCHANGES AND COMMERCIAL EXCHANGES THROUGHOUT FRANCE WOULD BE CLOSED UNTIL FURTHER NOTICE.

9/25--E718P.

WCNS159 Fin Min Auriol 132

PARIS, SATURDAY.--VINCENT AURIOL, FINANCE MINISTER ANNOUNCED AT 1:10 A. M. THAT READJUSTMENT OF THE FRANC TO THE DOLLAR AND POUND STERLING WILL BE PROPOSED TO PARLIAMENT. HE SAID THAT THE U. S. AND GREAT BRITAIN HAD AGREED "TO USE ALL MEANS TO PREVENT MONETARY DIFFICULTIES."

9/25--E733P.

WCNS160

ADD GOLD, PARIS (WCNS159.)

THE FINANCE MINISTER SAID THE GOVERNMENT WOULD ASK PARLIAMENT, CALLED TO CONVENE IN EMERGENCY SESSION MONDAY, FOR POWER TO REQUISITION ALL THE GOLD IN FRANCE. FRENCH GOLD HAS BEEN LEAVING THE COUNTRY AT THE RATE OF MILLIONS OF DOLLARS DAILY.

SIMULTANEOUSLY A MORATORIUM WAS DECLARED ON ALL DEBTS PAYABLE IN GOLD OR FOREIGN CURRENCIES, AND ALL STOCK AND COMMERCIAL EXCHANGES IN FRANCE WERE ORDERED CLOSED UNTIL FURTHER NOTICE.

9/25--E733P.

Add Paris

[W]CNS165

ADD GOLD, PARIS (WCNS160.)

IT WAS ANNOUNCED THAT THE BANK OF FRANCE IS CEASING IMMEDIATELY THE [D]ELIVERY OF GOLD.

THE GOVERNMENT IS ASKING PARLIAMENT FOR POWER TO REQUISITION ALL [T]HE GOLD IN THE COUNTRY AT THE CURRENT RATE.

AURIOL SAID, AS HE MADE HIS ANNOUNCEMENT, THAT HE HAD JUST [R]ECEIVED BY TELEPHONE FROM SECRETARY MORGENTHAU AND NEVILLE CHAMBER-[L]AIN, CHANCELLOR OF THE BRITISH EXCHEQUER, CONGRATULATIONS FOR THE [S]UCCESSFUL CONCLUSION OF THE MONETARY AGREEMENT.

9/25--E747P.

WCNS168

ADD GOLD, PARIS

PARLIAMENT WAS CALLED TO CONVENE AT 9 A. M. MONDAY. THE CABINET [E]XPECTS REALIGNMENT OF THE FRANC TO BE COMPLETED LATE TUESDAY. IT [W]AS CERTAIN THE FRENCH EXCHANGES WOULD REMAIN CLOSED UNTIL PARLIAMENT [A]CTS.

THE GENERAL COUNCIL OF THE BANK OF FRANCE CONVENED IN MIDNIGHT SESS-ION AND THE SENATE FINANCE COMMISSION WILL MEET SUNDAY TO APPROVE THE MONETARY MEASURE WHICH WILL BE OFFERED PARLIAMENT FOR RATIFICATION.

9/25--E752P.

THE MARKET FOR MONDAY FRANCS AT 6 58 1-4 CENTS THOUGHT TO REPRESENT OFFICIAL SUPPORT -NO BIDS HAVE BEEN HEARD FOR TUESDAY FRANCS

SO FAR THE ACTUAL VOLUME OF BUSINESS IN THE NEW YORK MARKET IS REPORTED TO BE SMALL

SPOT GUILDERS ARE ABOUT 67 55 CENTS OFF 7 POINTS WHICH SHOULD BRING GOLD FROM HOLLAND TO NEW YORK

GOLD FROM FRANCE 11.07

LOCAL BANKS HAVE NOT YET RECEIVED DAILY ADVICES INDICATING THE EXTENT OF ENGAGEMENTS OF GOLD IN PARIS FOR SHIPMENT TO NEW YORK BUT JUDGING FROM THE ACTION OF THE FOREIGN EXCHANGE MARKET HERE AND ABROAD WELL INFORMED QUARTERS BELIEVE THAT OFFICIAL FIGURES THIS AFTERNOON AGAIN WILL SHOW EXCEPTIONALLY HEAVY SHIPMENTS FROM FRANCE- IN ADDITION THERE IS THE POSSIBILITY OF ENGAGEMENTS FROM HOLLAND FOR NEW YORK ACCOUNT

