

DIARY

Book 43

Cochran Résumé of Stabilization:
Tripartite Agreement

Tripartite Agreement (Stabilization) resume' by H. Merle Cochran

**Part I - Arrangements leading up to signing of
Tripartite Agreement 9/25/36, and
subsequent events through 10/4/36**

**Part II - Through December, 1936; "giving particular
attention to implementing of the Tripartite
Agreement to permit gold reciprocity between
United States, France, and England, and to
supplementing of the arrangement between the
three countries to include Belgium,
Switzerland, and Netherlands"**

Paris, October 26, 1936.

PERSONAL AND
STRICTLY CONFIDENTIAL

The Honorable

Henry Morgenthau, Junior,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Morgenthau:

During the past two months, which have witnessed interesting developments in French and European finance, I have sent you a number of cablegrams. The long-distance telephone has also been employed in keeping you currently informed. Since I do not have facilities for transcribing a verbatim record of all of my telephone conversations, particularly those received at my home, it may be desirable to set down in this informal letter a chronicle of recent events, which will at the same time constitute a summary of my cablegrams and a memorandum of my conversations by telephone.

When I called upon M. Baumgartner, Director of the General Movement of Funds Section of the French Ministry of Finance, on September 2, 1936, M. Baumgartner talked about the visit to Paris of Dr. Schacht, German Minister
of . . .

of Economics and President of the Reichsbank, which had occurred the preceding week. M. Baumgartner expressed the opinion that it was out of the question to discuss monetary realignment with Germany at that time. In his mind, the first essential would be to arrive at some sort of an understanding between France, the United States and Great Britain. As I was leaving, M. Baumgartner told me that he thought the Minister of Finance, M. Vincent Auriol, would ask me to call on him at an early date to receive a communication which M. Baumgartner believed would be of interest to us.

Professor Charles Rist lunched with me on September 3. His views on the French monetary situation were quite pessimistic. He insisted that devaluation in France was prevented only by politics. He said that Premier Blum still considered the move impossible because of the opposition of the Communists thereto. Professor Rist said that so long as current practices were followed, French export trade would continue to decline and unemployment would rise. He pointed out that French prices, which were already out of line, were rapidly rising above the world level, and ability of exporters to compete was declining, resulting in the slowing up of industry and the augmentation of unemployment, with accompanying aggravation of social problems.

On the same day, September 3, M. Charles Cariguel, in charge of foreign business at the Bank of France, asked me to call on him. He informed me of the desire of the Bank of France to build up a gold supply in the

United States through shipping metal from Paris to the Federal Reserve Bank at New York, to be held there under earmark.

On the following day, I communicated to you the substance of a somewhat similar message from Governor Rooth of the Central Bank of Sweden (Sveriges Riksbank at Stockholm), who desired that his Bank open a gold deposit with the Federal Reserve Bank in New York. By a cablegram sent on September 4, you informed me that these inquiries were being given consideration but that since earmarking is covered by the General License of March 23, 1934, issued to the Federal Reserve Bank of New York, the Banks of France and of Sweden should discuss details directly with the Federal Reserve Bank of New York. You let me know by telephone, however, through a call received by me at my home, at 8:45 on the evening of September 4, that, with reference to the formal reply which you had made by cable, you could assure me that the answer which would be given by the Treasury when the question of earmarking was passed on to it by the Federal Reserve Bank of New York would be favorable. You permitted me to convey this information informally to MM. Cariguel and Rooth, but you did not desire that it be incorporated in the official telegram. I communicated this information orally to the two inquirers, utilizing the long-distance telephone with Governor Rooth.

At five p.m. on September 4, I reported to you by cablegram that, at the request of the Minister of Finance
of . . .

of France, I had called upon him that afternoon. When I was received by him, MM. Baumgartner and Rueff were present. The Minister orally referred to the fact that I had been his first caller after he assumed his present office and that my Government had been the first to offer him cooperation. While, in his opinion, the way had been barred to any sort of realignment when our first conversations took place, he remarked that it had subsequently been ascertained that there appeared to be a good chance for the consummation of an agreement of a type that could be found acceptable in France. With this view in mind, his Ministry had drawn up a provisional draft of a pre-stabilization agreement for submission to the United States and to Great Britain. If these three countries were found to be in agreement, France would then endeavor to procure the agreement of the two gold bloc countries, the Netherlands and Switzerland. The immediate question of the Minister of Finance was to know whether we preferred that the proposition be submitted simultaneously to the British and ourselves or whether we preferred that the draft be forwarded secretly and unofficially to you in advance. M. Auriol would have appreciated the support which he thought might come through obtaining our agreement before making the proposition known to the British, but he did not desire to take any step which might be considered the least prejudicial or unfriendly by the British. You promptly replied that it was preferable that the draft document be presented simultaneously to
the . . .

the Treasuries of the United States and of Great Britain. At 10:30 a.m. on September 5, I showed M. Baumgartner a copy of your cablegram.

At 12 noon on September 5, I cabled you that the French Ministry of Finance would hand to me at 10:30 a.m., Tuesday, September 8, a draft document for cabling to you, and that M. Monick, the French Financial Attaché in London, would be given a copy of the text for delivery to the British Treasury not later than Wednesday, September 9.

At 1:20 p.m. on September 7, you telephoned me at the Embassy, from Beacon. You reminded me that you were launching a big bond issue the following day, and you requested information in regard to the political and economic conditions in Europe, particularly with respect to Spain, France and Germany, which might conceivably have some effect upon the security market. After I gave you such information, you referred to my cablegram of August 27 reporting the visit which I had made to London in accordance with your telegraphic instruction No. 318 of August 20, 7 p.m., which report you had found helpful.

As reported in my cablegram No. 843 of September 8, 8 p.m., the French Minister of Finance did not hand me the French text of the draft document hereinabove referred to until 6 o'clock that afternoon. I made an English translation of the document that night and returned to the Ministry of Finance, where M. Rueff, who had served some years as French Financial Attaché
at . . .

at London and is now Assistant Director of the General Movement of Funds in the Ministry of Finance, checked the translation with me.

In my cablegram No. 844, sent at 9 a.m. on September 9, I incorporated a translation of the proposed French note to the American and British Governments, together with its annex, consisting of a proposed pre-stabilization agreement. I explained that when the Minister of Finance had handed me the document, he had stressed its secret and unofficial character. He said that any leak in the negotiations would precipitate an attack on the franc which would necessitate immediate imposition of exchange control. He desired that I submit the draft to you, informally and confidentially, seeking your reaction thereto, together with any suggestions for its modification. An examination of the message under reference will show that in this initial draft the French sought a somewhat formal agreement, including the fixing of the three respective currencies within definite limits.

At 1:40 p.m. on September 9, you telephoned me at the Embassy, inquiring as to when you might receive the document from the Ministry of Finance. I explained that it had already gone forward early that morning and should have been in the Department of State by the time you were speaking. At 5 p.m. on the same day, you cabled me that the communication in question had arrived and was receiving full and prompt attention.

On the morning of September 10, I received your cablegram No. 342, dated 12 midnight, September 9, in

which you incorporated a message for me to deliver verbatim to the Minister of Finance of France. In your message you did not suggest any specific revision of the text of the French draft, but merely stated what the position of the American Government has been and would be in the contingency of a French devaluation. At 12 noon on September 10, I was received by the Minister of Finance and read to him your message. I then delivered to M. Baumgartner, who was present, the text of the verbatim communication. You telephoned me at 3:30 p.m. at the Embassy to ask how your message had been received. I told you that it had been very well received, but that the Ministry of Finance was seeking some way to arrive at concrete terms. I informed you that I had told M. Baumgartner that it would be best not to seek too rigid an arrangement. M. Baumgartner promised to try to influence M. Auriol in this direction. You stressed the point that we must arrive at an agreement on general principles first. I told you how surprised and favorably impressed the officials of the French Ministry of Finance had been by your quick response. They noted that your cablegram was filed at midnight, and M. Auriol thought it was a good sign that you people should be working so late in an endeavor to move towards an understanding with the French. While I was with the Minister of Finance, he talked by telephone with M. Blum, the Premier of France, and the latter asked that his greetings be conveyed to the President and to yourself.

The Minister . . .

The Minister of Finance desired to discuss your message with his assistants before giving me any further message to send to you. M. Baumgartner told me that M. Monick had delivered the text of the French draft document to Sir Frederick Phillips, Undersecretary of the British Treasury, on the evening of September 9.

In my cablegram No. 847 of September 10, 1 p.m., I invited to your attention one sentence in your message No. 342 of September 9, 12 midnight, which I thought was in error. Your cablegram No. 343 of September 10, 1 p.m., made the necessary correction, which I telephoned to M. Baumgartner at 10 a.m. on September 11. When talking to M. Baumgartner on this occasion, he told me that the Minister of Finance was studying carefully your message, but would probably await news from M. Monick as to the reaction of the British to the French proposal before calling me to the Ministry again. I suggested at that time the desirability of seeing how far we were all in agreement on general principles before raising questions of detail. When I had delivered your message to the Minister of Finance on the preceding day, M. Auriol had quickly remarked that it revealed that the French and Americans were in agreement on general lines. M. Baumgartner told me that he was following out my suggestion and was using his best efforts to influence the Minister to be satisfied with an arrangement less specific and rigid than M. Auriol's juridical mind would normally seek.

As reported in my cablegram No. 859 of 7 p.m.,

September . . .

September 11, the French Financial Attaché in New York, M. Jean Appert, called on me that day and let me know that he would sail for New York September 17 on the S/S PARIS. In the same cablegram, I told you that if the three principal Powers might reach an agreement on the French currency alignment proposition at an early date, M. Baumgartner was of the opinion that Parliament would be convened ahead of the regular date, which was provisionally understood to be October 22, to pass the necessary law. It would be planned to put an embargo on the export of gold immediately before or simultaneously with the announcement of the special session of Parliament.

At 6 p.m. on September 14, I informed you through my cablegram No. 865 that M. Baumgartner had told me that afternoon that the British reply to the French draft document had been received by M. Monick, who was bringing it to Paris that night for study by the Ministry of Finance the following day. The Bank of England had also been informed of the course of the negotiations and had sent to Paris its officer in charge of foreign business, Mr. Cobbold, who was discussing the question with M. Fournier, Under-governor of the Bank of France. The Minister of Finance again transmitted to me, through M. Baumgartner, his appreciation of the promptness with which you had provided the American reaction to the French proposal, and of the frank spirit of cooperation which he found evidenced therein. He regretted that there was some
delay . . .

delay in the proceedings, but thought it best to await the British reply before going any further.

On the morning of September 15, I received your cablegram No. 348, filed at 11 p.m., September 14, wherein you gave me a paraphrased summary of a secret note transmitted to you by Sir Warren Fisher, through the British Chargé d'Affaires at Washington, giving the British reaction to the French draft proposition. You left it to my discretion to pass on to the French Treasury all or a part of the paraphrased text of the British note to you under reference. At 11:45 a.m., September 15, I therefore called upon M. Baumgartner, informed him of your message, and left with him the paraphrased summary of the British note as incorporated in your cablegram. At 2:15 that afternoon, you telephoned me at my home. You referred to the message which you had sent me the night before, namely, that paraphrasing the summary of the secret note from Sir Warren Fisher. I told you that I had called on M. Baumgartner during the forenoon and had communicated the essential parts of your message to him. M. Baumgartner had told me at that time that they had not yet received the text of the British reply but that, as soon as M. Monick arrived in Paris, he would present our communication to M. Auriol, together with the original text of the British reply.

I reported the foregoing to you in my cablegram No. 870 of September 15, 1 p.m. I added that M. Baumgartner was convinced that we were all in agreement

as to . . .

as to motives and intentions. His problem was still that of convincing the Minister of Finance that the American and British replies offered sufficient basis for developing the French case for unilateral devaluation in a form that could be accepted by the French public as a realization of international "monetary peace." The French political situation on this date was quite tense, as a result of labor difficulties, and Minister Auriol did not desire to give the public, and particularly the Communists, a reason, through undisguised devaluation, for rioting and perhaps upsetting the Government.

At 12 noon on September 16, I cabled you that M. Baumgartner had told me that morning that Minister Auriol was not likely to communicate with us before the following day since Cabinet meetings had prevented him from studying the message which M. Monick had brought from London. You telephoned me at 1:50 that afternoon at the Embassy, inquiring about the general situation and as to whether the French had anything to say to us after receiving the British reply. I gave you the substance of my message sent at noon.

On September 17, I cabled you (see my No. 882, dated 5 p.m.) that M. Baumgartner had telephoned me at 4:30. He said that Sir Frederick Leith Ross, Economic Adviser to the British Government, who was in Paris for two or three days returning from Geneva to London, was calling to see the Minister of Finance at 6:30 that evening. The Minister desired that I call at 7 to

receive . . .

receive from him a proposal for a "joint declaration." At 7:15 that evening the Minister of Finance handed to me the document in question. I returned with this to the Embassy, where I translated it into English. I then took the translation to the Ministry of Finance, where M. Rueff checked it with me. The translation was then cabled to you at 9 p.m. on September 17, under serial No. 884. Before handing the document to me, in the presence of MM. Baumgartner, Rueff and Monick, the Minister of Finance delivered a really impassioned plea for our acceptance of this declaration, and asked me to do what I could to hasten the matter. The Minister favored the idea of a joint declaration as better evidence of cooperation and more effective than three simultaneous but somewhat different declarations. He sought a joint declaration over the names of the heads of the Governments and the heads of the Treasuries of the three Powers. He thought that other countries would quickly join in a declaration of this type, which he deemed a proper foundation for a monetary peace upon which could be built economic peace and, finally, political world peace. The Minister said that he was yielding on two points that the French had originally desired. The first of these was the point of a signed contract. He reminded me how dear such a document always is to a Frenchman, but he said he was willing to trust in the loyal cooperation of the Americans and of the British without insisting upon the more formal arrangement which he had originally proposed. . . .

proposed. The other point was in regard to fixed limits for pre-stabilization fluctuations of currencies. The Minister had sought as definite an arrangement as might be possible in order to overcome French fears that results of a second devaluation might be illusory or that this might lead to a whole series of devaluations constituting a downward race. When I was at the Ministry, my friends there were somewhat cheered up by news of the settlement of the Lille strike that evening, but they were all anxious for speed in the devaluation arrangement. One copy of the French draft of the proposed declaration was delivered to the British Treasury in London on the evening of September 17, and another copy handed to Sir Frederick Leith Ross, who was remaining in Paris until September 19.

At 11:45 on the night of September 17, you telephoned me at my apartment. You said that President Roosevelt was leaving the city on the 11 o'clock train that night, and you asked if the message containing the proposed declaration could be received at Washington in time for the President to see it. I told you of the receipt and of the despatch of the draft declaration. You asked my opinion of the draft. I told you that I thought it was rather good from a technical standpoint but that there were certain phrases which might make it difficult to approve in its entirety, especially from a political angle. You were good enough to express your satisfaction with the manner in which negotiations had progressed. You asked within what time a reply would be expected by the French from you. I told you

that

that I had given them no promise other than that I would cable the message to you the same night it was received and would let you know that they were interested in hastening the matter.

At 3 p.m. on September 18, you telephoned me at the Embassy. You said that you had spent three hours the preceding night studying my message and that Ambassador Bullitt had participated in the group whom you had consulted. You said that you were terribly disappointed in the French draft and that you wanted me to tell the French how you felt. You said that there was no use trying to provide an answer to the draft as received by you. You suggested that the French redraft the document and you asked if there was anyone here who could help them draft with a view to meeting American political sentiment. I reminded you that I had transmitted only a literal translation of a draft which was purely French, and that it was up to us to indicate whatever changes we might desire. We naturally expected the French to draft from a French viewpoint. I had not presumed to participate in the drafting. The whole idea of the exchange of drafts was to permit each government to indicate its own ideas and to work towards the incorporation thereof in the official document.

You took objection to the draft because it referred to an eventual return to an international gold standard. You said this would have to come out. Furthermore, you remarked that the document commenced
as if . . .

as if it were a treaty. The whole thing was in such form that it would not go with the American public. It was too much for French consumption. You wanted the reference omitted to improving the standard of living of all social classes. You insisted that you were as anxious as ever to be helpful and that you wanted to see an agreement reached. You said that by noon on Saturday, the following day, you hoped to be able to give me a cablegram containing definite suggestions. In the meantime, you wanted me to talk over certain points with the French. In answer to your inquiry, I told you that the French had not yet received any reply from the British. In my conversation with you, I endeavored to make the point that I was convinced that I could procure French agreement to any reasonable draft which we might propose, but that it was up to you people in Washington to indicate your ideas.

You recapitulated the main points which you desired that I take up: (1) entire elimination of return to the gold standard; (2) revision of the introduction so that the declaration would not be a joint declaration but a declaration made simultaneously by each country, with wording somewhat like this: "The Government of the United States, after consultation with the Governments of France and of Great Britain, declares, etc.;" (3) removal of the sentence in regard to the improving of the standard of living of all social classes; and, finally, (4) indication by the French, if they care to do so before we proceed further, of the percentage they . . .

they had in mind for devaluation of the French franc. In conclusion, you asked that I have Mr. Wilson, the American Chargé d'Affaires at Paris, present while talking on the telephone with you, since the Department of State had thought that this matter was becoming highly important and that Mr. Wilson should be consulted. I explained to you that I had kept Mr. Wilson currently informed and had shown him all messages, and Mr. Wilson spoke to you over the telephone to the same effect.

One hour after you telephoned me, I saw M. Baumgartner, at 4 p.m. At 5:30 p.m., I put in a telephone call for you to report my conversation. Mr. Wilson was at the Foreign Office when I put in the call but was present towards the end of our conversation, and when you asked me whether Mr. Wilson had anything to say, the latter asked me to reply in the negative. After my return from the Ministry of Finance and before I had succeeded in reaching you by telephone, M. Baumgartner telephoned me asking that I stress the emphasis which the Minister of Finance placed upon the desirability of a common text for the declaration. After I had spoken with you, he again telephoned, asking that I continue to press this point.

In my message No. 892, sent at 10 p.m. on September 18, I confirmed the report of my above-mentioned conversation with M. Baumgartner which I had given you over the telephone. I told you that M. Baumgartner felt that most of the points which you had instructed me
to . . .

to raise could be met by the French. He reminded me that it was a purely French draft and that they would welcome suggestions as to rephrasing with the view to achieving a common declaration which would be fitted for domestic consumption in each of the three countries.

After I made known your views to M. Baumgartner, he consulted the Minister of Finance and then telephoned to me. He said that if the form of preamble which you suggested was to be accepted, the French must then essentially insist upon a common text. The Minister agreed with M. Baumgartner that it might be an advantage to the French to omit any reference to an eventual return to the international gold standard. On this occasion, M. Baumgartner explained to me that the French would probably follow the Belgian system in devaluing. That is, the Government would seek from Parliament at a special session authority to revalue the franc within certain limits, and legislation creating an exchange equalization fund. M. Baumgartner indicated to me the limits that would be recommended, that is, in percentage of devaluation of the present franc, and also translated such percentages into terms of francs to the pound. He said Leith Ross had said that the lower limit could be accepted by the British but he thought that the latter might be nervous if the rate moved toward the upper limit of devaluation. In my cablegram, I did not set down these highly confidential figures, although I had given them to you by telephone. . . .

telephone.

When I asked M. Baumgartner whether they could disclose at that time the rate of devaluation which they anticipated, he said that they would probably seek authority to fix by decree a new gold value for the franc within the limits of from 24 to 32 per cent less than the old franc. The mean average would be a 28 per cent devaluation. The 24 per cent cut would mean about 100 francs to the pound, and a 32 per cent cut about 110 francs to the pound. The average would be between 104 and 105.

In my conversation with M. Baumgartner, he informed me that Mr. Neville Chamberlain, the Chancellor of the British Exchequer, would not be in London for consultation with his assistants before the following Monday, so that the French could expect no British reply before that day. M. Baumgartner said that they, of course, had no objection to our consulting with the British if we wished. He hoped that agreement on a common declaration could be reached early the following week so that the complete monetary operation might be consummated before the end of the week terminating September 26.

On September 19, I cabled you (see my No. 893 of 11 a.m.) that M. Baumgartner had telephoned me during the morning that Sir Frederick Leith Ross had indicated that certain revision in the phraseology of the French draft would be required before it would be suitable for the British public, and that he also objected to the inclusion of the reference to an ultimate return to an

international . . .

international gold standard.

At 10:25 on the night of Saturday, September 19, the code clerk of the Embassy telephoned me at my home to the effect that a long message was being received from Washington for me. I came to the Embassy, where we worked on the deciphering of the message until 1:15 a.m. I had telephoned M. Baumgartner at his house at 11 p.m., as previously agreed, to let him know that a message was being received, and we arranged that he should call at the Embassy at 10 o'clock Sunday morning, September 20, to see the text.

M. Baumgartner called at the Embassy at 10 a.m. Sunday, September 20. I read to him your cablegram No. 359 of September 19, 2 p.m., and gave him a copy of the American draft declaration. M. Baumgartner departed to keep an 11 o'clock appointment with M. Monick. He was then to find Minister Auriol at St. Cloud for a conference before M. Monick left at 3 o'clock that afternoon for London.

At 10:30 on Monday, September 21, I telephoned to M. Baumgartner two minor corrections which had been made in the text of the American draft as received and delivered to him on the preceding day. During the day of September 21, M. Baumgartner telephoned me three times to give the first reactions of the Minister of Finance to the American draft. M. Baumgartner let me know that they could not give me definite reactions, awaiting a reply from London which had not arrived by

4:45 . . .

4:45 that afternoon. The Minister's first reaction was good, and he appreciated the effort which you had given to help achieve an understanding. He was especially pleased with the first and last paragraphs of your draft. He would like to soften somewhat the sentence about each Government's looking out for its own national prosperity. That is, he would prefer not to have this as a single sentence but following after some preface as "to close collaboration, but it being, of course, understood that each Government reserved its rights, et cetera." , There was nothing really serious in his objections. He would still like something incorporated about breaking down the restrictions and barriers to trade and some mention that this agreement would serve as a starting point in that direction. He would also like something about checking capital movements. Likewise, he desired an expression upon cooperation between Treasuries and Central Banks. I had explained to M. Baumgartner that our expression as to cooperation between Governments was really more inclusive and important. Furthermore, there was a question as to how far Governments could pledge cooperation between their Central Banks, which have a certain independence. The French saw these points but still indicated a desire to see some reference included as to "close cooperation between monetary authorities," in addition to the pledge of cooperation between the Governments.

At 5:30 p.m. on September 21, I talked with you by
telephone . . .

telephone. I summarized the above-indicated French reactions. In referring to the French preference for certain paragraphs of the declaration, you said that you were particularly fond of the fourth paragraph. I let you know, in this connection, that the French clearly got the point of this paragraph, seeking collaboration of other nations and discouraging unreasonable competitive exchange advantages. When you talked to me you were at Beacon and told me the President was at Hyde Park. At this time you instructed me to have a special telephone placed in my apartment as soon as possible for long distance use and asked me to cable you the number thereof as soon as installed.

At 5:55 p.m., September 21, I talked with MM. Baumgartner and Rueff. They said Mr. Chamberlain would not be back in London until the following day. They added, however, that M. Monick had talked with the Chancellor's assistants and had found their reaction good.

At 4 p.m. on September 22, President Trip of the Netherlands Bank telephoned me from Amsterdam to the effect that he would arrive in Paris at 6:10 p.m., Wednesday, September 23, to repay Governor Labeyrie's call. Dr. Trip planned to go to the Bank of France at 11:30 Thursday morning, where he would remain for luncheon, and he made an appointment to see me at 9:30 on Thursday morning.

At 4:30 on the afternoon of September 22, M.

Baumgartner . . .

Baumgartner told me that Mr. Chamberlain had not yet returned to the British Treasury and that M. Monick could not see him, therefore, before late in the afternoon. It was understood that M. Baumgartner would communicate with me later that night if any report was received from London and if the French had any message for us.

M. Baumgartner asked me to call at the Ministry of Finance at 6 o'clock on the evening of September 22. He informed me that no reply had yet been received from the British but that Mr. Cobbold of the Bank of England was in Paris conferring with the Bank of France. Among the questions raised by Mr. Cobbold, the most important one was that as to how the Stabilization Funds of our three countries would operate in case the transaction on which we were working might be consummated. The particular question was that as to whether the American Stabilization Fund would be willing on the basis of reciprocity to yield gold to the Stabilization Fund of France in exchange for dollars which the French Fund might acquire. M. Baumgartner anticipated that the Undergovernor of the Bank of France would ask me to call upon him to discuss this question. When I asked M. Baumgartner what the French attitude would be towards yielding gold to the British and American Funds in case one of us purchased francs and desired gold after the franc had once left the gold standard, he replied that the French Fund would be willing to cede gold on a reciprocal basis.

At . . .

At 7 o'clock, M. Cariguel telephoned me from the Bank of France, asking that I call on Undergovernor Fournier the next morning at 10 o'clock. I put in a call for you at 6 p.m. on September 22 and obtained a connection with you at Beacon at 7 p.m. I summarized the information above given (which was forwarded in my messages Nos. 904 and 907, dated 5 and 6 p.m., respectively, September 22). I let you know that M. Baumgartner had spoken to me about the unsatisfactory state of the Paris exchange market and had regretted that the sudden return of M. Paul Reynaud to France from the Harvard celebration was spoiling the period of calm within which France had hoped to finish its arrangements for devaluation. M. Baumgartner had said that while no final report had been received from M. Monick, since the latter was still conferring with Chancellor Chamberlain when M. Baumgartner talked with me, the initial report was to the effect that the British were more disposed to accept the American draft of a common declaration as a basis than they were to utilize the French draft.

At 9:45 a.m. on September 23, President Trip telephoned me from the Netherlands Bank at Amsterdam to let me know that Governor Labeyrie had asked him to change his luncheon date from Thursday to Friday. Consequently, Dr. Trip would arrive in Paris one day later than above indicated, and would call on me between 9 and 10 o'clock on Friday morning.

At 10:15 on the morning of September 23, I called

on . . .

on Undergovernor Fournier at the Bank of France, who raised two questions. The first of these was as to whether the United States Stabilization Fund would be willing to yield gold to the French Stabilization Fund on a reciprocal basis. He insisted that the French Fund would not want to make the error which the French made in 1926 of building up tremendous holdings of foreign exchange, and would be disposed to convert promptly into gold the dollars or sterling which it might acquire in its stabilization operations. In our conversation the Undergovernor spoke of a possible devaluation of from 25 to 33 per cent of the current franc. As to the second question, M. Fournier explained that if an international agreement could be reached for announcement on the night of Friday, September 25, there would be a period, beginning with Saturday and probably terminating on Monday, in which Parliament would be assembling and legislation be considered. During this period of uncertainty, the French would appreciate it if the American and British markets might be closed. After talking with Undergovernor Fournier, I subsequently talked with Governor Labeyrie. The latter raised the question as to whether the Bank of France should communicate with the Federal Reserve Bank of New York in regard to technical cooperation. I told him that for the time being negotiations were handled entirely in Washington and that they should use present channels until they received further suggestions from us. Both the Governor and the Undergovernor impressed upon me the necessity . . .

necessity for haste in view of the nervous condition of the French market.

I dropped in to see M. Cariguel as I was leaving the Bank, since he had been consulted by the Governor and the Undergovernor before I arrived. When I told M. Cariguel of my reluctance to recommend that our markets be closed lest this might cause undue alarm, he personally and unofficially suggested that we might give our word that the Treasury or Federal Reserve would ask the important American banks to refrain from trading in the French franc and possibly other currencies during the period under reference. He thought effective cooperation could be obtained in this manner without upsetting the American public.

During my visit with M. Fournier I had asked him whether the French had yet notified any other countries of the negotiations under way. He replied in the negative but added that as soon as agreement might be reached on the declaration by the three powers, the French would send three agents to the Netherlands, Belgium and Switzerland to inform the monetary authorities respectively as to the declaration, and to solicit these countries to join the plan.

A message, No. 908, giving the above information was sent out from the Embassy under date of 1 p.m., September 23. At 12:30, you had telephoned me at the Embassy. You let me know that on the preceding evening at 5 o'clock, a reporter from the WALL STREET JOURNAL had disclosed at the Treasury in Washington that his
paper . . .

paper had received a cablegram from Paris or Geneva indicating that certain details in regard to our negotiations might have been learned. (As it turned out, nothing was published insofar as I am aware, although it was at this time that a League report was announced which recommended action in the international monetary field somewhat along the lines of that actually being negotiated.) I summarized to you my conversations with Undergovernor Fournier and with M. Cariguel, as set forth in my cablegram No. 908 of 1 p.m. You asked me to find out what information, if any, M. Paul Reynaud had actually had of negotiations towards French devaluation while he was in the United States and whom he had seen while there. You told me that we could have an answer the first thing on the following morning to the two questions which Undergovernor Fournier had raised. You were quite sure that this answer would be favorable on the gold question. Likewise, you would be in favor of asking the banks to refrain from exchange operations, although the closing of our markets was not to be considered. In our conversation you told me, speaking from your farm at Beacon, that you were entirely satisfied with the manner in which the negotiations had been conducted at this end. Incidentally, you mentioned the possibility of Mr. Butterworth's resuming Treasury work on your terms.

At 3:20 p.m., September 23, M. Baumgartner telephoned me to say that they were still having conversations with
the British . . .

the British in London, through M. Monick. He said that they would call me again around 4:30. I told him of the WALL STREET JOURNAL affair and suggested speed. I gave him my personal ideas, as far as M. Fournier's inquiries were concerned, and said that an official answer would be expedited.

At 5 p.m., September 23, Dr. Pennachio, representative in Paris of the Bank of Italy, telephoned me. He said he had just returned from Rome. He was interested to know whether stories current in French financial circles and attributed to M. Monick, to the effect that the latter had obtained assurances from the American and British in the event of French devaluation, were correct. He also let me know that a story was current here that Sir Frederick Leith Ross had come to Paris to consult with M. Paul Reynaud.

At 8:25 p.m., September 23, I telephoned M. Baumgartner, who said M. Monick was still in conversation with the British Treasury. A reply from him was expected at any time. M. Baumgartner would telephone me as soon as he heard. He gave me his private telephone address in order that I could communicate with him in case of need. At 10 p.m., I cabled you (my No. 913) that the Minister of Finance and M. Baumgartner had been in conference with Premier Blum during the day and were also in telephonic communication with M. Monick, who was still negotiating in London with the British Treasury. I let you know that up until 10 o'clock they had received no word to pass on to us.

I . . .

I remained late at the Embassy on the night of September 23 to receive any word which the French Ministry of Finance might be able to give me. M. Baumgartner telephoned me at 10:40 p.m. to the effect that M. Monick said that the British were somewhat distrustful lest the American and French Stabilization Funds might achieve the result of placing the pound actually on a gold basis, and that to escape therefrom the British might have to let the pound slip. M. Baumgartner said that there was, of course, no such intention. M. Monick was to talk with the Treasury again that night and M. Baumgartner agreed to call me between 11:45 and midnight. He said the British wanted to weaken the text of the declaration to provide for "greatest stability possible." At 12:10 midnight, I telephoned M. Baumgartner's office, and his Secretary told me he was still in the Ministry and would call me back when he returned to his office. M. Baumgartner telephoned at 12:40 midnight to say that the new British text (new but based on the American) had been received. There were some passages in it which the French could not accept, but he thought the British would remove these. He said that he would give me the definite proposal of the Minister of Finance at 9:30 the following morning and hoped that we could get a reply back to him in the afternoon.

I put in a call for you at Beacon, N. Y., at 12:43 and got connection with you at 1:15 a.m., September 24. I told you that I would cable you the text of the

English . . .

English declaration early that morning. I asked where I could telephone you since the French would like an oral reply, if possible, the same afternoon. You made the point that the French had been slow in the negotiations and that they were now wanting to rush us. You asked that I insist on knowing the rates and the definite terms of the devaluation which the French were proposing. You asked also that I remind them that the Hoare-Laval agreement had been released prematurely. During our conversation, you expressed the opinion that it seemed to you impossible for us to finish our negotiations by Friday.

On the morning of September 24, I called on M. Baumgartner at the Ministry of Finance at 9:30, the time we had fixed the previous evening. While I was with M. Baumgartner, he was in a telephonic conversation with M. Monick at London. I was obliged to wait until 11 o'clock before M. Baumgartner could hand me the document which I had called to receive. Since this was in French, I translated it and returned to the Ministry of Finance, where M. Rueff checked the translation with me. The document under reference constituted a compromise draft of a declaration which the French had drawn up after receiving the British draft on the previous evening. The French had found the British draft unacceptable on several points. Although the British had not at the time accepted the compromise draft which was handed to me (and which was only telephoned to M. Monick at London while I was at the Ministry . . .

the Ministry, for submission to the British Treasury) I cabled you my translation of the document at 12 noon on September 24, under 915.

