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JAN. 4 - APRIL 29, 1940

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b) In all 3 cities and also in Williamsport, Pa., manufacturers have arranged with training schools for mechanics and are getting all necessary labor - 2/5/40..... " 90-91
c) Companies have only received 25% of machine tools ordered; waiting for tools to complete factories; buildings completed in record-breaking time - 2/5/40..... " 95

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e) Older employees in factories train young ones as they work - 2/5/40..... " 92
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Tax
Corporate:
Under Treasury Decision on Sec. 102 of Revenue Act, 62,000 corporate tax returns were examined in four months to determine attempt at avoidance of surtaxes by stockholders - 1/4/40..... " 1-8
a) Of 62,000 cases, 1600 were closely scrutinized for application of Sec. 102, of which only 13 cases were developed involving $136,000 - 1/4/40..... " 1-8

Tax (Continued)

Corporate:

1. 7 of 13 cases declared no dividends; 6 declared from 19% to 56%.
2. Average dividend in 1600 cases was 33.8%.
3. 2 cases finally settled and tax paid; 11 pending.

b) 1936 tax law provided from 7% to 27% for undistributed profits tax on net income - 1/4/40..... Book 14: 2

c) 1938 to 12/1/39, 2½% tax on undistributed net income - 1/4/40..... " 3

d) Sec. 102 provides 25% up to $100,000 and 35% over $100,000, where corporation is used to avoid higher surtaxes - 1/4/40... " 3

e) Five classes of returns subjected to close examination: - 1/4/40..... " 3

1. Where dividends were less than 70% of earnings.
2. Where all stock held by small group.
3. Where earnings were out in loans to officers or stockholders.
4. Where earnings were invested in securities or properties not related to business of corporation.
5. Where failure to declare dividend was prompted by desire to avoid higher surtax on personal income of stockholders.

f) Returns under present basis lower than 1936-38 undistributed profits taxes; but survey shows that corporations are being fair in submitting returns - 1/4/40..... " 4-5

g) Only 2 complaints received to 12/1 on application of Sec. 102 - 4/1/40..... " 5-6

Treasury intervened in voluntary bankruptcy petition of Associated Gas Properties because they owed Treasury $5.7 million taxes up to 1933; tax liability subsequent to 1933 under investigation - 1/15/40..... " 24-25

a) Tax liability secured by collateral; $5.7 million will be paid over four years - 1/15/40..... " 25-27

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b) Appointment of trustee before Northern District Court, challenged by Treasury and SEC on basis that Southern District had jurisdiction - 1/15/40..... Book 14: 26
c) Change of venue may be asked from Northern to Southern District - 1/15/40..... " 26-27 & 30-31
d) Appointment of trustee of interest to Treasury, as largest creditor - 1/15/40... " 30-32
1. SEC as trustee would be satisfactory to Treasury.
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HMJr says that from cursory survey of airplane plants, manufacturers advised that administration of tax program does not impede production program - 2/26/40..... " 114-17
a) No foreign buyers are objecting to price being changed - 2/26/40..... " 116-17
b) Foreign prices for airplanes compare favorably with domestic prices - 2/26/40. " 116-17
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$621 million collected in taxes for period March 1-20; as compared with $473 million in 1939 - 3/21/40..... " 189
a) HMJr very pleased - 3/21/40..... " 189
b) Does not believe further collections will obviate necessity for $427 million additional national defense taxes - 3/21/40.. " 190-92
c) Part of increase due to approximately one million employees paying state taxes for first time - 3/21/40..... " 191
Undistributed Profits:
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Trade Agreements
President announces Japanese trade agreement is on 24-hour, day-to-day basis - 1/25/40..... " 58-59
a) Customs Bureau only carries out orders; Treasury has no connection with matter otherwise - 1/25/40..... " 58-59

Trade Agreements, Reciprocal
Administration wants to extend agreements with foreign countries; HMJr in favor of them - 1/18/40..... Book 14: 42-44
a) Agrees with President's views on Finland - 1/18/40..... " 42
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U. S. Savings Bonds
Effective April 1, 1940, sales of U. S. Savings Bonds will be confined to individuals and one beneficiary or co-owner - 3/21/40..... " 195-204
a) Savings bonds were designed to encourage individual savings and not for purchase by large investors - 3/21/40..... " 196
b) 25% to 30% bought by other than individuals - 3/21/40..... " 197
c) Large purchases affect $45 billion debt limit - 3/21/40..... " 197
d) HMJr opposes suggestion that Stabilization Fund be used to buy U. S. Savings Bonds on basis it would distort government bond market; further the Stabilization Fund was not designed to earn money but to be used in event of a national emergency - 3/21/40. " 199-200
e) Considers Congress paid him great honor in making him trustee of fund; if debt limit needs raising Congress should do so by law - 3/21/40..... " 201-03

U. S. Savings Bonds (Continued)
f) Stabilization Fund should be kept intact for any emergency which may arise - 3/21/40..... Book 14: 203

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Vinson-Trammell Act
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War Conditions
Closing Agreements:
HMJr visited Glenn L. Martin airplane Plant, Baltimore, Md., due to interest in industry and proposals made re closing agreements, etc. - 1/18/40..... " 36-39
a) Expects to visit many "up-to-date-factories" in future, from Internal Revenue standpoint - 1/18/40..... " 39
HMJr hints that bottleneck in airplane contruction is shortage of engines rather than fuselages or bodies - 1/25/40..... " 61-66
a) American manufacturers could accept more airplane orders if they could get engines - 1/25/40..... " 61-66
b) Regardless of British and French donations to two manufacturers, American Army, Navy and commercial needs will be met first - 1/25/40..... " 63-64
c) Captain Collins in Buffalo, N. Y., visiting Bell and Curtiss plants; HMJr visited Lycoming Plant at Williamsport, Pa. - 1/25/40..... " 65-66
"Off the record", HMJr states that House Naval Affairs Committee will not transfer authority to fix depreciation and obsolescence, on contracts covered by Vinson-Trammell Act, from Treasury to Navy Department - 2/1/40..... " 77 & 87-88
a) Navy would like such arrangement, but for income tax purposes Treasury will continue in authority - 2/1/40..... " 77 & 87-88
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Purchasing Mission:
Question of physical problem of supplying French and British plane orders, as well as US Army and Navy orders, must be answered by Purchasing Missions and Army-Navy - 1/22/40..... " 47-54
a) British obtaining adequate dollar exchange to pay for materiel is problem - 1/22/40. " 47-54
1. Results from effect upon US markets of liquidation of American securities in order to obtain dollar exchange.
2. No danger to US economy from liquidation.
3. HMJr looking after US interests first.
b) HMJr has no money to make purchases for British and French; only assistance is what Procurement Division can give - 1/22/40..... " 47
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HMJr confident England and France have adequate dollars to pay for planes and engines being purchased - 2/26/40..... " 126
British-French purchasing mission made tentative plans with three airplane companies to supply needs; returned to Europe for further instructions from Supreme Command; options expired; all new negotiations must be made when they return - 2/29/40..... " 127-40
Sir Henry Self and Pleven are specialists with Purchasing Mission, headed by Arthur Purvis, looking after airplanes for England and France, respectively - 3/7/40..... " 157-58
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H. M. Jr.: I asked Mr. Sullivan to come to the press conference because there has been some discussion in the press on this Treasury Decision on Section 102 and he's been making quite a study of it and I thought the results were so interesting and encouraging that you people might like to know about it.