BEHAVIOR OF STERLING IS REGARDED AS SIGNIFICANT IN THE LOCAL MARKET- ADVICES WHICH NOW ARE BEING RECEIVED LEAD TO THE BELIEF THAT THE BREAK IN THE POUND THIS MORNING WAS CAUSED BY EUROPEAN SELLING OF STERLING AGAINST DOLLARS INDICATING THE TRANSFER OF EUROPEAN BALANCES FROM LONDON TO NEW YORK- THIS IS A CONTINUATION OF THE MOVEMENT WHICH DEVELOPED YESTERDAY AFTERNOON RESULTING FROM THE BELIEF THAT CURRENT LEVELS OF STERLING WOULD NOT BE MAINTAINED SHOULD THE FRANC BE ALLOWED TO SLIP

1104

185

STERLING FIRMER

STERLING HAS FIRMED TO 5 03 AFTER THE LOW OF 5 01 3-4 EARLIER THIS MORNING

SEP 25 1936

SPOT FRANCS ARE QUOTED AT ABOUT 6 58 3-8 CENTS- FRANCS FOR DELIVERY ON OCT 1 HOWEVER ARE BEING OFFERED AT 6 40 CENTS A DISCOUNT OF 18 3-8 POINTS UNDER THE SPOT RATE

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11.55

STERLING LOWER

SEP 25 1936

AFTER HAVING ADVANCED TO 5 03 1-4 SHORTLY AFTER NOON STERLING HAS SLIPPED BACK AND IS NOW QUUTED ABOUT 5 02 1-4 TO 5 02 3-8 AND THE MARKET IS QUIETER AT THE MOMENT

FRANCS CONTINUE AT 6 58 1-4 CENTS AT WHICH LEVEL THE SUPPORTING BID IS STILL HELD

12.55 SEP 25 1936

GOLD FROM HOLLAND

AMSTERDAM - MOVEMENT OF GOLD FROM HOLLAND TO THE UNITED STATES GOT UNDER WAY WITH SMALL SHIPMENTS ON FRIDAY IN RESPONSE TO WEAKNESS OF THE GUILDER IN TERMS OF THE DOLLAR - IT IS ESTIMATED THAT SHIPMENTS THUS FAR AMOUNT TO 5 000 000 GUILDERS

THERE IS INCREASING NERVOUSNESS IN THE AMSTERDAM FOREIGN EXCHANGE MARKET BUT THE MONEY MARKET REMAINS EASY

TOWARD THE CLOSE OF THE DAY THE STOPPAGE OF FORWARD FRENCH TRANSACTIONS CREATED HEAVY LIQUIDATION IN STERLING

AUTHORITIES OF THE BANK OF NETHERLANDS ALTHOUGH VIEWING THE FUTURE OF THE FRANC IN A GLOOMY MANNER STRESS THE POINT THAT NO DEVIATION WILL BE MADE FROM THE OLD DUTCH POLICY

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1:05 SEP 25 1936

FRENCH SELLING EASES COTTON MARKET

THE COTTON MARKET LOST 2 TO 8 POINTS ON FAIRLY AGRESSIVE FOREIGN SELLING - BROKERS WITH FRENCH CONNECTIONS WERE AGGRESSIVE SELLERS OF MAY AND JULY - SOME OF THE FOREIGN SELLING HERE IS AGAINST PURCHASES ABROAD

JAPANESE INTERESTS AND TRADE HOUSES BOUGHT COTTON ON A SCALE DOWN - PROFESSIONALS BOUGHT ON FEARS OF GENERAL RAINS IN THE WEST

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NEW YORK MARKETS - UNITED PRESS - Sept. 25, 1936.