While I was at the Ministry of Finance at noon of September 24, M. Rueff mentioned to me a British proposal for Anglo-French cooperation in the management of their respective Equalization Funds. I told him that this interested me very much and requested an English copy of the proposal. This was received and cabled to you under No. 917.

You telephoned me at 12:30 at the Embassy. I gave you the information in regard to the receipt of the French compromise draft and also the proposed working agreement between the Equalization Funds which I had cabled. While Rueff had indicated that the British proposal in regard to this working arrangement had been accepted by the French, M. Baumgartner insisted to me that final acceptance would await the termination of all of the details of the three-cornered alignment agreement.

While seeing M. Baumgartner at 10:30 a.m. on September 24, I obtained from him definite figures in regard to the devaluation which France proposed. These figures were incorporated in my cablegram No. 916 of September 24, 6 p.m. The range of devaluation envisaged a cut of between 25 and 34.35 per cent in the franc. It will be noted that such devaluation was more extensive than that originally suggested to me by the French, namely, from 28 to 32 per cent.

While . . .

While talking with you at 12:30 noon, I gave you the data with respect to rates. Just after I had finished speaking with you, M. Baumgartner telephoned me that M. Monick reported that the English were nervous over public sentiment. The French gained the idea that Mr. Chamberlain was being especially cautious in his steps. While he was not afraid of the pound depreciating unduly, he wanted to be very careful, lest something might happen which would interfere with his alleged ambition to become Prime Minister.

At 7:30 on the evening of September 24, M. Baumgartner handed to me at the Ministry of Finance a text in English of a declaration approved by the British, after studying the French compromise draft which I had submitted in translation in my No. 915 of September 24, 12 noon. I cabled this latest draft of the British to you at 9 p.m., under serial No. 920. In order that you might have also a French translation of this declaration, it was arranged that M. Baumgartner should cable such a text to M. Appert, the Financial Attaché in New York, with instructions to take this at once to Washington for delivery to you. Mr. Cobbold of the Bank of England arrived in Paris at 9:30 on the evening of September 24 to be available for the discussion of technical cooperation between the Banks of England and of France and their respective Equalization Funds. At the Ministry of Finance, on the night of September 24, M. Baumgartner told me that M. Spinasse,
French . . .

French Minister of Economy, had gone to Bern, and M. Rueff to the Hague, to inform the Swiss and the Netherlands Governments, respectively, of the trend of the negotiations. A third French official was in Brussels for this purpose. It was still hoped that agreement between the three powers might be reached in time for announcement Friday night so that Parliament could be called at once.

At 9 p.m. on September 24, I put in a telephone call for you at Beacon, but reached you in Washington. I read twice to you the text of the British draft declaration which I had cabled under serial No. 920. We discussed the possible hour for the release of the announcement of agreement if this might be consummated. Since the New York Stock Exchange would not be closing until the equivalent of 8 o'clock Paris time, it was suggested that the release should be made at 3 o'clock Washington time, at your Press Conference, and at 9 o'clock Paris time. You reminded me that the question of rates and of the reciprocal yielding of gold had not yet been settled. You told me that your office was filled with economists, lawyers, one banker, one farmer and one lady. I told you that I was alone, unbothered. After I had given you the text of the British declaration, you said you would call me back in one hour.

I telephoned M. Baumgartner at 10:40 p.m. and told him of the conversation which I had just had with you. I asked him to confirm one word in the British draft, namely, "relax." He told me that the British

were . . .

were satisfied to drop the idea for a special preamble which they had held for a while. I had not forwarded the British preamble to you since the French had been adamant against accepting it. M. Baumgartner was anxious to inform the Dutch and the Swiss as soon as we might indicate whether we were willing to accept the British text. I told him that you were to receive an official from the British Embassy, presumably conveying a message from the British Treasury, including the British draft, and that you would telephone me back after this meeting. You had told me that you stressed the question of yielding and receiving gold and the question of the dollar rate versus sterling and the franc more than you did the text of the declaration. I told M. Baumgartner that I would let him hear from me as soon as you might call. He said that M. Fournier, Undergovernor of the Bank of France, was drawing up, in accordance with an informal request which I had made repeatedly during the preceding week, appropriate regulations to protect American banks which might be operating in gold shipments from Paris at the date that the prospective embargo was imposed. M. Baumgartner agreed with your suggestion that the release of the agreement should be fixed for 9 o'clock Paris time.

Your telephone central advised me at 1:20 that your call would not come through until 3 a.m. at my home. M. Baumgartner had telephoned me at 11:45 p.m. that he was going home. If any news was received from

you . . .

you before 12:45, he desired that I telephone his assistant at the Ministry of Finance. When you called me at 3 a.m. at my home, it was confirmed that we were in agreement with the French on the hour for the release of the agreement. The British Embassy official had delivered to you the text of the British draft, and the word "relax" was confirmed. I told you that appropriate arrangements were being made to protect American banks dealing in gold in France. I let you know that the French were waiting to hear from us so that they could inform the Swiss and Dutch.

You told me that the British Embassy officials had called on you at 7:30 p.m. that evening, bringing with them four cablegrams, the last one of which had reached Washington only at 7 p.m. This included the British draft declaration. You let me know that you had told the British that before you could reply to this last draft you would have to have an understanding on the dollar-sterling rate. You took it for granted that the British Treasury wanted the rate continued as at present, namely, from 4.90 to 5.10. In numerous conversations which you had had with Mr. Bewley, the British Treasury Attaché in Washington, you had understood that there was no objection to this rate. You told me that you had not had time to check the draft received from the British with that which I had telephoned to you. You said that the important point now was to learn whether your understanding of the sterling-dollar rate was correct. You let me know that
you . . .

you had informed the British that you were passing on all of this information to me. You affirmed that the President was backing your position entirely. You also told the British that all through your recent conversations you thought that they had had in mind a five-dollar pound. They had frequently intimated that they were satisfied with the existing rate. You let it be known that a telephone call from the Chancellor of the Exchequer would be welcome. When I was telling you of the arrangements that had been made to safeguard the interests of any American banks in Paris which were operating in gold that might be caught by the embargo, you mentioned that the Federal Reserve Bank of New York had 150 thousand dollars on deposit in a "complimentary" account with the Bank of France, concerning which the Federal Reserve officials were very much perturbed. I asked whether or not this was really flight capital. You requested that I tell the French officials that you were "sitting tight" until the British communicated with you on an understanding of the dollar-sterling rate. I told you that I would be seeing the French at 9:30 that morning. In closing, you said that Mr. Chamberlain had received a personal message from Premier Blum asking him to hurry his answer.

President Trip of the Bank of the Netherlands called at the Embassy at 10:20 a.m., September 25. He was due at the Bank of France for a conference at 11:30, to be followed by a luncheon. He had received absolutely no word of the tripartite monetary negotiations. When
the Governor . . .

the Governor of the Bank of France informed him in the premises at the luncheon, Dr. Trip made immediate plans for departure for Amsterdam by aeroplane and left Paris at about 2 p.m. M. Rueff had gone to the Netherlands the previous day, but had stopped at the Hague, where he was to establish contact with the Dutch Ministry of Finance. Dr. Trip had proceeded from Amsterdam to Paris, crossing M. Rueff. I understand that the Bank of France officials informed Dr. Trip that they had endeavored to get into touch with him at Amsterdam to prevent his coming on to Paris when they realized that an agreement for Friday night was approaching.

I called on M. Baumgartner at the Ministry of Finance at 10 o'clock on September 25. I told him of our conversation of 3 o'clock that morning, and I let him know that you were seeking clarification of the dollar-sterling cross rate from the British Treasury before proceeding further with the agreement. While I was still with him, M. Baumgartner telephoned M. Monick at London to have him urge upon the British the necessity of meeting our request. At 1:00 p.m., M. Baumgartner telephoned me that M. Monick had received from Mr. Waley of the British Treasury, the clear impression that Mr. Chamberlain would give you assurances either by telephone or by letter, or possibly both, but the probable terms of such assurances were not revealed. Toward noon, Undergovernor Fournier of the Bank of France telephoned me to say that it was becoming
urgent . . .

urgent that he begin communicating with our officials at the Federal Reserve Bank of New York in regard to technical cooperation. In reply to his query as to whether we were yet in a position to answer the points which he had raised earlier in the week about yielding gold and closing markets, I told him that nothing could be said until a point which we had up with the British was settled.

At ten past one, you telephoned me at the Embassy. I gave you the developments of the morning, as reported in my cablegram No. 921 of September 25, 2 p.m. You mentioned that MM. Williams, Knoke, Viner and Feis were with you and that the State Department was being kept fully informed of all developments. You asked me to find out how big a Stabilization Fund the French planned to set up.

You reiterated your desire to be helpful and your sympathy with the French situation. You insisted, however, that you must await word from the British and then communicate with me further. You asked that I give the Minister of Finance your warmest regards. You reminded us that you had been of aid to the Bank of France previously and you wanted to be helpful to the French Government again. You mentioned that Mr. Knoke had had a telephone message from M. Cariguel and that you were making arrangements to support the franc market on New York, using French gold already in the United States.

I had received on the morning of September 24 your
message . . .

message No. 367 of September 23, 12 midnight, setting forth a provisional draft of a statement which you might make with respect to gold dealings offered on a reciprocal basis by the American Stabilization Fund in the event that the tripartite agreement was consummated. This I held confidential.

I kept in touch with the Guaranty Trust and other banks during the day of September 25, which witnessed a tremendous run on the franc. The cabinet meeting was scheduled for that evening and the rumor was circulating that devaluation would be decided upon. Everyone was, therefore, nervously awaiting the outcome of this meeting.

At 1:45 p.m., I telephoned M. Baumgartner of my conversation I had had shortly before that hour with you. M. Baumgartner asked me to express to you, when next speaking with you, his Ministry's deepest appreciation of the cooperation and attention which you were giving this matter. In view of the urgency for speed, it was hoped that you might suggest a minimum of changes in the British draft text of the declaration, contained in my 920, September 24, 9 p.m.

Later in the afternoon, M. Baumgartner telephoned me, requesting that I come to see the Minister of Finance. When I reached the Minister's office at 4:15 p.m., he was quite nervous because no reply had been received from the United States. He said he was already overdue at a cabinet meeting, at which it was to be his duty to make known to his colleagues the plan for devaluation,
to be . . .

to be carried out that night, and to prepare for the special calling of Parliament. I told him that I had talked with you shortly after noon and that you were still waiting for word from the British. He asked if I would not put in another telephone call to you. I offered to go back to the Embassy to do this. M. Auriol insisted, however, that the call be placed from his office and that I remain with him. I told him that it would take perhaps 40 minutes to get the call through and that this would make him quite late for his Council meeting, but I yielded to his insistence, and the call was made by the Ministry of Finance to you.

While at the Ministry of Finance with MM. Auriol, Baumgartner and Rueff, I was provided with a summary which had been telephoned to them by M. Monick from London of the cablegram which the British were presumably sending to Washington in reply to your request for clarification of the dollar-sterling cross rate. I took down the following notes of this summary, which did not presume to be the verbatim text:

"(1) The Chancellor of the Exchequer recalls that he has no legal authority (means) to fix the pound within gold points. Furthermore, the principle 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 eventuality has been many times envisaged (M. Monick had intimated that while no precise allusion . . .

allusion to \$4.86 was made, the Chancellor presumably had this figure 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."

When I got connection with you on the telephone, I told you that I was in the Ministry of Finance, at your French colleague's desk, and that he asked that I transmit to you the following declaration:

"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 wise on its side to depreciate its money beyond the limits which will be sought in the monetary law (as vis-a-vis the dollar). It thinks that the simultaneous declaration, despite the reservation which each country has been obliged to make, to take account of its public . . .

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 (since 4 o'clock) in session. M. Auriol extends his warmest personal greetings to Mr. Morgenthau."

After giving you this message, I explained that while the French did not desire to mix in our sterling-dollar cross-rate question, they were having a most difficult time, following the frantic day on the market and the important Cabinet meeting which was in session. The gold losses had been so heavy that they would have to take a decision that night. If an agreement could not be reached with the American and the British before morning, it would be necessary to place an embargo on gold. I let you know that they had lost perhaps 800 million francs of gold during the day. I told you that the Stabilization Fund which they proposed to set up would amount to 10 billion francs. You asked me to reassure the Minister of Finance of your sympathy and desire to cooperate, but to let him know that you had to await the direct message from the British. It was agreed that I should return to the Embassy, where Mr. Lochhead of your office, or some other official, would telephone me any amendments which you desired to
make . . .

make in the British draft text if this should be adopted as the basis for a final agreement. I was to be back at the Ministry of Finance by 8 o'clock, when you were going to call us. I, therefore, proceeded to the Embassy, but no call arrived from you while I was there. At 6 p.m. I sent cablegram No. 924 describing the day's operations on the Paris exchange market. I also talked by telephone to M. Cariguel at 7 p.m. He said that he had given an order to the Federal Reserve Bank to hold the franc on the New York market that evening. He had also asked American cooperation toward suppressing quotations of the French franc on the New York market on Saturday morning and until after the French Parliament had enacted the legislation necessary for devaluation of the franc. The British had requested their banks not to quote the franc before Tuesday morning at the earliest.

Upon my return to the Ministry of Finance at 8 o'clock, I joined MM. Baumgartner and Rueff in the former's office. It was then planned that the Parliamentary session should begin on Monday afternoon. The declarations in France and England would be given out by the respective Treasuries. When your call came in, your office read to me the changes which you desired to be made in the text of the declaration. I noted this on my copy, and later M. Rueff corrected his copy from mine and had the French translation made. The only correction which could not be accepted was
that . . .

that of referring to "fiscal" rather than "monetary" authorities since the fiscal authorities in France are the tax officials. You had not yet received a final answer from the British. I told you that the French were anxious to have the declaration given out not later than 11 o'clock, if at all possible, since the Minister of Finance had to telephone the President of the Republic before 11:30. You were, I believe, slightly amused at the idea that the President of France could not be kept up later than this hour, considering the importance of the occasion and the reputed practice of Frenchmen keeping late hours. I let you know that the Regents of the Bank of France were scheduled to meet at midnight to decide upon limiting gold shipments, et cetera.

I remained on at the Ministry of Finance, where I checked the French translation of the text as you had revised it. There were only two or three slight differences in phraseology, which I let pass as insignificant. I did arrange, however, for the French to telephone their translated text to the French Embassy in Washington for immediate delivery to you at the Treasury so that you could have the French text before you at the time of the release thereof. M. Monick, at London, was provided also with the French text and checked this with Sir Frederick Leith Ross.

At 10:20, you telephoned that the British had called on you. The message which Mr. Chamberlain had given . . .

given you was not quite so reassuring in tone as the summary which M. Monick had provided the French and which I had telephoned you in the afternoon. You said, however, that you had given the British an answer to Mr. Chamberlain's private communication to you, which you were 98 per cent sure that he could accept. You stated that the last sentence of your note to Mr. Chamberlain read: "The Secretary of the Treasury believes that this is not an obstacle (a 5 dollar pound) which need prevent the issuance of the simultaneous statement in order to carry out a broad, useful and essential action." You told me that your message would be telephoned to the Chancellor and that if he had no objection then you would give your final acceptance to the agreement. You were not ready, in any circumstances, however, to give final approval until you yourself might have a reply directly from the British.

The next two hours in the Ministry of Finance were very tense ones; between one and two hundred press correspondents were outside of the Minister's room awaiting the release which had been promised for 9 o'clock. The Minister had returned from his Cabinet meeting, where he had not been able to put his devaluation proposition definitely but had given his colleagues as clear as possible an idea of what he planned to do and had procured blanket authority to go ahead with the agreement and necessary announcements. A telephone call was received from M. Monick at London, stating
that . . .

that the British had sent a favorable reply to your telephonic message. After this word was received, Minister Auriol asked M. Baumgartner to bring me into his private office, where he expressed to me his great satisfaction that the affair had been terminated. I told him that I must still await word from you directly, and that no announcement could be given to the press before that time. The Minister was quite uneasy lest the news could not be given to the press in time for publication in the morning papers. After a few minutes, M. Monick again telephoned that the British considered everything in order and were preparing to give the notice to the press at once.

At the Minister's insistence, I no longer waited for your telephone call but put in a call from the Ministry for you. When I got connection, I explained the situation to you. You understood that I was under considerable pressure. Since the British had not yet called on you to deliver the message which M. Monick had advised us had been despatched, it was agreed to hold the telephone line open. This facility helped me greatly. I was seated in the chair of the Minister of Finance. With him and his colleagues and assistants pacing the floor of the magnificent Empire salon, in the old Louvre Palace, which he occupies, glancing at their watches, grinding cigarette stubs into the marvellous carpet, and listening to the rumble of voices from the press representatives outside their door, made the situation extremely tense. Finally, you told me that the British had arrived at your office.

We . . .

We then waited until you had studied the reply. When you let us know that this was satisfactory and that we were in final agreement, there was great relief on the French side. You asked that I put Minister Auriol on the telephone so that you could extend your best wishes to him in French. The Minister took the telephone and exchanged greetings with you. Rueff translated the Minister's remarks. You then told me that everything was clear for giving out the communiqué.

After shaking hands all around, I took leave of Minister Auriol. I had to pass out through the crowd of journalists, but spoke to none of them. The rue de Rivoli in front of the Ministry was filled with taxicabs waiting to carry the journalists to their respective papers or telegraph stations as soon as they might receive the story. I proceeded to the Embassy, where the code clerks were still on duty, and found that while I had been at the Ministry there had arrived the Department's cablegram No. 370 of September 25, 9 p.m., giving the final American redraft of the simultaneous declaration. On checking this over, I found that it was identical in terms with the declaration as I had revised it at the Ministry when Mr. Lochhead telephoned me earlier in the evening from Washington. Much relieved that the affair was finally arranged, I walked to my home from the Place de la Concorde and went to bed at 3 a.m.

At 11 a.m. on September 26, I filed cablegram No. 926, in which I reported that the Minister of Finance

had . . .

had received the press at about 1 o'clock that morning and had given to them the French text of the declaration on monetary policy which had been made simultaneously with the American and British declarations. I also included the text of the French official communiqué which announced that the Council of Ministers had approved the terms of a monetary bill for reducing the gold value of the franc to a unit containing between 49 and 43 milligrams of gold 900/1000 fine. The bill provided further that an exchange stabilization fund, endowed with 10 billion francs, should be set up. Pending adoption of the bill by Parliament, the Bank of France was taking the necessary steps to control the franc.

In the same cablegram I reported that the JOURNAL OFFICIAL of Saturday morning, September 26, carried three decrees, dated September 25, issued in connection with the above-mentioned development in French monetary policy. The first decree convoked the Senate and Chamber of Deputies in extraordinary session for September 28. The second decree suspended payment of commercial obligations expressed in gold or in foreign currencies. The third decree provided for the closing of French security and commercial exchanges, beginning with September 26 and up to a date which would be fixed by decree by the Minister of Finance.

In cablegram No. 927, dated September 26, 13 noon, I submitted the translation of a report, as carried in the AGENCE ECONOMIQUE ET FINANCIERE, of the remarks

which . . .

which Minister of Finance Auriol made to the press upon the occasion of issuing the declaration of monetary policy. He stressed the importance of the step that had been taken and especially thanked the two friendly Governments for their collaboration, and particularly Mr. Morgenthau and Mr. Chamberlain. He let it be known that the decision to align the franc had followed conversations which had taken place discreetly since the month of June,

At 10:30 on the morning of Saturday, September 26, M. Cariguel telephoned me from the Bank of France. He said that he had heard that the American Consul in Paris was changing dollars on a basis of 23.50 francs to the dollar. He said that this matter had been brought to the attention of the Bank of France by financial concerns. M. Cariguel expressed great surprise that an official office in Paris of one of the three Governments which had the preceding night adhered to the tripartite agreement would the following morning charge a rate of 23.50, when the maximum devaluation anticipated by the monetary bill, whose terms had been announced, was 22.96 francs to the dollar. I promised M. Cariguel that I would look into the matter. He emphasized the bad impression which this story would make if the situation was not rectified. M. Cariguel told me of the arrangements that had been made for controlling trading in francs in London and New York. He was also very happy to tell me that all gold which had not actually been shipped on the preceding evening

by . . .

by Paris-American banks which had contracted therefor was placed in the name of the Federal Reserve Bank of New York. That is, instead of leaving gold in the name of the banks which were shipping it, the Federal Reserve Bank was to be informed that, acting under instructions of the specified banks, the Bank of France had earmarked so much gold for its account, to be shipped at the first opportunity. Thus, any difficulty that might have arisen from placing an embargo on gold that night was obviated. M. Cariguel told me that no actual embargo had been placed on gold, but that at the meeting of the Regents of the Bank of France, held after midnight on September 25-26, the decision had been reached to raise from 215 thousand to 5 billion francs the minimum amount for bank notes against which gold would be delivered by the Bank of France. This, of course, constituted a practical embargo upon gold.

After talking with M. Cariguel I telephoned the invoice section of the American Consulate General, which is, of course, in the Embassy building. I learned that as of that date the charge which the Consulate General was making for official services was calculated on a basis of 23.50 francs to the dollar, while that previously charged had been at 15.50. I then telephoned Consul Fullerton, the Executive Officer of the Consulate General, and explained to him that the maximum of devaluation which could be effected in the French franc, under the bill which had been drawn up, was to the level of 22.96 to the dollar. I explained . . .

explained to Mr. Fullerton the complaint which had reached me from the Bank of France, and I told him that there was certainly no ground for charging more than 22.96 to the dollar. I even intimated that the French Equalization Fund might, at least for a while, endeavor to maintain the franc at about the middle point provided for by the devaluation law. On Sunday morning I reported this matter to Mr. Wilson, then acting as Chargé of the Embassy, since I thought it was a matter of policy which concerned the Embassy. Mr. Wilson told me that he thought Consul General Southard should appreciate my bringing the matter to the attention of the Consulate General, through Executive Officer Fullerton. When I next saw Mr. Fullerton, however, he told me that Consul General Southard had neither welcomed the information which I had passed on nor had acted thereon. The Consulate General continued for some days to charge the rate above indicated.

During the forenoon I checked up with various Paris-American bankers. Mr. Pearce of the National City Bank and Mr. Saint-Germain of the Guarantee Trust both spoke highly of the manner in which M. Cariguel of the Bank of France had looked after their gold shipments and confirmed that the balance of the gold due on their contracts was being released that day and would be placed on board before midnight.

At 1 p.m. you telephoned me at the Embassy, I told you that MM. Fournier and Cariguel were anxious

to . . .

to know when a decision would be reached in regard to our giving gold against dollars which the Bank of France would acquire. They also desired to know whether they should communicate with Mr. Knoke of the Federal Reserve Bank of New York, or whether they should wait until after the French monetary law had been passed. You were happy to tell me of the splendid American press reaction, irrespective of party lines, to the tripartite agreement announcement on the morning of September 26. You said everyone in Washington was bubbling over with enthusiasm. I told you of the excellent press reaction in Europe and let you know that the political section of the Embassy was getting out a separate cablegram thereon. You asked me to forward French and English papers giving comments upon the declaration and also to arrange for your Treasury Attaché at Berlin to forward to you the German press. After talking with you I endeavored to get into touch with Mr. Waite, your representative in Paris, but it was then too late. On Monday morning, however, I asked him to pass on to his colleague at Berlin your request with respect to the German newspapers. In cablegram 931, sent at 4 p.m., I recorded the inquiries of the Bank of France.

In the afternoon I telephoned M. Cariguel to inform him that you had said he could talk to Mr. Knoke directly in regard to technical arrangements.

At 5 p.m. on September 26, I sent cablegram No. 932 to report that a private telephone had been installed in my apartment, according to your instructions, the number being . . .

being Galvani 70-92.

At 6 p.m. I despatched cablegram No. 933, to tell you that M. Baumgartner of the Ministry of Finance had telephoned me at 4:30 to announce that they had been informed through diplomatic channels that Switzerland would follow the French lead and would devalue between 25 and 30 per cent.

In a further message, No. 934, dated September 26, 7 p.m., I gave you certain technical data upon the gold operations on the Paris market. I also told of the pleasure with which the French officials had learned that the Belgian Government had issued a sympathetic declaration of monetary policy on that date, adhering to the tripartite agreement.

When I arrived home on the evening of September 26, I learned that you had been calling for me while I was en route from the Embassy. I called back and was answered by Mr. Lochhead at 6:45 p.m. He told me of the good press that the tripartite agreement was continuing to have and of the pick-up on the stock and Government security markets. He also told me that the State Bank of Russia had sent an order to a correspondent in New York to sell sterling. The Stabilization Fund had taken the total amount offered.

In my cablegram No. 936, dated September 27, 4 p.m., I let you know that after Mr. Lochhead had called me on Saturday evening, I telephoned M. Cariguel to advise him and M. Fournier about the American Fund intervening to buy sterling offered by the Russian State Bank. On
Sunday . . .

Sunday morning, the Department's 371, September 26, 1 p.m., giving further details of the above-mentioned operation, was received. While I was endeavoring to get into touch with the French Ministry of Finance to pass on to them the information in question, M. Baumgartner telephoned me. He was happy to learn of the prompt and resolute move which had been taken toward making our monetary arrangement effective.

While I was at the Embassy on Sunday morning, I had placed a call for you which came through at my home at 2:05 p.m. In my conversation with you, I told you why M. Baumgartner had called me. The reason was this: The Minister of Finance was scheduled to appear at 2:30 p.m., Sunday afternoon, before the Finance Committee of the Chamber to propose and explain the Government's monetary bill, which was to be submitted to Parliament on Monday. M. Auriol had asked M. Baumgartner to find out from you whether you would permit the Minister of Finance to relate to the Finance Committee and state before Parliament that you had sent your representative to the Ministry of Finance on June 6, that conversations were then entered into, and that their result had finally been achieved. It was explained that MM. Blum and Auriol had, in their remarks to the press following the issuance of the simultaneous declaration, mentioned that they had been working for this international agreement since early in June. After talking with you, I at once telephoned M.

Baumgartner . . .

Baumgartner and let him know that when you had been asked in one of your press conferences as to who had started the affair which had just been terminated, you had replied that the initiative had been on the part of the French. Consequently, it was not desired that any different impression be gained from this side. I told M. Baumgartner that you did not object to it's being known that the French and Americans had been in consultation since June 6, but that you thought the fewer details given in regard to the conversations and negotiations, the better it would be. Consequently, it was deemed best that reference to individual acts and agents should be suppressed.

In my cablegram No. 936 of September 27, 4 p.m., confirming my conversation with you and giving the details of my subsequent talk with M. Baumgartner, I mentioned further developments, including the decision of the Netherlands taken on Saturday night, September 26, to put an embargo on gold. I let you know that I had talked confidentially with M. Pennachio of the Bank of Italy and had asked him personally whether he did not think it would be wise for the Italians to "get on the band wagon." As you are aware, Governor Azzolini of the Bank of Italy depends importantly upon my friend M. Pennachio for advice on international monetary relations and policies.

At 10:30 p.m. on the night of September 27, I talked by telephone with Dr. Jacobsson, the Swedish Economist of the B.I.S. at Basel. All during the negotiations . . .

negotiations the Bank for International Settlements had been entirely ignorant thereof. Dr. Jacobsson was delighted with the tripartite agreement and was especially complimentary of the manner in which the negotiations had been conducted. That is, without any leaks, and in a manner which permitted the results to be announced in a spirit of cordiality, and not of international recrimination.

When I came to my office on the morning of September 28, I found that M. Cariguel had already telephoned me. When I called him back I learned that M. Fournier wanted to see me. I went immediately to the Bank of France. M. Fournier told me that he had telephoned to the Federal Reserve Bank on Saturday, and that the latter had told him it could get no answer from the Treasury at Washington in regard to gold dealings. M. Fournier insisted to me that he must know about gold arrangements before the law was passed, especially if the law was enacted at an hour which would make it impossible, because of the difference in time between Paris and New York, to communicate immediately with Mr. Knoke at New York.

In my cablegram No. 937, sent at 12 noon, September 28, I reported that Auriol's devaluation bill, with certain modifications, had been voted by the Chamber Finance Committee on Sunday, by 20 against 12, with 7 members abstaining from a vote. I gave you a brief summary of the provisions of the bill.

At 1 p.m. on September 28, I sent my No. 938,

reporting . . .

reporting that up until noon of that date the Ministry of Finance had not yet received the written text of the amendments made on Sunday in the Chamber Finance Committee to the devaluation bill. Since these were slight, I proceeded to provide you in my cablegram with a full translation of the bill as introduced.

You telephoned me at 4:25 on the afternoon of September 28. I told you that the devaluation bill had been approved by the Finance Committee; that the Chamber had met at 9 a.m.; that it had adjourned to read the bill; that it had met again after 11 o'clock and had later adjourned to meet at 4 p.m. I let you know that the Radical Socialists had held a caucus at which they voted against the sliding scale for wage adjustments which had been written into the bill, but had approved the devaluation feature. I told you further that the Chamber had voted 365 to 248 against a motion for sending the measure back to the Committee. I let you know that M. Cariguel had told me at 4 o'clock that he thought there was no chance of the two bodies of Parliament passing the measure that night. Consequently M. Fournier wanted you to know that the markets would be closed in Paris and London on Tuesday, as they had been on Monday, and that the Swiss and Dutch were also closing theirs. In speaking to you of the conversation which I had with M. Fournier, earlier in the morning, I also mentioned that M. Fournier had said that the British were uncertain as to just how cooperation between the Americans and themselves was to be worked out.

M. . . .

M. Cariguel had told me that the British had suggested that any dealings which the Bank of France did in sterling should be for the account of the British. M. Cariguel seemed opposed to this idea, but you thought that he was taking a wrong position if he objected thereto. You said that you would ask the Bank of France to act as agent if you called upon it to operate for us. You told me to let the French officials know that they would just have to be patient in the matter of gold dealings. You said that you had taken care of them in the past and would continue to do so in the present situation. If they wanted to put any orders through to buy dollars in the American market, they should give the Federal Reserve Bank of New York the order and indicate their rate.

I telephoned M. Cariguel at 4:50 p.m. to give him the substance of your message, which was that you would "not let the Bank of France down" and that they should cease worrying. This assurance was entirely satisfactory to M. Cariguel. As I recall it, you did not meet Undergovernor Fournier when you were in Paris a year ago, since he was on sick leave at that time. M. Fournier is a highly competent official and is carrying, especially now that Governor Labeyrie is in office, a heavy part of the load at the Bank of France. Since he suffered a breakdown over a year ago, he has been quite nervous. I give you this information as a partial explanation of the Undergovernor's uneasiness during the period which I am describing.

At . . .

At 6 p.m., September 28, I sent cablegram No. 940, setting forth the inquiry which I had received earlier in the day by telephone from Mr. Beyen, resident head of the B.I.S., in regard to the possibility for the B.I.S. to enjoy certain gold facilities with your Treasury, particularly the privilege of obtaining gold in New York for B.I.S. account or in behalf of Central Bank clients.

At 11 a.m. on September 29 I sent cablegram No. 943, wherein I provided, in continuation of my 938 of September 28, 1 p.m., annexes to the French devaluation bill as originally proposed. The first of these dealt with an agreement between the Minister of Finance and the Bank of France as to the proceeds of devaluation, et cetera, and the second constituted a convention between the Minister of Finance and the Amortization Fund.

At 12:00 noon on September 29, I despatched cablegram No. 944, giving details of shipments of gold made by Paris banks to New York, clearing up transactions undertaken before an embargo was placed on gold.

My cablegram No. 945 of September 29, 1 p.m., gave a translation of a decree that appeared in the French JOURNAL OFFICIEL of that morning prohibiting the export of gold.

Undergovernor Fournier of the Bank of France telephoned me at 10 o'clock on the morning of September 29, to refer to an article which he had read in the AGENCE ECONOMIQUE ET FINANCIERE of that morning, purporting . . .

purporting to constitute a communiqué given out by you on the matter of the working of the tripartite arrangement. I told M. Fournier, in answer to his inquiry, that I had not yet received anything directly from you which confirmed the report under question, but that it seemed to me entirely logical and correct. I again promised him to communicate with him promptly as soon as I might have anything official in the premises.

Dr. Pennachio of the Bank of Italy telephoned me at noon to let me know that his country was studying its monetary problems very carefully. He said that for Italy a step toward devaluation must be very seriously thought out since it involved the whole economic problem of the country. The question was more complicated for Italy than for Switzerland and the Netherlands, since Italy lacked the gold resources of the other two countries.