Mr. Sullivan: Well, we've been pretty much gratified and a little bit surprised at the results of our survey. The Treasury Decision was handed down on July 26, 1939. In the four months that followed, up to December 1, 1939, there were more than 62,000 corporate tax returns examined. Out of that number some 1600 were selected by the agents as being cases to which the provisions of Section 102 might apply, but when they were examined further it was found that of the 62,000 the provisions of Section 102 were recommended to be applied in only 13 cases. Now the collection on corporate tax returns for those four months exceeded by a slight amount some $50,000,000. There was concerned in these 13 cases about $136,000. Of those 13 cases, seven of them were instances of no dividend whatsoever being declared. In the

other 6, the dividends declared ran from 19% to 56%. Of the 1600-odd cases that were selected and particularly examined to see whether the provisions of 102 applied, the average dividend was 33.8%.

Q. That's of the 1600?

A. That's right, sir.

Q. What was that percentage again?

A. 33.8.

Q. Average dividends on how many?

A. 1600-odd.

Q. Mr. Sullivan, as a comparison, do you have any average dividend figure for, say, the 62,000?

A. No, I do not.

Q. Or any other large - ?

A. No. I tried to get that figure this morning, for the 62,000, but those are redistributed to the field, you see.

Q. That is, 32.8% of the corporation's income?

A. That's right, of the 1600-odd.

Q. Would you mind, just to refresh our recollection a little bit on what Section 102 is, stating that?

A. Well, you see, the undistributed profits tax of 1936 provided a tax ranging from 7% to 27% on undistributed net income. Then in 1938 that was

eliminated and there was substituted for it a tax of 2½% on undistributed net income, which tax expired December 31, 1939. There remains Section 102, which, in one form or another, has been part of the statutory laws since 1918 and that provided that whenever a corporation was formed or availed on for the purpose of helping its own stockholders avoid higher surtaxes then it would be subjected to a tax of 25% up to $100,000 and 35% over $100,000.

Q. Mr. Sullivan, that $100,000 is of net income?

A. That's right. Now the Treasury Decision wasn't intended by the Bureau to encourage revenue agents to apply the provisions of 102 to corporate returns but rather to restrict their application of it and there were five classes that were indicated should be subjected to a more searching examination: One class was where the dividends were less than 70% of the earnings; and other classes where all the stock was tightly held by a small group or by a family; another group was where much of the surplus or earnings was out in loans to stockholders or officers of the corporation; another case was

where the earnings had been invested in securities or properties that were not related to the business. In other words, the agents were told that when that situation came to their attention they should re-examine the case further, having in view the determination of whether or not the failure to determine the dividend was prompted by the desire of the stockholders to avoid a higher surtax on their own personal income.

Q. A question of attempt more than anything else?

A. That is right.

Q. Well, in the over-all result, would you say that the revenue effect of repeal of the undistributed profits tax has been to lower taxes? Does what you just said with regard to revenue collections in these particular cases relate in any way to the difference in tax collections on the present basis with what they were under the undistributed profits tax of 1936 and 1938?

A. Well, of course, the return is very much lower. The one thing it indicates to me is that these corporations are absolutely playing a fair and they are not retaining an unreasonable amount. When you have 13 out of over 62,000 cases that is a pretty fair indication that they are not retaining an unreasonable amount over and above the legitimate needs of their own business enterprises.

H. M., JR.: That was the thing that impressed all of us—that the corporations were being fair about this thing.

Q. Mr. Secretary, would you say that this survey justified the repeal of the undistributed profits tax which was made on the assumption that 102 would take care?

A. Well, I think the record speaks for itself.

Q. Some Congressmen, Mr. Secretary, maintain that they have received a lot of complaints from businessmen on these regulations. Have any of these complaints come to the Treasury?

A. One. One complaint from a Congressman and one in your paper (Wall St. Journal)—that makes two. Is that right?

Sullivan: We have had forwarded to us by a Congressman a specific complaint by one taxpayer. There has been a great deal of correspondence from associations who were protesting in behalf of their members who obviously weren't aware of the facts.

Q. That is, on the administration of 102.

A. That's right.

H. M., JR.: And this one case, we have answered Congressman Boehne. Mr. Hanes, as a matter of fact, wrote him a letter which is available up at Mr. Boehne's office on this very subject.

Q. That was the only complaint?

A. Only Congressman. Am I right?

Sullivan: No, sir. We had another one yesterday from Senator Holman, of Oregon.

H. M. Jr.: I didn't know about that, but the only one up to yesterday was one so this statement that there were many—up to yesterday there was only Congressman Boehne, which Mr. Hanes answered, and you say?

Sullivan: Mr. Holman.

H. M. Jr.: Will he get the same answer?

Sullivan: Yes, we have more of our statistics ready so there is a little fuller answer than our reply to Boehne.

H. M. Jr.: So in fairness to corporations living up to the spirit of the law, I didn't want the impression to get out that they were not.

Q. Did Mr. Hanes answer the Holman letter too?

Sullivan: That was addressed to the Commissioner—Commissioner Helvering.

Q. Mr. Secretary, might I ask Mr. Sullivan, in this review of 13 cases I am not quite clear if these 13 cases represent ones in which there was a suspicion of avoidance of taxes or whether they were cases in which it was found necessary to assess the penalties?

Sullivan: The agents in the field have recommended that the provisions of 102 be applied. There has been no final determination in 11 of those cases; in 2 of the 13 the taxpayer has agreed to the application of 102 and those cases have been settled and the tax paid.

Q. Can you estimate the amount of penalties that might be assessed from adopting the recommendations of the agents?

Sullivan: $136,000 was the total of the tax under Section 102.

Q. And there were 11 cases about which nothing has been done definitely so far--no action has been brought?

A. No, the agent in the field has recommended the application of the provisions of 102.

Q. Then is it fair, Mr. Sullivan, to say that since the new enforcement of Section 102 resulting from the Revenue Act of 1939 only 2 corporations have been found violating Section 102, that is, finally found to have violated it?

A. Yes, and agents have recommended the tax in 11 other cases. Now that is up until December 1. There have been some few other cases since then but since I don't have definite figures for December I didn't want to give you anything.

Q. Now these 62,000 cases from which these were selected--are those last March's returns?

Sullivan: That's right.

