

DIARY

Book 785

October 24, 1944

Democratic Campaign of 1944

See Book 783

See also Book 782: Speeches by HMJr

Financing, Government

War Savings Bonds: Department of Justice asked to assist in suppressing vicious practices in redemption of Bonds, particularly in Philadelphia - 10/24/44.....

785 147

France

See Lend-Lease

Justice, Department of

Asked to assist in suppression of vicious practices in redemption of War Savings Bonds: See Financing, Government

Kaiser, Henry J.

See also Democratic Campaign of 1944

Speech at Waldorf-Astoria Hotel, New York City (New York Herald-Tribune Forum on Current Problems): Jobs for All - (10/17/44.....

122

Lend-Lease

France: Stettinius-HMJr discussion of present status of negotiations - 10/24/44.....

132

United Kingdom - Phase 2

See also Book 783

HMJr discusses with White his own reaction to British needs - 10/24/44.....

139

Conference of American delegation - 10/25/44:

See Book 786, page 37

- a) War Department communications on ground forces and air forces discussed (see pages 57 and 60)

Conference of American and British delegations - 10/25/44: Book 786, page 63

- a) War Department discusses certain points:

Book 786, page 63

- b) Navy Department discusses certain points:

Book 786, page 69

- c) Acheson presents certain points agreed upon by American delegation: Book 786, page 81

War Department transmits to HMJr joint recommendations of representatives of British Army and United States War Department - 10/25/44: Book 786, page 86

Lend-Lease (Continued)

United Kingdom - Phase 2 (Continued)

War Department (Patterson) memorandum noting certain items of non-munitions requirements in which they have a direct interest - 10/25/44: See Book 786, pages 110, 111

(See also Book 793, pages 232, 235 - 11/11/44)

December 1 as date for abolition of White Paper restrictions on British exports and suggestions for dealing with the problem of stocks - memorandum enlarging on Keynes suggestions - 10/26/44: Book 787, page 86

Conference of U.S. committee - 10/25/44: Book 787, page 140

Conference of U.S. subcommittee held in White's office - 10/27/44: Book 787, page 143

Conference of American and British delegations - 10/27/44: Book 787, page 145

a) Keynes memorandum showing Lend-Lease stock in United Kingdom of certain commodities: Book 787, page 152

Resume' of negotiations as of October 28, 1944 - Casaday memorandum: Book 787, page 259

- P -

Philadelphia, Pennsylvania

Suppression of Vicious Practices in Redemptions of War Savings Bonds: See Financing, Government

- S -

Savage, Ralph S.

Reinstated at Mrs. FDR's request - 10/24/44..... 785 141

- U -

United Kingdom

See Lend-Lease

- W -

War Savings Bonds

Suppression of Vicious Practices in Redemptions: See Financing, Government

October 24, 1944
9:48 a.m.

Operator: Go ahead.

HMJr: Hello.

Operator: Here you are, sir.

Henry L. Stimson: Yes.

HMJr: Henry talking.

S: Yes.

HMJr: Good morning.

S: Good morning. I tried to get you yesterday afternoon to tell you that I am very happy to accept your suggestion and I wanted -- wanted to send the man over -- in question -- to see either you or Danny Bell

HMJr: Well

S: and since you both were out, why, I held it over until this morning.

HMJr: Yeah. I returned your call last night. I don't know whether they told you.

S: Yes.

HMJr: Well, I could see him at eleven-thirty.

S: At eleven-thirty?

HMJr: Yes.

S: All right. His name is General Groves, G-r-o-v-e-s.

HMJr: General Groves, G-r-o-v-e-s.

S: Groves, yes.

HMJr: What section is that?

S: He'll give you the details.

HMJr: Harry, what section?

S: Oh, he comes -- he's -- I think he's in the Service Corps. He's in the -- he was picked out of the Army so long ago for this special thing

HMJr: I see.

S: that I don't recall exactly what branch he originally belonged to.

HMJr: Well, I'll be very glad if he

S: He can tell you that.

HMJr: Eleven-thirty.

S: Eleven-thirty. Groves, G-r-o-v-e-s.

HMJr: Right. I'll look forward to seeing him.

S: Thank you very much.

HMJr: Good bye.

S: Good bye.

October 24, 1944
10:00 a.m.

PROPOSED DRAFT OF SECRETARY'S SPEECH OF OCTOBER 27.

Present: Mr. White
Mr. Gaston
Mr. Blough
Mr. Murphy
Mr. Barth
Mrs. Klotz

H.M.JR: The reason I am having this group here, Alan, is this. They all have pieces, you see, and very much in confidence, the President says he is going to give this speech that I sent you a copy of - didn't I?

MR. BARTH: Yes.

H.M.JR: ...Thursday night - Friday night?

MRS. KLOTZ: Friday night.

H.M.JR: Anyway, the night of the 27th. I wanted you to know that. He read it last night. He has agreed to do this. Now, White has read it, and Gaston has, and if you two men haven't, you should.

MR. BLOUGH: I have not.

H.M.JR: You and Henry Murphy should. You can get it from White.

MR. GASTON: That is the higher standard of living speech?

H.M.JR: No, the one of White - economic bill of rights. Now, he has agreed to do it. Of course, the conservatives around him haven't had a crack at it yet.

- 2 -

MR. WHITE: Anyway, it will have to be cut very substantially.

H.M.JR: He said last night, "Of course, I will do it in my own language."

MR. GASTON: Yes.

H.M.JR: But I wanted you to know that. And I am supposedly, Alan, to follow him. The reason I have invited these people in is that they are all working with me on different pieces. For instance, Sam Rosenman called for the part on taxes, you see. So I am saving my time and yours, also for the benefit of what their brains may throw off. I want them to know what I am doing.

I don't think I can sit back and wait for the President to give me the last draft, the way I did once before. At that same Businessman' League, you remember, I waited and waited until the last minute.

MRS. KLOTZ: Mr. Gaston was there.

MR. GASTON: Yes, the President of the American Locomotive Company presided.

H.M.JR: So I think we have just got to do one and make up our minds that it isn't in conflict with the other one. And I strongly recommend to the people here who have been working with me, the October 21 Nation, plus that supplement.

MR. BARTH: Yes.

MR. GASTON: It is a supplement to the same number, is it?

MR. BARTH: Yes, it is a transcript of the Nation's associates' meeting, short addresses by a number of people.

H.M.JR: That is compulsory reading.

At your service, sir.

- 3 -

MR. BARTH: I had this done in a rush, so there is a correction right on the front page.

H.M.JR: I am a little bit excited because all over the weekend I have been on this thing with the President, you see, and more or less with Mrs. Roosevelt. So I haven't had a chance to think of myself. When we get through, Herbert, we might check up where I stand on my speech, and all the rest of that, because I am counting on your contacting the businessmen.

MR. GASTON: Yes.

MR. BARTH: Do you want me to read it?

H.M.JR: If you please, and I think we will listen to it once without any interruptions.

H.M.JR: Before we start, Henry, did you have a nice weekend in Los Angeles?

MR. MURPHY: Very nice. My mother was in fine shape; the same for my step-father.

H.M.JR: It was pleasant and you didn't worry?

MR. MURPHY: I didn't worry unless an hour's conversation with Benjamin Anderson could be considered worrying.

H.M.JR: That is torture, not worry!

(Mr. Barth reads attached proposed draft of Secretary's speech of October 27)

(The Secretary holds a telephone conversation with Secretary Stimson, as follows:)

October 24, 1944
10:09 a.m.

Operator: There you are, sir.

Henry L.
Stimson: Hello.

HMJr: Henry speaking.

S: Henry, I'm full of mortification.

HMJr: Yes.

S: There has been a misunderstanding here and Groves went out of town last night on an inspection trip

HMJr: Oh.

S: to be back tomorrow -- he'll be back -- he could -- anytime Thursday morning.

HMJr: Not 'till Thursday?

S: Thursday he'll be back, yes.

HMJr: Pardon me?

S: I don't want to -- I could call him in but it's too -- it's really pretty -- he's on a very stiff job.

HMJr: Well, let's give him -- I'll

S: Is -- is Thursday all right?

HMJr: Thursday, the same time -- at eleven-thirty.

S: That's awfully good of you and I -- I thought it was understood with him yesterday when I made the fixed date with you, but there's been some slip-up between us.

HMJr: Well, we -- I'll look forward to seeing him.

S: Thursday at eleven-thirty.

HMJr: If you please.

S: Thank you very much.

(The Secretary holds a telephone conversation with Henry Kaiser, as follows:)

Handwritten notes on the right margin, partially obscured and illegible.

October 24, 1944
10:19 a.m.

HMJr: Hello.

Operator: Go ahead.

Henry J.
Kaiser: Hello.

HMJr: Mr. Kaiser?

K: Yes.

HMJr: Morgenthau speaking.

K: Oh, good morning.

HMJr: How are you?

K: I'm fine, thank you.

HMJr: Where did I locate you?

K: In my office.

HMJr: In Washington?

K: Yeah.

HMJr: Well, now look, Mr. Kaiser, I came down on the train last night with the President.

K: Yes.

HMJr: And I've given him a very carefully prepared speech on jobs.

K: Yeah.

HMJr: And he is very anxious that I show it to you and that you show me your five-point program.

K: Okay.

HMJr: Now, when can we get together?

K: Right away if you want to.

HMJr: Are you free at lunch?

- 2 -

K: No, I'm not. I'm going out with Joe Davies.

HMJr: Joe Davies?

K: Yeah.

HMJr: Well, I think -- are you free this afternoon?

K: Yes, I am.

HMJr: Around three o'clock?

K: Three o'clock. That will be perfect. Three o'clock, I'll be there.

HMJr: And I will show you what we've given him and if you'd be kind enough to show me what your plan for reconversion is

K: That's wonderful. You can show me -- I can, for instance, go over yours first and then I can give you some idea because if you've given him a talk, why, I'm sure that's wonderful.

HMJr: Well, we have and

K: When is that for?

HMJr: Well, between us, he said last night that he would do it in Philadelphia.

K: That's wonderful. God, it's just wonderful.

HMJr: And it's a complete program.

K: That's just wonderful. All right, I'll be glad to see you.

HMJr: I'll look forward to

K: Where will I come to?

HMJr: Right to the Treasury and if you -- are you coming by car?

K: Yeah, by my own -- yeah, my own car.

HMJr: Well, I'll tell you. If you come on the East Executive Avenue, just

K: East Executive Avenue.

HMJr: You know that's between the Treasury and the White House.

K: Between the Treasury and the White House. All right.

HMJr: And if you'll come in on the -- from the Pennsylvania Avenue side, I'll notify the police that you're coming.

K: All right. Thank you.

HMJr: From the Pennsylvania Avenue side, it's the avenue between

K: Pennsylvania Avenue side.

HMJr: And then you come all the way down the -- the Treasury and it's the last entrance of the Treasury on the left-hand side. But I'll have somebody meet you there at Pennsylvania Avenue.

K: All right. All the way down -- that's on Pennsylvania Avenue

HMJr: You come in at Pennsylvania at the Avenue between the White House and the Treasury.

K: The White House and the Treasury.

HMJr: Someone will -- I'll have a man meet you at that entrance and bring you right to my office.

K: Thank you very much.

HMJr: Thank you.

K: This is very thrilling. Thank you.

- 5 -

H.M.JR: Mrs. Klotz, I am going to tell Judge Rosenman.

MRS. KLOTZ: Yes.