You telephoned me at 12:40 on September 29. You told me that a 20 million dollar credit for the B.I.S. had been arranged. This concerned, I believe, a shipment of gold from Switzerland which the B.I.S. was handling. I told you the substance of the communiqué in the AGENCE ECONOMIQUE above-mentioned, and you confirmed the general terms thereof.

In our conversation I let you know that Mr. Gay President of the New York Stock Exchange, had sent the following message to his Regional Advisory Committee in Paris:

"Pending . . .

"Pending issuance final decree French Government regarding monetary realignment you are empowered to communicate French Minister of Finance and offer him full cooperation of N.Y.S.E. in fulfillment of any financial measure French Government may wish to promulgate affecting its citizens or resident also request all members branch offices and representatives to cooperate in every possible way with objective of French Government."

The Paris representative of the above Committee had telephoned me previously the substance of this communication and had sought my advice about informing the French Government, particularly the Ministry of Finance, of its receipt. I refrained from giving any official advice in the premises.

In our conversation I informed you as to the progress of parliamentary consideration of the devaluation bill. The Chamber of Deputies had on the forenoon of September 29 passed the devaluation bill in its entirety, by a vote of 350 to 221, following a separate voting on each item of the bill during an all night session. A compromise was reached on the difficult sliding scale provision of the bill. The Minister of Finance had passed the bill on to the Senate Finance Committee, which was expected to return it to the Senate late in the afternoon or the following day.

Among the miscellaneous news which I mentioned was that Dr. Schacht had called a meeting of the Central

Committee . . .

Committee of the Reichsbank; that the Dutch were going to manage their currency without definite devaluation; and that the Swiss measure for devaluation was before Parliament that day.

At 3 p.m. I telephoned M. Cariguel at the Bank of France to give him certain information which you had passed on to me, particularly in regard to technical operations.

At 4 p.m. I sent my cablegram No. 949, which indicated that the Bank of France had begun to ship gold to the United States to increase its earmarked supply with the Federal Reserve Bank. I told you that, according to press reports, Greece, Latvia and Turkey had decided to base their currencies on sterling. With respect to the Netherlands, I explained that the Dutch had placed an embargo on gold and were arranging for a stabilization fund of 300 million florins. I quoted certain items from the London press, indicating the splendid reception which had been given to the tripartite arrangement.

Upon the receipt on the forenoon of September 30 of your cablegram No. 376 of September 29, 6 p.m., I telephoned the Bank for International Settlements at Basel to inform Dr. Beyen that such inquiries as that which had been communicated in my cablegram 904 of September 28 should be made directly to the Federal Reserve Bank of New York.

On the morning of September 30, the debate began in the Senate on the Government's monetary bill, which had . . .

had been taken up by the Senate Finance Committee the preceding afternoon. After a debate of more than twelve hours, the Senate passed the measure by a small majority on the night of September 30. The Senate had made certain amendments to the bill, however, which were not acceptable to the Chamber. When the measure was submitted to the Chamber Finance Committee, the latter promptly revoted its own original text and submitted it to the Chamber, which, in the early hours of October 1, also revoted the bill in its original form.

You had telephoned me at 1:20 p.m. on September 30. I gave you an account of the progress being made in voting the French devaluation bill and let you know that I had sent you a large bunch of newspapers the preceding evening. You mentioned that you had done nothing in sterling. The Federal Reserve Bank of New York had, however, received an order from the Bank of France to supply whatever francs were necessary to take care of the demand. You told me that the Federal Reserve had handled 25 million francs at the time you spoke to me. You suggested that it might be to the general advantage if some announcement as to this operation could be made, since this might relieve the nervousness pending final voting of the French measure. You suggested that either the Bank of France make the announcement or permit you to make a statement in Washington. It was understood that you would call me back at 9:30 p.m.

I talked . . .

I talked with M. Cariguel two or three times during the day, and on the occasion after I had spoken with you in the sense above reported I mentioned your suggestion to M. Cariguel. He made the point that France had not yet devalued the franc, and that the Bank of France could not make or consent to a public announcement anticipating action of Parliament.

At 5:30 p.m. I talked by telephone with Dr. Jacobsson at the B.I.S. in Basel, requesting him to pass on to me any information which he might procure in regard to the statement which was to be given to the press that afternoon by Dr. Schacht concerning the German position on the currency question. At 8:20 p.m. Dr. Jacobsson telephoned me back saying that he had received a two-page typewritten summary, in German, of the German statement. He provided me with a digest thereof. The general purport seemed to be that the Germans would not devalue; that no new special types of marks were to be introduced; that the Germans would not refuse to take part in any international negotiations which might lead to permanent stabilization; that Germany would have to give consideration to problems still contingent upon the Versailles Treaty and would have to safeguard the savings of the German people, et cetera. Dr. Jacobsson also mentioned the large amounts of gold which the Swiss National Bank was acquiring, principally at London, and expressed apprehensions lest France might impose restrictions and penalties which would work against dishoarding of gold and repatriation . . .

repatriation of capital.

When you telephoned me at 9:30 p.m., I gave you the German information and also a summary of the French legislative progress. I mentioned minor items of information contributed by MM. Baumgartner and Maxime Robert of the French Ministry of Finance. You told me that the Dow-Jones ticker had announced at 2:40, Washington time, that it was understood that francs had been made available in London and New York. At 10:30 p.m. I told M. Cariguel what you had said. He insisted that the word had not been given out in Paris.

After talking with you I went over to the Chamber of Deputies and listened in at the stormy debate on the question of accepting Senate amendments or standing by the Chamber devaluation bill, and remained there until adjournment around 1 a.m. I then came to the Embassy and, after getting you on the telephone at 2:10 a.m., informed you of the status of the legislation at that hour.

When the Senate met at 9:30 on the morning of October 1, the outlook appeared difficult and there were reports to the effect that the Prime Minister might be forced to put the question to a vote of confidence unless some compromise could be reached. With M. Chautemps acting as mediator and with President Caillaux of the Senate Finance Committee evidencing a considerate attitude, the Chamber accepted a compromise provision which was approved by a vote of 354 to 217. The bill then . . .

then went back to the Senate Finance Committee. After further shuttling back and forth between the two bodies, the measure was finally passed on the night of October 1. I had talked with you shortly after noon, giving you the information to date and anticipating that the bill would be passed before the next day.

In my cablegram No. 956, dated October 2, 11 a.m., I gave you a complete translation of the French monetary law as voted the preceding night and as promulgated on page 1040 of the French JOURNAL OFFICIEL of October 2. The special session of Parliament was adjourned following the enactment of this legislation.

During the morning I talked with M. Baumgartner and extended my congratulations upon the Ministry's success in getting its legislation adopted.

My cablegram No. 960 of October 2, 5 p.m., sent in continuation of my No. 957 of 11 a.m., summarized three separate laws which had also been passed on the night of October 1. The first abrogated certain decrees-laws of 1934 and 1935 providing for levies or reductions on war pensions, retirement allowance for war veterans, and Legion of Honor and Military Medal payments. The second law approved the convention concluded on September 27, 1936, with the Amortization Fund and provided certain advantages for holders of the Auriol baby bonds. The third law authorized the Ministry of Finance to conclude a convention with the Crédit Foncier de France in connection with an advance of 3 billion francs . . .

francs to permit the latter to reduce interest on loans granted at high rates.

My cablegram No. 961, dated 6 p.m., October 2, reported that the Paris bourse and exchange markets had reopened that day for the first time since September 25. I reported the heavy offers of dollars and sterling and the strength of the bourse. At 7 p.m. I sent another cablegram, No. 962, reporting M. Cariguel's summary to me of the day's operation. I reported further that the Bank of France had lowered its discount rate from 5 to 3 per cent.

At 9 o'clock on the night of October 2, the Embassy code room informed me of the receipt of your cablegram No. 383 of October 2, 1 p.m., requesting me to keep you advised of any news regarding possible Italian monetary action. I came to the Embassy at once and filed my No. 963, at 10 p.m., giving you information on this subject.

On October 3, 11 a.m., I sent cablegram No. 964, informing you of further decrees which had been published in the JOURNAL OFFICIEL to complete the monetary legislation, including certain measures taken to reduce customs duties and suspend quotas. In this message I quoted an article from the LONDON TIMES upon Mr. Chamberlain's speech at Margate, which referred very nicely to the cooperation between the British, French and American Governments. I quoted you a paragraph from an editorial in the TIMES on Mr. Chamberlain's speech, and I also reproduced the conclusion . . .

conclusion of a leading article from the London ECONOMIST upon the fall of the gold bloc. I gave you M. Cariguel's confidential report of his operations for the Saturday morning, and let you know that he found everything moving smoothly. In conclusion, I told you that the Bank of Italy representative in Paris was not informed as to what decision the Italian Government would take on Monday with respect to the lira.

You telephoned me at my home at 3 p.m. on October 5. I gave you the forenoon's news, embodied in my cablegram above-mentioned, and we discussed the general situation. You had mentioned a few days previously the possibility of sending me to London for a day or two. It was decided, however, that since I would be going to Basel for the B.I.S. meeting on October 11 and 12, where I could see MM. Norman, Niemeyer and Cobbold of the Bank of England, I should not quit Paris in the meantime for a visit to London. You mentioned that Dr. Feis was arranging for the Embassy at London to be instructed to have periodic meetings with the British Treasury. Reference was made of M. Monick. I had let you know in an earlier conversation of the story which came out in the ECHO DE PARIS in regard to Monick's participation in the tripartite arrangement. You gave me certain confidential information in regard to the impression which Monick had made on his visit to Washington last June. You remarked that you had not made a single purchase of sterling during the week, although . . .

although you had taken some gold in London. You told me that a high mark, since 1929, had been reached on your stock and Federal bond markets on that day.

The week ended with Sunday, October 4, thus witnessed the passage of legislation providing for devaluation of the franc and saw the reopening of the French markets. The present letter has given you the pertinent chronology. This letter bears the date of October 26, since the first half of it was dictated on that date. The delays in starting and then in completing this communication have resulted from various causes. My stenographer quit and returned to the United States when our negotiations were at their height. The arrival of our new Ambassador at the end of September called for extra work. Furthermore, I have had a rather strenuous schedule of travel and reporting in connection with the furthering of the tripartite agreement, and technical cooperation thereunder. In another letter I shall extend this report to cover the negotiations which involved the technical arrangements for gold reciprocity between the three parties to the original three-power arrangement, and also the addition of Belgium, the Netherlands and Switzerland to the group of countries entitled to enjoy reciprocal facilities in gold trading.

It is still too early to evaluate the results of the tripartite arrangement of September 25. This arrangement was welcomed most enthusiastically by a world which had almost despaired of international cooperation . . .

cooperation. For such an agreement to be reached secretly, but cordially, between three great democracies at a time when so many political situations were causing worry, gave ground for much relief and did a great deal to reawaken hope. As is usual, certain speakers and certain writers have been disposed to expect too much too quickly. They thought that this move would be followed immediately by a general breaking-down of trade barriers. The important achievement actually accomplished was to establish monetary cooperation between the three leading monetary powers. This provided, as the French so frequently said, the starting point for other developments. The immediate direct benefit was that France was able to devalue her currency calmly in dignified circumstances. If the economic and financial situation had been allowed to deteriorate further in France, with the Government hesitating to take a decision on its currency in the absence of an international arrangement, there would surely have been a serious catastrophe for the franc, involving a much greater decline therein than that accomplished through the monetary law of October 1.

The French lead was very shortly followed in an orderly fashion by several other European countries. In no case has there been evidence of willful exchange competition, but of genuine "realignment." These steps have not solved all of the problems in all of the countries, but have constituted initial advances. The results already visible in the Netherlands and Switzerland are . . .

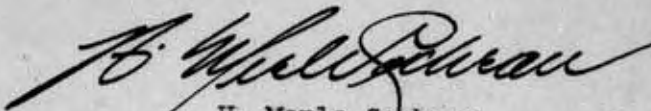
are especially encouraging. The French situation, because of politics and lack of confidence in Government, which has existed for several years, and because of a most complicated and acute social problem, has been more difficult than some of the others, and it will take some time to work out. Whether the franc may be held within the limits fixed by the Monetary Law of October 1 cannot yet be determined. There is a very good chance to maintain this rate. If the French cannot hold the franc at the present figure, there is little reason to believe that they could prevent its complete collapse. While Dr. Schacht and some other critics assert that permanent stabilization has not been achieved, most observers are quite satisfied that progress has been made decisively toward establishing de facto stability in an atmosphere favorable to further progress.

I was personally happy to see the tripartite arrangement consummated in such a spirit of cordiality with the French officials, and in a manner which left France only the kindest feeling towards our country. Minister Auriol and his assistants were absolutely fair and square in their dealings with me, even though they were under much stress and worry. Diplomats and journalists have not yet ceased to marvel that such secrecy was maintained on all three sides. I am deeply appreciative of the confidence which you placed in me for the

negotiations. . . .

negotiations.

Faithfully yours,



H. Merle Cochran,
First Secretary of Embassy.

HMC/wgs

Paris, October 26, 1936.

PERSONAL AND
STRICTLY CONFIDENTIAL

The Honorable

Henry Morgenthau, Junior,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Morgenthau:

During the past two months, which have witnessed interesting developments in French and European finance, I have sent you a number of cablegrams. The long-distance telephone has also been employed in keeping you currently informed. Since I do not have facilities for transcribing a verbatim record of all of my telephone conversations, particularly those received at my home, it may be desirable to set down in this informal letter a chronicle of recent events, which will at the same time constitute a summary of my cablegrams and a memorandum of my conversations by telephone.

When I called upon M. Baumgartner, Director of the General Movement of Funds Section of the French Ministry of Finance, on September 2, 1936, M. Baumgartner talked about the visit to Paris of Dr. Schacht, German Minister

of . . .

of Economics and President of the Reichsbank, which had occurred the preceding week. M. Baumgartner expressed the opinion that it was out of the question to discuss monetary realignment with Germany at that time. In his mind, the first essential would be to arrive at some sort of an understanding between France, the United States and Great Britain. As I was leaving, M. Baumgartner told me that he thought the Minister of Finance, M. Vincent Auriol, would ask me to call on him at an early date to receive a communication which M. Baumgartner believed would be of interest to us.

Professor Charles Rist lunched with me on September 3. His views on the French monetary situation were quite pessimistic. He insisted that devaluation in France was prevented only by politics. He said that Premier Blum still considered the move impossible because of the opposition of the Communists thereto. Professor Rist said that so long as current practices were followed, French export trade would continue to decline and unemployment would rise. He pointed out that French prices, which were already out of line, were rapidly rising above the world level, and ability of exporters to compete was declining, resulting in the slowing up of industry and the augmentation of unemployment, with accompanying aggravation of social problems.

On the same day, September 3, M. Charles Cariguel, in charge of foreign business at the Bank of France, asked me to call on him. He informed me of the desire of the Bank of France to build up a gold supply in the

United . . .

United States through shipping metal from Paris to the Federal Reserve Bank at New York, to be held there under earmark.

On the following day, I communicated to you the substance of a somewhat similar message from Governor Rooth of the Central Bank of Sweden (Sveriges Riksbank at Stockholm), who desired that his Bank open a gold deposit with the Federal Reserve Bank in New York. By a cablegram sent on September 4, you informed me that these inquiries were being given consideration but that since earmarking is covered by the General License of March 23, 1934, issued to the Federal Reserve Bank of New York, the Banks of France and of Sweden should discuss details directly with the Federal Reserve Bank of New York. You let me know by telephone, however, through a call received by me at my home, at 8:45 on the evening of September 4, that, with reference to the formal reply which you had made by cable, you could assure me that the answer which would be given by the Treasury when the question of earmarking was passed on to it by the Federal Reserve Bank of New York would be favorable. You permitted me to convey this information informally to MM. Cariguel and Rooth, but you did not desire that it be incorporated in the official telegram. I communicated this information orally to the two inquirers, utilizing the long-distance telephone with Governor Rooth.

At five p.m. on September 4, I reported to you by cablegram that, at the request of the Minister of Finance
of . . .

of France, I had called upon him that afternoon. When I was received by him, MM. Baumgartner and Rueff were present. The Minister orally referred to the fact that I had been his first caller after he assumed his present office and that my Government had been the first to offer him cooperation. While, in his opinion, the way had been barred to any sort of realignment when our first conversations took place, he remarked that it had subsequently been ascertained that there appeared to be a good chance for the consummation of an agreement of a type that could be found acceptable in France. With this view in mind, his Ministry had drawn up a provisional draft of a pre-stabilization agreement for submission to the United States and to Great Britain. If these three countries were found to be in agreement, France would then endeavor to procure the agreement of the two gold bloc countries, the Netherlands and Switzerland. The immediate question of the Minister of Finance was to know whether we preferred that the proposition be submitted simultaneously to the British and ourselves or whether we preferred that the draft be forwarded secretly and unofficially to you in advance. M. Auriol would have appreciated the support which he thought might come through obtaining our agreement before making the proposition known to the British, but he did not desire to take any step which might be considered the least prejudicial or unfriendly by the British. You promptly replied that it was preferable that the draft document be presented simultaneously to

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the Treasuries of the United States and of Great Britain. At 10:30 a.m. on September 5, I showed M. Baumgartner a copy of your cablegram.

At 12 noon on September 5, I cabled you that the French Ministry of Finance would hand to me at 10:30 a.m., Tuesday, September 6, a draft document for cabling to you, and that M. Moniek, the French Financial Attaché in London, would be given a copy of the text for delivery to the British Treasury not later than Wednesday, September 9.

At 1:20 p.m. on September 7, you telephoned me at the Embassy, from Beacon. You reminded me that you were launching a big bond issue the following day, and you requested information in regard to the political and economic conditions in Europe, particularly with respect to Spain, France and Germany, which might conceivably have some effect upon the security market. After I gave you such information, you referred to my cablegram of August 27 reporting the visit which I had made to London in accordance with your telegraphic instruction No. 318 of August 20, 7 p.m., which report you had found helpful.

As reported in my cablegram No. 845 of September 6, 8 p.m., the French Minister of Finance did not hand me the French text of the draft document hereinabove referred to until 6 o'clock that afternoon. I made an English translation of the document that night and returned to the Ministry of Finance, where M. Rueff, who had served some years as French Financial Attaché

at . . .

at London and is now Assistant Director of the General Movement of Funds in the Ministry of Finance, checked the translation with me.

In my cablegram No. 844, sent at 9 a.m. on September 9, I incorporated a translation of the proposed French note to the American and British Governments, together with its annex, consisting of a proposed pre-stabilization agreement. I explained that when the Minister of Finance had handed me the document, he had stressed its secret and unofficial character. He said that any leak in the negotiations would precipitate an attack on the franc which would necessitate immediate imposition of exchange control. He desired that I submit the draft to you, informally and confidentially, seeking your reaction thereto, together with any suggestions for its modification. An examination of the message under reference will show that in this initial draft the French sought a somewhat formal agreement, including the fixing of the three respective currencies within definite limits.

At 1:40 p.m. on September 9, you telephoned me at the Embassy, inquiring as to when you might receive the document from the Ministry of Finance. I explained that it had already gone forward early that morning and should have been in the Department of State by the time you were speaking. At 5 p.m. on the same day, you cabled me that the communication in question had arrived and was receiving full and prompt attention.

On the morning of September 10, I received your cablegram No. 342, dated 12 midnight, September 9, in

which

which you incorporated a message for me to deliver verbatim to the Minister of Finance of France. In your message you did not suggest any specific revision of the text of the French draft, but merely stated what the position of the American Government has been and would be in the contingency of a French devaluation. At 12 noon on September 10, I was received by the Minister of Finance and read to him your message. I then delivered to M. Baumgartner, who was present, the text of the verbatim communication. You telephoned me at 3:30 p.m. at the Embassy to ask how your message had been received. I told you that it had been very well received, but that the Ministry of Finance was seeking some way to arrive at concrete terms. I informed you that I had told M. Baumgartner that it would be best not to seek too rigid an arrangement. M. Baumgartner promised to try to influence M. Auriol in this direction. You stressed the point that we must arrive at an agreement on general principles first. I told you how surprised and favorably impressed the officials of the French Ministry of Finance had been by your quick response. They noted that your cablegram was filed at midnight, and M. Auriol thought it was a good sign that you people should be working so late in an endeavor to move towards an understanding with the French. While I was with the Minister of Finance, he talked by telephone with M. Blum, the Premier of France, and the latter asked that his greetings be conveyed to the President and to yourself.

The Minister . . .

The Minister of Finance desired to discuss your message with his assistants before giving me any further message to send to you. M. Baumgartner told me that M. Monick had delivered the text of the French draft document to Sir Frederick Phillips, Undersecretary of the British Treasury, on the evening of September 9.

In my cablegram No. 847 of September 10, 1 p.m., I invited to your attention one sentence in your message No. 342 of September 9, 12 midnight, which I thought was in error. Your cablegram No. 343 of September 10, 1 p.m., made the necessary correction, which I telephoned to M. Baumgartner at 10 a.m. on September 11. When talking to M. Baumgartner on this occasion, he told me that the Minister of Finance was studying carefully your message, but would probably await news from M. Monick as to the reaction of the British to the French proposal before calling me to the Ministry again. I suggested at that time the desirability of seeing how far we were all in agreement on general principles before raising questions of detail. When I had delivered your message to the Minister of Finance on the preceding day, M. Auriol had quickly remarked that it revealed that the French and Americans were in agreement on general lines. M. Baumgartner told me that he was following out my suggestion and was using his best efforts to influence the Minister to be satisfied with an arrangement less specific and rigid than M. Auriol's juridical mind would normally seek.

As reported in my cablegram No. 859 of 7 p.m.,

September . . .

September 11, the French Financial Attaché in New York, M. Jean Appert, called on me that day and let me know that he would sail for New York September 17 on the S/S PARIS. In the same cablegram, I told you that if the three principal Powers might reach an agreement on the French currency alignment proposition at an early date, M. Baumgartner was of the opinion that Parliament would be convened ahead of the regular date, which was provisionally understood to be October 22, to pass the necessary law. It would be planned to put an embargo on the export of gold immediately before or simultaneously with the announcement of the special session of Parliament.

At 6 p.m. on September 14, I informed you through my cablegram No. 865 that M. Baumgartner had told me that afternoon that the British reply to the French draft document had been received by M. Monick, who was bringing it to Paris that night for study by the Ministry of Finance the following day. The Bank of England had also been informed of the course of the negotiations and had sent to Paris its officer in charge of foreign business, Mr. Cobbold, who was discussing the question with M. Fournier, Under-governor of the Bank of France. The Minister of Finance again transmitted to me, through M. Baumgartner, his appreciation of the promptness with which you had provided the American reaction to the French proposal, and of the frank spirit of cooperation which he found evidenced therein. He regretted that there was some delay . . .

delay in the proceedings, but thought it best to await the British reply before going any further.

On the morning of September 15, I received your cablegram No. 348, filed at 11 p.m., September 14, wherein you gave me a paraphrased summary of a secret note transmitted to you by Sir Warren Fisher, through the British Chargé d'Affaires at Washington, giving the British reaction to the French draft proposition. You left it to my discretion to pass on to the French Treasury all or a part of the paraphrased text of the British note to you under reference. At 11:45 a.m., September 15, I therefore called upon M. Baumgartner, informed him of your message, and left with him the paraphrased summary of the British note as incorporated in your cablegram. At 2:15 that afternoon, you telephoned me at my home. You referred to the message which you had sent me the night before, namely, that paraphrasing the summary of the secret note from Sir Warren Fisher. I told you that I had called on M. Baumgartner during the forenoon and had communicated the essential parts of your message to him. M. Baumgartner had told me at that time that they had not yet received the text of the British reply but that, as soon as M. Monick arrived in Paris, he would present our communication to M. Auriol, together with the original text of the British reply.

I reported the foregoing to you in my cablegram No. 870 of September 15, 1 p.m. I added that M. Baumgartner was convinced that we were all in agreement

as to . . .

as to motives and intentions. His problem was still that of convincing the Minister of Finance that the American and British replies offered sufficient basis for developing the French case for unilateral devaluation in a form that could be accepted by the French public as a realization of international "monetary peace." The French political situation on this date was quite tense, as a result of labor difficulties, and Minister Auriol did not desire to give the public, and particularly the Communists, a reason, through undisguised devaluation, for rioting and perhaps upsetting the Government.

At 12 noon on September 16, I cabled you that M. Baumgartner had told me that morning that Minister Auriol was not likely to communicate with us before the following day since Cabinet meetings had prevented him from studying the message which M. Monick had brought from London. You telephoned me at 1:50 that afternoon at the Embassy, inquiring about the general situation and as to whether the French had anything to say to us after receiving the British reply. I gave you the substance of my message sent at noon.

On September 17, I cabled you (see my No. 882, dated 3 p.m.) that M. Baumgartner had telephoned me at 4:30. He said that Sir Frederick Leith Ross, Economic Adviser to the British Government, who was in Paris for two or three days returning from Geneva to London, was calling to see the Minister of Finance at 6:30 that evening. The Minister desired that I call at 7 to

receive . . .

receive from him a proposal for a "joint declaration."

At 7:15 that evening the Minister of Finance handed to me the document in question. I returned with this to the Embassy, where I translated it into English. I then took the translation to the Ministry of Finance, where M. Rueff checked it with me. The translation was then cabled to you at 9 p.m. on September 17, under serial No. 884. Before handing the document to me, in the presence of MM. Baumgartner, Rueff and Monick, the Minister of Finance delivered a really impassioned plea for our acceptance of this declaration, and asked me to do what I could to hasten the matter. The Minister favored the idea of a joint declaration as better evidence of cooperation and more effective than three simultaneous but somewhat different declarations. He sought a joint declaration over the names of the heads of the Governments and the heads of the Treasuries of the three Powers. He thought that other countries would quickly join in a declaration of this type, which he deemed a proper foundation for a monetary peace upon which could be built economic peace and, finally, political world peace. The Minister said that he was yielding on two points that the French had originally desired. The first of these was the point of a signed contract. He reminded me how dear such a document always is to a Frenchman, but he said he was willing to trust in the loyal cooperation of the Americans and of the British without insisting upon the more formal arrangement which he had originally proposed. . . .

proposed. The other point was in regard to fixed limits for pre-stabilization fluctuations of currencies. The Minister had sought as definite an arrangement as might be possible in order to overcome French fears that results of a second devaluation might be illusory or that this might lead to a whole series of devaluations constituting a downward race. When I was at the Ministry, my friends there were somewhat cheered up by news of the settlement of the Lille strike that evening, but they were all anxious for speed in the devaluation arrangement. One copy of the French draft of the proposed declaration was delivered to the British Treasury in London on the evening of September 17, and another copy handed to Sir Frederick Leith Ross, who was remaining in Paris until September 19.

At 11:45 on the night of September 17, you telephoned me at my apartment. You said that President Roosevelt was leaving the city on the 11 o'clock train that night, and you asked if the message containing the proposed declaration could be received at Washington in time for the President to see it. I told you of the receipt and of the despatch of the draft declaration. You asked my opinion of the draft. I told you that I thought it was rather good from a technical standpoint but that there were certain phrases which might make it difficult to approve in its entirety, especially from a political angle. You were good enough to express your satisfaction with the manner in which negotiations had progressed. You asked within what time a reply would be expected by the French from you. I told you
that . . .

that I had given them no promise other than that I would cable the message to you the same night it was received and would let you know that they were interested in hastening the matter.

At 3 p.m. on September 18, you telephoned me at the Embassy. You said that you had spent three hours the preceding night studying my message and that Ambassador Bullitt had participated in the group whom you had consulted. You said that you were terribly disappointed in the French draft and that you wanted me to tell the French how you felt. You said that there was no use trying to provide an answer to the draft as received by you. You suggested that the French redraft the document and you asked if there was anyone here who could help them draft with a view to meeting American political sentiment. I reminded you that I had transmitted only a literal translation of a draft which was purely French, and that it was up to us to indicate whatever changes we might desire. We naturally expected the French to draft from a French viewpoint. I had not presumed to participate in the drafting. The whole idea of the exchange of drafts was to permit each government to indicate its own ideas and to work towards the incorporation thereof in the official document.

You took objection to the draft because it referred to an eventual return to an international gold standard. You said this would have to come out. Furthermore, you remarked that the document commenced

as if . . .

as if it were a treaty. The whole thing was in such form that it would not go with the American public. It was too much for French consumption. You wanted the reference omitted to improving the standard of living of all social classes. You insisted that you were as anxious as ever to be helpful and that you wanted to see an agreement reached. You said that by noon on Saturday, the following day, you hoped to be able to give me a cablegram containing definite suggestions. In the meantime, you wanted me to talk over certain points with the French. In answer to your inquiry, I told you that the French had not yet received any reply from the British. In my conversation with you, I endeavored to make the point that I was convinced that I could procure French agreement to any reasonable draft which we might propose, but that it was up to you people in Washington to indicate your ideas.

You recapitulated the main points which you desired that I take up: (1) entire elimination of return to the gold standard; (2) revision of the introduction so that the declaration would not be a joint declaration but a declaration made simultaneously by each country, with wording somewhat like this: "The Government of the United States, after consultation with the Governments of France and of Great Britain, declares, etc.;" (3) removal of the sentence in regard to the improving of the standard of living of all social classes; and, finally, (4) indication by the French, if they care to do so before we proceed further, of the percentage they . . .

they had in mind for devaluation of the French franc. In conclusion, you asked that I have Mr. Wilson, the American Chargé d'Affaires at Paris, present while talking on the telephone with you, since the Department of State had thought that this matter was becoming highly important and that Mr. Wilson should be consulted. I explained to you that I had kept Mr. Wilson currently informed and had shown him all messages, and Mr. Wilson spoke to you over the telephone to the same effect.

One hour after you telephoned me, I saw M. Baumgartner, at 4 p.m. At 5:30 p.m., I put in a telephone call for you to report my conversation. Mr. Wilson was at the Foreign Office when I put in the call but was present towards the end of our conversation, and when you asked me whether Mr. Wilson had anything to say, the latter asked me to reply in the negative. After my return from the Ministry of Finance and before I had succeeded in reaching you by telephone, M. Baumgartner telephoned me asking that I stress the emphasis which the Minister of Finance placed upon the desirability of a common text for the declaration. After I had spoken with you, he again telephoned, asking that I continue to press this point.

In my message No. 892, sent at 10 p.m. on September 18, I confirmed the report of my above-mentioned conversation with M. Baumgartner which I had given you over the telephone. I told you that M. Baumgartner felt that most of the points which you had instructed me

to . . .

to raise could be set by the French. He reminded me that it was a purely French draft and that they would welcome suggestions as to rephrasing with the view to achieving a common declaration which would be fitted for domestic consumption in each of the three countries.

After I made known your views to M. Baumgartner, he consulted the Minister of Finance and then telephoned to me. He said that if the form of proposal which you suggested was to be accepted, the French must then essentially insist upon a common text. The Minister agreed with M. Baumgartner that it might be an advantage to the French to omit any reference to an eventual return to the international gold standard. On this occasion, M. Baumgartner explained to me that the French would probably follow the Belgian system in devaluing. That is, the Government would seek from Parliament at a special session authority to revalue the franc within certain limits, and legislation creating an exchange equalization fund. M. Baumgartner indicated to me the limits that would be recommended, that is, in percentage of devaluation of the present franc, and also translated such percentages into terms of francs to the pound. He said Leith Ross had said that the lower limit could be accepted by the British but he thought that the latter might be nervous if the rate moved toward the upper limit of devaluation. In my cablegram, I did not set down these highly confidential figures, although I had given them to you by telephone. . . .

telephone.

When I asked M. Baumgartner whether they could disclose at that time the rate of devaluation which they anticipated, he said that they would probably seek authority to fix by decree a new gold value for the franc within the limits of from 24 to 32 per cent less than the old franc. The mean average would be a 28 per cent devaluation. The 24 per cent cut would mean about 100 francs to the pound, and a 32 per cent cut about 110 francs to the pound. The average would be between 104 and 105.

In my conversation with M. Baumgartner, he informed me that Mr. Neville Chamberlain, the Chancellor of the British Exchequer, would not be in London for consultation with his assistants before the following Monday, so that the French could expect no British reply before that day. M. Baumgartner said that they, of course, had no objection to our consulting with the British if we wished. He hoped that agreement on a common declaration could be reached early the following week so that the complete monetary operation might be consummated before the end of the week terminating September 26.

On September 19, I cabled you (see my No. 893 of 11 a.m.) that M. Baumgartner had telephoned me during the morning that Sir Frederick Leith Ross had indicated that certain revision in the phraseology of the French draft would be required before it would be suitable for the British public, and that he also objected to the inclusion of the reference to an ultimate return to an international . . .

international gold standard.