WUNS132

NEW YORK.--THE FRENCH CRISIS UNSETTLED THE FOREIGN EXCHANGE MARKET HERE TODAY, THE POUND STERLING BREAKING SHARPLY COINCIDENT WITH A DECLINE IN THE SPOT FRANC AND DUTCH GUILDER TO WELL BELOW THEIR GOLD POINTS AND A PRACTICAL COLLAPSE IN THE FORWARD FRANC MARKET.

THE RESULTANT DOLLAR STRENGTH BROUGHT FURTHER HEAVY GOLD ENGAGEMENTS FROM FRANCE. A TOTAL OF $43,532,000 IN GOLD, A RECORD FOR THIS YEAR, WAS ARRANGED FOR SHIPMENT TO NEW YORK. THAT CARRIED THE TOTAL ENGAGED SINCE THE CURRENT MOVEMENT STARTED AUGUST 7 TO $197,732,000.

STERLING OPENED AT $5.05 5/8, UP 1/2 CENT NET, BUT RAN INTO HEAVY SELLING ON REPORTS FROM ABROAD THAT THE POUND WAS BEING SOLD AGAINST THE DOLLAR. THE MOVEMENT WAS BASED ON THE THEORY THAT FRENCH DEVALUATION WOULD FREE THE UNITED STATES FROM SUPPORTING THE FRANC AND THAT DOLLARS, THEREFORE, WOULD ADVANCE. TRANSFER OF FOREIGN BALANCES TO NEW YORK FROM LONDON WAS INDICATED AS RESULT OF THE ACTION.

REPORTS ALSO WERE CURRENT THAT THE BRITISH EQUALIZATION FUND WAS TAKING ADVANTAGE OF THE SITUATION TO ALLOW THE POUND TO FALL TO A LOWER AND MORE DESIRABLE LEVEL. THE UNIT DROPPED AS LOW AS $5.01 1/8, OFF 4 CENTS FROM THE HIGH AND DOWN 3 3/8 CENTS NET, AND CLOSED AT $5.01 3/4.

SPOT FRANCS RANGED BETWEEN A HIGH OF 6.58 1/2 CENTS AND A LOW OF 6.58 1/4 CENTS. THE CURRENCY WAS WELL BELOW THE GOLD IMPORT POINT AT THE LATTER LEVEL, BUT IT RALLIED TO CLOSE AT 658 1/2, UP 1/16 POINT NET. SUPPORT BY THE BRITISH EXCHANGE FUND HELD THE UNIT FIRM.

TRADING IN FORWARD FRANCS VIRTUALLY CEASED. A NEGLIGIBLE AMOUNT OF BUSINESS WAS REPORTED PUT THROUGH WITH THE 30 DAY FRANCS AT A 58 POINT DISCOUNT BELOW THE SPOT FRANC AND THE 3 MONTHS AT AN 88 POINT DISCOUNT. THERE WERE NO OTHER BIDS IN THE MARKET, HOWEVER. YESTERDAY THE DISCOUNTS WERE 32 AND 60 POINTS.

10.00

TREASURY CONTINUES CONFERENCES ON INTERNATIONAL CURRENCIES SITUATION

WASHN - CONFERENCES IN THE OFFICES OF SECY OF TREASURY MORGENTHAU ATTENDED BY TREASURY AND STATE DEPT MONETARY EXPERTS WERE RESUMED THIS MORNING AND ARE UNDERSTOOD TO DEAL WITH THE QUESTION OF WHAT ACTION THIS GOVERNMENT MIGHT TAKE IN THE EVENT OF CURRENCY DEVELOPMENTS ABROAD IT WAS SAID

ADD TREASURY CONTINUES CONFERENCES

WASHN- IN ATTENDANCE AT THE CONFERENCES IT WAS LEARNED TODAY IS PROF WILLIAMS ECONOMIC AND MONETARY ADVISOR FOR THE FEDERAL RESERVE BANK OF NEW YORK