H.M.JR: Well, I am supposed to speak first. You did what I asked you to do with this one exception. I don't think you drove home this thing which I said, which you might not have liked, that the proof of the pudding is the eating thereof, and that the record of the last twelve years is far more convincing - the attitude of the Administration toward business - than any promises that somebody might make. Over a twelve-year period Mr. Roosevelt has done this, therefore if they are at all fair-minded he should have convinced them of his fairness, and they should have confidence that he will continue the next four years to treat them as fairly as he has in the last twelve. Now, I don't think that the point is made. I think that could be done very well in the last paragraph.

I am going to be very honest, as I am with you all. My trouble is, I would have been very enthusiastic about this speech three days ago, but I have sort of tasted red meat in this thing that was done for the President on jobs and I am disappointed in my own ideas after having read the other one, do you see? You have done just what I asked you to do.

The other thing is this, you take the position all through this thing, "Well, this is what Dewey said in his acceptance speech," and then we are constantly on the defensive all the way through - negative, I mean. I don't know - I would like to hear from other people, whether we couldn't turn this thing around and do it in a positive manner. I don't know - I would like to hear from some others. My trouble is that my own ideas sound thin to me after the other. Of course, if the President does go through with that, anything I might say would sound thin. I still believe this is the thing to do.

Incidentally, Herbert, if you would be here at three, too--

- 6 -

MR. GASTON: Today, yes.

H.M.JR: Let's start with Herbert. You and I know each other well enough that we can be honest. I am criticizing myself and not you, because you have done beautifully what I asked you to do.

MR. GASTON: I think the general line is good. I think it might be possible to get a little more substance in the way of data than there is here. We are dealing here only with a few income tax figures, corporation profits, primarily. There are other evidences of business growth and prosperity that might be used.

H.M.JR: I didn't see this stuff that Haas' shop sent, did you, Murphy?

MR. MURPHY: I have just looked it over in the last half hour, Mr. Secretary.

H.M.JR: Let's go around. White, be very frank.

MR. WHITE: I liked the whole thing. Certain parts I don't like - certain parts I don't think fit. The first part, particularly, where there is irony, sarcasm, right along, I think in order to get away with that - it is very effective under one condition, if you have got the crowd a hundred percent with you. When you have the crowd a hundred percent with you, they interpret it the way you want to, and they boo or howl at the right places. If you don't have the crowd a hundred percent with you, or if the inflection of your voice doesn't hit the bull's-eye, it is an awfully flat tire.

I think in the kind of audience that I suspect you are going to speak to, and your general style of speaking, as well as the position you hold, I personally don't feel lends itself to a lot of irony or sarcasm. So I should be inclined to shorten that, or modify it. I think there is enough factual material in there. I think there could be a little more of the explanatory material; there is a good deal of it, and I like the last three-quarters with the exception of some particular spots.

- 7 -

I think the basis of a good speech is there. I might say this, though; it may not be as satisfactory from your point of view. I don't know how you feel about it. I don't think this sort of thing stems from your heart very much, and therefore you are not very enthusiastic about it; but this is true, if the President goes off on the other angle - I think if the President makes the kind of speech he has, this is a good note to strike, though it isn't anything inspiring.

But if it is a business audience, I think there are many good paragraphs and passages there, and I think you can add to it if some of the other part is cut off and even make it more effective. So I would think you have the basis there. I would rather say if the President didn't say the other speech, then you ought to go to town on that, but his making it the day before--

MRS. KLOTZ: Mr. Morgenthau's speech is right after.

MR. GASTON: The President speaks and then somebody introduces the Secretary right afterwards.

H.M.JR: They have scheduled a series of dinners around the country, how many I don't know.

MR. GASTON: They told me three.

H.M.JR: And they are trying to corral a businessman. Places like New York, and where else, Herbert?

MR. GASTON: I don't know. He speaks in Philadelphia.

H.M.JR: And this one I am talking at, they are trying to raise enough money to pay for his broadcast.

MR. WHITE: Well, I still think if there is needed, and there is room for, about a page of the kind of thing you have in mind, looking toward the future - not very much, but for the businessman, pointing out that, after all, the businessman benefits, as you do say, through more business and more profits, and the way to get more

- 8 -

business and more profits, among other ways, is to have high employment and mass purchasing power, and that one of the major objectives of the President in the next four years is to just do that - I think you can get a rather effective, inspiring page or two. But I kind of think that has a good basis.

There are forty million workers, ten million farmers, and one hundred and thirty-five million consumers, and business cannot prosper, cannot have profits, unless they prosper. That is the objective that the New Deal is striving for. They make up the various categories. I rather think this is a good basis for a speech.

H.M.JR: Well, let me just think out loud. I am exhausted from having sort of got all excited in trying to present this thing to the President, which was done up until eleven-thirty last night, so as usual, I come second, which is correct. But it has left me exhausted.

Might I just try this thing out on you? If we are going to use this quote, then if I was going to do that I would repeat it about five times, and as we make these points I could get the audience to say - let's say that the United States Steel has done this, and I would say "In the words of Mr. Dewey, is this consistently hostile and abusive to American business and industry?" Then I would make another point and I would say again quoting Mr. Dewey, "Is this hostile," and so forth. I would bring home about five times that he has said this is hostile and abusive to American business. You forgot it. I mean, that is the thing, "When we bring the national income up from forty-two to seventy-one, is this hostile," and so forth. I would keep bringing that home, driving it home that Mr. Dewey said that. I am offering that as a technique - "Is this, in the words of Mr. Dewey, consistently hostile and abusive to American business and industry?"

(Mrs. McHugh enters the conference)

- 9 -

H.M. JR: (To Mrs. McHugh) Mrs. Pratt is going to send me down a lot of speeches from the Businessman's League. I wondered if they had come. I asked her to send them special delivery.

MRS. MCHUGH: All right, sir.

MR. GASTON: I would rather disagree with your idea of taking up a quotation from Dewey and following it through. It seems to me to follow the President the best line of argument is without directly referring to the President's statement that the people who have a record of business prosperity, helping business, putting things on the up-grade, are the people to entrust with the business future of the country, and not the people who are making mere promises; and then I would go into the record as you have gone into it here, and I think perhaps that there are some other items in the record of helpfulness to business.

And I think you can show a philosophy - which is the philosophy you mentioned, Harry - the philosophy that you can only build business, not by doing special favors to business on top, but by building the demand and building the economy so, as a result, it does build business. I think you can express that philosophy in this speech.

H.M. JR: (To Mr. Barth) Of course, the thing that you are working with, with me - so that I don't get you down - this kind of thing is completely foreign to me. I mean, it is like asking a doctor who is an expert in children's diseases to get up before a medical audience and talk on cancer. But for the campaign, for the audience, I don't know anything better that I can do to make votes for Mr. Roosevelt - particularly as I have never done it - and I don't know of anything better, if he is going to do this job thing. But there ought to be, damn it, Henry, better material that we can give Barth than we have. I am not satisfied with what we have given him and, after all, he is, I will say to his face, the best technician that I have had working with me on this kind of stuff. But it is up to us to give him the material.

- 10 -

MR. MURPHY: It seems to me, Mr. Secretary, that as far as material is concerned, that it is weakest on the side of small business. We have to make a stronger case for small business, and just since I got the call from Mr. Fitzgerald and heard about this this morning, I had looked up an article in the Federal Reserve Bulletin; it is a table I would like to show you. I have marked a column which compares--

H.M.JR: Why don't you explain it to everybody?

MR. MURPHY: This is an article from the "Review of the Month" in the July Federal Reserve Bulletin.

H.M.JR: This year?

MR. MURPHY: Yes, sir. The Federal Reserve Board received some figures from Robert Morris Associates, which is a private statistical organization, giving a sample of the profits of small business, and here is what they find: Comparing the percentage increase in profits of small and large business, respectively, between December 1940 and December 1943, in the food business, the profits of the large companies increased eleven percent; small companies, fifty-nine percent.

H.M.JR: Wonderful! I wouldn't have believed it.

MR. MURPHY: Textile, large companies two percent, small companies one hundred and nine percent; chemical business, large companies decreased fourteen percent, small companies increased seven percent; petroleum, large companies increased fifty-nine percent, small companies one hundred and twenty-nine; steel, large companies decreased thirty, small companies increased twenty-six; electrical equipment, large companies decreased ten, small companies increased one hundred and thirty-nine. There are a couple more.

MR. GASTON: From '40 to '43 - small companies are in a better position to cheat on the OPA regulations.

- 11 -

MR. WHITE: And small companies start from a very low level.

H.M. JR: What is the difference? That is the California air.

MR. WHITE: It remains a fact that the Government has, in its handing out of contracts - I will swallow when I say that - has helped small business. There is the proof. Believe it or not.

MRS. KLOTZ: Nobody else will believe it, either.

MR. WHITE: They have prospered.

MR. GASTON: I think you are talking about business, not about small business, in this speech, anyway, aren't you?

MR. WHITE: I think it would be better to talk about business in general than small business, because if you do walk on small business, there is an implication, almost an admission, that while you may not have done so good with big business, and it is big business you are not friendly to - well, it is a curious feature about the small businessman that he likes to think of himself as being identified with big business. He thinks if you are "agin" big business, you are "agin" business.

MR. MURPHY: I don't think it has to be handled that way, Harry. Big business has prospered, but small business has prospered even more, and I think these figures are what you would expect, considering that the national income and corporate profits as a whole have gone up so much more than the profits of concerns, for example, that are represented in Dow-Jones.

Where did the business go? It went to railroads and in large part to smaller businesses.

MR. WHITE: As long as you don't mention the magnitudes, it is impressive.

- 12 -

MR. MURPHY: It seems to me that a case should be made on the small business side. I think that can be made without reflection on the large businesses, but I think there is the feeling which you have to swallow about distributing contracts. I think there is a feeling that small business hasn't gotten the break, and I think that a very positive case should be made that small business has done well - that big business has done well, but small business has done better.

MR. BLOUGH: After you talk about business there is an implication that this is business in general, but there may be a sneaking suspicion that some segment of business has been walking off with the lion's share.

MR. WHITE: Bring it in that way.

MR. BLOUGH: This isn't merely the concentration of control, and so on; this is the mass of business as is illustrated by the fact that the smaller businesses have really done better.

MR. WHITE: "When big business prospers in a democracy there is something wrong, but when all business prospers, then things are right" - something of that character. Show that the prosperity has permeated, or is wide-spread, rather than paying your respects to the fact that you have helped small business.

MR. BLOUGH: I think those national income figures are not good to use because they look at them, you listen to them, it looks like we went down in three years and came back in three years, from '33 to '36, and after that time we just sort of slushed around.

MR. WHITE: And it was only the war that let us out. There is a lot of truth in that.

H.M.JR: This was October 23, 1936, "I am here to report to you, the stockholders of America, about the financial management of your great corporation, the United States Government. What I shall say looks more to the

- 13 -

future than the past because I believe it is in the future that you are particularly interested." Then I go on.

MR. WHITE: That is a good line.

H.M.JR: Then I finish up, "It is quite interesting," and so forth.

MR. WHITE: Of course, in 1936 you could have made a wonderful case.

H.M.JR: Then I finish up, "Some people are broadcasting America short. No one is fool enough to sell America short."

MR. WHITE: If I might say, Mr. Secretary, there seems to me a little of this possibility, too. If you make the kind of speech that you would like to make, and I think that we all would like to have you make, under the circumstances, I wonder if there isn't a little bit of either of these two characteristics, or both; either that that is the party line and you have received instructions to supplement it, or that it is a "me, too" proposition. Coming on the same night, and the Secretary of the Treasury speaking, it seems to me that that note about business being prosperous is a more appropriate one. That is my own feeling.