At 10:25 on the night of Saturday, September 19, the code clerk of the Embassy telephoned me at my home to the effect that a long message was being received from Washington for me. I came to the Embassy, where we worked on the deciphering of the message until 1:15 a.m. I had telephoned M. Baumgartner at his house at 11 p.m., as previously agreed, to let him know that a message was being received, and we arranged that he should call at the Embassy at 10 o'clock Sunday morning, September 20, to see the text.

M. Baumgartner called at the Embassy at 10 a.m. Sunday, September 20. I read to him your cablegram No. 359 of September 19, 2 p.m., and gave him a copy of the American draft declaration. M. Baumgartner departed to keep an 11 o'clock appointment with M. Monick. He was then to find Minister Auriol at St. Cloud for a conference before M. Monick left at 3 o'clock that afternoon for London.

At 10:30 on Monday, September 21, I telephoned to M. Baumgartner two minor corrections which had been made in the text of the American draft as received and delivered to him on the preceding day. During the day of September 21, M. Baumgartner telephoned me three times to give the first reactions of the Minister of Finance to the American draft. M. Baumgartner let me know that they could not give me definite reactions, awaiting a reply from London which had not arrived by

4:45 . . .

4:45 that afternoon. The Minister's first reaction was good, and he appreciated the effort which you had given to help achieve an understanding. He was especially pleased with the first and last paragraphs of your draft. He would like to soften somewhat the sentence about each Government's looking out for its own national prosperity. That is, he would prefer not to have this as a single sentence but following after some preface as "to close collaboration, but it being, of course, understood that each Government reserved its rights, et cetera." There was nothing really serious in his objections. He would still like something incorporated about breaking down the restrictions and barriers to trade and some mention that this agreement would serve as a starting point in that direction. He would also like something about checking capital movements. Likewise, he desired an expression upon cooperation between Treasuries and Central Banks. I had explained to M. Baumgartner that our expression as to cooperation between Governments was really more inclusive and important. Furthermore, there was a question as to how far Governments could pledge cooperation between their Central Banks, which have a certain independence. The French saw these points but still indicated a desire to see some reference included as to "close cooperation between monetary authorities," in addition to the pledge of cooperation between the Governments.

At 5:30 p.m. on September 21, I talked with you by
telephone . . .

telephone. I summarized the above-indicated French reactions. In referring to the French preference for certain paragraphs of the declaration, you said that you were particularly fond of the fourth paragraph. I let you know, in this connection, that the French clearly got the point of this paragraph, seeking collaboration of other nations and discouraging unreasonable competitive exchange advantages. When you talked to me you were at Beacon and told me the President was at Hyde Park. At this time you instructed me to have a special telephone placed in my apartment as soon as possible for long distance use and asked me to cable you the number thereof as soon as installed.

At 5:55 p.m., September 21, I talked with MM. Baumgartner and Rueff. They said Mr. Chamberlain would not be back in London until the following day. They added, however, that M. Monick had talked with the Chancellor's assistants and had found their reaction good.

At 4 p.m. on September 22, President Trip of the Netherlands Bank telephoned me from Amsterdam to the effect that he would arrive in Paris at 5:10 p.m., Wednesday, September 23, to repay Governor Labeyrie's call. Dr. Trip planned to go to the Bank of France at 11:30 Thursday morning, where he would remain for luncheon, and he made an appointment to see me at 9:30 on Thursday morning.

At 4:30 on the afternoon of September 22, M.

Baumgartner . . .

Baumgartner told me that Mr. Chamberlain had not yet returned to the British Treasury and that M. Monick could not see him, therefore, before late in the afternoon. It was understood that M. Baumgartner would communicate with me later that night if any report was received from London and if the French had any message for us.

M. Baumgartner asked me to call at the Ministry of Finance at 6 o'clock on the evening of September 22. He informed me that no reply had yet been received from the British but that Mr. Cobbold of the Bank of England was in Paris conferring with the Bank of France. Among the questions raised by Mr. Cobbold, the most important one was that as to how the Stabilization Funds of our three countries would operate in case the transaction on which we were working might be consummated. The particular question was that as to whether the American Stabilization Fund would be willing on the basis of reciprocity to yield gold to the Stabilization Fund of France in exchange for dollars which the French Fund might acquire. M. Baumgartner anticipated that the Undergovernor of the Bank of France would ask me to call upon him to discuss this question. When I asked M. Baumgartner what the French attitude would be towards yielding gold to the British and American Funds in case one of us purchased francs and desired gold after the franc had once left the gold standard, he replied that the French Fund would be willing to cede gold on a reciprocal basis.

At . . .

At 7 o'clock, M. Cariguel telephoned me from the Bank of France, asking that I call on Undergovernor Fournier the next morning at 10 o'clock. I put in a call for you at 6 p.m. on September 22 and obtained a connection with you at Bescon at 7 p.m. I summarized the information above given (which was forwarded in my messages Nos. 904 and 907, dated 5 and 8 p.m., respectively, September 22). I let you know that M. Baumgartner had spoken to me about the unsatisfactory state of the Paris exchange market and had regretted that the sudden return of M. Paul Reynaud to France from the Harvard celebration was spoiling the period of calm within which France had hoped to finish its arrangements for devaluation. M. Baumgartner had said that while no final report had been received from M. Monick, since the latter was still conferring with Chancellor Chamberlain when M. Baumgartner talked with me, the initial report was to the effect that the British were more disposed to accept the American draft of a common declaration as a basis than they were to utilize the French draft.

At 9:45 a.m. on September 23, President Trip telephoned me from the Netherlands Bank at Amsterdam to let me know that Governor Labeyrie had asked him to change his luncheon date from Thursday to Friday. Consequently, Dr. Trip would arrive in Paris one day later than above indicated, and would call on me between 9 and 10 o'clock on Friday morning.

At 10:15 on the morning of September 23, I called

on . . .

on Undergovernor Fournier at the Bank of France, who raised two questions. The first of these was as to whether the United States Stabilization Fund would be willing to yield gold to the French Stabilization Fund on a reciprocal basis. He insisted that the French Fund would not want to make the error which the French made in 1926 of building up tremendous holdings of foreign exchange, and would be disposed to convert promptly into gold the dollars or sterling which it might acquire in its stabilization operations. In our conversation the Undergovernor spoke of a possible devaluation of from 25 to 33 per cent of the current franc. As to the second question, M. Fournier explained that if an international agreement could be reached for announcement on the night of Friday, September 25, there would be a period, beginning with Saturday and probably terminating on Monday, in which Parliament would be assembling and legislation be considered. During this period of uncertainty, the French would appreciate it if the American and British markets might be closed. After talking with Undergovernor Fournier, I subsequently talked with Governor Labeyrie. The latter raised the question as to whether the Bank of France should communicate with the Federal Reserve Bank of New York in regard to technical cooperation. I told him that for the time being negotiations were handled entirely in Washington and that they should use present channels until they received further suggestions from us. Both the Governor and the Undergovernor impressed upon me the necessity . . .

necessity for haste in view of the nervous condition of the French market.

I dropped in to see M. Cariguel as I was leaving the Bank, since he had been consulted by the Governor and the Undergovernor before I arrived. When I told M. Cariguel of my reluctance to recommend that our markets be closed lest this might cause undue alarm, he personally and unofficially suggested that we might give our word that the Treasury or Federal Reserve would ask the important American banks to refrain from trading in the French franc and possibly other currencies during the period under reference. He thought effective cooperation could be obtained in this manner without upsetting the American public.

During my visit with M. Fournier I had asked him whether the French had yet notified any other countries of the negotiations under way. He replied in the negative but added that as soon as agreement might be reached on the declaration by the three powers, the French would send three agents to the Netherlands, Belgium and Switzerland to inform the monetary authorities respectively as to the declaration, and to solicit these countries to join the plan.

A message, No. 908, giving the above information was sent out from the Embassy under date of 1 p.m., September 23. At 12:30, you had telephoned me at the Embassy. You let me know that on the preceding evening at 5 o'clock, a reporter from the WALL STREET JOURNAL had disclosed at the Treasury in Washington that his paper . . .

paper had received a cablegram from Paris or Geneva indicating that certain details in regard to our negotiations might have been learned. (As it turned out, nothing was published insofar as I am aware, although it was at this time that a League report was announced which recommended action in the international monetary field somewhat along the lines of that actually being negotiated.) I summarized to you my conversations with Undergovernor Fournier and with M. Cariguel, as set forth in my cablegram No. 206 of 1 p.m. You asked me to find out what information, if any, M. Paul Reynaud had actually had of negotiations towards French devaluation while he was in the United States and whom he had seen while there. You told me that we could have an answer the first thing on the following morning to the two questions which Undergovernor Fournier had raised. You were quite sure that this answer would be favorable on the gold question. Likewise, you would be in favor of asking the banks to refrain from exchange operations, although the closing of our markets was not to be considered. In our conversation you told me, speaking from your farm at Beacon, that you were entirely satisfied with the manner in which the negotiations had been conducted at this end. Incidentally, you mentioned the possibility of Mr. Butterworth's resuming Treasury work on your terms.

At 3:20 p.m., September 23, M. Baumgartner telephoned me to say that they were still having conversations with
the British . . .

the British in London, through M. Monick. He said that they would call me again around 4:30. I told him of the WALL STREET JOURNAL affair and suggested speed. I gave him my personal ideas, as far as M. Fournier's inquiries were concerned, and said that an official answer would be expedited.

At 5 p.m., September 23, Dr. Pennachio, representative in Paris of the Bank of Italy, telephoned me. He said he had just returned from Rome. He was interested to know whether stories current in French financial circles and attributed to M. Monick, to the effect that the latter had obtained assurances from the American and British in the event of French devaluation, were correct. He also let me know that a story was current here that Sir Frederick Leith Ross had come to Paris to consult with M. Paul Reynaud.

At 8:25 p.m., September 23, I telephoned M. Baumgartner, who said M. Monick was still in conversation with the British Treasury. A reply from him was expected at any time. M. Baumgartner would telephone me as soon as he heard. He gave me his private telephone address in order that I could communicate with him in case of need. At 10 p.m., I cabled you (my No. 913) that the Minister of Finance and M. Baumgartner had been in conference with Premier Blum during the day and were also in telephonic communication with M. Monick, who was still negotiating in London with the British Treasury. I let you know that up until 10 o'clock they had received no word to pass on to us.

I . . .

I remained late at the Embassy on the night of September 23 to receive any word which the French Ministry of Finance might be able to give me. M. Baumgartner telephoned me at 10:40 p.m. to the effect that M. Monick said that the British were somewhat distrustful lest the American and French Stabilization Funds might achieve the result of placing the pound actually on a gold basis, and that to escape therefrom the British might have to let the pound slip. M. Baumgartner said that there was, of course, no such intention. M. Monick was to talk with the Treasury again that night and M. Baumgartner agreed to call me between 11:45 and midnight. He said the British wanted to weaken the text of the declaration to provide for "greatest stability possible." At 12:10 midnight, I telephoned M. Baumgartner's office, and his Secretary told me he was still in the Ministry and would call me back when he returned to his office. M. Baumgartner telephoned at 12:40 midnight to say that the new British text (new but based on the American) had been received. There were some passages in it which the French could not accept, but he thought the British would remove these. He said that he would give me the definite proposal of the Minister of Finance at 9:30 the following morning and hoped that we could get a reply back to him in the afternoon.

I put in a call for you at Beacon, N. Y., at 12:45 and got connection with you at 1:15 a.m., September 24. I told you that I would cable you the text of the

English . . .

English declaration early that morning. I asked where I could telephone you since the French would like an oral reply, if possible, the same afternoon. You made the point that the French had been slow in the negotiations and that they were now wanting to rush us. You asked that I insist on knowing the rates and the definite terms of the devaluation which the French were proposing. You asked also that I remind them that the Hoare-Laval agreement had been released prematurely. During our conversation, you expressed the opinion that it seemed to you impossible for us to finish our negotiations by Friday.

On the morning of September 24, I called on M. Baumgartner at the Ministry of Finance at 9:30, the time we had fixed the previous evening. While I was with M. Baumgartner, he was in a telephonic conversation with M. Monick at London. I was obliged to wait until 11 o'clock before M. Baumgartner could hand me the document which I had called to receive. Since this was in French, I translated it and returned to the Ministry of Finance, where M. Rueff checked the translation with me. The document under reference constituted a compromise draft of a declaration which the French had drawn up after receiving the British draft on the previous evening. The French had found the British draft unacceptable on several points. Although the British had not at the time accepted the compromise draft which was handed to me (and which was only telephoned to M. Monick at London while I was at the Ministry . . .

the Ministry, for submission to the British Treasury) I cabled you my translation of the document at 12 noon on September 24, under 915.

While I was at the Ministry of Finance at noon of September 24, M. Rueff mentioned to me a British proposal for Anglo-French cooperation in the management of their respective Equalization Funds. I told him that this interested me very much and requested an English copy of the proposal. This was received and cabled to you under No. 917.

You telephoned me at 12:30 at the Embassy. I gave you the information in regard to the receipt of the French compromise draft and also the proposed working agreement between the Equalization Funds which I had cabled. While Rueff had indicated that the British proposal in regard to this working arrangement had been accepted by the French, M. Baumgartner insisted to me that final acceptance would await the termination of all of the details of the three-cornered alignment agreement.

While seeing M. Baumgartner at 10:30 a.m. on September 24, I obtained from him definite figures in regard to the devaluation which France proposed. These figures were incorporated in my cablegram No. 916 of September 24, 6 p.m. The range of devaluation envisaged a cut of between 25 and 34.35 per cent in the franc. It will be noted that such devaluation was more extensive than that originally suggested to me by the French, namely, from 28 to 32 per cent.

While . . .

While talking with you at 12:30 noon, I gave you the data with respect to rates. Just after I had finished speaking with you, M. Baumgartner telephoned me that M. Monick reported that the English were nervous over public sentiment. The French gained the idea that Mr. Chamberlain was being especially cautious in his steps. While he was not afraid of the pound depreciating unduly, he wanted to be very careful, lest something might happen which would interfere with his alleged ambition to become Prime Minister.

At 7:30 on the evening of September 24, M. Baumgartner handed to me at the Ministry of Finance a text in English of a declaration approved by the British, after studying the French compromise draft which I had submitted in translation in my No. 915 of September 24, 12 noon. I cabled this latest draft of the British to you at 9 p.m., under serial No. 920. In order that you might have also a French translation of this declaration, it was arranged that M. Baumgartner should cable such a text to M. Appert, the Financial Attaché in New York, with instructions to take this at once to Washington for delivery to you. Mr. Cobbold of the Bank of England arrived in Paris at 9:30 on the evening of September 24 to be available for the discussion of technical cooperation between the Banks of England and of France and their respective Equalization Funds. At the Ministry of Finance, on the night of September 24, M. Baumgartner told me that M. Spinasse,
French . . .

French Minister of Economy, had gone to Bern, and H. Rueff to the Hague, to inform the Swiss and the Netherlands Governments, respectively, of the trend of the negotiations. A third French official was in Brussels for this purpose. It was still hoped that agreement between the three powers might be reached in time for announcement Friday night so that Parliament could be called at once.

At 9 p.m. on September 24, I put in a telephone call for you at Beacon, but reached you in Washington. I read twice to you the text of the British draft declaration which I had cabled under serial No. 920. We discussed the possible hour for the release of the announcement of agreement if this might be consummated. Since the New York Stock Exchange would not be closing until the equivalent of 3 o'clock Paris time, it was suggested that the release should be made at 3 o'clock Washington time, at your Press Conference, and at 9 o'clock Paris time. You reminded me that the question of rates and of the reciprocal yielding of gold had not yet been settled. You told me that your office was filled with economists, lawyers, one banker, one farmer and one lady. I told you that I was alone, unbothered. After I had given you the text of the British declaration, you said you would call me back in one hour.

I telephoned M. Baumgartner at 10:40 p.m. and told him of the conversation which I had just had with you. I asked him to confirm one word in the British draft, namely, "relax." He told me that the British

were . . .

were satisfied to drop the idea for a special preamble which they had held for a while. I had not forwarded the British preamble to you since the French had been adamant against accepting it. M. Baumgartner was anxious to inform the Dutch and the Swiss as soon as we might indicate whether we were willing to accept the British text. I told him that you were to receive an official from the British Embassy, presumably conveying a message from the British Treasury, including the British draft, and that you would telephone me back after this meeting. You had told me that you stressed the question of yielding and receiving gold and the question of the dollar rate versus sterling and the franc more than you did the text of the declaration. I told M. Baumgartner that I would let him hear from me as soon as you might call. He said that M. Fournier, Undergovernor of the Bank of France, was drawing up, in accordance with an informal request which I had made repeatedly during the preceding week, appropriate regulations to protect American banks which might be operating in gold shipments from Paris at the date that the prospective embargo was imposed. M. Baumgartner agreed with your suggestion that the release of the agreement should be fixed for 9 o'clock Paris time.

Your telephone central advised me at 1:20 that your call would not come through until 3 a.m. at my home. M. Baumgartner had telephoned me at 11:45 p.m. that he was going home. If any news was received from
you . . .

you before 12:45, he desired that I telephone his assistant at the Ministry of Finance. When you called me at 3 a.m. at my home, it was confirmed that we were in agreement with the French on the hour for the release of the agreement. The British Embassy official had delivered to you the text of the British draft, and the word "relax" was confirmed. I told you that appropriate arrangements were being made to protect American banks dealing in gold in France. I let you know that the French were waiting to hear from us so that they could inform the Swiss and Dutch.

You told me that the British Embassy officials had called on you at 7:30 p.m. that evening, bringing with them four cablegrams, the last one of which had reached Washington only at 7 p.m. This included the British draft declaration. You let me know that you had told the British that before you could reply to this last draft you would have to have an understanding on the dollar-sterling rate. You took it for granted that the British Treasury wanted the rate continued as at present, namely, from 4.90 to 5.10. In numerous conversations which you had had with Mr. Bewley, the British Treasury Attaché in Washington, you had understood that there was no objection to this rate. You told me that you had not had time to check the draft received from the British with that which I had telephoned to you. You said that the important point now was to learn whether your understanding of the sterling-dollar rate was correct. You let me know that

you . . .

you had informed the British that you were passing on all of this information to me. You affirmed that the President was backing your position entirely. You also told the British that all through your recent conversations you thought that they had had in mind a five-dollar pound. They had frequently intimated that they were satisfied with the existing rate. You let it be known that a telephone call from the Chancellor of the Exchequer would be welcome. When I was telling you of the arrangements that had been made to safeguard the interests of any American banks in Paris which were operating in gold that might be caught by the embargo, you mentioned that the Federal Reserve Bank of New York had 150 thousand dollars on deposit in a "complimentary" account with the Bank of France, concerning which the Federal Reserve officials were very much perturbed. I asked whether or not this was really flight capital. You requested that I tell the French officials that you were "sitting tight" until the British communicated with you on an understanding of the dollar-sterling rate. I told you that I would be seeing the French at 9:30 that morning. In closing, you said that Mr. Chamberlain had received a personal message from Premier Blum asking him to hurry his answer.

President Trip of the Bank of the Netherlands called at the Embassy at 10:20 a.m., September 25. He was due at the Bank of France for a conference at 11:30, to be followed by a luncheon. He had received absolutely no word of the tripartite monetary negotiations. When
the Governor . . .

the Governor of the Bank of France informed him in the premises at the luncheon, Dr. Trip made immediate plans for departure for Amsterdam by aeroplane and left Paris at about 2 p.m. M. Rueff had gone to the Netherlands the previous day, but had stopped at the Hague, where he was to establish contact with the Dutch Ministry of Finance. Dr. Trip had proceeded from Amsterdam to Paris, crossing M. Rueff. I understand that the Bank of France officials informed Dr. Trip that they had endeavored to get into touch with him at Amsterdam to prevent his coming on to Paris when they realized that an agreement for Friday night was approaching.

I called on M. Baumgartner at the Ministry of Finance at 10 o'clock on September 25. I told him of our conversation of 3 o'clock that morning, and I let him know that you were seeking clarification of the dollar-sterling cross rate from the British Treasury before proceeding further with the agreement. While I was still with him, M. Baumgartner telephoned M. Monick at London to have him urge upon the British the necessity of meeting our request. At 1:00 p.m., M. Baumgartner telephoned me that M. Monick had received from Mr. Waley of the British Treasury, the clear impression that Mr. Chamberlain would give you assurances either by telephone or by letter, or possibly both, but the probable terms of such assurances were not revealed. Toward noon, Undergovernor Fournier of the Bank of France telephoned me to say that it was becoming urgent . . .

urgent that he begin communicating with our officials at the Federal Reserve Bank of New York in regard to technical cooperation. In reply to his query as to whether we were yet in a position to answer the points which he had raised earlier in the week about yielding gold and closing markets, I told him that nothing could be said until a point which we had up with the British was settled.

At ten past one, you telephoned me at the Embassy. I gave you the developments of the morning, as reported in my cablegram No. 921 of September 23, 2 p.m. You mentioned that MM. Williams, Knoke, Viner and Feis were with you and that the State Department was being kept fully informed of all developments. You asked me to find out how big a Stabilization Fund the French planned to set up.

You reiterated your desire to be helpful and your sympathy with the French situation. You insisted, however, that you must await word from the British and then communicate with me further. You asked that I give the Minister of Finance your warmest regards. You reminded us that you had been of aid to the Bank of France previously and you wanted to be helpful to the French Government again. You mentioned that Mr. Knoke had had a telephone message from M. Cariguel and that you were making arrangements to support the franc market on New York, using French gold already in the United States.

I had received on the morning of September 24 your
message . . .

message No. 367 of September 23, 12 midnight, setting forth a provisional draft of a statement which you might make with respect to gold dealings offered on a reciprocal basis by the American Stabilization Fund in the event that the tripartite agreement was consummated. This I held confidential.

I kept in touch with the Guaranty Trust and other banks during the day of September 25, which witnessed a tremendous run on the franc. The cabinet meeting was scheduled for that evening and the rumor was circulating that devaluation would be decided upon. Everyone was, therefore, nervously awaiting the outcome of this meeting.

At 1:45 p.m., I telephoned M. Baumgartner of my conversation I had had shortly before that hour with you. M. Baumgartner asked me to express to you, when next speaking with you, his Ministry's deepest appreciation of the cooperation and attention which you were giving this matter. In view of the urgency for speed, it was hoped that you might suggest a minimum of changes in the British draft text of the declaration, contained in my 920, September 24, 9 p.m.

Later in the afternoon, M. Baumgartner telephoned me, requesting that I come to see the Minister of Finance. When I reached the Minister's office at 4:15 p.m., he was quite nervous because no reply had been received from the United States. He said he was already overdue at a cabinet meeting, at which it was to be his duty to make known to his colleagues the plan for devaluation,

to be . . .

to be carried out that night, and to prepare for the special calling of Parliament. I told him that I had talked with you shortly after noon and that you were still waiting for word from the British. He asked if I would not put in another telephone call to you. I offered to go back to the Embassy to do this. M. Auriol insisted, however, that the call be placed from his office and that I remain with him. I told him that it would take perhaps 40 minutes to get the call through and that this would make him quite late for his Council meeting, but I yielded to his insistence, and the call was made by the Ministry of Finance to you.

While at the Ministry of Finance with MM. Auriol, Baumgartner and Rueff, I was provided with a summary which had been telephoned to them by M. Monick from London of the cablegram which the British were presumably sending to Washington in reply to your request for clarification of the dollar-sterling cross rate. I took down the following notes of this summary, which did not presume to be the verbatim text:

"(1) The Chancellor of the Exchequer recalls that he has no legal authority (means) to fix the pound within gold points. Furthermore, the principle 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 eventuality has been many times envisaged (M. Monick had intimated that while no precise allusion . . .

allusion to \$4.86 was made, the Chancellor presumably had this figure 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."

When I got connection with you on the telephone, I told you that I was in the Ministry of Finance, at your French colleague's desk, and that he asked that I transmit to you the following declaration:

"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 wise on its side to depreciate its money beyond the limits which will be sought in the monetary law (as vis-a-vis the dollar). It thinks that the simultaneous declaration, despite the reservation which each country has been obliged to make, to take account of its
public . . .

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 (since 4 o'clock) in session. M. Auriol extends his warmest personal greetings to Mr. Morgenthau."

After giving you this message, I explained that while the French did not desire to mix in our sterling-dollar cross-rate question, they were having a most difficult time, following the frantic day on the market and the important Cabinet meeting which was in session. The gold losses had been so heavy that they would have to take a decision that night. If an agreement could not be reached with the American and the British before morning, it would be necessary to place an embargo on gold. I let you know that they had lost perhaps 800 million francs of gold during the day. I told you that the Stabilization Fund which they proposed to set up would amount to 10 billion francs. You asked me to reassure the Minister of Finance of your sympathy and desire to cooperate, but to let him know that you had to await the direct message from the British. It was agreed that I should return to the Embassy, where Mr. Lochhead of your office, or some other official, would telephone me any amendments which you desired to
make . . .

make in the British draft text if this should be adopted as the basis for a final agreement. I was to be back at the Ministry of Finance by 8 o'clock, when you were going to call us. I, therefore, proceeded to the Embassy, but no call arrived from you while I was there. At 8 p.m. I sent cablegram No. 924 describing the day's operations on the Paris exchange market. I also talked by telephone to M. Cariguel at 7 p.m. He said that he had given an order to the Federal Reserve Bank to hold the franc on the New York market that evening. He had also asked American cooperation toward suppressing quotations of the French franc on the New York market on Saturday morning and until after the French Parliament had enacted the legislation necessary for devaluation of the franc. The British had requested their banks not to quote the franc before Tuesday morning at the earliest.

Upon my return to the Ministry of Finance at 8 o'clock, I joined MM. Baumgartner and Rueff in the former's office. It was then planned that the Parliamentary session should begin on Monday afternoon. The declarations in France and England would be given out by the respective Treasuries. When your call came in, your office read to me the changes which you desired to be made in the text of the declaration. I noted this on my copy, and later M. Rueff corrected his copy from mine and had the French translation made. The only correction which could not be accepted was
that . . .

that of referring to "fiscal" rather than "monetary" authorities since the fiscal authorities in France are the tax officials. You had not yet received a final answer from the British. I told you that the French were anxious to have the declaration given out not later than 11 o'clock, if at all possible, since the Minister of Finance had to telephone the President of the Republic before 11:30. You were, I believe, slightly amused at the idea that the President of France could not be kept up later than this hour, considering the importance of the occasion and the reputed practice of Frenchmen keeping late hours. I let you know that the Regents of the Bank of France were scheduled to meet at midnight to decide upon limiting gold shipments, et cetera.

I remained on at the Ministry of Finance, where I checked the French translation of the text as you had revised it. There were only two or three slight differences in phraseology, which I let pass as insignificant. I did arrange, however, for the French to telephone their translated text to the French Embassy in Washington for immediate delivery to you at the Treasury so that you could have the French text before you at the time of the release thereof. M. Monick, at London, was provided also with the French text and checked this with Sir Frederick Leith Ross.

At 10:20, you telephoned that the British had called on you. The message which Mr. Chamberlain had given . . .

given you was not quite so reassuring in tone as the summary which M. Monick had provided the French and which I had telephoned you in the afternoon. You said, however, that you had given the British an answer to Mr. Chamberlain's private communication to you, which you were 98 per cent sure that he could accept. You stated that the last sentence of your note to Mr. Chamberlain read: "The Secretary of the Treasury believes that this is not an obstacle (a 5 dollar pound) which need prevent the issuance of the simultaneous statement in order to carry out a broad, useful and essential action." You told me that your message would be telephoned to the Chancellor and that if he had no objection then you would give your final acceptance to the agreement. You were not ready, in any circumstances, however, to give final approval until you yourself might have a reply directly from the British.

The next two hours in the Ministry of Finance were very tense ones; between one and two hundred press correspondents were outside of the Minister's room awaiting the release which had been promised for 9 o'clock. The Minister had returned from his Cabinet meeting, where he had not been able to put his devaluation proposition definitely but had given his colleagues as clear as possible an idea of what he planned to do and had procured blanket authority to go ahead with the agreement and necessary announcements. A telephone call was received from M. Monick at London, stating
that . . .

that the British had sent a favorable reply to your telephonic message. After this word was received, Minister Auriol asked M. Baumgartner to bring me into his private office, where he expressed to me his great satisfaction that the affair had been terminated. I told him that I must still await word from you directly, and that no announcement could be given to the press before that time. The Minister was quite uneasy lest the news could not be given to the press in time for publication in the morning papers. After a few minutes, M. Monick again telephoned that the British considered everything in order and were preparing to give the notice to the press at once.

At the Minister's insistence, I no longer waited for your telephone call but put in a call from the Ministry for you. When I got connection, I explained the situation to you. You understood that I was under considerable pressure. Since the British had not yet called on you to deliver the message which M. Monick had advised us had been despatched, it was agreed to hold the telephone line open. This facility helped me greatly. I was seated in the chair of the Minister of Finance. With him and his colleagues and assistants pacing the floor of the magnificent Empire salon, in the old Louvre Palace, which he occupies, glancing at their watches, grinding cigarette stubs into the marvellous carpet, and listening to the rumble of voices from the press representatives outside their door, made the situation extremely tense. Finally, you told me that the British had arrived at your office.

We then waited until you had studied the reply. When you let us know that this was satisfactory and that we were in final agreement, there was great relief on the French side. You asked that I put Minister Auriol on the telephone so that you could extend your best wishes to him in French. The Minister took the telephone and exchanged greetings with you. Rueff translated the Minister's remarks. You then told me that everything was clear for giving out the communiqué.

After shaking hands all around, I took leave of Minister Auriol. I had to pass out through the crowd of journalists, but spoke to none of them. The rue de Rivoli in front of the Ministry was filled with taxicabs waiting to carry the journalists to their respective papers or telegraph stations as soon as they might receive the story. I proceeded to the Embassy, where the code clerks were still on duty, and found that while I had been at the Ministry there had arrived the Department's cablegram No. 370 of September 25, 9 p.m., giving the final American redraft of the simultaneous declaration. On checking this over, I found that it was identical in terms with the declaration as I had revised it at the Ministry when Mr. Lochhead telephoned me earlier in the evening from Washington. Much relieved that the affair was finally arranged, I walked to my home from the Place de la Concorde and went to bed at 3 a.m.

At 11 a.m. on September 26, I filed cablegram No. 926, in which I reported that the Minister of Finance had . . .

had received the press at about 1 o'clock that morning and had given to them the French text of the declaration on monetary policy which had been made simultaneously with the American and British declarations. I also included the text of the French official communiqué which announced that the Council of Ministers had approved the terms of a monetary bill for reducing the gold value of the franc to a unit containing between 49 and 43 milligrams of gold 900/1000 fine. The bill provided further that an exchange stabilization fund, endowed with 10 billion francs, should be set up. Pending adoption of the bill by Parliament, the Bank of France was taking the necessary steps to control the franc.

In the same cablegram I reported that the JOURNAL OFFICIAL of Saturday morning, September 26, carried three decrees, dated September 25, issued in connection with the above-mentioned development in French monetary policy. The first decree convoked the Senate and Chamber of Deputies in extraordinary session for September 28. The second decree suspended payment of commercial obligations expressed in gold or in foreign currencies. The third decree provided for the closing of French security and commercial exchanges, beginning with September 26 and up to a date which would be fixed by decree by the Minister of Finance.

In cablegram No. 927, dated September 26, 12 noon, I submitted the translation of a report, as carried in the AGENCE ECONOMIQUE ET FINANCIERE, of the remarks which . . .

which Minister of Finance Auriol made to the press upon the occasion of issuing the declaration of monetary policy. He stressed the importance of the step that had been taken and especially thanked the two friendly Governments for their collaboration, and particularly Mr. Morgenthau and Mr. Chamberlain. He let it be known that the decision to align the franc had followed conversations which had taken place discreetly since the month of June.