TREASURY EXPERTS STILL DECLINE TO COMMENT ON THE SPECIFIC PURPOSES OF THE SESSIONS WHICH WERE BEGUN THURSDAY

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10.46

MORGENTHAU DECLINES TO COMMENT ON CONFERENCE PROCEEDINGS

WASHN -

SEP 25 1936

ADD MORGENTHAU

WASHN - SECY OF THE TREASURY MORGENTHAU WHO LEFT THE CONFERENCE OF STATE AND TREASURY MONETARY EXPERTS MOMENTARILY WAS ASKED IF HE COULD GIVE ANY INDICATION OF THE PROCEEDINGS - THE SECY SAID THAT HE COULD NOT COMMENT ON THE CONFERENCE IN ANY WAY AND THAT ANYTHING TO BE MADE PUBLIC WOULD PASS THROUGH ASSISTANT-SECY GASTON WHO IS IN CHARGE OF PUBLIC RELATIONS FOR THE TREASURY

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9/25 36 12,15

TREASURY MONETARY CONFEREES USING TELEPHONE LOUDSPEAKER

WASHN- PERIODIC REPORTS PRESUMABLY ON THE FRENCH CURRENCY DEVELOPMENTS ARE BEING RECEIVED IN THE OFFICES OF SECY MORGENTHAU AT THE TREASURY WHERE AMERICAN GOVERNMENTAL MONETARY EXPERTS ARE IN CONFERENCE VIA A TELEPHONIC LOUDSPEAKER ARRANGEMENT- ALL MORNING AT INTERVALS TELEPHONE CALLS WERE BEING RECEIVED AT THE SECRETARY-S OFFICE AND IN ORDER TO PERMIT THE ENTIRE GATHERING TO HEAR WHAT IS SAID A LOUD SPEAKER ARRANGEMENT IS HOOKED UP ON THE TELEPHONE- THE REPORTS ARE UND -ERSTOOD TO BE COMING THROUGH THE FEDERAL RESERV -E BANK OF NEW YORK- WHEN THE LOUDSPEAKER IS HOOKED UP THE RECEPTION ROOM ADJOINING THE SECRE -TARY-S OFFICE IS CLEARED

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1.55

U S-FRANCE FINANCIAL AGREEMENT HELD DIFFICULT TO REACH

WASHN -

SEP 25 1936

ADD U S-FRANCE FINANCIAL AGREEMENT HELD DIFFICULT TO REACH

WASHN - IT IS THOUGHT IN DIPLOMATIC CIRCLES THAT IF THE U S AGREES TO HOLD THE VALUE OF ITS CURRENCY EVEN THOUGH FRANCE SHOULD DEVALUATE THE FRANC THE AGREEMENT WOULD BE HEAVILY CONDITIONED - WELL INFORMED SOURCES BELIEVE SUCH AN AGREEMENT CANNOT BE EASILY REACHED

THE RECIPROCAL TRADE AGREEMENT BETWEEN FRANCE AND THE UNITED STATES DOES NOT NAME A SPECIFIC PERCENT WHICH CURRENCY MAY FALL BUT MERELY GIVES BLANKET AUTHORITY FOR CANCELLATION WITHIN 30 DAYS OF EITHER NATION IF THE OTHER NATION DEVALUES ITS CURRENCY TO A POINT DETRIMENTAL TO THE TRADE

SECY HULL DECLINED TO COMMENT ON THE DISCUSSIONS NOW BEING HELD AT THE TREASURY AND SAID HE KNEW NOTHING ABOUT THE MEETINGS - HOWEVER SECY HULL SPENT THURSDAY IN NEW YORK ON AN UNEXPLAINED MISSION AND IT IS THOUGHT HE CONFERRED WITH FINANCIAL LEADERS THERE

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3.15

FRENCH FINANCIAL ATTACHE CALLS ON MORGENTHAU

WASHN -JEAN APPAERT FINANCIAL ATTACHE OF THE FRENCH EMBASSY HERE CALLED AT SECY NORGENTHAU-S OFFICE THIS AFTERNOON AND WAS ADMITTED TO THE CONFERENCE OF MONETARY EXPERTS GOING ON THERE - JEAN APPERT UPON EMERGING FROM THE SECRETARY-S OFFICE DECLINED TO COMMENT ON HIS CALL

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SEP 25 1936

WCNS64

IMPORTS OF GOLD FROM FOREIGN COUNTRIES INCREASED SHARPLY DURING THE WEEK ENDING SEPT. 18, MORE THAN THREE-FOURTHS OF THE AMOUNT COMING FROM FRANCE WHERE THE FRANC HAS BEEN UNDER INCREASING PRESSURE.