H.M.JR: Than just being a "me, too"? Oh, I think so. I haven't changed. I think this, put it another way, Harry. This man made this statement that the Administration is constantly hostile to and abusive to American business. Now, somebody should answer that.

MR. WHITE: That is the Secretary of the Treasury's business. He is the man who is usually regarded as being pre-eminently concerned with finance, with business, with profits, and it comes infinitely more appropriately from you than from any other Cabinet Member.

H.M.JR: Unless it was the Secretary of Commerce.

- 14 -

MR. WHITE: No, I think the Secretary of Commerce is usually regarded as dealing with foreign and international trade. He doesn't, but he should be.

H.M.JR: I deal with business, he deals with foreign trade. How did we get turned about?

MR. WHITE: Well, because the Treasury stands, as I say, for business, for finance, for those things which are usually thought of in terms of profits as well as taxes. He is the high-grade bookkeeper in the sense that he watches the bookkeeping of the nation, he watches the profit and loss statement, he watches business. He is interested in good business not for any ethical or ulterior profit, but because he wants the machinery to work well. There is something of that in the connotation of Minister of Finance.

MR. GASTON: Historically, the Department of Commerce began as the Department of Commerce and Labor; it was a statistical organization and it still is. It was split because Labor felt that the Secretary of Commerce has always been a sort of representative of business in the Administration, and Labor didn't like that. They wanted their own representative in the Administration. That is what the Department of Labor was to be, according to their ideas. But Commerce has always been a statistical organization.

MR. WHITE: Is Jones making any speech?

H.M.JR: I haven't heard of any.

MR. BLOUGH: I am fascinated by the opening paragraph, but I think it is a little dangerous. What you are practically saying is, "Now let me tell you one! Every age has its mythologists. There are a lot of myths going around. Now, watch out, I am going to give you one." I am a little worried about the "famous--famous" - no use building him up. That has a connotation that is not bad.

MR. WHITE: I think that is satire.

- 15 -

MRS. KLOTZ: Depends on how you read it.

MR. BLOUGH: There again I agree with Harry that it is very difficult to get away with.

MRS. KLOTZ: Believe me, they are going to be a cold audience.

MR. WHITE: Unless you can get a lot of our friends up there.

H.M.JR: I don't think so.

MRS. KLOTZ: They are going to be cold because they have plunked down the fifty bucks.

MR. GASTON: They are certainly all going to be Roosevelt supporters, I should think.

MR. WHITE: I think they have to be more than that. I think they have to be very friendly to the speaker to catch the nuances when it is irony, otherwise they can be swept off their feet. But when it comes to subtle sarcasm and irony--

H.M.JR: I am not too good at it.

MR. WHITE: There are very few who are. The President is a past master. I don't think Dewey is any good at it.

H.M.JR: It isn't natural for me.

MR. BLOUGH: It didn't go as well Saturday, even for the President.

MR. GASTON: I don't think the President is a past master.

H.M.JR: The man who is a past master is Churchill.

MR. GASTON: I think he always over-acts it, over-stresses it.

- 16 -

MR. BLOUGH: Good irony is understatement, isn't it?

MR. WHITE: It is to a man like yourself, but the other one hundred and twenty-five don't respond. But I must say, Mr. Secretary, I think you have the basis there to build on without too much change.

MR. MURPHY: It seems to me that it is a pedestrian job, that somebody has to do it and you are the most appropriate person, as Secretary of the Treasury, to do it. Somebody has to sound the note, somebody in a high position.

H.M.JR: I tell you what Mrs. Klotz wants, you see. If you would like a little music under the thing, and then drama beforehand--

MRS. KLOTZ: Don't! I hate music.

MR. WHITE: Parade of the forty-eight States.

MRS. KLOTZ: No, I think if the Administration had been wonderful to small business, and Mr. Morgenthau talked about it, and raved about it, it would be different. But the Administration has done very little for small business.

MR. MURPHY: That means you have to talk longer.

MRS. KLOTZ: And it wouldn't do you any good, now.

H.M.JR: Let me just ask Blough, in reviewing the thing, wouldn't there be some things that you could introduce on taxes that we have done for business?

MR. BLOUGH: I think so. I don't think they think so.

H.M.JR: Could you take a hand at it?

MR. WHITE: How about the reconversion and the profits?

- 17 -

MR. BLOUGH: Certainly, you have some of that in here now, certainly. The present law, now, war-time law, is very favorable to them. There is no doubt about that. I think that is mentioned in here.

MR. GASTON: There is something there about this liberal approval of advertising expenses. I think that is a little dangerous to include. After all, we haven't passed on any of those accounts yet, and it indicates that we are going to let anything go, which we probably are, but--

MR. WHITE: I can't comment objectively on that.

MR. GASTON: They haven't dealt with them yet.

MR. WHITE: I feel too sore about that.

MR. BLOUGH: I am with Harry on that.

MR. BARTH: I am, too, but you might as well get the credit for it.

MR. BLOUGH: I don't think Henry meant this was a "pedestrian" speech.

MR. MURPHY: No, it is a pedestrian subject.

MR. BARTH: By Golly, I do not think it is a pedestrian subject. I think that this Administration has a wonderful case as a friend of business and that it is appropriate for the Secretary of the Treasury to make the case.

H.M.JR: You do think so?

MR. BARTH: Yes.

H.M.JR: I have no doubts about that, and I think that this is what these people want.

Now, Roy, I wish you would get busy and see what you can do; then we can look at it, you see.

- 18 -

MR. BLOUGH: I can't do too much, but I can do something.

H.M.JR: I mean, do whatever you can, right away.

I would like you to read that speech as a matter of amusement - the one I quoted from. But for God's sake be careful with it, will you? You might read it before you go out.

MR. WHITE: What is meant by a friend of business, really? What is business? Business is the function or enterprise of making money, making profits, and being a friend to business means so ordering affairs that there are sustained and wide-spread profits. And if that is what you mean by being a friend of business, yes, this Administration has been a friend of business because it has made that possible and will make more possible. But being a friend to business is not to be confused with being a friend of certain vested and special interests - to use a phrase used in the other speech - to have certain powerful groups being the spoiled darlings of business at the expense of other business.

H.M.JR: Let me just say this a minute. I haven't contributed anything up to now.

MR. WHITE: I have an appointment with Lord Keynes at eleven o'clock.

H.M.JR: All right, supposing you go.

MR. WHITE: I can get through quickly.

H.M.JR: I would like to have this thing continue. When do you have to go to work for the Post today?

MR. BARTH: I have to go to work for the Post fairly soon.

H.M.JR: When will you be available again?

MR. BARTH: About five o'clock.

- 19 -

H.M.JR: We will see who will be available here from five o'clock on to meet with you. How is that? Mrs. Klotz will contact you.

MR. BARTH: I am very unclear now about what you want to do.

H.M.JR: So am I.

MR. BARTH: Well, frankly, if we are to cut out the irony, then we have to start from scratch, I think, and forget about this. That would be better.

(The Secretary holds a telephone conversation with Mr. Henry Kaiser, as follows:)

October 24, 1944
11:08 a.m.

HMJr: Mr. Kaiser.

Henry J.
Kaiser: Yes.

HMJr: I wonder if you would care to and had the time to read this draft between now and three o'clock.

K: Oh, I'd love to do that.

HMJr: Supposing I send it over very confidentially to you.

K: Right. Now, you know where I am.

HMJr: I -- I don't know where you are. Hello?

K: 1210 18th Street.

HMJr: 1210 18th Street.

K: Yeah.

HMJr: Is that all the address I need?

K: That's all the address you need.

HMJr: What -- what's on the outside of the building?

K: Well, it's the Kaiser Company. They just go up the -- just go to the -- take -- to the third floor.

HMJr: Third floor.

K: And my private office is on the third floor.

HMJr: 1210 18th Street.

K: 1210 -- will you send it right away?

HMJr: It will be there immediately.

K: Immediately. All right.

HMJr: That will save us

K: That's right. Save us time and I can -- I'll go over it and can make -- with these other things that I have will be prepared to present my things that I have to you.

HMJr: Right.

K: Thank you very much. Good bye.

- 20 -

MR. WHITE: Mr. Secretary, I would suggest a little note saying it is a preliminary draft, has to be cut.

H.M.JR: Oh, well, we will tell him that later.

MR. WHITE: Otherwise he is apt to pay too much attention to it.

H.M.JR: Well, he won't mind, he knows.

What I wanted to say was this, in talking about a friend of business, the thing which I have spent so much time on, is the fact, talking as Secretary of the Treasury, that business has been treated fairly in the sense that we have only prosecuted the crooked business, and everybody who hears my voice knows that ninety-nine and nine-tenths percent of the time, the representatives of Internal Revenue are unbribable and fair.

(Mrs. McHugh enters the conference)

H.M.JR: (To Mrs. McHugh) This should be put in an envelope, 1210 Eighteenth Street, The Henry Kaiser Company. Stamp on the outside "Confidential," and on each page - stamp each page "Strictly Confidential." He is waiting for it. (Mrs. McHugh leaves)

In this Administration, Customs, all the police powers that we have in the Treasury, ninety-nine and nine-tenths of the time the thing has been administered fairly. I just want to throw that thing out. And there is no back door to the Secretary of the Treasury. Nobody can say that he has ever got a case settled one way or the other.

MR. WHITE: And yet there is a front door to the Treasury. Everybody with a legitimate request has always - and I think that is very true. Use that as an illustration, that business has been treated in the most friendly fashion.

H.M.JR: And I have always told the man, "Come in and see me, yourself; you don't have to hire a lawyer, come in yourself. I will see you if you have any troubles." Anybody can come in.

- 21 -

MR. GASTON: Isn't there something in this, that they are talking about mistreatment of business, abuse of business? That implies that they are thinking of some particular class, some section of people who ought to be treated with particular consideration; whereas, to build an active functioning economy, to do good for everybody, you don't consider people as classes of people and say, "We will hand this fellow something; we will hand that fellow something." Our concern is not with classes, but with the whole economy of the country.

H.M.JR: You can say this, "As far as business is concerned, sure we have prosecuted Moe Annenberg; sure we have prosecuted the fellow in Atlantic City," and I will give you half a dozen. You can say that that was crooked business and the Treasury Department has put them in jail. Those are the kind of people that we have prosecuted, and that Mr. Dewey ought to understand very, very well, because when he first started as Prosecutor he asked me to help him and give him people from the Treasury Department to help him in the City of New York, which I did, and I have the record. So he understands what I am talking about. He came to the Treasury for help when he started, and that kind of business - "Yes, we have prosecuted" - and analyze a half dozen cases. "And those people went to jail, including" - why not put the boss in St. Louis - Pendergast in Kansas City--

MR. BARTH: I will tell you why not, because too many people are thinking of Frank Hague.

MR. WHITE: He is going.

H.M.JR: Now, I will tell you something about Frank Hague; there is nothing in Frank Hague's tax cases. Frank Hague has paid his taxes.

MR. WHITE: You might say the Treasury is just waiting for him to slip.

H.M.JR: No, there is nothing on Frank Hague. Why can't you turn it about and say, "Sure we have prosecuted crooked business"?

- 22 -

MR. WHITE: How about some of the monopolies?

H.M. JR: I would stick to the Treasury. Do you want to go, Harry? You won't miss anything. We will see you later.

I would like to say that - "Sure we have prosecuted crooked business."