Q. I assume them to be a fair sample of the annual returns of last year.

H. M., Jr.: Run-of-mine--they weren't picked.

Q. That was on 1938 income?

Sullivan: That's right.

Q. Mr. Secretary, the reason I asked about revenue under the new tax basis, I wondered if you would care to comment in any way on the budget message, subject to your statement not being used until the message is read, because there is something in there, some reference to the yield?

H. M., Jr.: I was there yesterday. (White House conference)

Q. One more question, Mr. Sullivan, if I may, Mr. Secretary. You say you have examined 1600 of the 62,000 cases.

Sullivan: There were over 62,000 that were examined; there were over 1600 that the red flag appeared on because they appeared to be in one of the classifications I gave you and they were more painstakingly examined in view of the instructions in the Treasury Decision, but all the facts, in view of the circumstances of those particular companies, it was found it didn't apply.

Q. Mr. Secretary, I wonder if you could express yourself, subject to the time of the release of the budget statement, how these governmental corporations are going to raise the $700,000,000 to be paid back to the Treasury?

H. M. Jr.: No, I never have said anything on the President's statements.

Q. Could you characterize it in some way—a good budget, a tough budget?

A. I think we will wait until it is out.

Q. Mr. Secretary, Eduardo Suarez is in town; does that mean anything to you?

A. Not a thing.

Q. Is there any pending business between you and Mexico?

A. I saw it on the ticker and that is the only communication I have that the man is in town.

Q. There have been some reports from Mexico that he is trying to stabilize the peso. He invited the correspondents to a tea.

A. I am very serious. Except for what I saw on the ticker I had no indication he was coming.

Q. They said he would see you when he came.

A. Am I right?

Mrs. Klotz: Yes.

Q. He's the Finance Minister of Mexico.

A. Oh, I know who he is, but I just want to make the point that, except for that indication, I wasn't invited to the tea; did you get tea?

Q. Tequila.

A. Down Mexico Way--South of the Border--a pretty good song.

Q. Mr. Secretary, I know the Commerce reports on gold yesterday said Mexico sold over $5,000,000 worth of gold to the United States in the week ending December 27; isn't that a pretty large sum?

A. I don't know.

Q. It is.

I thought they ordinarily shipped silver.

A. Well, they tell me they mine gold also.

Q. As a by-product of silver?

A. No. I don't know; if Mr. Suarez comes around I will ask him. All right, gentlemen? See you all at 1 o'clock.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 5, 1940:

H.M.Jr.: All right, gentlemen?

Q. Have you seen Mr. Suares, Mr. Secretary?

A. The Ambassador is bringing him in at 4:30 this afternoon.

Q. Could you tell us in advance what you are going to talk about?

A. I will tell you everything that I know; I haven't the slightest idea why he is coming in.

Q. He's having more trouble with the peso.

A. Well, we are among friends, that's chronic. That's off the record.

Q. Well, two years ago you and he fixed up the peso for a couple of weeks anyway, as I recall; two weeks later they fixed the tariff up for your benefit.

A. It was all right. I mean, it's all true. It isn't all right; it's all true. I don't have to be hit over the head more than once though.

Q. Could you tell us what form you think the new taxes ought to take, Mr. Secretary?

A. Who was the man that got so excited when I said we had no program?

Q. Me. (Perlmeter)

A. I just wondered if you remembered. You begin to realize that when I said that it was correct?

Q. Well, I got excited because you said you never had had one. I thought you were better than that.

A. No, well, anyway - -.

Q. Can you make any comment on taxes, Mr. Secretary?

A. No, all kinds of studies always going on in the Treasury, 365 days in the year, all kinds of studies--prepared to answer questions from the Hill or from the White House or from the public.

Q. You wouldn't care to take any position on the proposals to lay the whole matter aside for three months or so?

A. That isn't up to me to take a position--not having a program.

Q. Would you comment, Mr. Secretary, on the proposal of Senator Harrison on a joint committee to study the budget?

A. If you look up, on the 27th of May I made that suggestion at that time.

Q. That included the budget? I remember you recommended a Joint Committee.

A. Budget and expenditures. He (Schwarz) will get you a copy of the thing. I made a very careful statement at that time--the 27th of May.

Q. That wasn't the time you talked about Social Security?

Schwarz: It was on taxes in general, before the Ways and Means.

H.M. Jr.: I made a statement, very carefully prepared; you can get a copy and give it to these gentlemen. They can use it for scrap paper.

Q. Mr. Secretary, would you like to, instead of just calling to our attention, make a broad statement about it at this time?

A. No, I just made the statement and thought it was good then and haven't changed.

Q. Would you care to comment on Lord Beaverbrook's statement? He said we are to blame for England going off the gold standard.

A. No, I am not familiar with his statement.

Q. Mr. Secretary, will Mr. Bell take over all of Mr. Hanes' duties or will there be a realignment? I was wondering about taxes particularly.

A. I am not prepared yet to make a statement as to just what the situation is. I am not prepared to make a statement but I can tell you he's busy. You will get it in just a little bit.

Q. Has there anything developed on the TVA offering?

A. No, I am glad you reminded me. We will take a look at it.

Q. Mr. Secretary, was that proposal you made last May the first time that proposal had been made? It's really an old idea, isn't it?

A. I think it was original with me, as far as this Administration is concerned; I don't think anybody made it since Mr. Roosevelt has been President.

Q. The reason I had the idea it was an old suggestion was you pointed out in that statement that formerly the Appropriations and Ways and Means Committees were not divided.

A. I don't think so. I haven't got it here but Chick will get it for you. I think it was the first time it was made.

Schwarz: The first time from an executive department, certainly.

H.M.Jr.: I think so.

Q. Anything new on the Colombian situation, Mr. Secretary?

A. No, except that we still have hopes.

Q. Any suggestion you can make as to when that might come to a head?

A. No.

Q. Mr. Secretary, have you had any communication with Mr. Suarez since the last time you saw him?

A. To be a hundred per cent factual, I think I did have a letter from him inviting me to visit Mexico as a sightseer some time ago.

Q. But no official correspondence?

A. I don't think so; as far as I know, the answer is no. Now there might be something but if there was it

couldn't have been anything important. I don't think I have been in communication with him and I think that is correct, to the best of my knowledge.

Q. I take it you don't plan to go to Mexico soon?

A. No, I do not, even though the song makes it very attractive.

Q. I understand the British soldiers sing that song.

A. Do they!

Q. The British troops in France; it's all the go.

A. I am sorry; I wish I had something but I haven't.

Q. Anything on financing?

A. No, not a thing.

Q. Thank you, Mr. Secretary.

H.M.Jr.: All right, at your service.

Q. Well, we can start off with Mr. Giannini, Mr. Secretary. It seems he intimates some pretty broad charges against you. He said you were antagonistic towards the bank; he said you were persecuting the bank, etc. What can you say about that?