WCNS89

ADD FRANC (WCNS64)

THE REPORT ON GOLD SHIPMENTS WAS MADE BY THE COMMERCE DEPARTMENT AS INTEREST CENTERED ON POSSIBLE ACTION BY THE AMERICAN GOVERNMENT IN CASE FRANCE, AS RUMORED, TAKES DRASTIC STEPS TO HALT A CONTINUED OUTFLOW OF GOLD.

NO TREASURY OFFICIAL WAS WILLING TO BE QUOTED, BUT IT WAS REPORTED IN FINANCIAL CIRCLES THAT THE U.S. MAY WITHDRAW FINANCIAL SUPPORT IT HAS INTERMITTENTLY GIVEN THE FRANC AND ALLOW THE CURRENCY TO FIND ITS OWN LEVEL.

MEANWHILE INTER-DEPARTMENTAL CONFERENCES WERE IN PROGRESS HERE ON THE FRENCH SITUATION. TREASURY AND STATE DEPARTMENT OFFICIALS WERE DISCUSSING THE MATTER AND POSSIBLE DOMESTIC REPERCUSSIONS.

THE COMMERCE DEPARTMENT REPORTED GOLD IMPORTS OF $39,499,806 DURING THE WEEK ENDING SEPT. 18, OF WHICH $31,429,106 WAS SHIPPED FROM FRANCE TO VAULTS IN NEW YORK CITY. THE GOLD IMPORTS FOR THE WEEK WERE MORE THAN THREE TIMES AS LARGE AS THOSE OF THE PREVIOUS WEEK, ENDING SEPT. 11 WHEN 286,900 OUNCES VALUED AT $12,951,958 WERE IMPORTED FROM FOREIGN COUNTRIES.

EXPORTS OF GOLD DURING THE SEPT. 18 WEEK AMOUNTED TO ONLY $723.

IMPORTS OF SILVER DURING THE WEEK ENDING SEPT. 18 TOTALLED $1,-431,390, COMPARED WITH $669,309 IN THE PREVIOUS WEEK.

9/25--R1139A

WCNS122

JEAN APPERT FINANCIAL ATTACHE AT THE FRENCH EMBASSY, WAS AMONG THOSE WHO CONFERRED WITH SECRETARY MORGENTHAU TODAY. OTHERS INCLUDED ARCHIE LOCHEAD, DIRECTOR OF THE STABILIZATION FUND; GEORGE C. HAAS, CHIEF OF THE RESEARCH STAFF OF THE TREASURY DEPARTMENT; HERBERT FEIS, STATE DEPARTMENT FINANCIAL EXPERT; HERMAN OLIPHANT, ATTORNEY FOR THE TREASURY DEPARTMENT AND ASSISTANT SECRETARY OF THE TREASURY WAYNE C. TAYLOR.

9/25--R343P

WCNS128

PROGRESS TOWARD A MONETARY ACCORD BETWEEN THE U.S. AND FRANCE, WITH GREAT BRITAIN AS AN INTEESTED THIRD PARTY, IS BELIEVED TO HAVE BEEN ACHIEVED TODAY.

(READ AN INTERESTED THIRD)

9/25--R419P

WCNS130

ADD MONETARY CONFERENCE

THE PROPOSED ACCORD WAS UNDERSTOOD TO BE A FORERUNNER OF SOME READJUSTMENT OF THE FRENCH FRANC---EITHER DEVALUATION OR ABANDONMENT OF THE GOLD STANDARD BY FRANCE.

THE AMERICAN OFFICIALS AND THE FRENCH ATTACHE CONFERRED AT LENGTH YESTERDAY AND REPORTS WERE CURRENT THAT THEY HAD PRACTICALLY REACHED AN ACCORD BEFORE THE MEETING BROKE UP LAST NIGHT. WHEN THE CONFERENCE RESUMED THIS MORNING IT GAVE RISE TO REPORTS THAT SOME HITCH HAD DEVELOPED OVERNIGHT REQUIRING ADDITIONAL NEGOTIATIONS.