MR. BARTH: Yes. If we say that without mentioning the cases, then I think the cases could be brought in with the section that deals with unfair competition.

H.M. JR: Why not mention some of the outstanding cases?

MR. BARTH: All right, sure.

H.M. JR: The bigger they are the easier they fall. Well, I am throwing it out.

MR. BARTH: Yes.

H.M. JR: I don't blame you for being in a dither; I am in a dither myself, and what I would like to do is this, I would like these boys, White and these fellows, to think about the thing - and Gaston - during the day, and then maybe meet with you at five o'clock this afternoon - not necessarily Gaston, because he is carrying too many other things, but if he has any other ideas he can put them down and give them to me. Then maybe we could meet again tomorrow morning.

MR. BARTH: I am wondering if somebody else ought not to take a crack at it. Your time is short. I am worried about your time. Perhaps you ought to have another draft from a Treasury point of view, because this is all couched in a certain vein which seemed to me the way it ought to be approached, because I was bothered about the problem that Mrs. Klotz raised, that the recitation of figures is liable to be dull. So in order to take the curse of dullness off, I treated them ironically.

- 28 -

Your point about quoting Dewey five times - I think it is quoted ten times, because he comes back all the time to this reiteration of the phrase, "Is this abusive of business," or "the profits came, no doubt, due to the hostility of business." So I don't know whether you want to get away from that entirely, or do more of it.

H.M.JR: Well, would you mind, sometime around five, meeting with this crowd?

MR. BARTH: No, fine.

H.M.JR: And then see what they think. And if, after thinking about it during the day, you want to sort of stick to the format of your draft; maybe, as you say, let somebody else try another one, and then we could have a look at it.

What is a good time for you to start in the morning?

MR. BARTH: The earlier the better.

H.M.JR: Nine-fifteen?

MR. BARTH: Fine.

H.M.JR: Put it down for nine-fifteen, Mrs. Klotz. It gives the other people a chance to get in. You and I would be here!

Lock, if Gaston and Murphy and Blough would be thinking about this thing hard during the day - will you?

MR. MURPHY: Yes, sir. Could I suggest, Mr. Secretary, introducing these quotations of Dewey would make it more defensive rather than less. It didn't strike me as particularly defensive now, but I think it would be more so.

MR. BARTH: Mr. Secretary, this is no more defensive than the President's teamsters speech. You are taking misrepresentation which is made by the opposition and you tear it to shreds. That is about as defensive as Jack Dempsey.

- 24 -

H.M.JR: I am mentally not in a frame of mind to argue, do you see? I have been through this thing over the weekend, trying to get the President interested. Now I find myself let down, and I have to pick myself up again. He has sucked me dry on this thing, on his own problem. I haven't changed as to wanting to do the business thing.

Well, we will get in touch with you if you are available, and maybe during the day I will talk to these people. I may get something, myself; I don't know. But we will see.

MR. BLOUGH: On this other matter, the problem of tax material for Rosenman, I don't know just how that - I haven't seen the speech into which it presumably would go. I don't know how it would fit in. We have been working.

H.M.JR: Get a copy from White.

MR. GASTON: I don't think it is to go in that. No, I think it is totally foreign to that. I think it is for another speech.

H.M.JR: I want to see whatever goes over, anyway.

MR. BARTH: Here is a copy that is burning a hole in my hands because it is so carefully labelled.

H.M.JR: Here, you fellows read this. You can share it. (Hands Mr. Blough Mr. Barth's copy of President's speech)

MR. BLOUGH: Do you think it would be feasible to get in touch with the Judge and find out in what context the tax material is going to fit? We have something now, but I would rather not bother you with it until we know whether it fits the situation.

H.M.JR: Right, and you tell him for me, before the thing is in final form, I personally would like to go over it with him.

- 25 -

MR. BLOUGH: Tax material, yes.

H.M.JR: Gaston, if you have a minute, I would like to talk to you.

I will be seeing you certainly tomorrow morning, Alan.

First Barth

Secretary's Address 34
New York City

Draft - 10/24/44 -

Every age had its mythology -- ours no less than times gone by. Myths, I think, are something like currency, and Gresham's law is about as applicable to the one as to the other. This is to say, paraphrasing Gresham a little bit, that of two forms of myth the inferior or more depreciated tends to drive the other out of circulation. And this is particularly true in a period when propaganda has been elevated into something of a science. For propaganda is a form of counterfeiting. It puts into circulation fancies instead of facts, manufactures bogus nostrums, coins phrases and passes them off on the unwary as sheer gospel.

I make this somewhat philosophical approach because I want to talk to you about myths this evening -- in particular about one myth which seems to me one of the most remarkable propaganda achievements of our time. Let me state the myth for you as it was expounded earlier this year in a famous acceptance address by a famous young prosecuting attorney with a famous fondness for sweeping indictments and extravagant accusations. "The present Administration," ~~and I quote his famous words --~~ ^{said the young prosecutor --} ~~and I quote his famous words --~~ ~~the young prosecutor~~ "has been consistently hostile to and abusive of American business and American industry, although it is in business and industry that most of us make our living."

Now I do not for a moment mean to suggest that the myth --

This is good but a little bit too subtle for some audience but still

10/24/44

- 2 -

in this particular instance -- was ^{invested} by the prosecutor. On the contrary, it is one of the most hackneyed, timeworn and over-worked myths of the 20th Century. It has been in circulation, I should guess, for pretty nearly a full decade. It was tried out with great gusto by campaign orators in 1936, was dusted off and trotted forth as a brand new discovery in 1940, and today -- such is the originality of its sponsors -- it is being tried again, evidently on the assumption that if it is repeated often enough somebody may believe it. The technique is a well known one.

Now it is about time, I think, to take a good, close look at this myth, turn it upside down, rattle it and see what there is inside it. If you will bear with me while I recite some facts and figures, I should like to undertake such an analysis here tonight.

Let us leave the war years altogether out of account for the moment. Our friend the prosecutor seems to regard the war as nothing more than a contrivance, engineered by the New Deal, to overcome what he is pleased to call the "Roosevelt depression." So, let us go back instead to the 7-year period before 1940 when the Administration halted the precipitous deflation of the early '30s and built up steam in a cold boiler to start industry once more on the upgrade.

I am glad to think that time has dimmed the memory of the dark days before Franklin D. Roosevelt revived our faith in ourselves by telling us that the only thing we had to fear was fear itself. In 1932, the year before he took office, corporations reporting to the Bureau of Internal Revenue showed an aggregate deficit of \$4,115,000,000. There was still a deficit in the year 1933, the first year of the Roosevelt Administration. However, it was a bit less than one third as large as the year before.

*This 2000
is also
1934*

*From here
PO by much
as the same
April*

By 1934, the present Administration had abused business and industry to such an extent that they began to report profits instead of losses to the Bureau of Internal Revenue. The profits of corporations that year -- after payment of taxes -- amounted to \$2,374,000,000. In the following year, due no doubt to the hostility of the Administration, net profits of corporations just about doubled. They stood at \$4,688,000,000. In 1936, the Administration must have hounded business and industry unbearably: net profits rose to slightly more than six and a half billions. The punishment continued in 1937 and profits remained at just about the same level. They sagged badly, it is true, in 1938 -- you see, I want to give you the entire picture. That was the result of the general recession which took place at the end of

- 4 -

rate profits were knocked down to three-and-a-halves. But in 1939 they were up again to about six dollars.

All right, now let's take a look at the terrible beating endured by retail trade during this period. Total retail sales in 1933 amounted to 24½ billion dollars. In 1939, under the cruel lash of the Administration, they were a bit better than 42 billions. If this was abuse, I have an idea that most storekeepers would like to be abused constantly.

I don't want to burden you with too many figures. You can take any index to the economic well-being of this country and find the same pattern repeated. Dividend payments, for example. Between 1933 and 1937, they more than doubled. They dropped back in 1938, although not nearly down to the depression level, and rose again in 1939.

The steel industry affords a pretty good clue to our general economic health. In 1932, it was operating at 19.7 per cent of its capacity. In 1939, before the war orders began to come in, at 64.5 per cent. The United States Steel Corporation had a net income in 1932 of minus 71 million dollars. That was when it was functioning under an Administration that professed great friendship for business. In 1939, U. S. Steel was ruthlessly

forced to relinquish the pleasure of taking such a loss; the New Deal abused it into accepting a net profit of 41 millions.

There wasn't anything special about the experience of the United States Steel Corporation. Manufacturing concerns in general reported themselves in the red for 1932 to the tune of \$1,616,000,000. In 1939, they were \$2,946,000,000 in the black. The net income of firms engaged in wholesale and retail trade shifted from minus 787 millions in 1932 to plus 648 millions in 1939. Class I railroads had an aggregate deficit of 139 million dollars in '32; they scored 95 million dollars on the other side of the ledger in '39.

If this be hostility, make the most of it. I should think the motto of businessmen might very well be -- Lord, protect us from our friends; we can take care of our enemies.

Of course, there is not now, and there never has been, any enmity on the part of the Roosevelt Administration toward business and industry. What there is, and has been from its inception, is a firm determination to avoid the kind of quicksand crust of pseudo-prosperity on which this Nation danced such a frenzied, precarious jig during the twenties. There was nothing solid underneath it because millions upon millions of Americans were unemployed or employed as such low wages that they could not afford to maintain any decent standard of living. It was

inevitable that we should crash through such a crust as we did so tragically in 1929.

This Administration has sought, instead, to develop a balanced and expanding economy, based on a high volume of purchasing power. It has recognized that enduring prosperity must have a solid foundation, that it must be built from the ground up. It has operated on the premise that what advances the general welfare of the people of the United States also advances the welfare of the business and industry in which they engage. And this is the very simple explanation for the growth in corporate profits which I have noted -- for the increase in dividend payments, for the mounting volume of trade, for the expansion of production. Under this Administration, the American people as a whole have been earning the money with which to buy the goods and services which business and industry have for sale.

Let me just read off to you in round figures the national income payments during the pre-war years. In 1933, they were 46 billion; in 1934, 53 billion; in 1935, 59 billion; in 1936, 68 billion; in 1937, 72 billion; in 1938, 66 billion; in 1939, 71 billion. This money, this mass purchasing power is what raised the entire level of business and industrial activity throughout the country. Is it an abuse of businessmen to

provide them with good customers?

The Roosevelt Administration has had so much faith -- and such genuine faith -- in the free enterprise system that it has sought to keep it free. I think that no young man who wants to start in business for himself will feel abused by an Administration which protects him from the shackling competition of monopoly. I think that no banker or broker who wants the public to invest in an honest enterprise will feel abused by an Administration which protects him from the competition of irresponsible market manipulators and gold brick salesmen. I think that no honest employer will feel abused by an Administration which protects him from the competition of sweatshops.

These and other measures instituted under the New Deal have given American enterprise a new freedom. To speak of them as abusive is as silly as to speak of a surgeon as abusive because he cuts out an inflamed appendix or a cancerous growth. Business and industry in America are healthier today and have greater opportunities for the future because this Administration has been a true friend to them. Oh, yes, I know that the opposition now endorses these reforms and any evening on the air you can hear the Johnnies-come-lately hollering "me, too." But you can also hear them hollering that the present Administration "has

been consistently hostile to the abusive of American business and industry." And I think that you can get from this a fair measure of their sincerity.