A. So far, I haven't said anything, but I think, in fairness to the Treasury and myself, I ought to say this: As I see my job here, it is to protect the interests of the depositors of all national banks and just as long as I am here and have any breath left in my body I am going to continue to do so notwithstanding how much abuse the management of any bank sees fit to heap upon my head. Period, paragraph, page.

Q. Period, paragraph, page?

Schwarz: Unquote.

H.M.Jr.: All right?

Q. That's your statement?

A. That's my statement.

Q. Do you also want to say something about his, quote, threat, unquote, to convert his bank into

a state bank? I understand he said that there was a possibility of that some time in the future.

A. Well, he makes a lot of statements all the time.

Q. Well, is it legally possible for a national bank voluntarily to cease being a national bank and become a state bank?

A. You will have to ask a lawyer.

Q. I understand they shift back and forth quite a bit, smaller institutions.

A. I really don't know. I question that they do shift back and forth.

Q. Mr. Secretary, do you want to add to or explain your reference to your desire to protect depositors as they relate to your controversy with Mr. Giannini?

A. No, no. Just the way I feel about all depositors in all national banks--I am interested in all depositors in all national banks and I am not interested particularly in any one.

Q. Then what you are saying, Mr. Secretary, if I understand correctly, is that whatever it is that you have asked the bank to do, that they are reluctant to do, concerns something that, at least in your opinion, concerns the safety of the depositors.

A. Let's get this thing--we are off the record--on the record--no one here in the Treasury has said whether

we have or haven't asked them to do anything, so if you make that surmise that in view of Mr. Giannini's attack on me personally and what I am saying about the depositors you can interpret, if you want to, whatever we are doing, and we haven't said what we are doing and won't just as we don't discuss income tax matters, but all I am saying is anything I do as long as I sit here, there is only one thing that motivates me—that is the interests of the depositors, all depositors of all banks.

Q. I understand that, Mr. Secretary, but the only reason I ask especially those of us who represent hundreds of papers, somebody, some place in the country, people will say, 'Does this mean this or does this mean that?'

A. I am making the same comparison as discussing what is the Comptroller's Office doing with regard to any particular bank. Well, until we take action on some particular bank we don't discuss it. Just the same as the income tax, I can't discuss it and wouldn't consider it proper and as far as I know there has been no statement issued by the Treasury proper that the Bank of America is or is not under investigation. I think I am right on that.

Q. Yes.

A. All of this is just to be helpful and I don't want to be quoted on it. The statement I made in the beginning I am willing to stand on; does that help you at all?

Q. Yes.

Q. Mr. Secretary, would you give us your views on the proposals of Winthrop Aldrich the other day that private ownership and circulation of gold should be restored?

A. No, I mean it is a long, highly technical, controversial question and all of my testimony I made on the Hill with reference to the President's power to devalue the dollar, I don't know how many times I appeared, whatever I said before the Senate and House, I haven't changed; that testimony took days and days to give and get ready for.

Q. Those are still your views?

A. Those are still my views, this whole terrific amount of testimony that went in last year.

Q. In a general sort of way, Mr. Secretary, hasn't it been your position that to permit gold to circulate again would permit people to speculate in gold again?

A. Off the record, this idea of putting gold in circulation--you've got to fix the price. The

price today is $35.00 an ounce and you put it in circulation at $35.00 an ounce and you've got to go through this whole business all over again, that we did in 1933 and 1934 and we think it's in the interests of the people that the government be the only owner of gold, be the only authority to deal in gold, and just as soon as you put it in circulation you have all kinds of hoarding and you go through all this business and after being in this thing for six or seven years I think what we did was good. We took the profit for the people. That profit we made is practically still intact in the stabilization fund plus the gold we gave to the Federal Reserve; it has never been used. It's all there and I think, by and large, it's pretty well accepted, in my opinion, that what we did was wise and was in the interests of the greatest number of our citizens. I feel that way very strongly. I don't want to go through this business again.

Q. On the record, Mr. Secretary, we can at least say you still adhere to the views you expressed before which were in opposition to the proposition?

A. That's right, definitely.

Q. Mr. Secretary, can you make some comment on the action of the House Appropriations Committee in imposing what they call moral restrictions on their various subcommittees in considering appropriations not to exceed budget estimates in particular divisions?

A. I think it is a move in the right direction towards orderly budgeting.

Q. Mr. Secretary, have you discussed with, or vice versa, Mr. Harrison or Mr. Doughton the question of the $460,000,000 worth of new taxes?

A. No.

Q. They haven't approached you either?

A. No, I have had no discussion and no discussion, as far as I know, between the staffs either.

Q. But you expect to?

A. Well, I suppose when they get down to it, they always have discussed it.

Q. But it's up to them first?

A. It's up to them, definitely--the move is up to them.

Q. Mr. Doughton was here last week, Mr. Secretary; was that to discuss the question of holding off any tax matters until after March 15th?

A. No, I mean, he was on his way over to the White House and dropped in in connection with sending that report up there. It was just a perfectly friendly meeting and had no particular significance. He drops in on the way over there, just came in to say hello. No news value.

Q. Mr. Secretary, has anything of a formal character been done about a proposal several people have made that the position of Under Secretary of the Treasury be made a permanent one?

A. No.

Q. Mr. Secretary, in your complete annual report, when you sent that up the last two years you made a recommendation on bank holding companies.

A. Yes.

Q. May I ask if you will repeat that along with other views?

A. Well, let me talk and then we will decide what we will do with it afterwards. In appearing before the Appropriations Committee they asked me that question for the third time and I still think it's up to Congress to do something about bank holding companies. I still think the situation is not a healthy one and I don't like to see bank holding companies go into towns, buy up a bank,

discharge the local personnel, put in a management controlled from some central place—it only loses its interests and I think it is an unhealthy situation. I haven't changed. Is that on or off?

Schwarz: If you will make it a direct question, having no bearing on the testimony—if you will make it a direct question that does not relate to the committee.

Q. Then a direct question.

H.M.Jr.: Yes. I would still like to see some bank holding legislation; I haven't changed. I have said so, this will be the third year I have said it.

Q. Mr. Secretary, that proposition broke down about a year ago because of difference over the methods of that legislation. Can you say anything about that?

A. I don't know why it broke down; that isn't true, either.

Q. Maybe by getting a new bill. What is this thing you are talking about?

A. Bank holding companies. It's up to Congress but I'd like to see them do something about it. Anything else?

Q. Goodbye. Thank you, Mr. Secretary.

Q. Mr. Secretary, have you had any notice from the British Treasury of pending confiscation of American securities for sale in this country? There were stories in the paper on Saturday.

A. You will have to get that from the British Embassy.

Q. I thought you might have information; you said you have always worked very closely with them on the tripartite agreement.

A. I still say that's British business; you'd better get it from them.

Q. Should we ask Ed something?

A. Well, if you are interested in Malone, New York, he can tell us.

Q. What about Associated Gas? Could you tell me why the Treasury intervened up there and what the reason for it was?

Mr. Foley: Well, it's perfectly normal where the Treasury is a creditor.