At 10:30 on the morning of Saturday, September 26, M. Cariguel telephoned me from the Bank of France. He said that he had heard that the American Consul in Paris was changing dollars on a basis of 23.50 francs to the dollar. He said that this matter had been brought to the attention of the Bank of France by financial concerns. M. Cariguel expressed great surprise that an official office in Paris of one of the three Governments which had the preceding night adhered to the tripartite agreement would the following morning charge a rate of 23.50, when the maximum devaluation anticipated by the monetary bill, whose terms had been announced, was 22.96 francs to the dollar. I promised M. Cariguel that I would look into the matter. He emphasized the bad impression which this story would make if the situation was not rectified. M. Cariguel told me of the arrangements that had been made for controlling trading in francs in London and New York. He was also very happy to tell me that all gold which had not actually been shipped on the preceding evening

by . . .

by Paris-American banks which had contracted therefor was placed in the name of the Federal Reserve Bank of New York. That is, instead of leaving gold in the name of the banks which were shipping it, the Federal Reserve Bank was to be informed that, acting under instructions of the specified banks, the Bank of France had earmarked so much gold for its account, to be shipped at the first opportunity. Thus, any difficulty that might have arisen from placing an embargo on gold that night was obviated. M. Cariguel told me that no actual embargo had been placed on gold, but that at the meeting of the Regents of the Bank of France, held after midnight on September 25-26, the decision had been reached to raise from 215 thousand to 5 billion francs the minimum amount for bank notes against which gold would be delivered by the Bank of France. This, of course, constituted a practical embargo upon gold.

After talking with M. Cariguel I telephoned the invoice section of the American Consulate General, which is, of course, in the Embassy building. I learned that as of that date the charge which the Consulate General was making for official services was calculated on a basis of 23.50 francs to the dollar, while that previously charged had been at 15.50. I then telephoned Consul Fullerton, the Executive Officer of the Consulate General, and explained to him that the maximum of devaluation which could be affected in the French franc, under the bill which had been drawn up, was to the level of 22.96 to the dollar. I explained . . .

explained to Mr. Fullerton the complaint which had reached me from the Bank of France, and I told him that there was certainly no ground for charging more than 22.96 to the dollar. I even intimated that the French Equalization Fund might, at least for a while, endeavor to maintain the franc at about the middle point provided for by the devaluation law. On Sunday morning I reported this matter to Mr. Wilson, then acting as Chargé of the Embassy, since I thought it was a matter of policy which concerned the Embassy. Mr. Wilson told me that he thought Consul General Southard should appreciate my bringing the matter to the attention of the Consulate General, through Executive Officer Fullerton. When I next saw Mr. Fullerton, however, he told me that Consul General Southard had neither welcomed the information which I had passed on nor had acted thereon. The Consulate General continued for some days to charge the rate above indicated.

During the forenoon I checked up with various Paris-American bankers. Mr. Pearce of the National City Bank and Mr. Saint-Germain of the Guarantee Trust both spoke highly of the manner in which M. Cariguel of the Bank of France had looked after their gold shipments and confirmed that the balance of the gold due on their contracts was being released that day and would be placed on board before midnight.

At 1 p.m. you telephoned me at the Embassy, I told you that MM. Fournier and Cariguel were anxious
to . . .

to know when a decision would be reached in regard to our giving gold against dollars which the Bank of France would acquire. They also desired to know whether they should communicate with Mr. Knoke of the Federal Reserve Bank of New York, or whether they should wait until after the French monetary law had been passed. You were happy to tell me of the splendid American press reaction, irrespective of party lines, to the tripartite agreement announcement on the morning of September 26. You said everyone in Washington was bubbling over with enthusiasm. I told you of the excellent press reaction in Europe and let you know that the political section of the Embassy was getting out a separate cablegram thereon. You asked me to forward French and English papers giving comments upon the declaration and also to arrange for your Treasury Attaché at Berlin to forward to you the German press. After talking with you I endeavored to get into touch with Mr. Waite, your representative in Paris, but it was then too late. On Monday morning, however, I asked him to pass on to his colleague at Berlin your request with respect to the German newspapers. In cablegram 931, sent at 4 p.m., I recorded the inquiries of the Bank of France.

In the afternoon I telephoned M. Cariguel to inform him that you had said he could talk to Mr. Knoke directly in regard to technical arrangements.

At 5 p.m. on September 26, I sent cablegram No. 932 to report that a private telephone had been installed in my apartment, according to your instructions, the number being . . .

being Galvani 70-92.

At 6 p.m. I despatched cablegram No. 933, to tell you that M. Baumgartner of the Ministry of Finance had telephoned me at 4:30 to announce that they had been informed through diplomatic channels that Switzerland would follow the French lead and would devalue between 25 and 30 per cent.

In a further message, No. 934, dated September 26, 7 p.m., I gave you certain technical data upon the gold operations on the Paris market. I also told of the pleasure with which the French officials had learned that the Belgian Government had issued a sympathetic declaration of monetary policy on that date, adhering to the tripartite agreement.

When I arrived home on the evening of September 26, I learned that you had been calling for me while I was en route from the Embassy. I called back and was answered by Mr. Lochhead at 6:45 p.m. He told me of the good press that the tripartite agreement was continuing to have and of the pick-up on the stock and Government security markets. He also told me that the State Bank of Russia had sent an order to a correspondent in New York to sell sterling. The Stabilization Fund had taken the total amount offered.

In my cablegram No. 936, dated September 27, 4 p.m., I let you know that after Mr. Lochhead had called me on Saturday evening, I telephoned M. Cariguel to advise him and M. Fournier about the American Fund intervening to buy sterling offered by the Russian State Bank. On

Sunday . . .

Sunday morning, the Department's 371, September 26, 1 p.m., giving further details of the above-mentioned operation, was received. While I was endeavoring to get into touch with the French Ministry of Finance to pass on to them the information in question, M. Baumgartner telephoned me. He was happy to learn of the prompt and resolute move which had been taken toward making our monetary arrangement effective.

While I was at the Embassy on Sunday morning, I had placed a call for you which came through at my home at 2:05 p.m. In my conversation with you, I told you why M. Baumgartner had called me. The reason was this: The Minister of Finance was scheduled to appear at 2:30 p.m., Sunday afternoon, before the Finance Committee of the Chamber to propose and explain the Government's monetary bill, which was to be submitted to Parliament on Monday. M. Auriol had asked M. Baumgartner to find out from you whether you would permit the Minister of Finance to relate to the Finance Committee and state before Parliament that you had sent your representative to the Ministry of Finance on June 6, that conversations were then entered into, and that their result had finally been achieved. It was explained that MM. Blum and Auriol had, in their remarks to the press following the issuance of the simultaneous declaration, mentioned that they had been working for this international agreement since early in June. After talking with you, I at once telephoned M. Baumgartner . . .

Baumgartner and let him know that when you had been asked in one of your press conferences as to who had started the affair which had just been terminated, you had replied that the initiative had been on the part of the French. Consequently, it was not desired that any different impression be gained from this side. I told M. Baumgartner that you did not object to it's being known that the French and Americans had been in consultation since June 6, but that you thought the fewer details given in regard to the conversations and negotiations, the better it would be. Consequently, it was deemed best that reference to individual acts and agents should be suppressed.

In my cablegram No. 936 of September 27, 4 p.m., confirming my conversation with you and giving the details of my subsequent talk with M. Baumgartner, I mentioned further developments, including the decision of the Netherlands taken on Saturday night, September 26, to put an embargo on gold. I let you know that I had talked confidentially with M. Pennachio of the Bank of Italy and had asked him personally whether he did not think it would be wise for the Italians to "get on the band wagon." As you are aware, Governor Azzolini of the Bank of Italy depends importantly upon my friend M. Pennachio for advice on international monetary relations and policies.

At 10:30 p.m. on the night of September 27, I talked by telephone with Dr. Jacobsson, the Swedish Economist of the B.I.S. at Basel. All during the negotiations . . .

negotiations the Bank for International Settlements had been entirely ignorant thereof. Dr. Jacobson was delighted with the tripartite agreement and was especially complimentary of the manner in which the negotiations had been conducted. That is, without any leaks, and in a manner which permitted the results to be announced in a spirit of cordiality, and not of international recrimination.

When I came to my office on the morning of September 28, I found that M. Cariguel had already telephoned me. When I called him back I learned that M. Fournier wanted to see me. I went immediately to the Bank of France. M. Fournier told me that he had telephoned to the Federal Reserve Bank on Saturday, and that the latter had told him it could get no answer from the Treasury at Washington in regard to gold dealings. M. Fournier insisted to me that he must know about gold arrangements before the law was passed, especially if the law was enacted at an hour which would make it impossible, because of the difference in time between Paris and New York, to communicate immediately with Mr. Knoke at New York.

In my cablegram No. 937, sent at 12 noon, September 28, I reported that Auriol's devaluation bill, with certain modifications, had been voted by the Chamber Finance Committee on Sunday, by 20 against 12, with 7 members abstaining from a vote. I gave you a brief summary of the provisions of the bill.

At 1 p.m. on September 28, I sent my No. 938,

reporting . . .

reporting that up until noon of that date the Ministry of Finance had not yet received the written text of the amendments made on Sunday in the Chamber Finance Committee to the devaluation bill. Since these were slight, I proceeded to provide you in my cablegram with a full translation of the bill as introduced.

You telephoned me at 4:25 on the afternoon of September 28. I told you that the devaluation bill had been approved by the Finance Committee; that the Chamber had met at 9 a.m.; that it had adjourned to read the bill; that it had met again after 11 o'clock and had later adjourned to meet at 4 p.m. I let you know that the Radical Socialists had held a caucus at which they voted against the sliding scale for wage adjustments which had been written into the bill, but had approved the devaluation feature. I told you further that the Chamber had voted 365 to 248 against a motion for sending the measure back to the Committee. I let you know that M. Cariguel had told me at 4 o'clock that he thought there was no chance of the two bodies of Parliament passing the measure that night. Consequently M. Fournier wanted you to know that the markets would be closed in Paris and London on Tuesday, as they had been on Monday, and that the Swiss and Dutch were also closing theirs. In speaking to you of the conversation which I had with M. Fournier, earlier in the morning, I also mentioned that M. Fournier had said that the British were uncertain as to just how cooperation between the Americans and themselves was to be worked out.

H. . . .

M. Cariguel had told me that the British had suggested that any dealings which the Bank of France did in sterling should be for the account of the British. M. Cariguel seemed opposed to this idea, but you thought that he was taking a wrong position if he objected thereto. You said that you would ask the Bank of France to act as agent if you called upon it to operate for us. You told me to let the French officials know that they would just have to be patient in the matter of gold dealings. You said that you had taken care of them in the past and would continue to do so in the present situation. If they wanted to put any orders through to buy dollars in the American market, they should give the Federal Reserve Bank of New York the order and indicate their rate.

I telephoned M. Cariguel at 4:50 p.m. to give him the substance of your message, which was that you would "not let the Bank of France down" and that they should cease worrying. This assurance was entirely satisfactory to M. Cariguel. As I recall it, you did not meet Undergovernor Fournier when you were in Paris a year ago, since he was on sick leave at that time. M. Fournier is a highly competent official and is carrying, especially now that Governor Labeyrie is in office, a heavy part of the load at the Bank of France. Since he suffered a breakdown over a year ago, he has been quite nervous. I give you this information as a partial explanation of the Undergovernor's uneasiness during the period which I am describing.

At . . .

At 6 p.m., September 28, I sent cablegram No. 940, setting forth the inquiry which I had received earlier in the day by telephone from Mr. Beyen, resident head of the B.I.S., in regard to the possibility for the B.I.S. to enjoy certain gold facilities with your Treasury, particularly the privilege of obtaining gold in New York for B.I.S. account or in behalf of Central Bank clients.

At 11 a.m. on September 29 I sent cablegram No. 943, wherein I provided, in continuation of my 938 of September 28, 1 p.m., annexes to the French devaluation bill as originally proposed. The first of these dealt with an agreement between the Minister of Finance and the Bank of France as to the proceeds of devaluation, et cetera, and the second constituted a convention between the Minister of Finance and the Amortization Fund.

At 12:00 noon on September 29, I despatched cablegram No. 944, giving details of shipments of gold made by Paris banks to New York, clearing up transactions undertaken before an embargo was placed on gold.

My cablegram No. 945 of September 29, 1 p.m., gave a translation of a decree that appeared in the French JOURNAL OFFICIEL of that morning prohibiting the export of gold.

Undergovernor Fournier of the Bank of France telephoned me at 10 o'clock on the morning of September 29, to refer to an article which he had read in the AGENCE ECONOMIQUE ET FINANCIERE of that morning, purporting . . .

purporting to constitute a communiqué given out by you on the matter of the working of the tripartite arrangement. I told M. Fournier, in answer to his inquiry, that I had not yet received anything directly from you which confirmed the report under question, but that it seemed to me entirely logical and correct. I again promised him to communicate with him promptly as soon as I might have anything official in the premises.

Dr. Pennacchio of the Bank of Italy telephoned me at noon to let me know that his country was studying its monetary problems very carefully. He said that for Italy a step toward devaluation must be very seriously thought out since it involved the whole economic problem of the country. The question was more complicated for Italy than for Switzerland and the Netherlands, since Italy lacked the gold resources of the other two countries.

You telephoned me at 12:40 on September 29. You told me that a 20 million dollar credit for the B.I.S. had been arranged. This concerned, I believe, a shipment of gold from Switzerland which the B.I.S. was handling. I told you the substance of the communiqué in the AGENCE ECONOMIQUE above-mentioned, and you confirmed the general terms thereof.

In our conversation I let you know that Mr. Gay President of the New York Stock Exchange, had sent the following message to his Regional Advisory Committee in Paris:

"Pending . . .

"Pending issuance final decree French Government regarding monetary realignment you are empowered to communicate French Minister of Finance and offer him full cooperation of N.Y.S.B. in fulfillment of any financial measure French Government may wish to promulgate affecting its citizens or resident also request all members branch offices and representatives to cooperate in every possible way with objective of French Government."

The Paris representative of the above Committee had telephoned me previously the substance of this communication and had sought my advice about informing the French Government, particularly the Ministry of Finance, of its receipt. I refrained from giving any official advice in the premises.

In our conversation I informed you as to the progress of parliamentary consideration of the devaluation bill. The Chamber of Deputies had on the forenoon of September 29 passed the devaluation bill in its entirety, by a vote of 350 to 221, following a separate voting on each item of the bill during an all night session. A compromise was reached on the difficult sliding scale provision of the bill. The Minister of Finance had passed the bill on to the Senate Finance Committee, which was expected to return it to the Senate late in the afternoon or the following day.

Among the miscellaneous news which I mentioned was that Dr. Schacht had called a meeting of the Central

Committee . . .

Committee of the Reichsbank; that the Dutch were going to manage their currency without definite devaluation; and that the Swiss measure for devaluation was before Parliament that day.

At 3 p.m. I telephoned M. Cariguel at the Bank of France to give him certain information which you had passed on to me, particularly in regard to technical operations.

At 4 p.m. I sent my cablegram No. 949, which indicated that the Bank of France had begun to ship gold to the United States to increase its earmarked supply with the Federal Reserve Bank. I told you that, according to press reports, Greece, Latvia and Turkey had decided to base their currencies on sterling. With respect to the Netherlands, I explained that the Dutch had placed an embargo on gold and were arranging for a stabilization fund of 300 million florins. I quoted certain items from the London press, indicating the splendid reception which had been given to the tripartite arrangement.

Upon the receipt on the forenoon of September 30 of your cablegram No. 376 of September 29, 6 p.m., I telephoned the Bank for International Settlements at Basel to inform Dr. Beyen that such inquiries as that which had been communicated in my cablegram 904 of September 28 should be made directly to the Federal Reserve Bank of New York.

On the morning of September 30, the debate began in the Senate on the Government's monetary bill, which
had . . .

had been taken up by the Senate Finance Committee the preceding afternoon. After a debate of more than twelve hours, the Senate passed the measure by a small majority on the night of September 30. The Senate had made certain amendments to the bill, however, which were not acceptable to the Chamber. When the measure was submitted to the Chamber Finance Committee, the latter promptly revoked its own original text and submitted it to the Chamber, which, in the early hours of October 1, also revoked the bill in its original form.

You had telephoned me at 1:20 p.m. on September 30. I gave you an account of the progress being made in voting the French devaluation bill and let you know that I had sent you a large bunch of newspapers the preceding evening. You mentioned that you had done nothing in sterling. The Federal Reserve Bank of New York had, however, received an order from the Bank of France to supply whatever francs were necessary to take care of the demand. You told me that the Federal Reserve had handled 25 million francs at the time you spoke to me. You suggested that it might be to the general advantage if some announcement as to this operation could be made, since this might relieve the nervousness pending final voting of the French measure. You suggested that either the Bank of France make the announcement or permit you to make a statement in Washington. It was understood that you would call me back at 9:30 p.m.

I talked . . .

I talked with M. Cariguel two or three times during the day, and on the occasion after I had spoken with you in the sense above reported I mentioned your suggestion to M. Cariguel. He made the point that France had not yet devalued the franc, and that the Bank of France could not make or consent to a public announcement anticipating action of Parliament.

At 5:30 p.m. I talked by telephone with Dr. Jacobsson at the B.I.S. in Basel, requesting him to pass on to me any information which he might procure in regard to the statement which was to be given to the press that afternoon by Dr. Schacht concerning the German position on the currency question. At 8:30 p.m. Dr. Jacobsson telephoned me back saying that he had received a two-page typewritten summary, in German, of the German statement. He provided me with a digest thereof. The general purport seemed to be that the Germans would not devalue; that no new special types of marks were to be introduced; that the Germans would not refuse to take part in any international negotiations which might lead to permanent stabilization; that Germany would have to give consideration to problems still contingent upon the Versailles Treaty and would have to safeguard the savings of the German people, et cetera. Dr. Jacobsson also mentioned the large amounts of gold which the Swiss National Bank was acquiring, principally at London, and expressed apprehensions lest France might impose restrictions and penalties which would work against dishoarding of gold and repatriation . . .

repatriation of capital.

When you telephoned me at 9:30 p.m., I gave you the German information and also a summary of the French legislative progress. I mentioned minor items of information contributed by MM. Baumgartner and Maxime Robert of the French Ministry of Finance. You told me that the Dow-Jones ticker had announced at 2:40, Washington time, that it was understood that francs had been made available in London and New York. At 10:30 p.m. I told M. Cariguel what you had said. He insisted that the word had not been given out in Paris.

After talking with you I went over to the Chamber of Deputies and listened in at the stormy debate on the question of accepting Senate amendments or standing by the Chamber devaluation bill, and remained there until adjournment around 1 a.m. I then came to the Embassy and, after getting you on the telephone at 2:10 a.m., informed you of the status of the legislation at that hour.

When the Senate met at 9:30 on the morning of October 1, the outlook appeared difficult and there were reports to the effect that the Prime Minister might be forced to put the question to a vote of confidence unless some compromise could be reached. With M. Chauteaux acting as mediator and with President Caillaux of the Senate Finance Committee evidencing a considerate attitude, the Chamber accepted a compromise provision which was approved by a vote of 354 to 217. The bill
then . . .

then went back to the Senate Finance Committee. After further shuttling back and forth between the two bodies, the measure was finally passed on the night of October 1. I had talked with you shortly after noon, giving you the information to date and anticipating that the bill would be passed before the next day.

In my cablegram No. 956, dated October 2, 11 a.m., I gave you a complete translation of the French monetary law as voted the preceding night and as promulgated on page 1840 of the French JOURNAL OFFICIEL of October 2. The special session of Parliament was adjourned following the enactment of this legislation.

During the morning I talked with M. Baumgartner and extended my congratulations upon the Ministry's success in getting its legislation adopted.

My cablegram No. 960 of October 2, 5 p.m., sent in continuation of my No. 957 of 11 a.m., summarized three separate laws which had also been passed on the night of October 1. The first abrogated certain decree-laws of 1934 and 1935 providing for levies or reductions on war pensions, retirement allowance for war veterans, and Legion of Honor and Military Medal payments. The second law approved the convention concluded on September 27, 1936, with the Amortization Fund and provided certain advantages for holders of the Auriol baby bonds. The third law authorized the Ministry of Finance to conclude a convention with the Crédit Foncier de France in connection with an advance of 3 billion
france . . .

francs to permit the latter to reduce interest on loans granted at high rates.

My cablegram No. 961, dated 5 p.m., October 2, reported that the Paris bourse and exchange markets had reopened that day for the first time since September 25. I reported the heavy offers of dollars and sterling and the strength of the bourse. At 7 p.m. I sent another cablegram, No. 962, reporting M. Cariguel's summary to me of the day's operation. I reported further that the Bank of France had lowered its discount rate from 5 to 3 per cent.

At 9 o'clock on the night of October 2, the Embassy code room informed me of the receipt of your cablegram No. 563 of October 2, 1 p.m., requesting me to keep you advised of any news regarding possible Italian monetary action. I came to the Embassy at once and filed my No. 963, at 10 p.m., giving you information on this subject.

On October 3, 11 a.m., I sent cablegram No. 964, informing you of further decrees which had been published in the JOURNAL OFFICIEL to complete the monetary legislation, including certain measures taken to reduce customs duties and suspend quotas. In this message I quoted an article from the London TIMES upon Mr. Chamberlain's speech at Margate, which referred very nicely to the cooperation between the British, French and American Governments. I quoted you a paragraph from an editorial in the TIMES on Mr. Chamberlain's speech, and I also reproduced the conclusion . . .

conclusion of a leading article from the London ECONOMIST upon the fall of the gold bloc. I gave you M. Cariguel's confidential report of his operations for the Saturday morning, and let you know that he found everything moving smoothly. In conclusion, I told you that the Bank of Italy representative in Paris was not informed as to what decision the Italian Government would take on Monday with respect to the lira.

You telephoned me at my home at 3 p.m. on October 3. I gave you the forenoon's news, embodied in my cablegram above-mentioned, and we discussed the general situation. You had mentioned a few days previously the possibility of sending me to London for a day or two. It was decided, however, that since I would be going to Basel for the B.I.S. meeting on October 11 and 12, where I could see MM. Norman, Mieneyer and Cobbold of the Bank of England, I should not quit Paris in the meantime for a visit to London. You mentioned that Dr. Feis was arranging for the Embassy at London to be instructed to have periodic meetings with the British Treasury. Reference was made of M. Moniek. I had let you know in an earlier conversation of the story which came out in the ECHO DE PARIS in regard to Moniek's participation in the tripartite arrangement. You gave me certain confidential information in regard to the impression which Moniek had made on his visit to Washington last June. You remarked that you had not made a single purchase of sterling during the week, although . . .

although you had taken some gold in London. You told me that a high mark, since 1929, had been reached on your stock and Federal bond markets on that day.

The week ended with Sunday, October 4, thus witnessed the passage of legislation providing for devaluation of the franc and saw the reopening of the French markets. The present letter has given you the pertinent chronology. This letter bears the date of October 26, since the first half of it was dictated on that date. The delays in starting and then in completing this communication have resulted from various causes. My stenographer quit and returned to the United States when our negotiations were at their height. The arrival of our new Ambassador at the end of September called for extra work. Furthermore, I have had a rather strenuous schedule of travel and reporting in connection with the furthering of the tripartite agreement, and technical cooperation thereunder. In another letter I shall extend this report to cover the negotiations which involved the technical arrangements for gold reciprocity between the three parties to the original three-power arrangement, and also the addition of Belgium, the Netherlands and Switzerland to the group of countries entitled to enjoy reciprocal facilities in gold trading.

It is still too early to evaluate the results of the tripartite arrangement of September 25. This arrangement was welcomed most enthusiastically by a world which had almost despaired of international cooperation . . .

cooperation. For such an agreement to be reached secretly, but cordially, between three great democracies at a time when so many political situations were causing worry, gave ground for much relief and did a great deal to reawaken hope. As is usual, certain speakers and certain writers have been disposed to expect too much too quickly. They thought that this move would be followed immediately by a general breaking-down of trade barriers. The important achievement actually accomplished was to establish monetary cooperation between the three leading monetary powers. This provided, as the French so frequently said, the starting point for other developments. The immediate direct benefit was that France was able to devalue her currency calmly in dignified circumstances. If the economic and financial situation had been allowed to deteriorate further in France, with the Government hesitating to take a decision on its currency in the absence of an international arrangement, there would surely have been a serious catastrophe for the franc, involving a much greater decline therein than that accomplished through the monetary law of October 1.

The French lead was very shortly followed in an orderly fashion by several other European countries. In no case has there been evidence of willful exchange competition, but of genuine "realignment." These steps have not solved all of the problems in all of the countries, but have constituted initial advances. The results already visible in the Netherlands and Switzerland are . . .

are especially encouraging. The French situation, because of politics and lack of confidence in Government, which has existed for several years, and because of a most complicated and acute social problem, has been more difficult than some of the others, and it will take some time to work out. Whether the franc may be held within the limits fixed by the Monetary Law of October 1 cannot yet be determined. There is a very good chance to maintain this rate. If the French cannot hold the franc at the present figure, there is little reason to believe that they could prevent its complete collapse. While Dr. Schacht and some other critics assert that permanent stabilization has not been achieved, most observers are quite satisfied that progress has been made decisively toward establishing de facto stability in an atmosphere favorable to further progress.

I was personally happy to see the tripartite arrangement consummated in such a spirit of cordiality with the French officials, and in a manner which left France only the kindest feeling towards our country. Minister Auriol and his assistants were absolutely fair and square in their dealings with me, even though they were under much stress and worry. Diplomats and Journalists have not yet ceased to marvel that such secrecy was maintained on all three sides. I am deeply appreciative of the confidence which you placed in me for the

negotiations. . . .

negotiations.

Faithfully yours,

H. Merle Cochran,
First Secretary of Embassy.

HMC/wgs

Paris, October 26, 1936.

PERSONAL AND
STRICTLY CONFIDENTIAL

The Honorable

Henry Morgenthau, Junior,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Morgenthau:

During the past two months, which have witnessed interesting developments in French and European finance, I have sent you a number of cablegrams. The long-distance telephone has also been employed in keeping you currently informed. Since I do not have facilities for transcribing a verbatim record of all of my telephone conversations, particularly those received at my home, it may be desirable to set down in this informal letter a chronicle of recent events, which will at the same time constitute a summary of my cablegrams and a memorandum of my conversations by telephone.

When I called upon M. Baumgartner, Director of the General Movement of Funds Section of the French Ministry of Finance, on September 2, 1936, M. Baumgartner talked about the visit to Paris of Dr. Schacht, German Minister
of . . .

of Economics and President of the Reichsbank, which had occurred the preceding week. M. Baumgartner expressed the opinion that it was out of the question to discuss monetary realignment with Germany at that time. In his mind, the first essential would be to arrive at some sort of an understanding between France, the United States and Great Britain. As I was leaving, M. Baumgartner told me that he thought the Minister of Finance, M. Vincent Auriol, would ask me to call on him at an early date to receive a communication which M. Baumgartner believed would be of interest to us.

Professor Charles Rist lunched with me on September 3. His views on the French monetary situation were quite pessimistic. He insisted that devaluation in France was prevented only by politics. He said that Premier Blum still considered the move impossible because of the opposition of the Communists thereto. Professor Rist said that so long as current practices were followed, French export trade would continue to decline and unemployment would rise. He pointed out that French prices, which were already out of line, were rapidly rising above the world level, and ability of exporters to compete was declining, resulting in the slowing up of industry and the augmentation of unemployment, with accompanying aggravation of social problems.

On the same day, September 3, M. Charles Cariguel, in charge of foreign business at the Bank of France, asked me to call on him. He informed me of the desire of the Bank of France to build up a gold supply in the United . . .

United States through shipping metal from Paris to the Federal Reserve Bank at New York, to be held there under earmark.

On the following day, I communicated to you the substance of a somewhat similar message from Governor Rooth of the Central Bank of Sweden (Sveriges Riksbank at Stockholm), who desired that his Bank open a gold deposit with the Federal Reserve Bank in New York. By a cablegram sent on September 4, you informed me that these inquiries were being given consideration but that since earmarking is covered by the General License of March 23, 1934, issued to the Federal Reserve Bank of New York, the Banks of France and of Sweden should discuss details directly with the Federal Reserve Bank of New York. You let me know by telephone, however, through a call received by me at my home, at 8:45 on the evening of September 4, that, with reference to the formal reply which you had made by cable, you could assure me that the answer which would be given by the Treasury when the question of earmarking was passed on to it by the Federal Reserve Bank of New York would be favorable. You permitted me to convey this information informally to MM. Cariguel and Rooth, but you did not desire that it be incorporated in the official telegram. I communicated this information orally to the two inquirers, utilizing the long-distance telephone with Governor Rooth.

At five p.m. on September 4, I reported to you by cablegram that, at the request of the Minister of Finance
of . . .

of France, I had called upon him that afternoon. When I was received by him, MM. Baumgartner and Rueff were present. The Minister orally referred to the fact that I had been his first caller after he assumed his present office and that my Government had been the first to offer him cooperation. While, in his opinion, the way had been barred to any sort of realignment when our first conversations took place, he remarked that it had subsequently been ascertained that there appeared to be a good chance for the consummation of an agreement of a type that could be found acceptable in France. With this view in mind, his Ministry had drawn up a provisional draft of a pre-stabilization agreement for submission to the United States and to Great Britain. If these three countries were found to be in agreement, France would then endeavor to procure the agreement of the two gold bloc countries, the Netherlands and Switzerland. The immediate question of the Minister of Finance was to know whether we preferred that the proposition be submitted simultaneously to the British and ourselves or whether we preferred that the draft be forwarded secretly and unofficially to you in advance. M. Auriol would have appreciated the support which he thought might come through obtaining our agreement before making the proposition known to the British, but he did not desire to take any step which might be considered the least prejudicial or unfriendly by the British. You promptly replied that it was preferable that the draft document be presented simultaneously to
the . . .

the Treasuries of the United States and of Great Britain. At 10:30 a.m. on September 5, I showed M. Baumgartner a copy of your cablegram.

At 12 noon on September 5, I cabled you that the French Ministry of Finance would hand to me at 10:30 a.m., Tuesday, September 8, a draft document for cabling to you, and that M. Monick, the French Financial Attaché in London, would be given a copy of the text for delivery to the British Treasury not later than Wednesday, September 9.

At 1:20 p.m. on September 7, you telephoned me at the Embassy, from Beacon. You reminded me that you were launching a big bond issue the following day, and you requested information in regard to the political and economic conditions in Europe, particularly with respect to Spain, France and Germany, which might conceivably have some effect upon the security market. After I gave you such information, you referred to my cablegram of August 27 reporting the visit which I had made to London in accordance with your telegraphic instruction No. 318 of August 20, 7 p.m., which report you had found helpful.

As reported in my cablegram No. 843 of September 8, 8 p.m., the French Minister of Finance did not hand me the French text of the draft document hereinabove referred to until 6 o'clock that afternoon. I made an English translation of the document that night and returned to the Ministry of Finance, where M. Rueff, who had served some years as French Financial Attaché
at . . .

at London and is now Assistant Director of the General Movement of Funds in the Ministry of Finance, checked the translation with me.

In my cablegram No. 844, sent at 9 a.m. on September 9, I incorporated a translation of the proposed French note to the American and British Governments, together with its annex, consisting of a proposed pre-stabilization agreement. I explained that when the Minister of Finance had handed me the document, he had stressed its secret and unofficial character. He said that any leak in the negotiations would precipitate an attack on the franc which would necessitate immediate imposition of exchange control. He desired that I submit the draft to you, informally and confidentially, seeking your reaction thereto, together with any suggestions for its modification. An examination of the message under reference will show that in this initial draft the French sought a somewhat formal agreement, including the fixing of the three respective currencies within definite limits.

At 1:40 p.m. on September 9, you telephoned me at the Embassy, inquiring as to when you might receive the document from the Ministry of Finance. I explained that it had already gone forward early that morning and should have been in the Department of State by the time you were speaking. At 5 p.m. on the same day, you cabled me that the communication in question had arrived and was receiving full and prompt attention.

On the morning of September 10, I received your cablegram No. 342, dated 12 midnight, September 9, in

which you incorporated a message for me to deliver verbatim to the Minister of Finance of France. In your message you did not suggest any specific revision of the text of the French draft, but merely stated what the position of the American Government has been and would be in the contingency of a French devaluation. At 12 noon on September 10, I was received by the Minister of Finance and read to him your message. I then delivered to M. Baumgartner, who was present, the text of the verbatim communication. You telephoned me at 3:30 p.m. at the Embassy to ask how your message had been received. I told you that it had been very well received, but that the Ministry of Finance was seeking some way to arrive at concrete terms. I informed you that I had told M. Baumgartner that it would be best not to seek too rigid an arrangement. M. Baumgartner promised to try to influence M. Auriol in this direction. You stressed the point that we must arrive at an agreement on general principles first. I told you how surprised and favorably impressed the officials of the French Ministry of Finance had been by your quick response. They noted that your cablegram was filed at midnight, and M. Auriol thought it was a good sign that you people should be working so late in an endeavor to move towards an understanding with the French. While I was with the Minister of Finance, he talked by telephone with M. Blum, the Premier of France, and the latter asked that his greetings be conveyed to the President and to yourself.

The Minister . . .