Now, I want to turn for a moment to the war years. The achievement of the American industrial machine during this war has brought heart and hope and wonder to our friends, consternation and despair to our enemies. We have kept our pledge to serve as the arsenal of democracy. We have built and equipped a mammoth army of our own and the greatest navy in the world. And at the same time we have met all the essential needs of our civilian economy. Does anyone seriously think these things could have been done without a well balanced economy developed before the war began?

Business itself has fared pretty well in the performance of this magnificent job. The total of corporate profits for the year 1943, after payment of taxes and after renegotiation, was the highest in the history of this Nation -- higher even than in the frenzied boom of 1929.

But what is much more important to business in the long run than its profits during the war itself is the fact that, despite the conversion of our resources to war production, the domestic

economy has been kept sound and stable. There has been no out-of-hand inflation in the course of this conflict. The purchasing power of the American dollar has been kept firm. You must certainly credit this in large measure, I believe, to the stabilization program and the methods of war finance undertaken by your Government. The economic policies pursued in the war years have safeguarded business and industry not only against inflation but also against the disastrous sort of deflation which struck this country in 1920 and 1921.

We in the Treasury have conducted our fiscal operations in such a way as to minimize the postwar burden of the debt and to promote mass buying power and balance in the postwar economy. Let me enumerate a few of the benefits: (1) Eighty million individual investors now hold bonds of their Government with an aggregate value of 23 billion dollars. These bonds, non-negotiable and with a guaranteed redemption value, assure their holders against market fluctuations and give them a sense of security which will enable them to spend their current incomes for consumer goods when these become available. (2) Interest rates have been kept low, averaging about 1-3/4 per cent in comparison with 4-1/4 per cent in the first World War; the reduction will not only save about four billion dollars in the postwar Federal budget but will also

- 10 -

give business much more favorable borrowing opportunities than it had at the end of World War I. (3) Securities sold to banks and corporations, all of them of short maturity, have provided an unparalleled liquidity which should assist greatly in the financing of postwar reconversion and expansion. (4) Business concerns have been allowed extremely generous deductions from income taxes for advertising purposes in order to perpetuate public confidence in their trade names. (5) Provision has been made for the refunding of excess profits taxes to guarantee corporations against losses in the years immediately following the war. Can any reasonable man find in such measures an indication of hostility to American business and American industry?

No, I believe our friend the prosecutor has been prosecuting a myth. Or perhaps I should say that he has been chasing a shadow -- the shadow that fell upon American enterprise when men without any understanding of our economic problems took over the reins of Government in 1921. The prosecutor has convicted only himself. He has convicted himself of a nostalgic yearning for the dead and dreary past. You businessmen who are here this evening have your eyes upon the horizon of the future. You look toward it with confidence and with enthusiasm. Your real friends are those who have worked to make that future free.

Must
be
a
fact
74 day

M. Y. C. - Barth 4 2/3 - 44
revised draft - 10/24/44 -

I am going to talk tonight about business -- about the relationship between business and the ~~xxxxxxx~~ American economy as a whole and about the relationship between business and the American Government. I am going to talk in plain terms about the friends and the enemies of American business.

It is an axiom that the economic welfare of the Nation and the economic welfare of business and industry are inseparable. This is the principle on which the present Administration has acted. Its premise has been that business and industry could prosper only in a prosperous society.

But there is a handful of businessmen who do not accept this principle and who have fought the Administration's efforts to put it into practice. And by the noise and volume of their complaints they have given currency to the myth that this Administration is unfriendly to business in general. Politicians who have no constructive or affirmative ideas to offer exploit the myth for what they think it may be worth.

- 2 -

presidential *(example,*
 The Republican Candidate, for ~~the Presidency~~ made this
 statement in his acceptance address: "The present adminis-
 tration * * * * * has been *consistently* hostile to and
 abusive of American business and American industry, although
 it is in business and industry that most of us make our
 living."

Now I do not mean for a moment to suggest that ~~this~~ *the*
 myth -- in this particular instance -- was invented by the
 candidate. On the contrary, it is one of the most hackneyed,
 time-worn and over-worked myths of the present day. It has
 been in circulation, I should guess, for pretty nearly a
 full decade. It was tried out with great gusto by campaign
 orators in 1936, was dusted off and trotted forth as a brand
 new discovery in 1940; and today -- such is the originality
 of its sponsors -- it is being tried again, evidently on the
 assumption that if it is repeated often enough somebody may
 believe it. *The technique is a well-known one.*
~~The trick is an old one. Business has its
 enemies, but they are not in this administration.~~

It is about time.
 First, I think, we ought to take a good, close look
 at this myth. Let us leave the war years altogether out
 of account for the moment and go back instead to the 7-year
 period before 1940 when the Administration halted the pre-
 cipitous deflation of the early '30's and built up steam

By 1934, the present Administration had abused business and industry to such an extent that they began to report profits instead of losses to the Bureau of Internal Revenue. The profits of corporations that year -- after payment of taxes -- amounted to \$2,374,000,000. Net profits rose steadily each year after that, except during the recession of 1938, until by 1939 they ~~were~~ stood at about six billions.

By 1934, the present Administration had abused 47
○ business and industry to such an extent that they began

Beginning with 1934, business began to show net profits,
rising year after year, except during the recession of
1938, until by 1939 corporate profits reported to the
Bureau of Internal Revenue were up to about \$6 billion.

In a cold boiler to start industry once more on the upgrade. It is this period which the Republican Candidate is pleased to call "The Roosevelt depression".

I am glad to think that time has dimmed the memory of the dark days before Franklin D. Roosevelt revived our faith in ourselves by telling us that the only thing we had to fear was fear itself. In 1932, the year before he took office, corporations reporting to the Bureau of Internal Revenue showed an aggregate loss of more than 4 billion dollars.

By 1934, the present Administration had almost ~~buried~~ ^{near after} industry to such an extent that they began to report profits instead of losses to the Bureau of Internal Revenue. The profits of corporations that year -- after payment of taxes -- amounted to \$2,574,000,000. In the following year, due no doubt to the hostility of the Administration, net profits of corporations just about doubled. They stood at \$4,638,000,000. In 1936, the Administration must have hindered business and industry unmercifully: net profits rose to slightly more than six and a half billions. The punishment continued in 1937 and profits remained at just about the same level. They sagged badly, it is true, in 1938 -- you see, I want to give you the entire picture. That was the result of the General recession which took place at the end of '37, and

*Recession in 1934...
H. W. ...
The recession
1937-1938
unemployment*

Insert B
D

to take another example,

~~One example is~~ The General Motors Corporation, had net sales in 1932 worth 432 million dollars. In 1939, its sales amounted to \$1,377,000,000. It had less than a million dollars of net income available for dividends in the earlier year, more than 180 millions in 1939. Yet Mr. Alfred P. Sloan, the president of General Motors, in a speech last August demanding revision of the Wagner Act, referred to the Government as dealing, ~~with two groups~~ -- I quote him -- "with two groups, one equitably and the other inequitably." And last year he spoke of the "destructive" policies of the New Deal.

Corporate profits after taxes

- 4 -

~~corporate profits were knocked down to three-and-a-quarter billions. But in 1939 they were up again to about six billion dollars.~~

All right, now let's take a look at the record of retail trade during this period. Total retail sales in 1933 amounted to 24¹/₂ billion dollars. In 1939, they were better than 42 billions, an increase of 75 percent. If this was abuse, I have an idea that most storekeepers *retailer* would like to be abused constantly.

The steel industry affords a pretty good clue to our general economic health. In 1932, it was operating at ²⁰~~20~~ percent of its capacity. In 1939, before the war orders began to come in, at ⁶⁵~~65~~ percent. The United States Steel Corporation had a net income ~~of 1939~~ ^{in 1932} of minus 71 million dollars. That was when it was functioning under an Administration that professed great friendship for business. In 1939, U. S. Steel was ruthlessly forced to relinquish the pleasure of taking such a loss; the New Deal abused it into accepting a net profit of 41 millions.

There wasn't anything special about the experience of the ^{States} United/Steel Corporation. Manufacturing concerns ~~in~~ general reported themselves in the red for 1932 to the tune of \$1,612,000,000. In 1939, they were ^{43 billion dollars} ~~22,946,000,000~~ in

P

insert B

- 5 -

the black. ~~The net income of firms engaged in wholesale and retail trade shifted from minus 727 millions in 1932 to plus 649 millions in 1939.~~

If this be hostility, I should think the motto of businessmen might very well be -- Lord, protect us from our friends; we can take care of our enemies.

Of course, there is not now, and there never has been, any enmity on the part of the Roosevelt Administration toward business and industry. What there is, and has been from its inception, is a firm determination to avoid the kind of quicksand crust of fake-prosperity on which this Nation danced such a frenzied, ~~preposterous~~ jig during the twenties. There was nothing solid underneath it because millions upon millions of Americans were unemployed or employed at such low wages that they could not afford ^a to maintain any decent standard of living. It was inevitable that we should crash through such a crust as we did so tragically in 1929.

1932 - Less 1 Mill
1774
Good Wilson 243

S. P. Jones

- 5 -

the black. ~~The net income of firms engaged in wholesale and retail trade shifted from minus 787 millions in 1932 to plus 649 millions in 1939.~~

If this be hostility, I should think the motto of businessmen might very well be -- Lord, protect us from our friends; we can take care of our enemies.

Of course, there is not now, and there never has been, any enmity on the part of the Roosevelt Administration toward business and industry. What there is, and has been from its inception, is a firm determination to avoid the kind of quicksand crust of fake-prosperity on which this Nation danced such a frenzied, ~~preposterous~~ jig during the twenties. There was nothing solid underneath it because millions upon millions of Americans were unemployed or employed at such low wages that they could not afford ^a to maintain any decent standard of living. It was inevitable that we should crash through such a crust as we did so tragically in 1929.

1932 - less 1 mill
27 7/8
Genl Wilson 943

W. S. Brown

- 6 -

This Administration has sought, instead, to develop a balanced and expanding economy, based on a high volume of purchasing power. It has recognized that enduring prosperity must have a solid foundation, that it must be built from the ground up. It has operated on the premise that what advances the general welfare of the people of the United States also advances the welfare of the business and industry in which they engage. And this is the very simple explanation for the growth in corporate profits which I have noted -- for the increase in dividend payments, for the mounting volume of trade, for the expansion of production. Under this Administration, the American people as a whole have been earning the money with which to buy the goods and services which business and industry have for sale.

The Roosevelt Administration has had so much faith -- and such genuine faith -- in the free enterprise system that it has sought to keep it free. I think that no young man who wants to start in business for himself will feel abused by an Administration which protects him from the shackling competition of monopoly. I think that no banker or broker who wants the public to invest in an honest enterprise will feel abused by an Administration which protects him from the competition of irresponsible market manipulators and gold brick salesmen. I think that no honest employer will feel abused by an Administration which protects him from the competition of sweatshops.

Every piece of legislation which this Administration has sponsored has directly and indirectly meant more and better business. There is no disagreement on this. Our Republican opponents who say we are hostile to business are now saying that this is their legislation. They are now in favor of it, even to the extent of endorsing the National Labor Relations Act which they consistently fought at its inception and throughout its administration.

These and other measures instituted under the New Deal have given American enterprise real freedom. To speak of them as abusive is as absurd as to speak of a surgeon as abusive because he cuts out an inflamed appendix or a cancerous growth. Business and industry in America are healthier today and have greater opportunities for the future because this Administration has been a true friend to them. Oh, yes, I know that the opposition now endorses these reforms and any evening on the air you can hear the Johnnies-come-lately hollering "me, too." But you can also hear them hollering that the present Administration "has been consistently hostile to and abusive of American business and industry." And I think that you can get from this a fair measure of their sincerity.