ALL DETAILS OF THE PROPOSED ACCORD WERE HELD CLOSELY GUARDED SECRETS BUT REPORTS WERE CURRENT THAT FRANCE WAS SEEKING SOME ASSURANCE FROM THE U.S. THAT THE GOLD CONTENT OF THE DOLLAR WOULD NOT BE REDUCED IN EVENT THE FRANC WAS DEVALUATED.

REPORTS FROM LONDON INDICATED THAT FRENCH GOVERNMENT HAD RECEIVED SOME SORT OF SUCH ASSURANCE FROM THE BRITISH GOVERNMENT WITH REGARD TO THE POUND STERLING. IT IS BELIEVED THE FISCAL EXPERTS OF THE U.S. GOVERNMENT WERE LOATHED TO GIVE POSITIVE ASSURANCES UNTIL IT COULD BE SEEN WHAT EFFECT DEVALUATION OF THE FRANC OR ABANDONMENT OF THE GOLD STANDARD BY FRANCE WOULD HAVE ON THE POUND STERLING, AND THEREFORE ON WORLD EXCHANGE.

9/25--R425P

WCNS170

add french

ADD GOLD, PARIS

THE NEW GOLD VALUE OF THE FRANC WILL BE FIXED BETWEEN 49 AND 43 MILLIGRAMS OF GOLD 0.900 FINE. A STABILIZATION FUND OF 10,000,000,000 FRANCS (TEN BILLIONS) WILL BE ESTABLISHED TO INSURE TH STEADINESS OF THE NEW FRANC.

IT WAS STATED RELIABLY THAT THE BRITISH EXCHANGE EQUALIZATION FUND WILL CONTINUE TO BE USED TO SMOOTH OUT FLUCTUATIONS, THUS FACILITATING INTERNATIONAL TRADE.

9/25--E813P

WCNS171

ADD GOLD, PARIS

IT WAS EXPLAINED IN HIGH QUARTERS THAT AURIOL'S STATEMENT FOLLOWED DISCUSSIONS BETWEEN THE BRITISH, FRENCH AND U. S. GOVERNMENTS FOR THE PAST FEW DAYS, WHICH NECESSARILY WERE LIMITED TO THE THREE COUNTRIES WHICH AT PRESENT ARE THE MAIN CENTERS OF INTERNATIONAL FINANCIAL TRANSACTIONS.

IT WAS STATED THAT TO HAVE ENLARGED THE FIELD OF THE DISCUSSIONS TO OTHER COUNTRIES WOULD HAVE BEEN INCONSISTENT WITH THE NEED FOR SECRECY WHICH WAS ESSENTIAL FOR SUCCESS OF THE PROPOSED FRENCH MONETARY MEASURES.

SHORTLY BEFORE THE FINANCE MINISTER MADE HIS ANNOUNCEMENT MERLE COCHRAN, U. S. TREASURY ATTACHE, CONFERRED WITH AURIOL IN THE GREATEST SECRECY AND LEFT THE BUILDING BY A BACK DOOR.

9/25--E814P.

DOW JONES - September 25, 1936.

FOREIGN EXCHANGE MARKET WAS ACTIVE IN LONDON THIS MORNING BUT TURNOVER WAS MODERATE AS THERE WAS SOME DIFFICULTY IN DEALING- BRITISH CONTROL BANKS HAVE INTERVENED INTERMITTENLY THROUGHOUT THE MORNING BUT ARE NOT OPERATING ON A LARGE SCALE- OTHER GOLD CURRENCIES ALSO HAVE BEEN OFFERED IN ADDITION TO FRANCS- FORWARD FRENCH FRANCS ARE DIFFICULT TO TRADE IN AS THERE HAVE BEEN HEAVY OFFERINGS BUT FEW TAKERS AND THE DISCOUNT ON 3 MONTHS FRANCS HAS DROPPED TO 9 FRANCS OFFERED FROM THE OPENING OF 7 125 WHILE ONE MONTH DISCOUNT HAS WEAKENED TO 6 FRANCS OFFERED FROM OPENING OF 3 625- OPINION IS GROWING STRONGER IN LOMBARD STREET THAT FRANCE MAY SUSPEND GOLD EXPORTS WITHIN THE VERY NEAR FUTURE PERHAPS OVER THE WEEK END