Q. To what extent is it a creditor? What is the Treasury obligation?

Mr. Foley: Taxes owed by the two companies filing a voluntary petition in bankruptcy.

Q. How much is it?

A. Well, there is a determined liability for taxes up to 1933 outstanding and unpaid—it's about

$5,700,000. And then the tax liability for the years subsequent to 1933 is still undetermined and is under investigation at the present time by the people in the Bureau.

Q. No claim has been asserted for any particular amount?

A. No, it hasn't been reduced to a claim yet.

Q. Was that $5,700,000 amount reduced to settlement?

A. That's right and that's secured.

Q. What do you mean by secured?

A. It's secured by collateral.

Q. Is the top company Associated Gas and Electric or the corporation?

A. I am not sure.

Q. It is the whole system, I understand, that is responsible for the tax.

A. Well, the company and the corporation are the ones that filed the voluntary petition in bankruptcy and they are the two corporations owing taxes to the Treasury.

Q. Why didn't they make an outright settlement? Is there something tentative about this $5,700,000?

A. There is nothing tentative about the $5,700,000; they paid $3,000,000 in cash at that time. The $5,700,000 is to be paid over a period of four years in installments and that is secured by collateral.

Q. Then it was originally $5,000,000?

A. That's right; then the tax liability for the years subsequent to 1933 hasn't been determined.

Q. Does this mean you will sell the collateral in order to settle the lien?

A. I wouldn't say that.

Q. Just what was the action you took?

A. The proceedings before Judge Bryant in Malone, New York, this morning was for the appointment of a trustee. The jurisdiction of the court was questioned on the ground that the principal office of the corporation and the company was in New York in the Southern District rather than in the Northern District and the judge put the matter down for hearing in Utica, New York, a week from tomorrow, giving the other side a chance to file memorandums in support of their contention that the jurisdiction is properly in the Northern District of New York.

Q. These were some creditors challenging the jurisdiction of the courts?

A. The Treasury and the SEC.

Q. The SEC asked for a change of venue to New York City directly, didn't they?

A. Well, the hearing next Tuesday is on the venue of the court; then I suppose if the court--I mean on

the jurisdiction of the court--if the court determines that the jurisdiction is properly in the Northern District then an application for change of venue will be made.

H.M.Jr.: We didn't join with them for change of venue, did we?

Foley: We raised the question of jurisdiction of the court in the Northern District.

Q. I understand that jurisdiction question was raised purely on transportation reasons. How do you get to Malone? Dog team?

Is it accessible at all at this season of the year?

A. Apparently they got there--our representatives.

Q. This court is in the Northern District--that's the idea?

A. That's right.

Q. They picked a good one, didn't they?

H.M.Jr.: All right, does that take care of it?

Q. Well, when was this settlement made under which $3,000,000 was paid?

Foley: It was during the Summer; I'm not sure what date.

Q. August?

They have then $5,700,000 to be paid over a four-year period in installments. Of course, your interest in the case involves the $5,700,000 plus?

A. The undetermined tax liability for years subsequent to 1933.

Q. Mr. Secretary, tackling this British security business in a little different way - -.

A. Thank you.

Q. That did not work so I will try another.

H.M.Jr.: I'll let you know whether I thank you or not.

Q. You, in this Department, have made it known that you are out to protect the American market from dumping of the securities, etc., and my question is what, if any, steps are being taken to regulate the present situation?

A. Well, I go back to what I said, that any official announcement of what the British do with their own securities has to come from an accredited representative of the British. For background purposes, the statement which they made Saturday throwing down some previous statement was perfectly correct--the Saturday statement in which they threw down their statement.

Q. I slept all day Saturday; what was that?

A. Well, it was a question and also, background, off the record; off the record, there is nothing right now that I am not familiar with so there is no reason I have to worry about so far as their sale of securities is concerned or that the SEC have, because SEC and ourselves keep in close contact with them, but as to any definite steps the British have to take, as I said to Mr. Gregory,

will have to come from them. Does that satisfy everybody?

Q. Did you say the statement that the British Embassy made?

A. No, it was made by the British Government on Saturday. It came from London.

Q. In which they denied there was any seizure of securities?

A. That's correct.

Q. In other words, there is no change?

A. There is nothing. They threw down their own spokesman on Saturday and I am just telling you people that their Saturday statement was correct. I wasn't going to get excited about it--whenever it was, Thursday or Friday. Saturday they threw it down hard and, for your information, it is correct, but I don't want to be quoted on that.

Q. Did they throw that statement down after the Treasury had been advised of the previous one?

A. There was nothing. Some man made a statement and it was incorrect.

Q. He was an accredited representative of the British Government, a member of the Supply Board there.

A. That's happened in this Government, too; so far the Treasury has been lucky; we haven't been thrown down but is has happened. It's nothing exclusive to the British Isles.

Q. You said that they stumbled through.

A. I didn't use that word, excuse me.

Q. Not today.

A. I don't remember ever saying it.

Q. Maybe he meant fumbled through.

Muddled.

A. All right. You wanted to ask something?

Q. I just wanted to ask whether the Treasury takes any position as to who should be trustee of the Associated Gas properties? You have an interest in that, haven't you?

A. As a large creditor, of course we have an interest.

Q. Would it make any difference to you if the SEC were trustee, as they can be under the law?

Foley: Well, that question wasn't raised today; they didn't get to that.

Q. They will have to fight out change of venue first.

A. That's right.

Q. Doesn't the Federal Government have preference?

A. We are the preferred creditor. Yes.

Q. You are the No. 1 creditor.

A. We are the largest single creditor.

Q. You are interested in who will be the trustee.

A. We have an interest in the appointment of the trustee as one of the large creditors along with the other creditors.

Q. You would be in a position to dictate who would be trustee?

A. I think it's wrong to say the Treasury 'dictates.'

H.M.Jr.: I object to that word.

Q. That's loose language.

Can we quote you on this: 'We have an interest in the appointment of trustee as a large creditor.'

A. Along with the other creditors.

Q. Just a couple of large names in mind. Have you heard of Johnny Hanes? Homer Cummings? Sandy Klein?

A. I vote for Sandy.

Q. Aren't Federal taxes a prior claim over all other claims?

H.M.Jr.: That's a legal question.

Q. Suppose you have Federal and State taxes. Which comes first?

Foley: Federal Court.

Q. That's right, it's in the Federal court, under the bankruptcy law, but suppose the corporation also owed state taxes.

A. I think we would take priority.

Q. Does the Treasury take any view as to the desirability of having the SEC as a trustee?

H.M.Jr.: I don't care to say anything about that, thank you.

Q. Mr. Secretary, there was a report that the Treasury is planning to remove the countervailing duties on imports of Italian silk goods.

