

U.S. Finance 207/5/2

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H. Beaufort

BRITISH EMBASSY,

WASHINGTON, D. C.,

March 3rd, 1939

No. 261

My Lord,

I have the honour to enclose herewith for Your Lordship's information copies of the text of a statement made recently by the Secretary of the Treasury both before the Committee on Coinage, Weights and Measures of the House of Representatives and before a Sub-Committee of the Banking and Currency Committee of the Senate. Enclosed with the statement are copies of the balance sheets of the United States Stabilisation Fund as of June 30th and December 31st, 1938. Mr. Morgenthau was giving evidence in connexion with the President's request to extend the life of the Stabilisation Fund and of his powers to alter the gold content of the dollar. Mr. Morgenthau was questioned on his statement by members of both committees. The principal point of interest which emerged was that as regards American monetary policy he said, as he has said on previous occasions, that there was no present intention of using the power to depreciate the dollar further, that the power should however be retained as a weapon in case other great commercial countries should at any time start a race in currency depreciation, and that he would gladly meet such countries more than half way if they should suggest a stabilisation agreement.

"If the principal commercial nations" he is reported as saying, /

The Right Honourable

The Viscount Halifax, K.G.,

etc., etc., etc.

[Signature]
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saying, "would agree to fix a stable basis for their currencies, nothing would be more helpful to business. Unfortunately that prospect seems to be remote. But we have been working on it all the time, and if there should be any slight inclination on the part of the leading commercial powers to join in such an undertaking, I will drop whatever I am doing and meet them more than half way".

2. There does not appear to have been any serious opposition in either of the committees to the extension of the life of the Stabilisation Fund, but Senator Glass, who is Chairman of the Sub-Committee of the Senate Committee on Banking and Currency, threatens a determined fight against the proposal to prolong the President's power further to devalue the dollar. What the outcome of this will be is still uncertain. At the same time I must point out that even if the President's power to alter the gold content of the dollar within certain limits is allowed to expire, the Secretary of the Treasury will still have power under Section 8 of the Gold Reserve Act of 1934 to fix the price for the purchase of gold abroad at such a level as "he may deem most advantageous to the public interest".

3. A full transcript of the hearings before the committees will no doubt be printed in due course but may not be available for some little time yet. There is still to be a further hearing before the House Committee at which Mr. Morgenthau is due to appear.

4. The silver purchase question referred to in the third part of Mr. Morgenthau's statement has been the subject of a rather brief debate in the House of Representatives/

Representatives on a motion to reduce a Mint appropriation applicable to expenses in connexion with the purchase of foreign silver. The motion, which would have prevented the further purchase of foreign silver, was defeated by 155 votes to 136; but this should not be taken as necessarily reflecting the real strength of the respective parties, since the motion seems to have been unexpected, and it was in any case felt by some members of the House at least that if the silver policy is to be changed this should be done by an amendment of the Silver Purchase Act rather than by cutting down an appropriation item for the Mint.

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5. Copies of this despatch and of the enclosures are being sent to His Majesty's Treasury and the Department of Overseas Trade.

I have the honour to be,
 with the highest respect,
 My Lord,
 Your Lordship's most obedient,
 humble servant,

(SGD) R. C. LINDSAY