STERLING WEAK 9.12

SUDDEN WEAKNESS HAS DEVELOPED IN STERLING BELIEVED TO BE ON SELLING FROM ABROAD - STERLING IS OFFERED CURRENTLY AT 5 04 1-2 OFF 9-16 CENT

10.059

STERLING 5 03 1-8 SEP 25 1936

STERLING HAS DROPPED TO 5 03 1-8 OFF 1 15-16

CENTS WITH SOME QUARTERS EXPRESSING BELIEF THAT DECLINE HAS BEEN CAUSED BY SELLING BY BRITISH EXCHANGE CONTROL - SPOT FRANCS CONTINUE TO RECEIVE GOVERNMENT SUPPORT AT ABOUT 5 58 1-4 CENTS

Y. 25 ST

FORWARD FRANCS COLLAPSE SEP 25 1936

DISCOUNTS ON FORWARD FRANCS HAVE COLLAPSED IN THE LOCAL MARKET THIS MORNING FOLLOWING RECEIPT OF CABLE ADVICES REGARDING POSITION OF THE FOREIGN EXCHANGES IN PARIS AND LONDON

TRADERS REPORT IT IS PRACTICALLY IMPOSSIBLE TO DEAL IN FORWARD FRENCH FRANCS - DISCOUNTS ARE QUOTED ROUGHLY SOMEWHERE IN THE NEIGHBORHOOD OF 58 POINTS UNDER SPOT FOR ONE MONTH FRANCS AND 90 FOR THREE MONTHS COMPARED WITH 32 AND 60 YESTERDAY - THIS IS A LOWER LEVEL THAN HAS BEEN REACHED BY FORWARD FRANCS IN ANY OF THE CRISES WHICH THE FRANC HAS FACED THUS FAR

EXPRESSED IN TERMS OF ANNUAL INTEREST RATES THESE DISCOUNTS REPRESENT AN INTEREST RATE OF ABOUT 105 PC FOR ONE MONTH FRANCS AND ABOUT 54 PC FOR THREE MONTH FRANCS

INDI~~#~~CATIONS THUS FAR POINT TO HEAVY ENGAGMENTS OF GOLD IN PARIS TODAY FOR SHIPMENT TO NEW YORK - IN PARIS THE DOLLAR REMAINS IN STRONG DEMAND AT THE GOLD POINT AT 15 19 FRANCS TO THE DOL WR ROUGHLY EQUIVALENT TO 6 58 5-16 CENTS - PRIOR TO THE OPENING OF THE LOCAL MARKET HOWEVER CABLES FROM ABROAD GIVING THE STERLING-FRANC RATES INDICATED A FRANC QUOTATION OF 6 5758 CENTS OR WELL BELOW THE GOLD POINT ON AN ARBITRAGE BASIS

THERE IS A STRONG BID REPORTED TO BE IN

WCNS134

ADD MONETARY CONFERENCE

THE FRENCH EMBASSY VEILED APPERT'S NEGOTIATIONS IN SECRECY.

"ANY ANNOUNCEMENT WILL HAVE TO BE MADE BY UNITED STATES GOVERNMENT OFFICIALS," THEY SAID, "OR BY THE FRENCH GOVERNMENT AT PARIS. WE HAVE NOT BEEN AUTHORIZED TO MAKE ANY STATEMENT WHATEVER REGARDING THE SITUATION."

9/25--E455P.

WCNS142

A TREASURY SPOKESMAN, EMERGING FROM A CONFERENCE OF GOVERNMENT FISCAL EXPERTS, REFUSED TO CONFIRM OR DENY REPORTS THAT GREAT BRITAIN, FRANCE AND THE U. S. HAD REACHED AN ACCORD ON THE FRENCH MONETARY SITUATION.

9/25--E535P.

WCNS153

SECRETARY MORGENTHAU WILL HOLD A PRESS CONFERENCE AND ISSUE A STATEMENT AT 7:30 P. M.

9/25--E717P.