The Minister of Finance desired to discuss your message with his assistants before giving me any further message to send to you. M. Baumgartner told me that M. Monick had delivered the text of the French draft document to Sir Frederick Phillips, Undersecretary of the British Treasury, on the evening of September 9.

In my cablegram No. 847 of September 10, 1 p.m., I invited to your attention one sentence in your message No. 342 of September 9, 12 midnight, which I thought was in error. Your cablegram No. 343 of September 10, 1 p.m., made the necessary correction, which I telephoned to M. Baumgartner at 10 a.m. on September 11. When talking to M. Baumgartner on this occasion, he told me that the Minister of Finance was studying carefully your message, but would probably await news from M. Monick as to the reaction of the British to the French proposal before calling me to the Ministry again. I suggested at that time the desirability of seeing how far we were all in agreement on general principles before raising questions of detail. When I had delivered your message to the Minister of Finance on the preceding day, M. Auriol had quickly remarked that it revealed that the French and Americans were in agreement on general lines. M. Baumgartner told me that he was following out my suggestion and was using his best efforts to influence the Minister to be satisfied with an arrangement less specific and rigid than M. Auriol's juridical mind would normally seek.

As reported in my cablegram No. 859 of 7 p.m.,

September . . .

September 11, the French Financial Attaché in New York, M. Jean Appert, called on me that day and let me know that he would sail for New York September 17 on the S/S PARIS. In the same cablegram, I told you that if the three principal Powers might reach an agreement on the French currency alignment proposition at an early date, M. Baumgartner was of the opinion that Parliament would be convened ahead of the regular date, which was provisionally understood to be October 22, to pass the necessary law. It would be planned to put an embargo on the export of gold immediately before or simultaneously with the announcement of the special session of Parliament.

At 6 p.m. on September 14, I informed you through my cablegram No. 865 that M. Baumgartner had told me that afternoon that the British reply to the French draft document had been received by M. Monick, who was bringing it to Paris that night for study by the Ministry of Finance the following day. The Bank of England had also been informed of the course of the negotiations and had sent to Paris its officer in charge of foreign business, Mr. Cobbold, who was discussing the question with M. Fournier, Under-governor of the Bank of France. The Minister of Finance again transmitted to me, through M. Baumgartner, his appreciation of the promptness with which you had provided the American reaction to the French proposal, and of the frank spirit of cooperation which he found evidenced therein. He regretted that there was some
delay . . .

delay in the proceedings, but thought it best to await the British reply before going any further.

On the morning of September 15, I received your cablegram No. 348, filed at 11 p.m., September 14, wherein you gave me a paraphrased summary of a secret note transmitted to you by Sir Warren Fisher, through the British Chargé d'Affaires at Washington, giving the British reaction to the French draft proposition. You left it to my discretion to pass on to the French Treasury all or a part of the paraphrased text of the British note to you under reference. At 11:45 a.m., September 15, I therefore called upon M. Baumgartner, informed him of your message, and left with him the paraphrased summary of the British note as incorporated in your cablegram. At 2:15 that afternoon, you telephoned me at my home. You referred to the message which you had sent me the night before, namely, that paraphrasing the summary of the secret note from Sir Warren Fisher. I told you that I had called on M. Baumgartner during the forenoon and had communicated the essential parts of your message to him. M. Baumgartner had told me at that time that they had not yet received the text of the British reply but that, as soon as M. Monick arrived in Paris, he would present our communication to M. Auricel, together with the original text of the British reply.

I reported the foregoing to you in my cablegram No. 870 of September 15, 1 p.m. I added that M. Baumgartner was convinced that we were all in agreement

as to . . .

as to motives and intentions. His problem was still that of convincing the Minister of Finance that the American and British replies offered sufficient basis for developing the French case for unilateral devaluation in a form that could be accepted by the French public as a realization of international "monetary peace." The French political situation on this date was quite tense, as a result of labor difficulties, and Minister Auriol did not desire to give the public, and particularly the Communists, a reason, through undisguised devaluation, for rioting and perhaps upsetting the Government.

At 12 noon on September 16, I cabled you that M. Baumgartner had told me that morning that Minister Auriol was not likely to communicate with us before the following day since Cabinet meetings had prevented him from studying the message which M. Monick had brought from London. You telephoned me at 1:50 that afternoon at the Embassy, inquiring about the general situation and as to whether the French had anything to say to us after receiving the British reply. I gave you the substance of my message sent at noon.

On September 17, I cabled you (see my No. 882, dated 5 p.m.) that M. Baumgartner had telephoned me at 4:30. He said that Sir Frederick Leith Ross, Economic Adviser to the British Government, who was in Paris for two or three days returning from Geneva to London, was calling to see the Minister of Finance at 6:30 that evening. The Minister desired that I call at 7 to

receive . . .

receive from him a proposal for a "joint declaration." At 7:15 that evening the Minister of Finance handed to me the document in question. I returned with this to the Embassy, where I translated it into English. I then took the translation to the Ministry of Finance, where M. Rueff checked it with me. The translation was then cabled to you at 9 p.m. on September 17, under serial No. 884. Before handing the document to me, in the presence of MM. Baumgartner, Rueff and Monick, the Minister of Finance delivered a really impassioned plea for our acceptance of this declaration, and asked me to do what I could to hasten the matter. The Minister favored the idea of a joint declaration as better evidence of cooperation and more effective than three simultaneous but somewhat different declarations. He sought a joint declaration over the names of the heads of the Governments and the heads of the Treasuries of the three Powers. He thought that other countries would quickly join in a declaration of this type, which he deemed a proper foundation for a monetary peace upon which could be built economic peace and, finally, political world peace. The Minister said that he was yielding on two points that the French had originally desired. The first of these was the point of a signed contract. He reminded me how dear such a document always is to a Frenchman, but he said he was willing to trust in the loyal cooperation of the Americans and of the British without insisting upon the more formal arrangement which he had originally proposed. . . .

proposed. The other point was in regard to fixed limits for pre-stabilization fluctuations of currencies. The Minister had sought as definite an arrangement as might be possible in order to overcome French fears that results of a second devaluation might be illusory or that this might lead to a whole series of devaluations constituting a downward race. When I was at the Ministry, my friends there were somewhat cheered up by news of the settlement of the Lille strike that evening, but they were all anxious for speed in the devaluation arrangement. One copy of the French draft of the proposed declaration was delivered to the British Treasury in London on the evening of September 17, and another copy handed to Sir Frederick Leith Ross, who was remaining in Paris until September 19.

At 11:45 on the night of September 17, you telephoned me at my apartment. You said that President Roosevelt was leaving the city on the 11 o'clock train that night, and you asked if the message containing the proposed declaration could be received at Washington in time for the President to see it. I told you of the receipt and of the despatch of the draft declaration. You asked my opinion of the draft. I told you that I thought it was rather good from a technical standpoint but that there were certain phrases which might make it difficult to approve in its entirety, especially from a political angle. You were good enough to express your satisfaction with the manner in which negotiations had progressed. You asked within what time a reply would be expected by the French from you. I told you

that . . .

that I had given them no promise other than that I would cable the message to you the same night it was received and would let you know that they were interested in hastening the matter.

At 3 p.m. on September 18, you telephoned me at the Embassy. You said that you had spent three hours the preceding night studying my message and that Ambassador Bullitt had participated in the group whom you had consulted. You said that you were terribly disappointed in the French draft and that you wanted me to tell the French how you felt. You said that there was no use trying to provide an answer to the draft as received by you. You suggested that the French redraft the document and you asked if there was anyone here who could help them draft with a view to meeting American political sentiment. I reminded you that I had transmitted only a literal translation of a draft which was purely French, and that it was up to us to indicate whatever changes we might desire. We naturally expected the French to draft from a French viewpoint. I had not presumed to participate in the drafting. The whole idea of the exchange of drafts was to permit each government to indicate its own ideas and to work towards the incorporation thereof in the official document.

You took objection to the draft because it referred to an eventual return to an international gold standard. You said this would have to come out. Furthermore, you remarked that the document commenced
as if . . .

as if it were a treaty. The whole thing was in such form that it would not go with the American public. It was too much for French consumption. You wanted the reference omitted to improving the standard of living of all social classes. You insisted that you were as anxious as ever to be helpful and that you wanted to see an agreement reached. You said that by noon on Saturday, the following day, you hoped to be able to give me a cablegram containing definite suggestions. In the meantime, you wanted me to talk over certain points with the French. In answer to your inquiry, I told you that the French had not yet received any reply from the British. In my conversation with you, I endeavored to make the point that I was convinced that I could procure French agreement to any reasonable draft which we might propose, but that it was up to you people in Washington to indicate your ideas.

You recapitulated the main points which you desired that I take up: (1) entire elimination of return to the gold standard; (2) revision of the introduction so that the declaration would not be a joint declaration but a declaration made simultaneously by each country, with wording somewhat like this: "The Government of the United States, after consultation with the Governments of France and of Great Britain, declares, etc.;" (3) removal of the sentence in regard to the improving of the standard of living of all social classes; and, finally, (4) indication by the French, if they care to do so before we proceed further, of the percentage they . . .

they had in mind for devaluation of the French franc. In conclusion, you asked that I have Mr. Wilson, the American Chargé d'Affaires at Paris, present while talking on the telephone with you, since the Department of State had thought that this matter was becoming highly important and that Mr. Wilson should be consulted. I explained to you that I had kept Mr. Wilson currently informed and had shown him all messages, and Mr. Wilson spoke to you over the telephone to the same effect.

One hour after you telephoned me, I saw M. Baumgartner, at 4 p.m. At 5:30 p.m., I put in a telephone call for you to report my conversation. Mr. Wilson was at the Foreign Office when I put in the call but was present towards the end of our conversation, and when you asked me whether Mr. Wilson had anything to say, the latter asked me to reply in the negative. After my return from the Ministry of Finance and before I had succeeded in reaching you by telephone, M. Baumgartner telephoned me asking that I stress the emphasis which the Minister of Finance placed upon the desirability of a common text for the declaration. After I had spoken with you, he again telephoned, asking that I continue to press this point.

In my message No. 892, sent at 10 p.m. on September 18, I confirmed the report of my above-mentioned conversation with M. Baumgartner which I had given you over the telephone. I told you that M. Baumgartner felt that most of the points which you had instructed me

to . . .

to raise could be met by the French. He reminded me that it was a purely French draft and that they would welcome suggestions as to rephrasing with the view to achieving a common declaration which would be fitted for domestic consumption in each of the three countries.

After I made known your views to M. Baumgartner, he consulted the Minister of Finance and then telephoned to me. He said that if the form of preamble which you suggested was to be accepted, the French must then essentially insist upon a common text. The Minister agreed with M. Baumgartner that it might be an advantage to the French to omit any reference to an eventual return to the international gold standard. On this occasion, M. Baumgartner explained to me that the French would probably follow the Belgian system in devaluing. That is, the Government would seek from Parliament at a special session authority to revalue the franc within certain limits, and legislation creating an exchange equalization fund. M. Baumgartner indicated to me the limits that would be recommended, that is, in percentage of devaluation of the present franc, and also translated such percentages into terms of francs to the pound. He said Leith Ross had said that the lower limit could be accepted by the British but he thought that the latter might be nervous if the rate moved toward the upper limit of devaluation. In my cablegram, I did not set down these highly confidential figures, although I had given them to you by telephone. . . .

telephone.

When I asked M. Baumgartner whether they could disclose at that time the rate of devaluation which they anticipated, he said that they would probably seek authority to fix by decree a new gold value for the franc within the limits of from 24 to 32 per cent less than the old franc. The mean average would be a 28 per cent devaluation. The 24 per cent cut would mean about 100 francs to the pound, and a 32 per cent cut about 110 francs to the pound. The average would be between 104 and 105.

In my conversation with M. Baumgartner, he informed me that Mr. Neville Chamberlain, the Chancellor of the British Exchequer, would not be in London for consultation with his assistants before the following Monday, so that the French could expect no British reply before that day. M. Baumgartner said that they, of course, had no objection to our consulting with the British if we wished. He hoped that agreement on a common declaration could be reached early the following week so that the complete monetary operation might be consummated before the end of the week terminating September 26.

On September 19, I cabled you (see my No. 893 of 11 a.m.) that M. Baumgartner had telephoned me during the morning that Sir Frederick Leith Ross had indicated that certain revision in the phraseology of the French draft would be required before it would be suitable for the British public, and that he also objected to the inclusion of the reference to an ultimate return to an

international . . .

international gold standard.

At 10:25 on the night of Saturday, September 19, the code clerk of the Embassy telephoned me at my home to the effect that a long message was being received from Washington for me. I came to the Embassy, where we worked on the deciphering of the message until 1:15 a.m. I had telephoned M. Baumgartner at his house at 11 p.m., as previously agreed, to let him know that a message was being received, and we arranged that he should call at the Embassy at 10 o'clock Sunday morning, September 20, to see the text.

M. Baumgartner called at the Embassy at 10 a.m. Sunday, September 20. I read to him your cablegram No. 359 of September 19, 2 p.m., and gave him a copy of the American draft declaration. M. Baumgartner departed to keep an 11 o'clock appointment with M. Monick. He was then to find Minister Auriol at St. Cloud for a conference before M. Monick left at 3 o'clock that afternoon for London.

At 10:30 on Monday, September 21, I telephoned to M. Baumgartner two minor corrections which had been made in the text of the American draft as received and delivered to him on the preceding day. During the day of September 21, M. Baumgartner telephoned me three times to give the first reactions of the Minister of Finance to the American draft. M. Baumgartner let me know that they could not give me definite reactions, awaiting a reply from London which had not arrived by

4:45 . . .

4:45 that afternoon. The Minister's first reaction was good, and he appreciated the effort which you had given to help achieve an understanding. He was especially pleased with the first and last paragraphs of your draft. He would like to soften somewhat the sentence about each Government's looking out for its own national prosperity. That is, he would prefer not to have this as a single sentence but following after some preface as "to close collaboration, but it being, of course, understood that each Government reserved its rights, et cetera." , There was nothing really serious in his objections. He would still like something incorporated about breaking down the restrictions and barriers to trade and some mention that this agreement would serve as a starting point in that direction. He would also like something about checking capital movements. Likewise, he desired an expression upon cooperation between Treasuries and Central Banks. I had explained to M. Baumgartner that our expression as to cooperation between Governments was really more inclusive and important. Furthermore, there was a question as to how far Governments could pledge cooperation between their Central Banks, which have a certain independence. The French saw these points but still indicated a desire to see some reference included as to "close cooperation between monetary authorities," in addition to the pledge of cooperation between the Governments.

At 5:30 p.m. on September 21, I talked with you by
telephone . . .

telephone. I summarized the above-indicated French reactions. In referring to the French preference for certain paragraphs of the declaration, you said that you were particularly fond of the fourth paragraph. I let you know, in this connection, that the French clearly got the point of this paragraph, seeking collaboration of other nations and discouraging unreasonable competitive exchange advantages. When you talked to me you were at Beacon and told me the President was at Hyde Park. At this time you instructed me to have a special telephone placed in my apartment as soon as possible for long distance use and asked me to cable you the number thereof as soon as installed.

At 5:55 p.m., September 21, I talked with MM. Baumgartner and Rueff. They said Mr. Chamberlain would not be back in London until the following day. They added, however, that M. Monick had talked with the Chancellor's assistants and had found their reaction good.

At 4 p.m. on September 22, President Trip of the Netherlands Bank telephoned me from Amsterdam to the effect that he would arrive in Paris at 6:10 p.m., Wednesday, September 23, to repay Governor Labeyrie's call. Dr. Trip planned to go to the Bank of France at 11:30 Thursday morning, where he would remain for luncheon, and he made an appointment to see me at 9:30 on Thursday morning.

At 4:30 on the afternoon of September 22, M.

Baumgartner . . .

Baumgartner told me that Mr. Chamberlain had not yet returned to the British Treasury and that M. Monick could not see him, therefore, before late in the afternoon. It was understood that M. Baumgartner would communicate with me later that night if any report was received from London and if the French had any message for us.

M. Baumgartner asked me to call at the Ministry of Finance at 6 o'clock on the evening of September 22. He informed me that no reply had yet been received from the British but that Mr. Cobbold of the Bank of England was in Paris conferring with the Bank of France. Among the questions raised by Mr. Cobbold, the most important one was that as to how the Stabilization Funds of our three countries would operate in case the transaction on which we were working might be consummated. The particular question was that as to whether the American Stabilization Fund would be willing on the basis of reciprocity to yield gold to the Stabilization Fund of France in exchange for dollars which the French Fund might acquire. M. Baumgartner anticipated that the Undergovernor of the Bank of France would ask me to call upon him to discuss this question. When I asked M. Baumgartner what the French attitude would be towards yielding gold to the British and American Funds in case one of us purchased francs and desired gold after the franc had once left the gold standard, he replied that the French Fund would be willing to cede gold on a reciprocal basis.

At . . .

At 7 o'clock, M. Cariguel telephoned me from the Bank of France, asking that I call on Undergovernor Fournier the next morning at 10 o'clock. I put in a call for you at 8 p.m. on September 22 and obtained a connection with you at Beacon at 7 p.m. I summarized the information above given (which was forwarded in my messages Nos. 904 and 907, dated 5 and 8 p.m., respectively, September 22). I let you know that M. Baumgartner had spoken to me about the unsatisfactory state of the Paris exchange market and had regretted that the sudden return of M. Paul Reynaud to France from the Harvard celebration was spoiling the period of calm within which France had hoped to finish its arrangements for devaluation. M. Baumgartner had said that while no final report had been received from M. Monick, since the latter was still conferring with Chancellor Chamberlain when M. Baumgartner talked with me, the initial report was to the effect that the British were more disposed to accept the American draft of a common declaration as a basis than they were to utilize the French draft.

At 9:45 a.m. on September 23, President Trip telephoned me from the Netherlands Bank at Amsterdam to let me know that Governor Labeyrie had asked him to change his luncheon date from Thursday to Friday. Consequently, Dr. Trip would arrive in Paris one day later than above indicated, and would call on me between 9 and 10 o'clock on Friday morning.

At 10:15 on the morning of September 23, I called

OK . . .

on Undergovernor Fournier at the Bank of France, who raised two questions. The first of these was as to whether the United States Stabilization Fund would be willing to yield gold to the French Stabilization Fund on a reciprocal basis. He insisted that the French Fund would not want to make the error which the French made in 1926 of building up tremendous holdings of foreign exchange, and would be disposed to convert promptly into gold the dollars or sterling which it might acquire in its stabilization operations. In our conversation the Undergovernor spoke of a possible devaluation of from 25 to 33 per cent of the current franc. As to the second question, M. Fournier explained that if an international agreement could be reached for announcement on the night of Friday, September 25, there would be a period, beginning with Saturday and probably terminating on Monday, in which Parliament would be assembling and legislation be considered. During this period of uncertainty, the French would appreciate it if the American and British markets might be closed. After talking with Undergovernor Fournier, I subsequently talked with Governor Labeyrie. The latter raised the question as to whether the Bank of France should communicate with the Federal Reserve Bank of New York in regard to technical cooperation. I told him that for the time being negotiations were handled entirely in Washington and that they should use present channels until they received further suggestions from us. Both the Governor and the Undergovernor impressed upon me the necessity . . .

necessity for haste in view of the nervous condition of the French market.

I dropped in to see M. Cariguel as I was leaving the Bank, since he had been consulted by the Governor and the Undergovernor before I arrived. When I told M. Cariguel of my reluctance to recommend that our markets be closed lest this might cause undue alarm, he personally and unofficially suggested that we might give our word that the Treasury or Federal Reserve would ask the important American banks to refrain from trading in the French franc and possibly other currencies during the period under reference. He thought effective cooperation could be obtained in this manner without upsetting the American public.

During my visit with M. Fournier I had asked him whether the French had yet notified any other countries of the negotiations under way. He replied in the negative but added that as soon as agreement might be reached on the declaration by the three powers, the French would send three agents to the Netherlands, Belgium and Switzerland to inform the monetary authorities respectively as to the declaration, and to solicit these countries to join the plan.

A message, No. 908, giving the above information was sent out from the Embassy under date of 1 p.m., September 23. At 12:30, you had telephoned me at the Embassy. You let me know that on the preceding evening at 5 o'clock, a reporter from the WALL STREET JOURNAL had disclosed at the Treasury in Washington that his paper . . .

paper had received a cablegram from Paris or Geneva indicating that certain details in regard to our negotiations might have been learned. (As it turned out, nothing was published insofar as I am aware, although it was at this time that a League report was announced which recommended action in the international monetary field somewhat along the lines of that actually being negotiated.) I summarized to you my conversations with Undergovernor Fournier and with M. Cariguel, as set forth in my cablegram No. 908 of 1 p.m. You asked me to find out what information, if any, M. Paul Reynaud had actually had of negotiations towards French devaluation while he was in the United States and whom he had seen while there. You told me that we could have an answer the first thing on the following morning to the two questions which Undergovernor Fournier had raised. You were quite sure that this answer would be favorable on the gold question. Likewise, you would be in favor of asking the banks to refrain from exchange operations, although the closing of our markets was not to be considered. In our conversation you told me, speaking from your farm at Beacon, that you were entirely satisfied with the manner in which the negotiations had been conducted at this end. Incidentally, you mentioned the possibility of Mr. Butterworth's resuming Treasury work on your terms.

At 3:20 p.m., September 23, M. Baumgartner telephoned me to say that they were still having conversations with
the British . . .

the British in London, through M. Monick. He said that they would call me again around 4:30. I told him of the WALL STREET JOURNAL affair and suggested speed. I gave him my personal ideas, as far as M. Fournier's inquiries were concerned, and said that an official answer would be expedited.

At 5 p.m., September 23, Dr. Pennachio, representative in Paris of the Bank of Italy, telephoned me. He said he had just returned from Rome. He was interested to know whether stories current in French financial circles and attributed to M. Monick, to the effect that the latter had obtained assurances from the American and British in the event of French devaluation, were correct. He also let me know that a story was current here that Sir Frederick Leith Ross had come to Paris to consult with M. Paul Reynaud.

At 8:25 p.m., September 23, I telephoned M. Baumgartner, who said M. Monick was still in conversation with the British Treasury. A reply from him was expected at any time. M. Baumgartner would telephone me as soon as he heard. He gave me his private telephone address in order that I could communicate with him in case of need. At 10 p.m., I cabled you (my No. 913) that the Minister of Finance and M. Baumgartner had been in conference with Premier Blum during the day and were also in telephonic communication with M. Monick, who was still negotiating in London with the British Treasury. I let you know that up until 10 o'clock they had received no word to pass on to us.

I . . .

I remained late at the Embassy on the night of September 23 to receive any word which the French Ministry of Finance might be able to give me. M. Baumgartner telephoned me at 10:40 p.m. to the effect that M. Monick said that the British were somewhat distrustful lest the American and French Stabilization Funds might achieve the result of placing the pound actually on a gold basis, and that to escape therefrom the British might have to let the pound slip. M. Baumgartner said that there was, of course, no such intention. M. Monick was to talk with the Treasury again that night and M. Baumgartner agreed to call me between 11:45 and midnight. He said the British wanted to weaken the text of the declaration to provide for "greatest stability possible." At 12:10 midnight, I telephoned M. Baumgartner's office, and his Secretary told me he was still in the Ministry and would call me back when he returned to his office. M. Baumgartner telephoned at 12:40 midnight to say that the new British text (new but based on the American) had been received. There were some passages in it which the French could not accept, but he thought the British would remove these. He said that he would give me the definite proposal of the Minister of Finance at 9:30 the following morning and hoped that we could get a reply back to him in the afternoon.

I put in a call for you at Beacon, N. Y., at 12:43 and got connection with you at 1:15 a.m., September 24. I told you that I would cable you the text of the

English . . .

English declaration early that morning. I asked where I could telephone you since the French would like an oral reply, if possible, the same afternoon. You made the point that the French had been slow in the negotiations and that they were now wanting to rush us. You asked that I insist on knowing the rates and the definite terms of the devaluation which the French were proposing. You asked also that I remind them that the Hoare-Laval agreement had been released prematurely. During our conversation, you expressed the opinion that it seemed to you impossible for us to finish our negotiations by Friday.

On the morning of September 24, I called on M. Baumgartner at the Ministry of Finance at 9:30, the time we had fixed the previous evening. While I was with M. Baumgartner, he was in a telephonic conversation with M. Monick at London. I was obliged to wait until 11 o'clock before M. Baumgartner could hand me the document which I had called to receive. Since this was in French, I translated it and returned to the Ministry of Finance, where M. Rueff checked the translation with me. The document under reference constituted a compromise draft of a declaration which the French had drawn up after receiving the British draft on the previous evening. The French had found the British draft unacceptable on several points. Although the British had not at the time accepted the compromise draft which was handed to me (and which was only telephoned to M. Monick at London while I was at the Ministry . . .

the Ministry, for submission to the British Treasury) I cabled you my translation of the document at 12 noon on September 24, under 915.

While I was at the Ministry of Finance at noon of September 24, M. Rueff mentioned to me a British proposal for Anglo-French cooperation in the management of their respective Equalization Funds. I told him that this interested me very much and requested an English copy of the proposal. This was received and cabled to you under No. 917.

You telephoned me at 12:30 at the Embassy. I gave you the information in regard to the receipt of the French compromise draft and also the proposed working agreement between the Equalization Funds which I had cabled. While Rueff had indicated that the British proposal in regard to this working arrangement had been accepted by the French, M. Baumgartner insisted to me that final acceptance would await the termination of all of the details of the three-cornered alignment agreement.

While seeing M. Baumgartner at 10:30 a.m. on September 24, I obtained from him definite figures in regard to the devaluation which France proposed. These figures were incorporated in my cablegram No. 916 of September 24, 6 p.m. The range of devaluation envisaged a cut of between 25 and 34.35 per cent in the franc. It will be noted that such devaluation was more extensive than that originally suggested to me by the French, namely, from 28 to 32 per cent.

While . . .

While talking with you at 12:30 noon, I gave you the data with respect to rates. Just after I had finished speaking with you, M. Baumgartner telephoned me that M. Monick reported that the English were nervous over public sentiment. The French gained the idea that Mr. Chamberlain was being especially cautious in his steps. While he was not afraid of the pound depreciating unduly, he wanted to be very careful, lest something might happen which would interfere with his alleged ambition to become Prime Minister.

At 7:30 on the evening of September 24, M. Baumgartner handed to me at the Ministry of Finance a text in English of a declaration approved by the British, after studying the French compromise draft which I had submitted in translation in my No. 915 of September 24, 12 noon. I cabled this latest draft of the British to you at 9 p.m., under serial No. 920. In order that you might have also a French translation of this declaration, it was arranged that M. Baumgartner should cable such a text to M. Appert, the Financial Attaché in New York, with instructions to take this at once to Washington for delivery to you. Mr. Cobbold of the Bank of England arrived in Paris at 9:30 on the evening of September 24 to be available for the discussion of technical cooperation between the Banks of England and of France and their respective Equalization Funds. At the Ministry of Finance, on the night of September 24, M. Baumgartner told me that M. Spinasse,

French . . .

French Minister of Economy, had gone to Bern, and M. Rueff to the Hague, to inform the Swiss and the Netherlands Governments, respectively, of the trend of the negotiations. A third French official was in Brussels for this purpose. It was still hoped that agreement between the three powers might be reached in time for announcement Friday night so that Parliament could be called at once.

At 9 p.m. on September 24, I put in a telephone call for you at Beacon, but reached you in Washington. I read twice to you the text of the British draft declaration which I had cabled under serial No. 920. We discussed the possible hour for the release of the announcement of agreement if this might be consummated. Since the New York Stock Exchange would not be closing until the equivalent of 8 o'clock Paris time, it was suggested that the release should be made at 3 o'clock Washington time, at your Press Conference, and at 9 o'clock Paris time. You reminded me that the question of rates and of the reciprocal yielding of gold had not yet been settled. You told me that your office was filled with economists, lawyers, one banker, one farmer and one lady. I told you that I was alone, unbothered. After I had given you the text of the British declaration, you said you would call me back in one hour.

I telephoned M. Baumgartner at 10:40 p.m. and told him of the conversation which I had just had with you. I asked him to confirm one word in the British draft, namely, "relax." He told me that the British

were . . .

were satisfied to drop the idea for a special preamble which they had held for a while. I had not forwarded the British preamble to you since the French had been adamant against accepting it. M. Baumgartner was anxious to inform the Dutch and the Swiss as soon as we might indicate whether we were willing to accept the British text. I told him that you were to receive an official from the British Embassy, presumably conveying a message from the British Treasury, including the British draft, and that you would telephone me back after this meeting. You had told me that you stressed the question of yielding and receiving gold and the question of the dollar rate versus sterling and the franc more than you did the text of the declaration. I told M. Baumgartner that I would let him hear from me as soon as you might call. He said that M. Fournier, Undergovernor of the Bank of France, was drawing up, in accordance with an informal request which I had made repeatedly during the preceding week, appropriate regulations to protect American banks which might be operating in gold shipments from Paris at the date that the prospective embargo was imposed. M. Baumgartner agreed with your suggestion that the release of the agreement should be fixed for 9 o'clock Paris time.

Your telephone central advised me at 1:20 that your call would not come through until 3 a.m. at my home. M. Baumgartner had telephoned me at 11:45 p.m. that he was going home. If any news was received from
you . . .

you before 12:45, he desired that I telephone his assistant at the Ministry of Finance. When you called me at 3 a.m. at my home, it was confirmed that we were in agreement with the French on the hour for the release of the agreement. The British Embassy official had delivered to you the text of the British draft, and the word "relax" was confirmed. I told you that appropriate arrangements were being made to protect American banks dealing in gold in France. I let you know that the French were waiting to hear from us so that they could inform the Swiss and Dutch.

You told me that the British Embassy officials had called on you at 7:30 p.m. that evening, bringing with them four cablegrams, the last one of which had reached Washington only at 7 p.m. This included the British draft declaration. You let me know that you had told the British that before you could reply to this last draft you would have to have an understanding on the dollar-sterling rate. You took it for granted that the British Treasury wanted the rate continued as at present, namely, from 4.90 to 5.10. In numerous conversations which you had had with Mr. Bewley, the British Treasury Attaché in Washington, you had understood that there was no objection to this rate. You told me that you had not had time to check the draft received from the British with that which I had telephoned to you. You said that the important point now was to learn whether your understanding of the sterling-dollar rate was correct. You let me know that
you . . .

you had informed the British that you were passing on all of this information to me. You affirmed that the President was backing your position entirely. You also told the British that all through your recent conversations you thought that they had had in mind a five-dollar pound. They had frequently intimated that they were satisfied with the existing rate. You let it be known that a telephone call from the Chancellor of the Exchequer would be welcome. When I was telling you of the arrangements that had been made to safeguard the interests of any American banks in Paris which were operating in gold that might be caught by the embargo, you mentioned that the Federal Reserve Bank of New York had 150 thousand dollars on deposit in a "complimentary" account with the Bank of France, concerning which the Federal Reserve officials were very much perturbed. I asked whether or not this was really flight capital. You requested that I tell the French officials that you were "sitting tight" until the British communicated with you on an understanding of the dollar-sterling rate. I told you that I would be seeing the French at 9:30 that morning. In closing, you said that Mr. Chamberlain had received a personal message from Premier Blum asking him to hurry his answer.

President Trip of the Bank of the Netherlands called at the Embassy at 10:20 a.m., September 25. He was due at the Bank of France for a conference at 11:30, to be followed by a luncheon. He had received absolutely no word of the tripartite monetary negotiations. When
the Governor . . .

the Governor of the Bank of France informed him in the premises at the luncheon, Dr. Trip made immediate plans for departure for Amsterdam by aeroplane and left Paris at about 2 p.m. M. Rueff had gone to the Netherlands the previous day, but had stopped at the Hague, where he was to establish contact with the Dutch Ministry of Finance. Dr. Trip had proceeded from Amsterdam to Paris, crossing M. Rueff. I understand that the Bank of France officials informed Dr. Trip that they had endeavored to get into touch with him at Amsterdam to prevent his coming on to Paris when they realized that an agreement for Friday night was approaching.

I called on M. Baumgartner at the Ministry of Finance at 10 o'clock on September 25. I told him of our conversation of 3 o'clock that morning, and I let him know that you were seeking clarification of the dollar-sterling cross rate from the British Treasury before proceeding further with the agreement. While I was still with him, M. Baumgartner telephoned M. Monick at London to have him urge upon the British the necessity of meeting our request. At 1:00 p.m., M. Baumgartner telephoned me that M. Monick had received from Mr. Waley of the British Treasury, the clear impression that Mr. Chamberlain would give you assurances either by telephone or by letter, or possibly both, but the probable terms of such assurances were not revealed. Toward noon, Undergovernor Fournier of the Bank of France telephoned me to say that it was becoming
urgent . . .

urgent that he begin communicating with our officials at the Federal Reserve Bank of New York in regard to technical cooperation. In reply to his query as to whether we were yet in a position to answer the points which he had raised earlier in the week about yielding gold and closing markets, I told him that nothing could be said until a point which we had up with the British was settled.