Now, I want to turn for a moment to the war years. ~~The achievement of the American industrial machine during this war has brought heart and hope and wonder to our friends, consternation and despair to our enemies. We have kept our pledge to serve as the arsenal of democracy. We have built~~

Insert
C.
10/11.

per cent in comparison with 4-1/4 per cent in the first World War; the reduction will not only save about four billion dollars in the postwar Federal budget but will also give business much more favorable borrowing opportunities than it had at the end of World War I. ~~Securities~~ sold to banks and corporations, all of them of short maturity, have provided an unparalleled liquidity which should assist greatly in the financing of postwar reconversion and expansion. ~~Business concerns have been allowed extremely generous deductions from income taxes for advertising purposes in order to perpetuate public confidence in their trade names.~~ ~~Provision has been made for the refunding of excess profits taxes to guarantee corporations against losses in the years immediately following the war.~~

Insert
C.

These, I think, are the real enemies of business.
~~But as I said in my introductory remarks American business~~
~~has its enemies~~ *They are* ~~important enemies~~ *and* ~~powerful enemies -- some of them~~
~~enemies from within~~ *this rank of business itself* ~~who would undermine the very foundations~~
of free enterprise. ~~Who are these enemies of business? I~~
~~will tell you who they are.~~

They are the "business as usual boys" who opposed the conversion of industry from peace to war. They are the men who fought price control *and renegotiation* ~~and~~ who would have risked the danger of inflation for extra profits for themselves. ~~They are the men whose policies, if adopted, would have made winning the~~

~~the war on the home front impossible.~~

WOP
~~The real enemies of business are the restrictionists who fight against economic progress, who oppose a steadily rising national output. They are the labor-haters who fought against collective bargaining, minimum wages, social security and the other social accomplishments of this administration.~~

WOP
~~The real enemies of business are the monopolists who favor restricted industrial output. They are the men who want monopoly at home and abroad, the men who made international cartel agreements with German big industry before the war and who are just waiting for the opportunity to again form international cartels and waiting to resume these international cartels after the war.~~

WOP
~~The real enemies of business in America are the economic isolationists, the men who oppose international economic as well as political cooperation. They are the men who have fought against the extension of the reciprocal trade agreements, and who are fighting the Bretton Woods Program of monetary and banking collaboration to promote American and world trade and prosperity.~~

WOP
~~The real enemies of business are the men who want to restrict credit, who want high interest rates. They are the few bankers who bring pressure against the Treasury to increase interest rates~~

knowing full well that every increase of one percent means an additional burden of \$2 billion a year on the American business men and the taxpayer.

Yes, business has its enemies. But they are not in the
~~they are the men who make it difficult for the returning Roosevelt~~
~~soldier to buy a home or a farm or go into business.~~ *Administration*

Back to p. 7

~~They are the men who come to Washington for special favors and not receiving them go back home to make speeches on Government bureaucracy. I have said many times and I repeat, as long as I am in the Treasury there will be no backdoor to the Treasury. But the front door is wide open to all businessmen who will receive prompt and courteous consideration.~~

~~The real enemies of business are the men who defy the laws of the country in time of peace and war - the Girdler's, the Weirs, the Averys, the Aldriches, the McCormicks and the DuPonts. These are the real enemies of business. And for whom are they voting? Who gets their votes and their cash?~~

~~The Republican candidate claims that he supports and endorses many of the measures for promoting prosperity and business activity which this Administration has taken. Maybe he does. But you judge a man by the company he keeps.~~

Business and industry have a role of vital responsibility to play in the development of the future. They must serve as its ~~generator~~ *generators*. They must be, in the future as they have been

- 8 -

and equipped a mammoth army of our own and the greatest navy in the world. And at the same time we have met all the essential needs of our civilian economy. Does anyone seriously think these things could have been done without a well-balanced economy developed before the war began?

Business itself has fared pretty well in the performance of ^{its} magnificent ^{production} job. The total of corporate profits for the year 1943, after payment of taxes and after renegotiation, was the highest in the history of this Nation -- higher even than in the frenzied boom of 1929.

WSP

this war
~~The business prosperity of the war period~~ has been well balanced. ~~Business profits have risen substantially;~~
I am glad to say that it has created
~~but there have been few war-made millionaires,~~ for the rise in profits has been well distributed throughout the business community. The virtual absence of war-made fortunes represents the combined results of a wise policy of military procurement, the success of the policy of economic stabilization, the operation of the excess profits tax, and the commendable restraint exercised by business itself. ~~This scarcity of war-made fortunes has not only saved the taxpayers many billions of dollars in the cost of the war and served to maintain public morale both at home and at the fighting fronts, but has also redounded and will continue to redound to the great benefit of the public relations of business itself.~~

- 9 -

~~The total profits of all American corporations, after taxes, have in each of the past three years been about equal to those of the year 1929, and have been higher than those in any other year of our history. Both large and small concerns have shared in this prosperity. The prosperity of the large concerns is easily observed from the published reports of the large publicly-owned corporations. The prosperity of the smaller concerns is less easily observed, but has been actually even greater. A survey of the relative movement of the profits of large and small companies in eight major industrial groups, made jointly by the Board of Governors of the Federal Reserve System and Robert Morris Associates, shows that in each group the smaller concerns have, during the wartime period, improved their profit position relative to the larger companies.~~

The war

than that of the large publicly owned corporations,

but

- 9 -

But what is much more important to business in the long run that ⁿ its profits during the war itself is the fact that, despite the conversion of our resources to war production, the domestic economy has been kept sound and stable. There has been no out-of-hand inflation in the course of this conflict. The purchasing power of the American dollar has been kept firm. You must certainly credit this in large measure, I believe, to the stabilization program and the methods of war finance undertaken by your Government. The economic policies pursued in the war years have safeguarded business and industry not only against inflation but also against the disastrous sort of deflation which struck this country in 1920 and 1921.

We in the Treasury have conducted our fiscal operations in such a way as to minimize the postwar burden of the debt and to promote mass buying power and balance in the postwar economy. ~~Let me enumerate a few of the benefits: (1) Eighty-five million individual investors ^{have bought} ~~now hold~~ bonds of their Government with an aggregate value of 25 billion dollars. These bonds, non-negotiable and with a guaranteed redemption value, assure their holders against market fluctuations and give them a sense of security which will enable them to spend their current incomes for consumer goods when these become available.~~ (2) Interest rates have been kept low, averaging about 1-3/4

- 14 -

in the past, the initiators of economic progress. Theirs must be the ingenuity, the know-how, ^{the} of enterprise needed to find new products, build new plants, develop new techniques. It is to them that Americans look for the expansion of production and the creation of new jobs and ^{the} lifting of our living standards. Business can do this and will do this. ~~But it needs an Administration that is forward-looking and friendly, and Administration under which business can prosper because it is an Administration that believes whole-heartedly that the economic welfare of the country and the economic welfare of business are inseparable. We have such an Administration now. And I feel sure that business, yes and labor and agriculture too, all of the people, want this Administration to carry on.~~

Business can do it ^{only} in partnership with ^{an Administration} ~~a Government~~ which will support it, not merely with fair words and special favors, but with a dynamic program of economic development for all the people. It is this kind of friendship for business, as for agriculture and labor, which the Roosevelt Administration has practiced and will continue to practice while it is in office.

I am going to talk tonight about business - about the relationship between business and the American economy as a whole and about the relationship between business and the American Government. ~~I am going to talk in plain terms about the friends and the enemies of American business.~~

It is an axiom that the economic welfare of the Nation and the economic welfare of business and industry are inseparable. This is the principle on which the present Administration has acted. Its premise has been that business and industry could prosper only in a prosperous society.

But there is a handful of businessmen who do not accept this principle and who have fought the Administration's efforts to put it into practice. And by the noise and volume of their complaints they have given currency to the myth that this Administration is unfriendly to business in general. Politicians who have no constructive or affirmative ideas to offer exploit the myth for what they think it may be worth.

The Republican Presidential Candidate, for example, made this statement in his acceptance address: "The present Administration * * * * * has been consistently hostile to and abusive of American business and American industry, although it is in business and industry that most of us make our living."

Now I do not mean for a moment to suggest that the myth - in this particular instance - was invented by the candidate. On the contrary, it is one of the most hackneyed, time-worn and over-worked myths of the present day. It has been in circulation, I should guess, for pretty nearly a full decade. It was tried out with great gusto by campaign orators in 1936, was dusted off and trotted forth as a brand new discovery in 1940; and today - such is the originality of its sponsors - it is being tried again, evidently on the assumption that if it is repeated often enough somebody may believe it. The technique is a well-known one.

It is about time, I think, ~~we ought~~ to take a good close look at this myth. Let us leave the war years altogether out of account for the moment and go back instead to the 7-year period before 1940 when the Administration halted the precipitous deflation of the early '30's and built up steam in a cold boiler to start industry once more on the upgrade. It is this period which the Republican Candidate is pleased to call "The Roosevelt depression".

I am glad to think that time has dimmed the memory of the dark days before Franklin D. Roosevelt revived our faith in ourselves by telling us that the only thing we had to fear

was fear itself. In 1932, the year before he took office, corporations reporting to the Bureau of Internal Revenue showed an aggregate loss of more than 4 billion dollars.

By 1934, the present Administration had abused business and industry to such an extent that they began to report profits instead of losses to the Bureau of Internal Revenue. The profits of corporations that year - after payment of taxes - amounted to \$2,374,000,000. Net profits rose steadily each year after that, except during the recession of 1938, until by 1939 they stood at about six billions.

All right, now let's take a look at the record of retail trade during this period. Total retail sales in 1933 amounted to 24½ billion dollars. In 1939, they were better than 42 billions, an increase of 75 per cent. If this was abuse, I have an idea that most retailers would like to be abused constantly.

The steel industry affords a pretty good clue to our general economic health. In 1932, it was operating at 20 per cent of its capacity. In 1939, before the war orders began to come in, at 65 per cent.

The United States Steel Corporation had a net income in 1932 of minus 71 million dollars. That was when it was functioning under an Administration that professed great friendship for business. In 1939, U. S. Steel was ruthlessly forced to relinquish the pleasure of taking such a loss; the New Deal abused it into accepting a net profit of 41 millions.

The General Motors Corporation, to take another example, had net sales in 1932 worth 432 million dollars. In 1939, its sales amounted to \$1,377,000,000. It had less than a million dollars of net income available for dividends in the earlier year, more than 180 millions in 1939. Yet Mr. Alfred P. Sloan, the President of General Motors, in a speech last August, demanding revision of the Wagner Act, referred to the Government as dealing - I quote him - "with two groups, one equitably and the other inequitably." And last year he spoke of the "destructive" policies of the New Deal.

There wasn't anything special about the experience of the United States Steel Corporation ^{and General Motors} Manufacturing concerns in general reported themselves in the red for 1932 to the tune of \$1,600,000,000. In 1939, they were three billion dollars in the black.

- 5 -

If this be hostility, I should think the motto of businessmen might very well be - Lord, protect us from our friends; we can take care of our enemies.

Of course, there is not now, and there never has been, any enmity on the part of the ~~Roosevelt Administration~~ toward business and industry. What there is, and has been from its inception, is a firm determination to avoid the kind of quicksand crust of fake-prosperity on which this Nation danced such a frenzied jig during the twenties. There was nothing solid underneath it because millions upon millions of Americans were unemployed or employed at such low wages that they could not maintain a decent standard of living. It was inevitable that we should crash through such a crust as we did so tragically in 1929.