A. It hasn't come to me. So there will be no possible misunderstanding, I certainly couldn't have any objection to SEC if the court decided to appoint SEC--I couldn't have any possible objection. That's purely a matter up to the SEC.

Q. But it has to be done with your consent.

A. Yes, but as far as we are concerned we have no objection. If they thought it would be proper I would be delighted to see them as trustee.

Q. Under the holding company act they can be trustee?

A. Yes; and if they thought it was proper and the court was willing, we naturally couldn't have anybody to serve the interests of the government better than the SEC.

Q. Mr. Secretary, do you ever dig up any flesh-and-blood stories over here, now that the money experts have left?

A. I don't know what you mean. Help me out.

Q. Do you have any other stories besides this financial stuff?

A. You mean some human-interest stuff. That's Chick's job.

Schwarz: How about a narcotics story?

H.M.Jr.: Chick being a father or something like that.

Q. That's pretty human. We had a story about Colombia cooking in oil. Is it still cooking in oil, Mr. Secretary? How is Colombia now?

A. She's still the gem of the ocean. Go after Chick; there's plenty around here--all kinds of stories.

Q. Chick's mind has been on other things lately.

A. There are plenty of stories around here if you will go after them.

Q. Just what is the Colombian situation?

A. Just what it was; we are still hopeful.

Q. Isn't it true that they collect a lot of money in oil taxes and the reason they haven't paid on their bonds is it is a South American custom not to do that; that they are able to but haven't because.....

A. I didn't write the song, 'South of the Border.' I can whistle it but I can't remember the words.

Q. Did they open that pipeline down there?

A. If they did it doesn't connect with our Treasury.

Q. Speaking of customs, how about Japan?

A. What about Japan?

Q. When the commercial treaty expires this month.

A. It's a block over there (State Dept.).

Q. Customs is over here.

A. I know, but they write the treaties and we just police them.

Q. Has the White House consulted you on this Finnish help? Everybody is muddled as to what the Finns are going to get or not going to get. Has the Treasury any plans?

A. I can't comment.

Q. Any tax conferences?

A. None but the regular ones every day.

Q. How about the boys on the Hill?

A. You look sleepy, Sandy.

Q. I am just trying to be casual. (Laughter)

A. You take me off my guard.

Q. Now, as I was saying, Mr. Secretary, is there anything new on taxes? Any conferences on the Hill?

A. Nothing to tell you.

Q. Have there been any?

A. None at all.

Q. How about this national defense tax, particularly that idea of a supertax? Has there been any consideration given to that here--tax on tax?

A. Well, there's nothing; I've got nothing. Although I saw, talking of throwing down stories--Steve threw down that story Saturday.

Q. He didn't throw it down. He said as far as he knew, the President had not talked to anybody about it.

A. The President didn't?

Q. As far as I know. What do you think of Mr. Goldenweiser's report on gold?

A. Good heavens! I've got it home.

Q. I think he has upheld your thesis, hasn't he?

A. I don't know. I took it home to read it. I don't know.

Q. Mr. Secretary, would you like to give us a good quote on Finnish aid? We need a new lead on the story.

A. I'm sorry, I can't help you.

Q. By the way, we haven't asked the Secretary who his favorite candidate is for 1940.

A. No? Well, I am not very good on wisecracking on that.

Q. Does that call for a wisecrack?

A. Everybody else has.

Q. Jesse Jones ducked it very neatly the other day.

A. Good, what did Jesse say?

Q. He said, 'Don't embarrass me. You mean my second choice?'

These Texas fellows stick together.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S PRESS
CONFERENCE, JANUARY 18, 1940

Q. Mr. Secretary, could you tell us whether your visit to the Glenn L. Martin plant of Baltimore was in any way connected with the procurement of airplanes in this country by foreign governments?

A. I am not going to answer that question.

Q. It is a good question, isn't it?

A. Perfectly good question.

Q. Well, is it true or isn't it true?

A. I am not going to answer it.

Q. Can you tell us why you won't answer it?

A. In the first place, if you don't mind, I will talk to you in my own way.

Q. You are going to tell us about your visit?

A. Exactly.

Q. All right.

A. I went over to the Glenn L. Martin plant because I was interested in seeing a modern up-to-date airplane factory, and during the next few months I am going to visit a lot more factories, because I am interested in modern up-to-date factories.

Q. You are not building any models, are you, Mr. Secretary?

A. No, but I am interested in the industry of the country.

Q. Why are you confining your visits to airplane factories?

A. Who said I was?

Q. Wasn't that what you implied?

A. I said modern up-to-date factories, and you may see me popping up in a lot of different factories. I am interested--we are interested--through Internal Revenue--they have a lot of proposals put up to us through expansion--closing agreements, obsolescence, and I think the Treasury is in very good shape. This is something I wanted to do for a number of years. This is the first time I have had an opportunity to get out and I am going to get out a lot.

Q. Mr. Secretary, these visits aren't strictly a Treasury matter--I mean, your purpose in making them?

A. I am going there because I am interested. After all, I have been here for six years. When I was in Farm Credit I went into every state of the Union in nine months and since November 17, 1933, I haven't been able to get out at all and from now I expect to get out a lot. In other words, I am only doing the normal thing, and I was doing the abnormal thing sitting here from early in the morning to late at night with my nose to the grindstone. Now I expect to get out and see America.

Q. Are your visits to be confined to war industries?

A. If you don't mind, you don't want facts; you want something else.

Q. You seemed reluctant to answer my first question.

A. I am telling you the facts. I am merely telling you what I feel and think and what I am going to do. That is the story. There is no story to it.

Q. You said, in other words, when you were in Farm Credit you visited farms all over the country.

A. And I saw people and found out what was going on and I went into every state of the Union, but since the day I came in until last week I have been a prisoner to my job and now I expect to get around and see what is going on in the United States, and I will be popping up in a lot of places. In other words, I am going to do the normal thing whereas I have been doing the abnormal thing.

Q. Mr. Secretary, aside from this business, do you as an individual or as Secretary of the Treasury have anything to do with the procurement of airplanes or other war materials by this or any other government?

A. I don't have to answer that question.

Q. Did you go by yourself or did you take any of the British people who were here?

A. I was entirely by myself.

Q. The reason the question came up was in connection with that army bomber incident of a year ago.

A. I was entirely by myself. I went over in a Coast Guard plane and a couple of my Coast Guard personnel, but nobody else.

Q. There were reports that the British and French did ask for 5,000 additional planes and also some discussions that it would hamper our defense plans. Could you tell us if this was discussed at the conference at the White House of military experts?

A. On meetings I attend at the White House, I never comment.

Q. Not in connection with that visit, did your visit have any connection with foreign orders?

A. I can't answer that.

Q. Have any meetings been held here on the same question?

A. I can't answer that.

Q. As a matter of policy, Mr. Secretary, are you still opposed to the idea of using Federal money as a loan to take over British holdings of American securities and using them as collateral to take them off the market?