At ten past one, you telephoned me at the Embassy. I gave you the developments of the morning, as reported in my cablegram No. 921 of September 25, 2 p.m. You mentioned that MM. Williams, Knoke, Viner and Fels were with you and that the State Department was being kept fully informed of all developments. You asked me to find out how big a Stabilization Fund the French planned to set up.

You reiterated your desire to be helpful and your sympathy with the French situation. You insisted, however, that you must await word from the British and then communicate with me further. You asked that I give the Minister of Finance your warmest regards. You reminded us that you had been of aid to the Bank of France previously and you wanted to be helpful to the French Government again. You mentioned that Mr. Knoke had had a telephone message from M. Cariguel and that you were making arrangements to support the franc market on New York, using French gold already in the United States.

I had received on the morning of September 24 your message . . .

message No. 367 of September 23, 12 midnight, setting forth a provisional draft of a statement which you might make with respect to gold dealings offered on a reciprocal basis by the American Stabilization Fund in the event that the tripartite agreement was consummated. This I held confidential.

I kept in touch with the Guaranty Trust and other banks during the day of September 25, which witnessed a tremendous run on the franc. The cabinet meeting was scheduled for that evening and the rumor was circulating that devaluation would be decided upon. Everyone was, therefore, nervously awaiting the outcome of this meeting.

At 1:45 p.m., I telephoned M. Baumgartner of my conversation I had had shortly before that hour with you. M. Baumgartner asked me to express to you, when next speaking with you, his Ministry's deepest appreciation of the cooperation and attention which you were giving this matter. In view of the urgency for speed, it was hoped that you might suggest a minimum of changes in the British draft text of the declaration, contained in my 920, September 24, 9 p.m.

Later in the afternoon, M. Baumgartner telephoned me, requesting that I come to see the Minister of Finance. When I reached the Minister's office at 4:15 p.m., he was quite nervous because no reply had been received from the United States. He said he was already overdue at a cabinet meeting, at which it was to be his duty to make known to his colleagues the plan for devaluation,

to be . . .

to be carried out that night, and to prepare for the special calling of Parliament. I told him that I had talked with you shortly after noon and that you were still waiting for word from the British. He asked if I would not put in another telephone call to you. I offered to go back to the Embassy to do this. M. Auriol insisted, however, that the call be placed from his office and that I remain with him. I told him that it would take perhaps 40 minutes to get the call through and that this would make him quite late for his Council meeting, but I yielded to his insistence, and the call was made by the Ministry of Finance to you.

While at the Ministry of Finance with MM. Auriol, Baumgartner and Rueff, I was provided with a summary which had been telephoned to them by M. Monick from London of the cablegram which the British were presumably sending to Washington in reply to your request for clarification of the dollar-sterling cross rate. I took down the following notes of this summary, which did not presume to be the verbatim text:

"(1) The Chancellor of the Exchequer recalls that he has no legal authority (means) to fix the pound within gold points. Furthermore, the principle 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 eventuality has been many times envisaged (M. Monick had intimated that while no precise allusion . . .

allusion to \$4.86 was made, the Chancellor presumably had this figure 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."

When I got connection with you on the telephone, I told you that I was in the Ministry of Finance, at your French colleague's desk, and that he asked that I transmit to you the following declaration:

"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 wise on its side to depreciate its money beyond the limits which will be sought in the monetary law (as vis-a-vis the dollar). It thinks that the simultaneous declaration, despite the reservation which each country has been obliged to make, to take account of its public . . .

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 (since 4 o'clock) in session. M. Auriol extends his warmest personal greetings to Mr. Morgenthau."

After giving you this message, I explained that while the French did not desire to mix in our sterling-dollar cross-rate question, they were having a most difficult time, following the frantic day on the market and the important Cabinet meeting which was in session. The gold losses had been so heavy that they would have to take a decision that night. If an agreement could not be reached with the American and the British before morning, it would be necessary to place an embargo on gold. I let you know that they had lost perhaps 800 million francs of gold during the day. I told you that the Stabilization Fund which they proposed to set up would amount to 10 billion francs. You asked me to reassure the Minister of Finance of your sympathy and desire to cooperate, but to let him know that you had to await the direct message from the British. It was agreed that I should return to the Embassy, where Mr. Lochhead of your office, or some other official, would telephone me any amendments which you desired to
make . . .

make in the British draft text if this should be adopted as the basis for a final agreement. I was to be back at the Ministry of Finance by 8 o'clock, when you were going to call us. I, therefore, proceeded to the Embassy, but no call arrived from you while I was there. At 6 p.m. I sent cablegram No. 924 describing the day's operations on the Paris exchange market. I also talked by telephone to M. Cariguel at 7 p.m. He said that he had given an order to the Federal Reserve Bank to hold the franc on the New York market that evening. He had also asked American cooperation toward suppressing quotations of the French franc on the New York market on Saturday morning and until after the French Parliament had enacted the legislation necessary for devaluation of the franc. The British had requested their banks not to quote the franc before Tuesday morning at the earliest.

Upon my return to the Ministry of Finance at 8 o'clock, I joined MM. Baumgartner and Rueff in the former's office. It was then planned that the Parliamentary session should begin on Monday afternoon. The declarations in France and England would be given out by the respective Treasuries. When your call came in, your office read to me the changes which you desired to be made in the text of the declaration. I noted this on my copy, and later M. Rueff corrected his copy from mine and had the French translation made. The only correction which could not be accepted was that . . .

that of referring to "fiscal" rather than "monetary" authorities since the fiscal authorities in France are the tax officials. You had not yet received a final answer from the British. I told you that the French were anxious to have the declaration given out not later than 11 o'clock, if at all possible, since the Minister of Finance had to telephone the President of the Republic before 11:30. You were, I believe, slightly amused at the idea that the President of France could not be kept up later than this hour, considering the importance of the occasion and the reputed practice of Frenchmen keeping late hours. I let you know that the Regents of the Bank of France were scheduled to meet at midnight to decide upon limiting gold shipments, et cetera.

I remained on at the Ministry of Finance, where I checked the French translation of the text as you had revised it. There were only two or three slight differences in phraseology, which I let pass as insignificant. I did arrange, however, for the French to telephone their translated text to the French Embassy in Washington for immediate delivery to you at the Treasury so that you could have the French text before you at the time of the release thereof. M. Monick, at London, was provided also with the French text and checked this with Sir Frederick Leith Ross.

At 10:20, you telephoned that the British had called on you. The message which Mr. Chamberlain had given . . .

given you was not quite so reassuring in tone as the summary which M. Monick had provided the French and which I had telephoned you in the afternoon. You said, however, that you had given the British an answer to Mr. Chamberlain's private communication to you, which you were 98 per cent sure that he could accept. You stated that the last sentence of your note to Mr. Chamberlain read: "The Secretary of the Treasury believes that this is not an obstacle (a 5 dollar pound) which need prevent the issuance of the simultaneous statement in order to carry out a broad, useful and essential action." You told me that your message would be telephoned to the Chancellor and that if he had no objection then you would give your final acceptance to the agreement. You were not ready, in any circumstances, however, to give final approval until you yourself might have a reply directly from the British.

The next two hours in the Ministry of Finance were very tense ones; between one and two hundred press correspondents were outside of the Minister's room awaiting the release which had been promised for 9 o'clock. The Minister had returned from his Cabinet meeting, where he had not been able to put his devaluation proposition definitely but had given his colleagues as clear as possible an idea of what he planned to do and had procured blanket authority to go ahead with the agreement and necessary announcements. A telephone call was received from M. Monick at London, stating
 that . . .

that the British had sent a favorable reply to your telephonic message. After this word was received, Minister Auriol asked M. Baumgartner to bring me into his private office, where he expressed to me his great satisfaction that the affair had been terminated. I told him that I must still await word from you directly, and that no announcement could be given to the press before that time. The Minister was quite uneasy lest the news could not be given to the press in time for publication in the morning papers. After a few minutes, M. Monick again telephoned that the British considered everything in order and were preparing to give the notice to the press at once.

At the Minister's insistence, I no longer waited for your telephone call but put in a call from the Ministry for you. When I got connection, I explained the situation to you. You understood that I was under considerable pressure. Since the British had not yet called on you to deliver the message which M. Monick had advised us had been despatched, it was agreed to hold the telephone line open. This facility helped me greatly. I was seated in the chair of the Minister of Finance. With him and his colleagues and assistants pacing the floor of the magnificent Empire salon, in the old Louvre Palace, which he occupies, glancing at their watches, grinding cigarette stubs into the marvellous carpet, and listening to the rumble of voices from the press representatives outside their door, made the situation extremely tense. Finally, you told me that the British had arrived at your office.

We . . .

We then waited until you had studied the reply. When you let us know that this was satisfactory and that we were in final agreement, there was great relief on the French side. You asked that I put Minister Auriol on the telephone so that you could extend your best wishes to him in French. The Minister took the telephone and exchanged greetings with you. Rueff translated the Minister's remarks. You then told me that everything was clear for giving out the communiqué.

After shaking hands all around, I took leave of Minister Auriol. I had to pass out through the crowd of journalists, but spoke to none of them. The rue de Rivoli in front of the Ministry was filled with taxicabs waiting to carry the journalists to their respective papers or telegraph stations as soon as they might receive the story. I proceeded to the Embassy, where the code clerks were still on duty, and found that while I had been at the Ministry there had arrived the Department's cablegram No. 370 of September 25, 9 p.m., giving the final American redraft of the simultaneous declaration. On checking this over, I found that it was identical in terms with the declaration as I had revised it at the Ministry when Mr. Lockheed telephoned me earlier in the evening from Washington. Much relieved that the affair was finally arranged, I walked to my home from the Place de la Concorde and went to bed at 3 a.m.

At 11 a.m. on September 26, I filed cablegram No. 926, in which I reported that the Minister of Finance had . . .

had received the press at about 1 o'clock that morning and had given to them the French text of the declaration on monetary policy which had been made simultaneously with the American and British declarations. I also included the text of the French official communiqué which announced that the Council of Ministers had approved the terms of a monetary bill for reducing the gold value of the franc to a unit containing between 49 and 43 milligrams of gold 900/1000 fine. The bill provided further that an exchange stabilization fund, endowed with 10 billion francs, should be set up. Pending adoption of the bill by Parliament, the Bank of France was taking the necessary steps to control the franc.

In the same cablegram I reported that the JOURNAL OFFICIAL of Saturday morning, September 26, carried three decrees, dated September 25, issued in connection with the above-mentioned development in French monetary policy. The first decree convoked the Senate and Chamber of Deputies in extraordinary session for September 26. The second decree suspended payment of commercial obligations expressed in gold or in foreign currencies. The third decree provided for the closing of French security and commercial exchanges, beginning with September 26 and up to a date which would be fixed by decree by the Minister of Finance.

In cablegram No. 927, dated September 26, 12 noon, I submitted the translation of a report, as carried in the AGENCE ECONOMIQUE ET FINANCIERE, of the remarks

which . . .

which Minister of Finance Auriol made to the press upon the occasion of issuing the declaration of monetary policy. He stressed the importance of the step that had been taken and especially thanked the two friendly Governments for their collaboration, and particularly Mr. Morgenthau and Mr. Chamberlain. He let it be known that the decision to align the franc had followed conversations which had taken place discreetly since the month of June.

At 10:30 on the morning of Saturday, September 26, M. Cariguel telephoned me from the Bank of France. He said that he had heard that the American Consul in Paris was changing dollars on a basis of 23.50 francs to the dollar. He said that this matter had been brought to the attention of the Bank of France by financial concerns. M. Cariguel expressed great surprise that an official office in Paris of one of the three Governments which had the preceding night adhered to the tripartite agreement would the following morning charge a rate of 23.50, when the maximum devaluation anticipated by the monetary bill, whose terms had been announced, was 22.96 francs to the dollar. I promised M. Cariguel that I would look into the matter. He emphasized the bad impression which this story would make if the situation was not rectified. M. Cariguel told me of the arrangements that had been made for controlling trading in francs in London and New York. He was also very happy to tell me that all gold which had not actually been shipped on the preceding evening

by . . .

by Paris-American banks which had contracted therefor was placed in the name of the Federal Reserve Bank of New York. That is, instead of leaving gold in the name of the banks which were shipping it, the Federal Reserve Bank was to be informed that, acting under instructions of the specified banks, the Bank of France had earmarked so much gold for its account, to be shipped at the first opportunity. Thus, any difficulty that might have arisen from placing an embargo on gold that night was obviated. M. Cariguel told me that no actual embargo had been placed on gold, but that at the meeting of the Regents of the Bank of France, held after midnight on September 25-26, the decision had been reached to raise from 215 thousand to 5 billion francs the minimum amount for bank notes against which gold would be delivered by the Bank of France. This, of course, constituted a practical embargo upon gold.

After talking with M. Cariguel I telephoned the invoice section of the American Consulate General, which is, of course, in the Embassy building. I learned that as of that date the charge which the Consulate General was making for official services was calculated on a basis of 23.50 francs to the dollar, while that previously charged had been at 15.50. I then telephoned Consul Fullerton, the Executive Officer of the Consulate General, and explained to him that the maximum of devaluation which could be effected in the French franc, under the bill which had been drawn up, was to the level of 22.96 to the dollar. I

explained . . .

explained to Mr. Fullerton the complaint which had reached me from the Bank of France, and I told him that there was certainly no ground for charging more than 22.96 to the dollar. I even intimated that the French Equalization Fund might, at least for a while, endeavor to maintain the franc at about the middle point provided for by the devaluation law. On Sunday morning I reported this matter to Mr. Wilson, then acting as Chargé of the Embassy, since I thought it was a matter of policy which concerned the Embassy. Mr. Wilson told me that he thought Consul General Southard should appreciate my bringing the matter to the attention of the Consulate General, through Executive Officer Fullerton. When I next saw Mr. Fullerton, however, he told me that Consul General Southard had neither welcomed the information which I had passed on nor had acted thereon. The Consulate General continued for some days to charge the rate above indicated.

During the forenoon I checked up with various Paris-American bankers. Mr. Pearce of the National City Bank and Mr. Saint-Germain of the Guarantee Trust both spoke highly of the manner in which M. Cariguel of the Bank of France had looked after their gold shipments and confirmed that the balance of the gold due on their contracts was being released that day and would be placed on board before midnight.

At 1 p.m. you telephoned me at the Embassy. I told you that MM. Fournier and Cariguel were anxious to . . .

to know when a decision would be reached in regard to our giving gold against dollars which the Bank of France would acquire. They also desired to know whether they should communicate with Mr. Knoke of the Federal Reserve Bank of New York, or whether they should wait until after the French monetary law had been passed. You were happy to tell me of the splendid American press reaction, irrespective of party lines, to the tripartite agreement announcement on the morning of September 26. You said everyone in Washington was bubbling over with enthusiasm. I told you of the excellent press reaction in Europe and let you know that the political section of the Embassy was getting out a separate cablegram thereon. You asked me to forward French and English papers giving comments upon the declaration and also to arrange for your Treasury Attaché at Berlin to forward to you the German press. After talking with you I endeavored to get into touch with Mr. Waite, your representative in Paris, but it was then too late. On Monday morning, however, I asked him to pass on to his colleague at Berlin your request with respect to the German newspapers. In cablegram 931, sent at 4 p.m., I recorded the inquiries of the Bank of France.

In the afternoon I telephoned M. Cariguel to inform him that you had said he could talk to Mr. Knoke directly in regard to technical arrangements.

At 5 p.m. on September 26, I sent cablegram No. 932 to report that a private telephone had been installed in my apartment, according to your instructions, the number being . . .

being Calvani 70-92.

At 6 p.m. I despatched cablegram No. 933, to tell you that M. Baumgartner of the Ministry of Finance had telephoned me at 4:30 to announce that they had been informed through diplomatic channels that Switzerland would follow the French lead and would devalue between 25 and 30 per cent.

In a further message, No. 934, dated September 26, 7 p.m., I gave you certain technical data upon the gold operations on the Paris market. I also told of the pleasure with which the French officials had learned that the Belgian Government had issued a sympathetic declaration of monetary policy on that date, adhering to the tripartite agreement.

When I arrived home on the evening of September 26, I learned that you had been calling for me while I was en route from the Embassy. I called back and was answered by Mr. Lochhead at 6:45 p.m. He told me of the good press that the tripartite agreement was continuing to have and of the pick-up on the stock and Government security markets. He also told me that the State Bank of Russia had sent an order to a correspondent in New York to sell sterling. The Stabilization Fund had taken the total amount offered.

In my cablegram No. 936, dated September 27, 4 p.m., I let you know that after Mr. Lochhead had called me on Saturday evening, I telephoned M. Cariguel to advise him and M. Fournier about the American Fund intervening to buy sterling offered by the Russian State Bank. On
Sunday . . .

Sunday morning, the Department's 371, September 26, 1 p.m., giving further details of the above-mentioned operation, was received. While I was endeavoring to get into touch with the French Ministry of Finance to pass on to them the information in question, M. Baumgartner telephoned me. He was happy to learn of the prompt and resolute move which had been taken toward making our monetary arrangement effective.

While I was at the Embassy on Sunday morning, I had placed a call for you which came through at my home at 2:05 p.m. In my conversation with you, I told you why M. Baumgartner had called me. The reason was this: The Minister of Finance was scheduled to appear at 2:30 p.m., Sunday afternoon, before the Finance Committee of the Chamber to propose and explain the Government's monetary bill, which was to be submitted to Parliament on Monday. M. Auriol had asked M. Baumgartner to find out from you whether you would permit the Minister of Finance to relate to the Finance Committee and state before Parliament that you had sent your representative to the Ministry of Finance on June 6, that conversations were then entered into, and that their result had finally been achieved. It was explained that MM. Blum and Auriol had, in their remarks to the press following the issuance of the simultaneous declaration, mentioned that they had been working for this international agreement since early in June. After talking with you, I at once telephoned M.

Baumgartner . . .

Baumgartner and let him know that when you had been asked in one of your press conferences as to who had started the affair which had just been terminated, you had replied that the initiative had been on the part of the French. Consequently, it was not desired that any different impression be gained from this side. I told M. Baumgartner that you did not object to it's being known that the French and Americans had been in consultation since June 6, but that you thought the fewer details given in regard to the conversations and negotiations, the better it would be. Consequently, it was deemed best that reference to individual acts and agents should be suppressed.

In my cablegram No. 936 of September 27, 4 p.m., confirming my conversation with you and giving the details of my subsequent talk with M. Baumgartner, I mentioned further developments, including the decision of the Netherlands taken on Saturday night, September 26, to put an embargo on gold. I let you know that I had talked confidentially with M. Pennachio of the Bank of Italy and had asked him personally whether he did not think it would be wise for the Italians to "get on the band wagon." As you are aware, Governor Azzolini of the Bank of Italy depends importantly upon my friend M. Pennachio for advice on international monetary relations and policies.

At 10:30 p.m. on the night of September 27, I talked by telephone with Dr. Jacobsson, the Swedish Economist of the B.I.S. at Basel. All during the negotiations . . .

negotiations the Bank for International Settlements had been entirely ignorant thereof. Dr. Jacobsson was delighted with the tripartite agreement and was especially complimentary of the manner in which the negotiations had been conducted. That is, without any leaks, and in a manner which permitted the results to be announced in a spirit of cordiality, and not of international recrimination.

When I came to my office on the morning of September 28, I found that M. Cariguel had already telephoned me. When I called him back I learned that M. Fournier wanted to see me. I went immediately to the Bank of France. M. Fournier told me that he had telephoned to the Federal Reserve Bank on Saturday, and that the latter had told him it could get no answer from the Treasury at Washington in regard to gold dealings. M. Fournier insisted to me that he must know about gold arrangements before the law was passed, especially if the law was enacted at an hour which would make it impossible, because of the difference in time between Paris and New York, to communicate immediately with Mr. Knoke at New York.

In my cablegram No. 937, sent at 12 noon, September 28, I reported that Auriol's devaluation bill, with certain modifications, had been voted by the Chamber Finance Committee on Sunday, by 20 against 12, with 7 members abstaining from a vote. I gave you a brief summary of the provisions of the bill.

At 1 p.m. on September 28, I sent my No. 938,

reporting . . .

reporting that up until noon of that date the Ministry of Finance had not yet received the written text of the amendments made on Sunday in the Chamber Finance Committee to the devaluation bill. Since these were slight, I proceeded to provide you in my cablegram with a full translation of the bill as introduced.

You telephoned me at 4:25 on the afternoon of September 28. I told you that the devaluation bill had been approved by the Finance Committee; that the Chamber had met at 9 a.m.; that it had adjourned to read the bill; that it had met again after 11 o'clock and had later adjourned to meet at 4 p.m. I let you know that the Radical Socialists had held a caucus at which they voted against the sliding scale for wage adjustments which had been written into the bill, but had approved the devaluation feature. I told you further that the Chamber had voted 365 to 248 against a motion for sending the measure back to the Committee. I let you know that M. Cariguel had told me at 4 o'clock that he thought there was no chance of the two bodies of Parliament passing the measure that night. Consequently M. Fournier wanted you to know that the markets would be closed in Paris and London on Tuesday, as they had been on Monday, and that the Swiss and Dutch were also closing theirs. In speaking to you of the conversation which I had with M. Fournier, earlier in the morning, I also mentioned that M. Fournier had said that the British were uncertain as to just how cooperation between the Americans and themselves was to be worked out.

M. . . .

M. Cariguel had told me that the British had suggested that any dealings which the Bank of France did in sterling should be for the account of the British. M. Cariguel seemed opposed to this idea, but you thought that he was taking a wrong position if he objected thereto. You said that you would ask the Bank of France to act as agent if you called upon it to operate for us. You told me to let the French officials know that they would just have to be patient in the matter of gold dealings. You said that you had taken care of them in the past and would continue to do so in the present situation. If they wanted to put any orders through to buy dollars in the American market, they should give the Federal Reserve Bank of New York the order and indicate their rate.

I telephoned M. Cariguel at 4:50 p.m. to give him the substance of your message, which was that you would "not let the Bank of France down" and that they should cease worrying. This assurance was entirely satisfactory to M. Cariguel. As I recall it, you did not meet Undergovernor Fournier when you were in Paris a year ago, since he was on sick leave at that time. M. Fournier is a highly competent official and is carrying, especially now that Governor Labeyrie is in office, a heavy part of the load at the Bank of France. Since he suffered a breakdown over a year ago, he has been quite nervous. I give you this information as a partial explanation of the Undergovernor's uneasiness during the period which I am describing.

At . . .

At 6 p.m., September 28, I sent cablegram No. 940, setting forth the inquiry which I had received earlier in the day by telephone from Mr. Beyen, resident head of the B.I.S., in regard to the possibility for the B.I.S. to enjoy certain gold facilities with your Treasury, particularly the privilege of obtaining gold in New York for B.I.S. account or in behalf of Central Bank clients.

At 11 a.m. on September 29 I sent cablegram No. 943, wherein I provided, in continuation of my 938 of September 28, 1 p.m., annexes to the French devaluation bill as originally proposed. The first of these dealt with an agreement between the Minister of Finance and the Bank of France as to the proceeds of devaluation, et cetera, and the second constituted a convention between the Minister of Finance and the Amortization Fund.

At 12:00 noon on September 29, I despatched cablegram No. 944, giving details of shipments of gold made by Paris banks to New York, clearing up transactions undertaken before an embargo was placed on gold.

My cablegram No. 945 of September 29, 1 p.m., gave a translation of a decree that appeared in the French JOURNAL OFFICIEL of that morning prohibiting the export of gold.

Undergovernor Fournier of the Bank of France telephoned me at 10 o'clock on the morning of September 29, to refer to an article which he had read in the AGENCE ECONOMIQUE ET FINANCIERE of that morning, purporting . . .

purporting to constitute a communiqué given out by you on the matter of the working of the tripartite arrangement. I told M. Fournier, in answer to his inquiry, that I had not yet received anything directly from you which confirmed the report under question, but that it seemed to me entirely logical and correct. I again promised him to communicate with him promptly as soon as I might have anything official in the premises.

Dr. Pennachio of the Bank of Italy telephoned me at noon to let me know that his country was studying its monetary problems very carefully. He said that for Italy a step toward devaluation must be very seriously thought out since it involved the whole economic problem of the country. The question was more complicated for Italy than for Switzerland and the Netherlands, since Italy lacked the gold resources of the other two countries.

You telephoned me at 12:40 on September 29. You told me that a 20 million dollar credit for the B.I.S. had been arranged. This concerned, I believe, a shipment of gold from Switzerland which the B.I.S. was handling. I told you the substance of the communiqué in the AGENCE ECONOMIQUE above-mentioned, and you confirmed the general terms thereof.

In our conversation I let you know that Mr. Gay President of the New York Stock Exchange, had sent the following message to his Regional Advisory Committee in Paris:

"pending . . .

"Pending issuance final decree French Government regarding monetary realignment you are empowered to communicate French Minister of Finance and offer him full cooperation of N.Y.S.E. in fulfillment of any financial measure French Government may wish to promulgate affecting its citizens or resident also request all members branch offices and representatives to cooperate in every possible way with objective of French Government."

The Paris representative of the above Committee had telephoned me previously the substance of this communication and had sought my advice about informing the French Government, particularly the Ministry of Finance, of its receipt. I refrained from giving any official advice in the premises.

In our conversation I informed you as to the progress of parliamentary consideration of the devaluation bill. The Chamber of Deputies had on the forenoon of September 29 passed the devaluation bill in its entirety, by a vote of 350 to 221, following a separate voting on each item of the bill during an all night session. A compromise was reached on the difficult sliding scale provision of the bill. The Minister of Finance had passed the bill on to the Senate Finance Committee, which was expected to return it to the Senate late in the afternoon or the following day.

Among the miscellaneous news which I mentioned was that Dr. Schacht had called a meeting of the Central Committee . . .

Committee of the Reichsbank; that the Dutch were going to manage their currency without definite devaluation; and that the Swiss measure for devaluation was before Parliament that day.

At 3 p.m. I telephoned M. Cariguel at the Bank of France to give him certain information which you had passed on to me, particularly in regard to technical operations.

At 4 p.m. I sent my cablegram No. 949, which indicated that the Bank of France had begun to ship gold to the United States to increase its earmarked supply with the Federal Reserve Bank. I told you that, according to press reports, Greece, Latvia and Turkey had decided to base their currencies on sterling. With respect to the Netherlands, I explained that the Dutch had placed an embargo on gold and were arranging for a stabilization fund of 300 million florins. I quoted certain items from the London press, indicating the splendid reception which had been given to the tripartite arrangement.

Upon the receipt on the forenoon of September 30 of your cablegram No. 376 of September 29, 6 p.m., I telephoned the Bank for International Settlements at Basel to inform Dr. Beyen that such inquiries as that which had been communicated in my cablegram 904 of September 28 should be made directly to the Federal Reserve Bank of New York.

On the morning of September 30, the debate began in the Senate on the Government's monetary bill, which had . . .

had been taken up by the Senate Finance Committee the preceding afternoon. After a debate of more than twelve hours, the Senate passed the measure by a small majority on the night of September 30. The Senate had made certain amendments to the bill, however, which were not acceptable to the Chamber. When the measure was submitted to the Chamber Finance Committee, the latter promptly revoked its own original text and submitted it to the Chamber, which, in the early hours of October 1, also revoked the bill in its original form.

You had telephoned me at 1:20 p.m. on September 30. I gave you an account of the progress being made in voting the French devaluation bill and let you know that I had sent you a large bunch of newspapers the preceding evening. You mentioned that you had done nothing in sterling. The Federal Reserve Bank of New York had, however, received an order from the Bank of France to supply whatever francs were necessary to take care of the demand. You told me that the Federal Reserve had handled 23 million francs at the time you spoke to me. You suggested that it might be to the general advantage if some announcement as to this operation could be made, since this might relieve the nervousness pending final voting of the French measure. You suggested that either the Bank of France make the announcement or permit you to make a statement in Washington. It was understood that you would call me back at 9:30 p.m.

I talked . . .

I talked with M. Cariguel two or three times during the day, and on the occasion after I had spoken with you in the sense above reported I mentioned your suggestion to M. Cariguel. He made the point that France had not yet devalued the franc, and that the Bank of France could not make or consent to a public announcement anticipating action of Parliament.

At 5:30 p.m. I talked by telephone with Dr. Jacobsson at the B.I.S. in Basel, requesting him to pass on to me any information which he might procure in regard to the statement which was to be given to the press that afternoon by Dr. Schacht concerning the German position on the currency question. At 8:20 p.m. Dr. Jacobsson telephoned me back saying that he had received a two-page typewritten summary, in German, of the German statement. He provided me with a digest thereof. The general purport seemed to be that the Germans would not devalue; that no new special types of marks were to be introduced; that the Germans would not refuse to take part in any international negotiations which might lead to permanent stabilization; that Germany would have to give consideration to problems still contingent upon the Versailles Treaty and would have to safeguard the savings of the German people, et cetera. Dr. Jacobsson also mentioned the large amounts of gold which the Swiss National Bank was acquiring, principally at London, and expressed apprehensions lest France might impose restrictions and penalties which would work against dishoarding of gold and repatriation . . .

repatriation of capital.

When you telephoned me at 9:30 p.m., I gave you the German information and also a summary of the French legislative progress. I mentioned minor items of information contributed by MM. Baumgartner and Maxime Robert of the French Ministry of Finance. You told me that the Dow-Jones ticker had announced at 2:40, Washington time, that it was understood that francs had been made available in London and New York. At 10:30 p.m. I told M. Cariguel what you had said. He insisted that the word had not been given out in Paris.

After talking with you I went over to the Chamber of Deputies and listened in at the stormy debate on the question of accepting Senate amendments or standing by the Chamber devaluation bill, and remained there until adjournment around 1 a.m. I then came to the Embassy and, after getting you on the telephone at 2:10 a.m., informed you of the status of the legislation at that hour.

When the Senate met at 9:30 on the morning of October 1, the outlook appeared difficult and there were reports to the effect that the Prime Minister might be forced to put the question to a vote of confidence unless some compromise could be reached. With M. Chautemps acting as mediator and with President Caillaux of the Senate Finance Committee evidencing a considerate attitude, the Chamber accepted a compromise provision which was approved by a vote of 354 to 217. The bill

then . . .

then went back to the Senate Finance Committee. After further shuttling back and forth between the two bodies, the measure was finally passed on the night of October 1. I had talked with you shortly after noon, giving you the information to date and anticipating that the bill would be passed before the next day.

In my cablegram No. 956, dated October 2, 11 a.m., I gave you a complete translation of the French monetary law as voted the preceding night and as promulgated on page 1040 of the French JOURNAL OFFICIEL of October 2. The special session of Parliament was adjourned following the enactment of this legislation.

During the morning I talked with M. Baumgartner and extended my congratulations upon the Ministry's success in getting its legislation adopted.

My cablegram No. 960 of October 2, 5 p.m., sent in continuation of my No. 957 of 11 a.m., summarized three separate laws which had also been passed on the night of October 1. The first abrogated certain decrees-laws of 1934 and 1935 providing for levies or reductions on war pensions, retirement allowance for war veterans, and Legion of Honor and Military Medal payments. The second law approved the convention concluded on September 27, 1936, with the Amortization Fund and provided certain advantages for holders of the Auriol baby bonds. The third law authorized the Ministry of Finance to conclude a convention with the Crédit Foncier de France in connection with an advance of 3 billion
francs . . .

francs to permit the latter to reduce interest on loans granted at high rates.

My cablegram No. 961, dated 6 p.m., October 2, reported that the Paris bourse and exchange markets had reopened that day for the first time since September 25. I reported the heavy offers of dollars and sterling and the strength of the bourse. At 7 p.m. I sent another cablegram, No. 962, reporting M. Cariguel's summary to me of the day's operation. I reported further that the Bank of France had lowered its discount rate from 5 to 3 per cent.

At 9 o'clock on the night of October 2, the Embassy code room informed me of the receipt of your cablegram No. 383 of October 2, 1 p.m., requesting me to keep you advised of any news regarding possible Italian monetary action. I came to the Embassy at once and filed my No. 963, at 10 p.m., giving you information on this subject.