This Administration has sought, instead, to develop a balanced and expanding economy, based on a high volume of purchasing power. It has recognized that enduring prosperity must have a solid foundation, that it must be built from the ground up. It has operated on the premise that what advances the general welfare of the people of the United States also advances the welfare of the business and industry in which they engage.

And this is the very simple explanation for the growth in corporate profits which I have noted - for the increase in dividend payments, for the mounting volume of trade, for the expansion of production. Under this Administration, the American people as a whole have been earning the money with which to buy the goods and services which business and industry have for sale.

The Roosevelt Administration has had so much faith - and such genuine faith - in the free enterprise system that it has sought to keep it free. I think that no young man who wants to start in business for himself will feel abused by an Administration which protects him from the shackling competition of monopoly. I think that no banker or broker who wants the public to invest in an honest enterprise will feel abused by an Administration which protects him from the competition of irresponsible market manipulators and gold brick salesmen. I think that no honest employer will feel abused by an Administration which protects him from the competition of sweatshops.

These and other measures instituted under the New Deal have given American enterprise real freedom. To speak of them as abusive is as absurd as to speak of a surgeon as abusive because he cuts out an inflamed appendix or a cancerous growth.

Business and industry in America are healthier today and have greater opportunities for the future because this Administration has been a true friend to them. Oh, yes, I know that the opposition now endorses these reforms and any evening on the air you can hear the Johnnies-come-lately hollering "me, too." But you can also hear them hollering that the present Administration "has been consistently hostile to and abusive of American business and industry." And I think that you can get from this a fair measure of their sincerity.

These, I think, are the real enemies of business. They are important and powerful enemies - some of them within the ranks of business itself who would undermine the very foundations of free enterprise.

They are the "business as usual boys" who opposed the conversion of industry from peace to war. They are the men who fought price control and renegotiation - who would have risked the danger of inflation for extra profits for themselves. They are the labor-haters who fought against collective bargaining, minimum wages, social security and the other social accomplishments of this Administration. They are the monopolists who favor restricted industrial output and restricted markets at home and abroad.

The real enemies of business in America are the economic isolationists, the men who oppose international economic as well as political cooperation. They are the men who want to restrict credit, who want high interest rates. They are the few bankers who bring pressure against the Treasury to increase interest rates knowing full well that every increase of one per cent means an additional burden of \$2 billion a year on the American business men and the taxpayer.

Yes, business has its enemies. But they are not in the Roosevelt Administration.

Now, I want to turn for a moment to the war years. Business itself has fared pretty well in the performance of its magnificent production job. The total of corporate profits for the year of 1943, after payment of taxes and after renegotiation, was the highest in the history of this Nation - higher even than in the frenzied boom of 1929.

This war prosperity has been well balanced. I am glad to say that it has created few war millionnaires, for the rise in profits has been distributed throughout the business community. The virtual absence of war-made fortunes represents the combined results of a wise policy of military procurement, the success of the policy of economic stabilization, the operation of the excess profits tax, and the commendable restraint exercised by business itself.

- 9 -

The prosperity of the smaller concerns is less easily observed than that of the large publicly owned corporations, but it has been actually even greater. A survey of the relative movement of the profits of large and small companies in eight major industrial groups, made jointly by the Board of Governors of the Federal Reserve System and Robert Morris Associates, shows that in each group the smaller concerns have, during the wartime period, improved their profit position relative to the larger companies.

But what is much more important to business in the long run than its profits during the war itself is the fact that, despite the conversion of our resources to war production, the domestic economy has been kept sound and stable. There has been no out-of-hand inflation in the course of this conflict. The purchasing power of the American dollar has been kept firm. You must certainly credit this in large measure, I believe, to the stabilization program and the methods of war finance undertaken by your Government. The economic policies pursued in the war years have safeguarded business and industry not only against inflation but also against the disastrous sort of deflation which struck this country in 1920 and 1921.

- 10 -

Business and industry have a role of vital responsibility to play in the development of the future. They must serve as its generators. They must be, in the future as they have been in the past, the initiators of economic progress. Theirs must be the ingenuity, the know-how, the enterprise needed to find new products, build new plants, develop new techniques. It is to them that Americans look for the expansion of production and the creation of new jobs and the lifting of our living standards.

Business can do this and will do this. But it can do it only in partnership with an Administration which will support it, not merely with fair words and special favors, but with a dynamic program of economic development for all the people. It is this kind of friendship for business, as for agriculture and labor, which the Roosevelt Administration has practiced and will continue to practice while it is in office.

Waldorf-Astoria - 11

White
~~sub~~
Draft

70

10/24 -

DRAFT

I am going to talk tonight on business -- on business and this Administration. I am going to talk about the friends and enemies of business. I shall tell you who are the real friends of business and who are the real enemies of business.

It is an axiom that the economic welfare of the country as a whole and the economic welfare of business and industry are inseparable. This is the principle in which this Administration has believed. But there is a handful of men who do not believe in this principle, who have fought this principle. They are the ones who say this Administration is unfriendly to business. And politicians who have no constructive principles to offer the people think they can get by with the claim that this Administration is unfriendly to business.

- 2 -

The Republican Candidate for the presidency made this statement in his acceptance address: "The present administration * * * * * has been constantly hostile to and abusive of American business and American industry although it is in business and industry that most of us make our living."

Now I do not mean for a moment to suggest that this myth -- in this particular instance -- was invented by the candidate. On the contrary, it is one of the most hackneyed, time-worn and over-worked myths of the present day. It has been in circulation, I should guess, for pretty nearly a full decade. It was tried out with great gusto by campaign orators in 1936, was dusted off and trotted forth as a brand new discovery in 1940, and today -- such is the originality of its sponsors -- it is being tried again, evidently on the assumption that if it is repeated often enough somebody may believe it. The trick is an old one. Business has its enemies, but they are not in this administration.

First, I think, we ought to take a good, close look at this myth. Let us leave the war years altogether out of account for the moment and go back instead to the 7-year period before 1940 when the Administration halted the precipitous deflation of the early '30's and built up steam

- 3 -

in a cold boiler to start industry once more on the upgrade. It is this period which the Republican Candidate is pleased to call "The Roosevelt depression".

I am glad to think that time has dimmed the memory of the dark days before Franklin D. Roosevelt revived our faith in ourselves by telling us that the only thing we had to fear was fear itself. In 1932, the year before he took office, corporations reporting to the Bureau of Internal Revenue showed an aggregate loss of more than 4 billion dollars.

By 1934, the present Administration had abused business and industry to such an extent that they began to report profits instead of losses to the Bureau of Internal Revenue. The profits of corporations that year -- after payment of taxes -- amounted to \$2,374,000,000. In the following year, due no doubt to the hostility of the Administration, net profits of corporations just about doubled. They stood at \$4,688,000,000. In 1936, the Administration must have hounded business and industry unbearably: net profits rose to slightly more than six and a half billions. The punishment continued in 1937 and profits remained at just about the same level. They sagged badly, it is true, in 1938 -- you see, I want to give you the entire picture. That was the result of the general recession which took place at the end of '37, and

- 4 -

corporate profits were knocked down to three-and-a-quarter billions. But in 1939 they were up again to about six billion dollars.

All right, now let's take a look at the record of retail trade during this period. Total retail sales in 1933 amounted to 24½ billion dollars. In 1939, they were better than 42 billions, an increase of 75 percent. If this was abuse, I have an idea that most storekeepers would like to be abused constantly.

The steel industry affords a pretty good clue to our general economic health. In 1932, it was operating at 19.7 percent of its capacity. In 1939, before the war orders began to come in, at 64.5 percent. The United States Steel Corporation had a net income ⁱⁿ ~~of~~ 1932 of minus 71 million dollars. That was when it was functioning under an Administration that professed great friendship for business. In 1939, U. S. Steel was ruthlessly forced to relinquish the pleasure of taking such a loss; the New Deal abused it into accepting a net profit of 41 millions.

There wasn't anything special about the experience of the United/^{States} Steel Corporation. Manufacturing concerns in general reported themselves in the red for 1932 to the tune of \$1,616,000,000. In 1939, they were \$2,946,000,000 in

- 5 -

the black. The net income of firms engaged in wholesale and retail trade shifted from minus 787 millions in 1932 to plus 648 millions in 1939.

If this be hostility, I should think the motto of businessmen might very well be -- Lord, protect us from our friends; we can take care of our enemies.

Of course, there is not now, and there never has been, any enmity on the part of the Roosevelt Administration toward business and industry. What there is, and has been from its inception, is a firm determination to avoid the kind of quicksand crust of fake-prosperity on which this Nation danced such a frenzied, precarious jig during the twenties. There was nothing solid underneath it because millions upon millions of Americans were unemployed or employed at such low wages that they could not afford to maintain any decent standard of living. It was inevitable that we should crash through such a crust as we did so tragically in 1929.

- 6 -

This Administration has sought, instead, to develop a balanced and expanding economy, based on a high volume of purchasing power. It has recognized that enduring prosperity must have a solid foundation, that it must be built from the ground up. It has operated on the premise that what advances the general welfare of the people of the United States also advances the welfare of the business and industry in which they engage. And this is the very simple explanation for the growth in corporate profits which I have noted -- for the increase in dividend payments, for the mounting volume of trade, for the expansion of production. Under this Administration, the American people as a whole have been earning the money with which to buy the goods and services which business and industry have for sale.

The Roosevelt Administration has had so much faith -- and such genuine faith -- in the free enterprise system that it has sought to keep it free. I think that no young man who wants to start in business for himself will feel abused by an Administration which protects him from the shackling competition of monopoly. I think that no banker or broker who wants the public to invest in an honest enterprise will feel abused by an Administration which protects him from the competition of irresponsible market manipulators and gold brick salesmen. I think that no honest employer will feel abused by an Administration which protects him from the competition of sweatshops.

- 7 -

Every piece of legislation which this Administration has sponsored has directly and indirectly meant more and better business. There is no disagreement on this. Our Republican opponents who say we are hostile to business are now saying that this is their legislation. They are now in favor of it, even to the extent of endorsing the National Labor Relations Act which they consistently fought at its inception and throughout its administration.

These and other measures instituted under the New Deal have given American enterprise real freedom. To speak of them as abusive is as absurd as to speak of a surgeon as abusive because he cuts out an inflamed appendix or a cancerous growth. Business and industry in America are healthier today and have greater opportunities for the future because this Administration has been a true friend to them. Oh, yes, I know that the opposition now endorses these reforms and any evening on the air you can hear the Johnnies-come-lately hollering "me, too." But you can also hear them hollering that the present Administration "has been consistently hostile to and abusive of American business and industry." And I think that you can get from this a fair measure of their sincerity.

Now, I want to turn for a moment to the war years. The achievement of the American industrial machine during this war has brought heart and hope and wonder to our friends, consternation and despair to our enemies. We have kept our pledge to serve as the arsenal of democracy. We have built

and equipped a mammoth army of our own and the greatest navy in the world. And at the same time we have met all the essential needs of our civilian economy. Does anyone seriously think these things could have been done without a well-balanced economy developed before the war began?

Business itself has fared pretty well in the performance of this magnificent job. The total of corporate profits for the year 1943, after payment of taxes and after renegotiation, was the highest in the history of this Nation -- higher even than in the frenzied boom of 1929.