A. Would you mind stating that again?

Q. As a matter of government policy, are you still opposed to the idea discussed in some quarters of using a

a government loan to take over the holdings of American securities now held by British subjects and thereby offset or defer their liquidation?

A. I am opposed to it as a matter of policy.

Q. In other words you believe they should liquidate their own securities.

A. Well, he asked me a specific question and I am trying to give him a straight answer.

Q. As a matter of fact, do you feel, as a further factor, that any such thing would be legal under the Neutrality Act?

A. I couldn't give you an answer.

Q. Would you sell them gold if they liquidated their securities here and accumulated dollar balances?

A. Any government that wants to buy gold can buy it. We are making sales all the time to different governments.

Q. What did you discuss with Mr. Bailie yesterday, Mr. Secretary? I understand he was here.

A. Oh, he was on his way down South for a vacation, purely personal--old friend. He dropped in to have lunch with me, did it yesterday, and when he goes north--he's on his way South for six weeks--and on his way back I asked him to drop in and have lunch again.

Q. I thought there might be some connection.

A. No, a purely personal and social visit.

Q. When is Jim Landis and Mr. Garrison due in here again, Mr. Secretary?

A. I don't like these twelve o'clock press conferences.

Q. I am glad Mr. Klein asked that question because I couldn't get any answer around the Treasury. Are they going to be a public examining board like the National Labor Relations?

A. No.

Q. Or the Bridges case?

A. No, but they have been acting in a consulting capacity.

Q. In what?

A. To me, personally--problems that I have.

Q. What is the Bank of America case, Mr. Secretary?

A. Well, as I explained to you gentlemen the other day, we can't discuss that any more than we can a tax case.

Q. I understand that you will probably have hearings with regard to the management of the bank.

A. I can't discuss it legally or any other way.

Q. Well, how often do you call these men down, Mr. Secretary?

A. Whenever I need their advice.

Q. Are you calling them down in the next few days? They are not bankers--they are not familiar with banking problems--that's what worries me. Why should you call them?

A. Don't you worry.

Q. I could see if you got Mr. Tom K. Smith here to discuss banking procedure; but neither Landis nor Garrison have had banking experience.

A. No, but they are two able gentlemen.

Q. Both lawyers.

A. But you can be able and still be a lawyer.

Q. Mr. Secretary, have you any views on loans to Finland or aid to Finland?

A. Sure, haven't you?

Q. Well, mine are unimportant.

A. Well, mine aren't very vocal.

Q. You have, however, some views.

A. Oh, yes.

Q. The President has made his public.

A. Well, that, I think, is all that is necessary for the Administration.

Q. Do you go along with him on that?

A. Oh, yes.

Q. There is no difference between yourself and Mr. Hull on this question?

A. You fellows shouldn't read the columns. You are the biggest boosters for the columns we have--it's very interesting. They read a column and then the next day come in and ask a question. That is why these columnists are so successful--the working press always boosts them.

Q. Not necessarily. We would just as soon oust them. Some time we would like to knock them down.

A. Well, not this time.

Q. Mr. Secretary, on this Finnish thing the Finnish government and the President and all the other people over there say repeatedly they have no use for agricultural commodities because they might not be able to eat in a few months if they don't get guns and airplanes. As the Chinese say, they can't eat "sporting goods". They can't shoot puffed rice. There is no legal objection, is there, to private groups raising funds here to purchase airplanes and guns and send them over there, is there?

A. I don't know; no one has ever asked me before.

Q. I understand they can use more of those Garand rifles at a dollar apiece than hayseed.

A. Well, the President has stated the position of himself and his Administration.

Q. And you go along?

A. I surely do.

Q. How about reciprocal trade agreements, Mr. Secretary? Do you favor their extension?

A. Well, I don't think it necessary for me to comment on that. I mean, it's just an Administration matter. It's so obvious the Administration wants them extended.

Q. So obviously you are in favor of them?

A. So obviously I am in favor of them. All right?

Q. Yes, sir, thank you.

REPORT OF SECRETARY MORGENTHAU'S

PRESS CONFERENCE, JANUARY 22, 1940:

Q. Mr. Secretary, this is my own question and not my office's.

H.M.Jr.: It's sure to be a good one then.

Q. Yes, it was also good the last time. At the time the airplane crashed out on the West Coast and some French officials apparently were aboard there was a good deal of publicity about your part in the thing and it seems a lot of stories are now being printed again about your alleged part in procurement of supplies for foreign governments here. Could you make a clear statement of your position on this whole situation?

A. There is no mystery--there is nothing to say other than that the position is just exactly the same as when I testified before the Military Affairs Committee in the Senate last Spring. There is no change--nothing has happened to change, as far as I am concerned.

Q. Well, just what was your position in that testimony, Mr. Secretary, to refresh our memories?

A. I will be glad to give you the testimony; it will take you about two hours to read it.

Q. Could you tell me what the gist of it is?

A. No.

Q. Wasn't it to the effect that the President had requested you to do certain things and you were doing them at his request?

A. As I was saying, the testimony is there and the position on what I am doing is no different than what it was in the testimony I gave on the Hill at that time and we have a copy of that testimony and if you gentlemen want to read it, it is available.

Q. That testimony, as I recall, was subsequently released.

A. Yes, but it is here--we have a copy.

Q. For those who have to go to the wire right away, Mr. Secretary, couldn't you answer Mr. Perlmeter's question?

A. No.

Q. Summarize the testimony?

A. No, it is too difficult.

Q. Well, are you connected at all with the procurement of supplies for any of the foreign governments right now?

A. I can't buy anything for them. I have no money.

Q. You can help them buy?

A. Only what the Procurement Division of the Treasury can do.

Q. Mr. Secretary, I would like to ask two questions relative to foreign procurement: Is there a physical problem in connection with supplying all the French and British plane orders and the orders of our Army and Navy at the same time? Is there a physical problem involved there?

A. The question is a perfectly good question and it will have to be answered by two people: One, our Army and Navy, and, two, by the Allied Purchasing Mission. I can't answer it.

Q. And, secondly, is there any problem of dollar exchange in connection with the British procurement of planes here? In other words, is there any problem for them to get adequate dollar exchange?

A. There is a problem.

Q. There is a problem?

A. Sure.

Q. Is that trouble, Mr. Secretary?--the possible effect on our markets of the liquidation of securities to acquire exchange?

A. Say it again.

Q. Does that problem result from the possible effect upon our markets of the liquidation of securities to acquire exchange?

A. Does it have an effect? Yes, sure, it has an effect.

Q. Well, I think, as I understand it, the question was whether or not the difficulty in their obtaining dollar exchange was related to the danger to our economy which would result from the liquidation of securities.

A. I don't see any danger involved.

Q. There isn't?

A. No, I don't see any danger involved and that is one of the places I come into the picture, to see that there is no danger; to take care of our own economy and our own interests first and as long as I am here I will do that.