On October 3, 11 a.m., I sent cablegram No. 964, informing you of further decrees which had been published in the JOURNAL OFFICIEL to complete the monetary legislation, including certain measures taken to reduce customs duties and suspend quotas. In this message I quoted an article from the London TIMES upon Mr. Chamberlain's speech at Margate, which referred very nicely to the cooperation between the British, French and American Governments. I quoted you a paragraph from an editorial in the TIMES on Mr. Chamberlain's speech, and I also reproduced the
conclusion . . .

conclusion of a leading article from the London ECONOMIST upon the fall of the gold bloc. I gave you M. Cariguel's confidential report of his operations for the Saturday morning, and let you know that he found everything moving smoothly. In conclusion, I told you that the Bank of Italy representative in Paris was not informed as to what decision the Italian Government would take on Monday with respect to the lira.

You telephoned me at my home at 3 p.m. on October 3. I gave you the forenoon's news, embodied in my cablegram above-mentioned, and we discussed the general situation. You had mentioned a few days previously the possibility of sending me to London for a day or two. It was decided, however, that since I would be going to Basel for the B.I.S. meeting on October 11 and 12, where I could see MM. Norman, Niemeyer and Cobbold of the Bank of England, I should not quit Paris in the meantime for a visit to London. You mentioned that Dr. Feis was arranging for the Embassy at London to be instructed to have periodic meetings with the British Treasury. Reference was made of M. Monick. I had let you know in an earlier conversation of the story which came out in the ECHO DE PARIS in regard to Monick's participation in the tripartite arrangement. You gave me certain confidential information in regard to the impression which Monick had made on his visit to Washington last June. You remarked that you had not made a single purchase of sterling during the week, although . . .

Although you had taken some gold in London. You told me that a high mark, since 1929, had been reached on your stock and Federal bond markets on that day.

The week ended with Sunday, October 4, thus witnessed the passage of legislation providing for devaluation of the franc and saw the reopening of the French markets. The present letter has given you the pertinent chronology. This letter bears the date of October 26, since the first half of it was dictated on that date. The delays in starting and then in completing this communication have resulted from various causes. My stenographer quit and returned to the United States when our negotiations were at their height. The arrival of our new Ambassador at the end of September called for extra work. Furthermore, I have had a rather strenuous schedule of travel and reporting in connection with the furthering of the tripartite agreement, and technical cooperation thereunder. In another letter I shall extend this report to cover the negotiations which involved the technical arrangements for gold reciprocity between the three parties to the original three-power arrangement, and also the addition of Belgium, the Netherlands and Switzerland to the group of countries entitled to enjoy reciprocal facilities in gold trading.

It is still too early to evaluate the results of the tripartite arrangement of September 25. This arrangement was welcomed most enthusiastically by a world which had almost despaired of international cooperation . . .

cooperation. For such an agreement to be reached secretly, but cordially, between three great democracies at a time when so many political situations were causing worry, gave ground for much relief and did a great deal to reawaken hope. As is usual, certain speakers and certain writers have been disposed to expect too much too quickly. They thought that this move would be followed immediately by a general breaking-down of trade barriers. The important achievement actually accomplished was to establish monetary cooperation between the three leading monetary powers. This provided, as the French so frequently said, the starting point for other developments. The immediate direct benefit was that France was able to devalue her currency calmly in dignified circumstances. If the economic and financial situation had been allowed to deteriorate further in France, with the Government hesitating to take a decision on its currency in the absence of an international arrangement, there would surely have been a serious catastrophe for the franc, involving a much greater decline therein than that accomplished through the monetary law of October 1.

The French lead was very shortly followed in an orderly fashion by several other European countries. In no case has there been evidence of willful exchange competition, but of genuine "realignment." These steps have not solved all of the problems in all of the countries, but have constituted initial advances. The results already visible in the Netherlands and Switzerland are . . .

are especially encouraging. The French situation, because of politics and lack of confidence in Government, which has existed for several years, and because of a most complicated and acute social problem, has been more difficult than some of the others, and it will take some time to work out. Whether the franc may be held within the limits fixed by the Monetary Law of October 1 cannot yet be determined. There is a very good chance to maintain this rate. If the French cannot hold the franc at the present figure, there is little reason to believe that they could prevent its complete collapse. While Dr. Schacht and some other critics assert that permanent stabilization has not been achieved, most observers are quite satisfied that progress has been made decisively toward establishing de facto stability in an atmosphere favorable to further progress.

I was personally happy to see the tripartite arrangement consummated in such a spirit of cordiality with the French officials, and in a manner which left France only the kindest feeling towards our country. Minister Auriol and his assistants were absolutely fair and square in their dealings with me, even though they were under much stress and worry. Diplomats and journalists have not yet ceased to marvel that such secrecy was maintained on all three sides. I am deeply appreciative of the confidence which you placed in me for the negotiations. . . .

negotiations.

Faithfully yours,

H. Merle Cochran,
First Secretary of Embassy.

HMC/wgs

Paris, December 28, 1936.

PERSONAL AND
STRICTLY CONFIDENTIAL

The Honorable

Henry Morgenthau, Junior,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Morgenthau:

In my letter dated October 26, 1936, I provided you with a chronicle of events culminating in the tripartite monetary arrangement of September 25, 1936, and reported the immediate results thereof, up through October 4. In the present communication I shall continue this chronicle, giving particular attention to the implementing of the tripartite arrangement to permit of gold reciprocity between the United States, France and England, and to the supplementing of the arrangement between these three countries to include Belgium, Switzerland and the Netherlands.

I telephoned you at 4 p.m. on October 5 and I sent at 5 p.m. my cablegram No. 968, which confirmed the news I had given you over the telephone. This dealt principally . . .

principally with the devaluation of the Italian lira and the activity on the Paris stock market. In my telegram I also included an expression of opinion obtained by telephone from Dr. Jacobsson at the B.I.S. with respect to Italian and German monetary policies. The B.I.S. observers approved of Italy's step, and thought Germany was making a mistake in not endeavoring to cooperate in some manner with the tripartite arrangement. When I gave you the information which I had obtained here in regard to Italian devaluation, you indicated that this was not in strict accordance with the version set forth in a cablegram from Ambassador Phillips at Rome. You asked that I procure for you specific information in the premises.

After talking with you I got into touch with Dr. Pennachio, the Bank of Italy representative in Paris, and asked him to provide definite facts on the monetary step that had been taken in Italy. While Dr. Pennachio had received considerable information on this subject, he was anxious to be of direct service and telephoned Governor Azzolini of the Bank of Italy at Rome. Later in the evening I talked with you, at 8:45 p.m., and gave you the official information, as relayed through Dr. Pennachio. Before I spoke with you on this occasion, I got into touch with M. Cariguel at the Bank of France and found that he had done a good business in obtaining sterling on that day, but that there had been few dollars in the market. He had been able to obtain some gold
against . . .

against dollars in London.

When I talked with you on the night of October 5 you said that you desired that I let the French know that you were working on the arrangement to yield gold. You reminded me that there had been three parties to the monetary arrangement of September 25. In view of this partnership you thought it fair to give England the same facility for gold as France. You said you were seeing Mr. Mallet, the British Chargé d'Affaires at Washington, to see if his people were interested. You had told your press correspondents that any technical arrangement would be made public. You were planning an arrangement which should be on a reciprocal and on a twenty-four hour basis. You desired to find out whether the French wished to make an announcement of reciprocity simultaneously with you. You hoped that the three original parties could stand together on this new matter. Your declaration would be an amplification of the statement of January, 1934. You did not insist that there be declarations from the French and British, but you did state that you were obliged to make an announcement. I told you that there was a French cabinet meeting that night at which the question was to be decided as to the application of a tax of 50 per cent on market transactions made just prior to devaluation. I was to see the Minister of Finance at 9:30 the following morning.

While awaiting your call on the evening of October 5 I drew up a draft of my own suggestions with respect
to an . . .

to an announcement for giving gold by the United States under the new arrangement. I mentioned my ideas briefly to you in our conversation by telephone. On the morning of October 6 I took the liberty of amplifying and sending to you my views in cablegram No. 970, dated 9 a.m. In this, as in all of my messages, I gave you my frank opinion. I was concerned lest the statement which you proposed might eventually prove to be too narrow, and I hoped that you might yield gold to foreign "monetary authorities."

At 10 o'clock on the morning of October 6, I called on Minister of Finance Auriol. This was my first visit with the Minister of Finance since the night of September 25. M. Auriol reiterated at this time his appreciation of your cooperation in the tripartite move and insisted that passage of the French monetary (devaluation) law would have been absolutely impossible if it had not been accompanied by the three-power agreement. I told him of witnessing some of the debate in which he defended his policies, and he reminded me of the bitterness with which he was attacked by several of the parliamentary leaders who personally shared his own views in the premises but felt obliged to criticize on account of political reasons. M. Auriol expressed his particular pleasure at the privilege of having direct communication with you and he hoped that this method could be utilized in the future. I think I told you previously that I was convinced that M. Auriol's exchange of felicitations with you on the night of September 25 was his first occasion . . .

occasion to use the transatlantic telephone. He is a very direct individual and appreciated the expeditious manner in which we had arranged matters through direct contact, in contrast with the complications and delays that would have necessarily been involved if the more formal procedure of diplomatic correspondence had been followed.

Incidentally, the Minister mentioned the serious embarrassment which had been caused him in the early stage of the conversations through M. Monick's excessive zeal. M. Auriol let me understand confidentially that M. Monick's visit to you last June had been inspired by certain of Monick's friends, and that he, M. Auriol, was then too new in office to object thereto. It was understood, however, that Monick should go to the United States only on a visit of observation, and should enter into no negotiations. The Minister of Finance told me that Monick exceeded his instructions and began sending reports back to France, through the French Embassy at Washington. These reports were received by the Minister for Foreign Affairs, and pertinent parts thereof were sent, according to practice, to the President of the Republic. M. Auriol knew nothing of these reports until President Lebrun summoned him to the Elysée Palace and asked that he explain why he had sent an emissary to the United States without the President of the Republic even having knowledge thereof. M. Auriol seemed convinced of the inadvisability of utilizing M. Monick's services on any future journeys to the United States, and I said nothing to encourage a

further mission on M. Monick's part.

M. Auriol thought that we had taken a big step forward through the three-power declaration. He was greatly pleased at the reception given this declaration by most of the European countries, the principal exception being Germany. He was particularly gratified over Italy's action. He told me that he had not desired that Dr. Schacht should figure in the original negotiations principally because he felt that Dr. Schacht and Governor Norman were so close that there might have been some Anglo-German collusion which would have made agreement difficult. The Minister was anxious to see what Dr. Schacht would eventually do. He said that he was sending word to Dr. Schacht, by Governor Labeyrie of the Bank of France, since the two were to meet at the B.I.S. that week-end, that whenever Germany might see fit to follow the precedent set by France, the latter would be ready to cooperate with Germany toward achieving stabilization and toward reduction of trade and exchange barriers. The Minister of Finance said, however, that he would insist that the financial burden which the policies of armament actually being followed in Europe would entail, would prove to be unbearable by the various Treasuries. That is, no hopeful progress toward monetary stabilization could be achieved until military policies might be brought within the paying capacities of the countries concerned. The Minister said that while we had made considerable progress, there was much
more . . .

more to do in the way of consolidating our gains and looking to future economic and monetary rehabilitation. He expected to be in contact with Premier Van Zeeland of Belgium within the near future on plans for cooperation in the premises, and promised to inform me of the course of their discussions.

In our conversation, M. Auriol brought up the subject of war debts owed by France to the United States. He regretted that there was nothing that France could do at present to clear up this matter. He said that if his Government remained in power, he hoped that, after internal order and some degree of prosperity might be achieved, it would be his pleasure and opportunity, say in another year or a year and one-half, to make spontaneously to the United States an offer of final settlement of the war debt. He said that such an offer would be arrived at after studying all phases of the question, including the Hoover Moratorium, the Lausanne Agreement and the character of the constituent parts of the indebtedness. I could not possibly conceive the idea from this conversation that Minister Auriol anticipated opening the question within the immediate future, and, although I have made no inquiries in the premises, I am of the opinion that recent moves with respect to the war debts, which have attracted much attention in the French and American press, did not originate with Minister Auriol.

The purpose of my visit with the Finance Minister
was . . .

was to ascertain whether the French would be interested in making an arrangement and a declaration in regard to gold of the character which you had suggested to me on the preceding evening. The Minister of Finance told me that he desired to consult his assistants and the appropriate officers of the Bank of France on this subject, and would endeavor to give me an answer during the course of the day. The above information was incorporated in my cablegram No. 971 of October 6, 12 noon.

After leaving the Minister of Finance I talked with M. Baumgartner, Director General of the Movement of Funds Section in the Ministry, and explained to him the purpose of my visit with M. Auriol. M. Baumgartner promised to call me back as soon as the Minister had reached a decision. M. Baumgartner himself was confident that they would act in complete accord with your desires.

You telephoned me at 12:20 noon on October 6. You told me that the British Embassy in Washington was pleased with the offer which you had extended them to participate in the gold declaration, but that you had not yet had time to receive the reaction from the British Treasury in London, to which the Embassy had referred your proposition. I told you of my visit with the Minister of Finance and let you know that I would communicate further news as soon as I might obtain the definite French answer. I mentioned in our conversation
that . . .

that I had in my cablegram No. 970, sent at 9 a.m. that morning, presumed to present my own views on the matter of a declaration.

At 1:05 p.m. I talked by telephone with M. Baumgartner, who was happy to tell me that his Minister of Finance was in complete accord with you on the matter of a statement in regard to giving gold on a reciprocal basis. The Minister desired to know, however, what the British had decided to do. The French officials made the point that they already were practicing actual reciprocity with the British.

I telephoned you at 2:30 p.m. to give you the Minister's answer, as transmitted through M. Baumgartner. In some manner, which I never understood, your assistants, who were with you when you were speaking, gained the impression that I had placed too much stress on the issuance of a declaration. I assured you that there had been no misunderstanding on this point and no insistence on my part that the French should make any declaration whatever. The French had been appreciative of your offer to participate in a statement and did not question in the slightest the propriety of such participation. You told me that you were anxious to get the matter cleared up in a short time and that you would call me back as soon as you had the official British reply. In the meantime, there was nothing further for me to do here.

In my cablegram No. 972 of October 6, 5 p.m., I

gave . . .

gave you the market news of the day, which was principally to the effect that sterling was being offered heavily against the franc. The new Italian lira was quoted at exact parity in Paris.

As I was returning from my home to the Embassy at 2:15 on October 7, you endeavored to reach me by telephone, but we did not succeed that day in establishing connection. My cablegram No. 975, filed at 4 p.m. on October 7, gave the news of the day, including the fact that sterling continued to be offered in large amounts at the Bank of France, and the report that the Swiss had resumed contracting gold at London for delivery the following week, it having become necessary for the Swiss at one time to cease operations until their bookkeeping might catch up with their buying. In my cablegram I quoted at some length a statement made by Mr. Chamberlain, Chancellor of the British Exchequer, on the preceding evening, wherein he referred to the tripartite arrangement.

On October 8 you telephoned me at 4:45 p.m. You said that a very satisfactory answer had been received from Mr. Chamberlain, and that you were working on a reply. You had prepared a proclamation and a communiqué for the press. You said you would cable both of these to me that night. A representative of the British Embassy was coming to see you shortly. You said that you were also sending me a copy of Mr. Chamberlain's message. You made the point that you were obliged to
make . . .

make a statement. You thought the British would be disposed to make a statement and you wanted the French to feel free to do likewise if they cared to do so after having seen your statement. This would be entirely voluntary, however, on the part of the French. You hoped to issue your statement on Sunday morning, if possible, to become effective on Monday. It was agreed that I should arrange to have your messages decoded as early as possible so that I could show them to the Minister of Finance and then telephone you back as soon as I had obtained M. Auriol's reaction thereto. You incidentally referred to my cablegram of October 6, in which I had expressed my own opinions, and you assured me that these were always accepted in the same spirit in which they were sent, whether or not you might be able invariably to act favorably thereon.

Later in the day, at 9:45 p.m., you telephoned me at my home. You stated that there had been despatched to me a copy of the new statement signed by the President. You said this was a legal statement drawn up by attorneys. You added that since Monday was a bank holiday, Columbus Day, you were giving out your statement at a 4 o'clock press conference on that day, instead of Sunday as originally anticipated, and that the new procedure would go into effect on Tuesday. You let me know that you were giving the British the same information that you were giving me and that you had told the British that, once the statement was issued, they should get into touch . . .

touch with the Federal Reserve Bank at New York toward working out details of gold reciprocity. You told me that in your press conference you would answer any general questions, but that you would not explain that the gold price was to be fixed on a daily basis. You told me that I could leave with Minister Auriol copies of the messages you were sending me that night, and it was arranged that I telephone you back at 2:30 p.m. the next day to give you the French reaction. Before we finished our conversation I let you know that I had talked with M. Cariguel during the day and he had asked me if I had received any information from you on gold reciprocity, since no word had been received from the Federal Reserve Bank directly, and Undergovernor Fournier was becoming quite nervous.

On the morning of October 9 the Embassy received your cablegram No. 391, giving the text of the communication from the Chancellor of the Exchequer, and No. 393, setting forth the gold statement which you intended to issue on Monday afternoon. The second of these messages did not arrive until after 9 o'clock, and, because of errors in transmission, it was no possible to complete decoding thereof until 11:45. As soon as I had received the finished copies from the code room, I proceeded to the Ministry of Finance, where I was received by MM. Auriol and Baumgartner. I summarized developments to them and mentioned the idea of your making a declaration at 4 p.m. on Monday, October 12.

I . . .

I then went with M. Baumgartner to his office; I let him read the two messages and then left with him excerpts therefrom, consisting of the text of Mr. Chamberlain's communication and the text of your proposed declaration. M. Baumgartner told me that he would talk with Undergovernor Fournier of the Bank of France at 1 o'clock that afternoon and would try to give me an answer between 4 and 5 p.m.

After returning from the Ministry of Finance, I put in a call for you, at 12:50 noon, and got connection at 2 p.m. I reported the developments of the morning to you. When I mentioned that your proposed statement had come through in form practically identical with that originally drafted, you volunteered that you were working under terrific pressure, which I easily understood. You said that the first step, the tripartite declaration, had been a great success and that you had to move cautiously with this second step. You gave me additional information which you said I could pass on to the Bank of France.

Consequently, at 3:25 p.m., I telephoned M. Baumgartner, who was then at Governor Fournier's office. I told him that I had talked with you. I explained that you desired that the French and British give out your statement to the press; that they comment thereon; and that they indicate that they are going to give gold to the other two parties of the agreement under similar conditions, that is, that gold moves on all sides of
the . . .

the triangle; and, finally, that the declaration be given to the press at 4 o'clock in Washington and 9 o'clock in Paris and London. I let M. Fournier know that he was free to discuss with the Federal Reserve Bank of New York the technical details incident to procuring a working arrangement with the United States along the lines being consummated with the British, as set forth in Mr. Chamberlain's memorandum.

At 5 p.m. on October 9, I sent cablegram No. 983, letting you know that the Paris bourse had turned quite weak, with a decline in rentes, and that the reflux of capital to France had slackened, for domestic and international political reasons.

At 5:45 I telephoned M. Baumgartner and made an appointment for 7 o'clock that evening. At 7 o'clock he gave me the British communiqué which the Bank of England had telephoned through the Bank of France. The French were willing to give a simultaneous declaration and were preparing it, their declaration, and translating the statement of the Secretary of the Treasury into French, for issuance at 9 o'clock on Monday night.

At 9:15 p.m., October 9, I spoke with you from my home. I told you that I had given your message to MM. Fournier and Baumgartner, and that they had talked with London and had received the text of the British communiqué. You told me that you had not yet received the British reply directly. You would telephone or

cable . . .

cable it to me as soon as received. When I told you that I was planning to leave for Basel on Saturday night, to be there for the B.I.S. meetings, you told me that you wanted the text of the English declaration cleared up before I left. I mentioned in this conversation the sending of a special emissary by Dr. Schacht to Minister Auriol.

At 10:20 a.m., October 10, I talked by telephone with M. Baumgartner. I told him of my conversation with you of the preceding evening and mentioned that you had not yet received the official text from the British. M. Baumgartner said that he had that morning received the text officially through his Financial Attaché in London, and that this was exactly the same as the text which had been received by telephone through the Bank of France.

In my cablegram No. 985, sent at 1 p.m., October 10, I let you know that the French financial press was continuing to criticize French legislation and regulations against alleged hoarders and speculators, it being felt that such measures were tending to prevent the reflux of French capital. I also reported that I had talked with M. Cariguel during the morning. He had told me that he had worked out with the Federal Reserve Bank at New York a forty-eight hour arrangement on gold.

At 3:15 p.m., October 10, you telephoned me at my home. You stated that the British had given to you the official statement, which was entirely satisfactory.

You . . .

You had not checked this against the one which I had telephoned you the preceding night. I let you know that I was examining M. Baumgartner's French translations, and it was understood that these translations were to be sent to you. You approved my departure for Basel that night, for return to Paris on Tuesday morning, but you wanted me to make sure that the French were not to permit any leak before Monday night.

At 7:15 on the night of October 9, I had received from M. Baumgartner the text, in English, of the communiqué which the British planned to give to the press. I had informed you of this in our conversation by telephone on the night of October 9. At 12:35 noon, October 10, M. Baumgartner transmitted to me a French translation of the British communiqué and also a French translation of the declaration which you proposed to make. I checked these translations and called M. Baumgartner back at 4:30 p.m. at the Ministry of Finance. He agreed to one or two changes which I suggested and he promised to maintain absolute secrecy until the communiqués might be released at 9 o'clock on Monday evening. He also promised that he would cable to his Financial Attaché in Washington the text in French of the communiqués which he was issuing, in order that these might be communicated directly to you.

Consequently, I left Paris at 10 o'clock Saturday night, October 10, and spent Sunday and Monday in Basel.

In my cablegram No. 992, filed at 11 a.m. on

October . . .

October 13, I summarized the information which I gained on my visit at the B.I.S., where the principal topic discussed by the Central Bankers over the weekend had been that of the currency changes started by the three-power agreement. The general opinion was that while the first purpose of the three-power plan had fundamentally been to help France devalue, the agreement had been received with such world-wide interest and had been followed by such wide repercussions on other monetary systems that the plan had probably acquired an even greater significance than originally conceived.

I let you know the manner in which the Swiss and Dutch Central Banks were conducting their currency measures. I told you of the British and Italian opinions. I particularly stressed the unhappiness of Dr. Schacht over having not been informed, through the B.I.S. or otherwise, of the plans for the tripartite arrangement. Finally, I let you know that it was generally agreed at Basel that the French had been short-sighted in penalizing hoarded gold and in taxing alleged profits from speculation. It was thought that the return flow of capital would be much larger if the French would not establish penalties. You telephoned me at 3:25 p.m. on October 13. I summarized my Basel cablegram above-mentioned. I told you that the atmosphere here was more optimistic and that the tripartite gold reciprocity announcement had appeared

as . . .

as scheduled and had been well received, with the slight exception of the "day-to-day" character thereof. You told me that the story had gone over very well in the United States and that the press had been quite satisfactory, the best story having appeared in the NEW YORK HERALD TRIBUNE.

In my cablegram No. 993 of October 13, 5 p.m., I made the point that the announcement of the preceding evening of technical arrangements for reciprocal gold movements between the French, British and American Stabilization Funds had enabled the French Government to display evidence that the agreement into which they had entered was fully equipped with means to make it effective.

At 4 p.m. on October 14, I depatched my cablegram No. 1001, in which I reported the day's developments. I also said that in a talk by telephone with Dr. Jacobsson I had learned that the resident officers of the B.I.S., and particularly the German Assistant Manager, had been quite provoked to learn on the morning of October 13, following the day of their Directors' meeting and the departure of the Directors for their respective capitals, that the three powers had consummated a further arrangement of intense interest to Central Bankers. Dr. Jacobsson had told me that M. Beyen was considering the propriety of cabling the Federal Reserve Bank of New York to the effect that the B.I.S. thought the new move was good as far as it went . . .

went but that the B.I.S. would like to see it go further. In my cablegram I mentioned that M. Baumgartner had told me that he considered the Paris press reception of the new arrangement quite good, but that there had been some political sniping, with the twenty-four hour feature the most vulnerable point. French technical writers were generally appreciative of the fact that this arrangement constituted a big forward step. I quoted comments by French and British financial writers.

You telephoned me at 3:15 p.m. on October 15. You stated that you had two matters to take up with me. First, my friends in Switzerland had cabled to the Federal Reserve Bank that they wanted to join the gold pact. The Federal told them that this matter would have to be taken up through the Secretary of the Treasury. You had consulted with the Department of State, and the latter was glad to approve your use of me in conducting the necessary negotiations in Europe. An instruction was to be sent out from the Department of State to the Paris Embassy the same day to this effect, but you desired to save a few hours by telephoning me. The American Minister in Switzerland was not informed of the above facts, but I was to keep him advised of any developments. I was not instructed to consult with him. You stressed the point that you desired to do business with the Minister of Finance, that is, that negotiations would be between governments, rather . . .

rather than through their Central Banks.

The question had also been raised by Belgium. Governor Franck of the National Bank of Belgium had cabled Governor Harrison of the Federal Reserve Bank of New York as follows: "On reciprocal conditions your cable we confirm our arrangement to sell gold to United States our legal parity. Please transmit to Treasury." You explained that the Federal Reserve Bank of New York had, at your request, telegraphed the text of your gold announcement of October 12 to the Central Banks. As in the Swiss case, the Belgians had been informed that they had to work through Treasuries.

You were to advise the British of the above-indicated interest of the Swiss and Belgian authorities in joining the gold pact. You desired that I inform Minister Auriol in the same sense. I was to ask the French Minister of Finance whether he desired to join with the United States in extending reciprocal gold privileges to Belgium and Switzerland. I was to ask whether France already had any arrangements with these two countries. I was to make it clear that we were being spontaneously considerate of France and Great Britain in keeping them informed and in ascertaining their interest toward joining in this extension of the pact.

You explained that Belgium was probably the only country eligible to draw gold from us under the old

announcement . . .

announcement of February 1, 1934. You did not want to cancel this announcement until you had a new arrangement with Belgium. You did desire, however, that the arrangement of October 12 should supersede that of February 1 and that the earlier arrangement be cancelled. That is, the reciprocal agreements would be between Treasuries, and Central Banks would act simply as agents of the Treasuries. It was not essential that a country have a stabilization fund, although it was perhaps easier if they did have such a fund to operate through in cooperation with the funds of the United States and other countries. The Ambassador in Brussels was not being instructed as to my trip, but I was to keep him informed.

You desired that the countries with which we entered arrangements should be able to keep up their own end, that is, support their own exchanges. You did not want to take on any "lame ducks." You stressed again that you wanted to cancel the 1934 arrangement as soon as possible and have the October 12 the only gold arrangement. You said again that the Department of State was glad to have me act in the above-mentioned capacity. You used the expression "through diplomatic channels" two or three times when talking with me, to the effect that negotiations should be through such channels and not through the Central Banks. I asked you if you meant that the negotiations should be through the usual channels of our Embassies in the respective countries. . . .

countries. You said no, but through the "Morgenthau-Cochran" diplomatic channels. You desired, however, that I inform Ambassador Bullitt of this arrangement.

When you inquired if I had any questions, I asked you whether I was to go to Brussels and Bern. I thought it would be better to discuss the matter in person. You said I was the salesman of the idea and that I should use my own judgment. Likewise, when I asked you if I could make the appointments with the Ministers of Finance through my Central Banking contacts, namely, Governor Franck of the National Bank of Belgium and President Bachmann of the Swiss National Bank, you said you left this entirely to me. I told you that if I made the trips I would send no cablegrams while absent from Paris. You asked me to let you know whenever I left Paris and to get in touch with you upon my return.

At 6:45 p.m., October 15, I called on M. Baumgartner at the Ministry of Finance. I told him of your telephone call above-described in regard to the Swiss and Belgians. M. Baumgartner said that he was sure that the French would be glad to associate themselves with this move. He would have to speak with the Minister of Finance and would telephone me at 10 o'clock the next morning, October 16.

My cablegram No. 1008 of October 15, 5 p.m., described the exchange situation and quoted from the London TIMES a report of Mr. Eden's speech, in which he had . . .

had referred very nicely to the tripartite arrangement and its consequences.

As agreed, M. Baumgartner telephoned me at 10 o'clock on the morning of October 16, but said that the Minister of Finance had been ill and would be late getting to the Ministry. M. Baumgartner subsequently informed me that the Minister was quite in accord with the arrangement for bringing the Belgians and the Swiss into our group. At 10:45 on the morning of October 16, I telephoned Governor Franck of the National Bank of Belgium at Brussels and made an appointment with him for 10 o'clock the next morning. It was arranged that he would receive me at the Bank and would fix an hour for the Minister of Finance or the latter's competent representative to meet with us. I left this in Governor Franck's hands, simply explaining that I must be in touch with the Ministry of Finance. I also telephoned to President Bachmann of the Swiss National Bank at Zurich at 11 a.m. and made an appointment to meet him on October 19 at 9:30, at the head office of his Bank in Bern. He was furthermore to arrange an appointment for us with the Swiss Minister of Finance for 11 a.m., October 19. I urged upon President Bachmann the necessity for completing our business on the one day, so that I could return to Paris on Monday night.

On October 16 I had received the Department's cablegram No. 405 of October 15, 12 noon, authorizing
me . . .

me to establish contacts with the Swiss and Belgian financial authorities and to negotiate with them in your behalf. Your message No. 406 of October 15, 5 p.m. gave the texts of the messages which had been received by the Federal Reserve Bank at New York from the Swiss National Bank and the Governor of the National Bank of Belgium.

In my message No. 1010 of 4 p.m., October 16, I let you know that I was proceeding to Brussels that night and to Bern on Sunday evening, and that Ambassador Bullitt had telephoned Ambassador Morris at Brussels and Minister Wilson at Bern, informing them of my plans.

Your cablegram No. 409 of October 16, 5 p.m., and your No. 410 of October 16, 6 p.m., giving the texts of the Federal Reserve Bank's replies to the National Bank of Belgium and the Swiss National Bank, respectively, were not received in Paris until early on the morning of October 17. I had arranged, however, with an Embassy code clerk to be on duty quite early that morning. The two messages were, therefore, decoded and telephoned to me at my hotel in Brussels before I went to the National Bank of Belgium to keep my 10 o'clock appointment.

At 9:30 on Saturday morning I called on Ambassador Morris and explained my trip to Belgium. The Ambassador suggested that before leaving Brussels I call on the Prime Minister, M. Van Zeeland, whom I have known for

some . . .

some years.

After receiving in Paris your instructions to visit Belgium and Switzerland for the purpose of carrying on the negotiations under reference, I spent some time going over all documents available to me in regard to effective monetary legislation of those countries. Your instructions as to the form in which some arrangement should be reached with the monetary authorities of the two countries were quite general. I worked out the idea that perhaps the best arrangement would be for the competent authorities to make a declaration wherein they made clear the existing laws affecting domestic and international gold dealings by them, and indicated their competency and willingness to effect gold dealings on a reciprocal basis with your Treasury. Such a declaration should facilitate your study of the eligibility of each country, since this declaration would summarize pertinent legislation, would indicate what type, if any, of stabilization or equalization fund was in existence, and its method of operation.

With the above plan in mind, I called on Governor Franck of the Bank of Belgium at 10 o'clock on October 17. He had with him M. Joseph Warland, the General Manager of the Belgian Treasury and Public Debt, and M. Adolphe Baudewyns, Secretary of the National Bank of Belgium. I referred to the exchange of cablegrams between the National Bank of Belgium and the Federal Reserve Bank of New York, and I indicated my purpose
in coming . . .

in coming to Brussels. I had with me documents to assist in explaining the American position and in suggesting the lines along which the Belgian authorities might clarify and set forth the Belgian position with respect to gold transactions. A declaration was then drafted in French.

After completion of the draft, MM. Franck, Warland and I went to the Ministry of Finance, where the Minister, M. Henri de Man, received us. He read, approved and signed the declaration as drafted, after Governor Franck and I had explained to him the purpose thereof. Governor Franck signed the declaration, after the Minister had signed, and the Minister of Finance then handed the document to me. M. de Man was then kind enough to telephone Prime Minister Van Zeeland, with whom he arranged a twelve o'clock interview for us. Governor Franck and I explained to the Prime Minister the purpose of our visit, and he read the declaration carefully. He found it quite satisfactory, but he made the point that, relative to the second paragraph of the first article of the declaration, Belgium had had no provision of law which restricted gold dealings to countries of the gold block and the United States. After leaving the Prime Minister, I returned with Governor Franck to the National Bank of Belgium, where I translated the document from French into English and had it checked by Secretary Baudewyns.

I lunched with Ambassador Morris and showed him

the . . .