Morgenthau Statement

WCNS162

SECRETARY MORGENTHAU ANNOUNCED AT AN EMERGENCY PRESS CONFERENCE THAT THE FRENCH GOVERNMENT HAD INFORMED THE U. S. IT WOULD "PROPOSE TO ITS PARLIAMENT THE READJUSTMENT OF ITS CURRENCY."

9/25--E736P

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WCNS163

ADD MORGENTHAU

MORGENTHAU RELEASED A FORMAL STATEMENT, AUTHORITY FOR WHICH WAS GRANTED BY PRESIDENT ROOSEVELT. HE SAID SIMILAR STATEMENTS WERE RELEASED IN LONDON AND PARIS.

UNITED STATES POLICIES IN REGARD TO THIS ECONOMIC CHANGE, WHICH WAS BELIEVED TO MEAN A REVALUATION OF THE FRANC IN ITS RELATION TO OTHER NATIONAL CURRENCIES, WAS AFFIRMED AS COOPERATION WITH THE BRITISH AND FRENCH GOVERNMENTS.

9/25--E740P.

WCNS164

ADD MORGENTHAU

"THE UNITED STATES GOVERNMENT," THE RELEASE SAID, "AS ALSO THE BRITISH AND FRENCH GOVERNMENTS, DECLARES ITS INTENTION TO CONTINUE TO USE APPROPRIATE AVAILABLE RESOURCES SO AS TO AVOID AS FAR AS POSSIBLE ANY DISTURBANCE OF THE BASIS OF INTERNATIONAL EXCHANGE RESULTING FROM THE PROPOSED READJUSTMENTS.

"IT WILL ARRANGE FOR SUCH CONSULTATIONS FOR THIS PURPOSE AS MAY PROVE NECESSARY WITH THE OTHER TWO GOVERNMENTS AND THEIR AUTHORIZED AGENCIES."

9/25--E745P.

WCNS167 add Secy

ADD MORGENTHAU

"THE GOVERNMENT OF THE UNITED STATES AFTER CONSULTATION WITH THE BRITISH GOVERNMENT AND THE FRENCH GOVERNMENT," THE STATEMENT ADDED, "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."

9/25--E748P.

UNITED PRESS - September 25, 1936.

[illegible] TO THE FRENCH FRANC [illegible] THAT [illegible]

[illegible] IT WAS INDICATED IN [illegible] FISCAL CIRCLES TODAY. [illegible]

[illegible]

[illegible] AN IMMEDIATE [illegible] COMPELLING [illegible]

[illegible] EITHER TO DEVALUE THE FRANC OR TO ABANDON THE GOLD [illegible]

[illegible]

[illegible] SUCH AS BELGIUM ACCOMPLISHED [illegible]

[illegible] OF THE BELGIAN FRANC.

[illegible] THAT A MOVE WAS ON FOOT [illegible] THE FRANC [illegible] FRANCS [illegible]

[illegible] WAS STRENGTHENED BY NEWS FROM LONDON [illegible]

[illegible] WAS INTIMATED [illegible] THAT [illegible]

[illegible] FRANC [illegible]

SECRETARY MORGENTHAU & OTHER U.S. EXCEPT MARKET COMMENT

UNITED PRESS - September 25, 1936.

Offering of Treasury Bills

WCNS25

SECRETARY MORGENTHAU FOLLOWED UP A STAUNCH DEFENSE OF ADMINISTRATION FISCAL POLICIES TODAY WITH AN OFFER OF $50,000,000 IN TREASURY BILLS.

THE FISCAL DEFENSE WAS MADE IN A LETTER TO SENATOR VANDENBERG, AND THE NEW TREASURY OFFERING WAS ANNOUNCED A FEW HOURS LATER.

TREASURY OFFICIALS SAID THERE WAS NO CONNECTION BETWEEN THE TWO.

THE BILLS, MORGENTHAU SAID, WILL BE OFFERED MONDAY TO HIGHEST BIDDERS. THEY WILL BE SOLD AT A DISCOUNT, DATED SEPT. 28, 1936, AND MATURING JUNE 30, 1937, WITHOUT INTEREST.

9/25--R920A