The business prosperity of the war period has been well balanced. Business profits have risen substantially; but there have been few war-made millionnaires, for the rise in profits has been well distributed throughout the business community. The virtual absence of war-made fortunes represents the combined result of a wise policy of military procurement, the success of the policy of economic stabilization, the operation of the excess profits tax, and the commendable restraint exercised by business itself. This scarcity of war-made fortunes has not only saved the taxpayers many billions of dollars in the cost of the war and served to maintain public morale both at home and at the fighting fronts, but has also redounded and will continue to redound to the great benefit of the public relations of business itself.

- 9 -

The total profits of all American corporations, after taxes, have in each of the past three years been about equal to those of the boom year 1929, and have been higher than those in any other year of our history. Both large and small concerns have shared in this prosperity. The prosperity of the large concerns is easily observed from the published reports of the large publicly owned corporations. The prosperity of the smaller concerns is less easily observed, but has been actually even greater. A survey of the relative movement of the profits of large and small companies in eight major industrial groups, made jointly by the Board of Governors of the Federal Reserve System and Robert Morris Associates, shows that in each group the smaller concerns have, during the wartime period, improved their profit position relative to the larger companies.

- 4 -

But what is much more important to business in the long run that its profits during the war itself is the fact that, despite the conversion of our resources to war production, the domestic economy has been kept sound and stable. There has been no out-of-hand inflation in the course of this conflict. The purchasing power of the American dollar has been kept firm. You must certainly credit this in large measure, I believe, to the stabilization program and the methods of war finance undertaken by your Government. The economic policies pursued in the war years have safeguarded business and industry not only against inflation but also against the disastrous sort of deflation which struck this country in 1920 and 1921.

We in the Treasury have conducted our fiscal operations in such a way as to minimize the postwar burden of the debt and to promote mass buying power and balance in the postwar economy. Let me enumerate a few of the benefits: (1) Eighty million individual investors now hold bonds of their Government with an aggregate value of 23 billion dollars. These bonds, non-negotiable and with a guaranteed redemption value, assure their holders against market fluctuations and give them a sense of security which will enable them to spend their current incomes for consumer goods when these become available. (2) Interest rates have been kept low, averaging about 1-3/4

- 10 -

per cent in comparison with 4-1/4 per cent in the first World War; the reduction will not only save about four billion dollars in the postwar Federal budget but will also give business much more favorable borrowing opportunities than it had at the end of World War I. (3) Securities sold to banks and corporations, all of them of short maturity, have provided an unparalleled liquidity which should assist greatly in the financing of postwar reconversion and expansion. ~~(4) Business concerns have been allowed extremely generous deductions from income taxes for advertising purposes in order to perpetuate public confidence in their trade names.~~ (4) Provision has been made for the refunding of excess profits taxes to guarantee corporations against losses in the years immediately following the war.

But as I said in my introductory remarks American business has its enemies -- important enemies, powerful enemies -- enemies from within who would undermine the very foundations of free enterprise. Who are these enemies of business? I will tell you who they are.

They are the "business as usual boys" who opposed the conversion of industry from peace to war. They are the men who fought price control and who would have risked the danger of inflation for extra profits for themselves. They are the men whose policies, if adopted, would have made winning the

the war on the home front impossible.

The real enemies of business are the restrictionists who fight against economic progress, who oppose a steadily rising national output. They are the labor-haters who fought against collective bargaining, minimum wages, social security and the other social accomplishments of this administration.

The real enemies of business are the monopolists who favor restricted industrial output. They are the men who want monopoly at home and abroad, the men who made international cartel agreements with German big industry before the war and who are just waiting for the opportunity to again form international cartels and waiting to resume these international cartels after the war.

The real enemies of business in America are the economic isolationists, the men who oppose international economic as well as political cooperation. They are the men who have fought against the extension of the reciprocal trade agreements, and who are fighting the Bretton Woods Program of monetary and Banking collaboration to promote American and world trade and prosperity.

The real enemies of business are the men who want to restrict credit, who want high interest rates. They are the few bankers who bring pressure against the Treasury to increase interest rates

knowing full well that every increase of one percent means an additional burden of \$2 billion a year on the American business men and the taxpayer.

They are the men who make it difficult for the returning soldier to buy a home or a farm or go into business.

They are the men who come to Washington for special favors and not receiving them go back home to make speeches on Government bureaucracy. I have said many times and I repeat, as long as I am in the Treasury there will be no backdoor to the Treasury. But the front door is wide open to all businessmen who will receive prompt and courteous consideration.

The real enemies of business are the men who defy the laws of the country in time of peace and war - the Girgler's, the Weirs, the Averys, the Aldriches, the McCormicks and the DuPonts. These are the real enemies of business. And for whom are they voting? Who gets their votes and their cash?

The Republican candidate claims that he supports and endorses many of the measures for promoting prosperity and business activity which this Administration has taken. Maybe he does. But you judge a man by the company he keeps.

Business and industry have a role of vital responsibility to play in the development of the future. They must serve as its guarantor. They must be in the future as they have been

in the past, the initiators of economic progress. Theirs must be the ingenuity, the know-how of enterprise needed to find new products, build new plants, develop new techniques. It is to them that Americans look for the expansion of production and the creation of new jobs and lifting of our living standards. Business can do this and will do this. But it needs an Administration that is forward-looking and friendly, and Administration under which business can prosper because it is an Administration that believes whole-heartedly that the economic welfare of the country and the economic welfare of business are inseparable. We have such an Administration now. And I feel sure that business, yes and labor and agriculture too, all of the people, want this Administration to carry on.

October 24, 1944
5:10 p.m.

84

HMJr: Hello.

Operator: Mr. Kaiser.

HMJr: Hello.

Henry J.
Kaiser: Hello. This is Henry -- Henry Kaiser talking.

HMJr: Henry Morgenthau. We'd better drop the last name.

K: Thank you.

HMJr: All right.

K: Say, I want to get the names of -- because he'll ask me tonight the exact names of those fellows who were present today and what this one said and what that one said probably.

HMJr: Well, one is Herbert Gaston, G-a-s-t-o-n.

K: Herbert Gaston, G-a-s-t-o-n.

HMJr: Yes.

K: He is what?

HMJr: Assistant Secretary of the Treasury.

K: Yeah.

HMJr: The other is Harry White

K: Yeah.

HMJr: who is

K: And he is

HMJr: Assistant to the Secretary

K: Uh huh.

HMJr: in charge of -- he's sitting here. (Aside: What are you in charge of?)

K: Have you got that written?

HMJr: He says, "Cats and dogs"

- 2 -

K: All right.

HMJr: " and the general well-being of the country." And the other one is Roy Blough, B-l-o-u-g-h, who is our Chief of Tax Research.

K: Yeah. I think he's even for us now, don't you?

HMJr: Yeah. Now, two things

K: Yeah.

HMJr: you and I are going slumming for breakfast tomorrow morning.

K: What time?

HMJr: Eight-thirty, with Mrs. Roosevelt.

K: Eight-thirty. Where shall I meet you?

HMJr: I can pick you up at the Statler on the front -- at the front door, say, on 16th Street

K: Pull in right in the driveway, then you -- then we won't miss the door, right door -- is that right? Well, I -- whatever door you say.

HMJr: Well, I don't -- the driveway is all right. Eight-fifteen?

K: Eight-fifteen, in the driveway.

HMJr: Yeah. Now, let me read you what we've got for Page Ten -- see? -- insert, following that other insert.

K: Well, now can I take it down for a minute?

HMJr: If you'll put a stenographer on

K: All right. (Aside: Will you get on, Beth? Come on take this down. Answer: All right.)

HMJr: Are we all together?

K: Yeah.

Steno: Uh huh.

HMJr: This is it: "The importance of encouraging business men to expand their plants and to replace the obsolete or worn-out equipment with new equipment is far greater than appears at first sight."

Steno: Okay.

HMJr: "Economic progress depends largely upon the maintenance of a rapid rate of technological progress in industry."

Steno: Okay.

HMJr: "America is the great producer that it is today because technological advance in American industry has been the greatest in the world."

Steno: Okay.

K: Is that all?

HMJr: No. No. "By substantially accelerating the rate of depreciation for tax purposes, we provide business men with additional incentive to expand their plants, replace old and obsolete machinery with modern equipment."

Steno: Uh huh.

HMJr: "That means more jobs for the worker, increased profits for the business man, and lower cost to the consumer." And Harry White adds, "And more votes for Roosevelt."

K: (Laughs) Yes. Listen, I want to tell you that really means more prosperity now.

HMJr: Good.

K: That's wonderful. Are you ready to -- can I tell Sam that goes in?

HMJr: Who?

K: Sam.

HMJr: Oh, yes.

K: All right.

HMJr: That goes right in after the other insert on page ten.

K: After the other insert on page ten.

HMJr: Yeah.

K: All right. Well, now that's just wonderful. I'll meet you then at 8:15. I'm delighted with that. Tell Mr. White he outdid himself.

HMJr: He usually does.

K: Huh?

HMJr: He usually does.

K: Oh, God, I think he's wonderful. I really think both of them have a tremendous vision of what -- of what we can accomplish and -- and while Mr. Blough is a good researcher, he's scared for the future, you see?

HMJr: Yeah.

K: But this -- we're all together now.

HMJr: I gather you like it.

K: I love it very much.

HMJr: Well, you see what you can do on

K: And I think when he said, "The more votes" he said something.

HMJr: See what you can do on Samuel I. Rosenman.

K: Oh, I'll fix that.

HMJr: You will?

K: Oh, I'm -- I'll stay right with that.

HMJr: Okay.

K: Yes, I'll keep talking there. Now, don't worry about that one.

HMJr: All right.

K: I'll tell him this is done.

HMJr: Right.

K: That this part, you're willing to

HMJr: All right.

K: include there and I think he'll recognize it's tremendous. And then I'll also talk tomorrow noon about it again.

HMJr: That's fine.

K: You know at the luncheon.

HMJr: I know.

K: Because I've had -- a former -- I want to talk to him about a release for jobs for all

HMJr: Yeah.

K: that I want to make about the Merchant Marines

HMJr: Yes.

K: which ties right into this thing.

HMJr: Yes.

K: And also that Admiral Land can make which ties into this thing.

HMJr: Nobody can explain better to the President than you the difference between reconversion and this.

K: You don't have to talk about reconversion. It just confuses everybody.

HMJr: Well, he's a little confused on that.

K: Well, it confuses everybody.

HMJr: Right.

K: And this is not -- this is simple.

HMJr: Right.

K: The people of the world -- the children of our country can understand this.

HMJr: Right.

K: This -- this is simple and it's a beautiful -- I want to commend you myself.

HMJr: Right. Now, the only other thing I've got to do is to send you back a copy of

K: Of my talk.

HMJr: And what time would you normally leave your office?

K: Well, just send it to the hotel if you don't mind -- to my

HMJr: To the Statler?

K: Yeah.

HMJr: I'll send it to the Statler. We have your room number.

K: Yeah.

HMJr: Okay.

K: All right. Just Harry Kaiser there -- (Aside: 600W isn't it? Answer: Yeah.) 600W.

HMJr: Right.

Harry White: That's right.

HMJr: Okay.

K: Thank you very much. And I'll see you in the morning.

HMJr: Okay.

K: And we'll go over this -- now, in the morning I'll -- you know what you want me to do in the morning.

HMJr: That's right.

K: All right.

HMJr: Thank you.

K: Bye. Bye. Thank you. I enjoyed this afternoon and I appreciate it.

HMJr: So did I, very much.

K: I got a lift out of it.

HMJr: So did I.

K: All right. Thank you.

HMJr: Bye.

K: Good bye.