Q. There is no danger to our economy?

A. No. My job, as I see it, is to look after our own economy and our own domestic interests first, last and always and that is what I am doing.

Q. Are there any specific plans under way to meet the problem of providing dollar exchange for the British?

A. You will have to ask the British that.

Q. Are there any discussions going on at the present time, Mr. Secretary, relative to a British loan secured directly or indirectly to the British Government, secured by securities?

A. Not that I know of and if there would be I would know about it.

Q. Mr. Secretary, you said something about procurement perhaps having something to do in connection with the purchases by British and French of supplies here. As Secretary of the Treasury and the man in charge of Procurement as well, can you tell us how far they have gone in that respect?

A. No. As I say, if you will take the trouble to read that you will see just what part the Procurement and the Treasury played, as we testified last time, in advising a government as to availability and as to prices and we made that quite plain and I felt, at the time, to the entire satisfaction of all the members of the Military Affairs Committee as to what we were doing.

Now we are not doing anything different at this time than we did then.

Q. Well, Mr. Secretary, you said in answer to a question that there was a problem in connection with the British obtaining adequate supplies of dollar exchange with which to make purchases. Of course, a great deal has been written on that and it has been mentioned time and again that the British have potential sources of dollar exchange here in a substantial amount due to investments in this country. Could you say, therefore, just how the problem arises?

A. No.

Q. Could you be a little bit more explicit regarding the exchange difficulty of the British obtaining exchange here, in view of statements published to the effect that the British have, as I recall it, some $700 million or did have close to a billion dolars in gold and, as I understand it, you can always convert gold into dollars if they want it.

A. Somebody asked the question, 'Is it a problem to get all the dollars they want in the United States?' and the answer is, 'Yes.' Now it's just the same problem as for any country to get sufficient currency of another country.

Q. I was under the impression, Mr. Secretary, that there was a special relationship between Great Britain and the United States on that issue because of the cooperation between the Treasury and the fiscal authorities over there to sort of smooth things out.

A. You can't smooth things out unless I want to give them something for nothing.

Q. Oh, no. But if they have the gold.

A. I still say there are shipping difficulties, both for gold or securities and anything else whether it's for England or France or Japan or Russia or Finland, Norway or Sweden. Any country that wants to acquire dollar exchange--they have a problem, whatever country it is.

Q. In other words, the problem they are facing is no different than any other?

A. No different than any other and just that you gentlemen can have it again, for background on this plane stuff, I know just what I am doing. If Congress at any time, this is for background, wants to know what I am doing, I am not doing anything that I can't tell to them or anybody else, if they want to know it and don't let anybody tell you that I don't look after

our own interests first. I think my record speaks sufficiently loudly on that.

Q. Mr. Secretary, you said you hadn't done anything that you wouldn't want Congress or anybody else to know about; you haven't answered our question.

A. I know, because I don't think it is necessary when I simply say I am doing exactly what I did the last time.

Q. And we are asking what that is.

A. And I say go read it.

Q. Is there some question as to the possibility of expanding the airplane plants in this country at this time?

A. I don't know.

Q. That is related directly to your department in connection with the closing agreements and tax questions?

A. That's right.

Q. Do I understand, Mr. Secretary, that there is no special problem in connection with Britain's securing adequate supplies of dollar exchange?

A. I think I have covered that.

Q. Mr. Secretary, what discretion does the Treasury have in allowing for amortization of new plants to fill domestic orders?

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A. And I say go read it.

Q. Is there some question as to the possibility of expanding the airplane plants in this country at this time?

A. I don't know.

Q. That is related directly to your department in connection with the closing agreements and tax questions?

A. That's right.

Q. Do I understand, Mr. Secretary, that there is no special problem in connection with Britain's securing adequate supplies of dollar exchange?

A. I think I have covered that.

Q. Mr. Secretary, what discretion does the Treasury have in allowing for amortization of new plants to fill domestic orders?

A. If you want to sit down on that, I will be glad to have you sit down with John Sullivan and go over the whole thing. He's handling that. I wouldn't want to discuss it for fear I might leave something out so if you are particularly interested see him.

Q. Mr. Secretary, since Mr. Sullivan explained the procedure in that connection, have there been any changes?

A. No.

Q. No speed-up of depreciation?

A. There have been no changes. It is just the way he told you gentlemen. Anybody who didn't hear it he's (Sullivan) here and will be glad to sit down with you. The only thing I will make Sandy a little bet--I am one up on you, Sandy. I was out of town for a whole day.

Q. Well?

A. Well?

Q. Mr. Secretary, would it be correct to say that your part in this procurement thing is to see that the orders of the Army and Navy are not interfered with by foreign orders?

A. No, the Army and Navy are fully adequate to do their own talking.

Q. You just said you were looking after our own interests first.

A. I am! I am!

Q. And in connection with procurement, I should think the only thing that would follow would be that you were endeavoring to see that delivery of the Army and Navy orders were in no wise interfered with by fulfillment of British and French orders. Is that a correct statement?

A. It is perfectly obvious why I am handicapped in talking--when I am doing something for myself I can explain it easier.

Q. You don't care to say any more about it?

A. No, I would rather not.

Q. Mr. Secretary, an independent bankers association sent you a letter in which it was indicated that you would like to see enacted some legislation regulating bank holding companies; would you care to comment?

A. Only what I said the other day. I haven't gotten that letter yet. It hasn't come to me yet. Other than just what I said the other day, I still think there should be some bank holding company legislation.

Q. Are any plans being made to try to have any legislation passed?

A. No, other than three times now I have said it in testifying before Congress.

Q. Mr. Secretary, you just said when you do things for yourself you can talk about them; when you are doing them for other people or something like that you are naturally limited. Are we to imply that you are acting in this matter on behalf of the President?

A. Is this on or off the record?

Q. On the record.

A. Then I don't want to answer it, if you don't mind.

Q. We can guess. To change the subject, Mr. Secretary, is there anything being done about removing countervailing duties against Italy?

A. Not that I know of. I mean, I am not familiar with it but Basil Harris is here. If you would like to see him he is available.

Q. Any new duties contemplated on Japan?

A. Not that I know of.

Q. Is there any action the Treasury plans to take when the commercial treaty with Japan runs out at the end of this week?

A. Nothing has been brought to my attention. All right! Sorry you don't feel better, Sandy.

Q. I feel swell!

A. Good! So do I!

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 25, 1940:

H.M.Jr.: Good morning! Nice bright day.

Q. Yes, not good for flying though.

A. No, it wasn't good yesterday so I couldn't go.

Q. Mr. Secretary, is the Secret Service investigating reports of the circulation through the Balkans or other parts of Europe of allegedly counterfeit American currency?

A. I don't know. I don't know whether they are or not. Mr. Gaston has that under him and if there is a story I will tell him to give it to you. I don't know.

Q. Secret Service under him, too?

A. Yes.

Q. I don't know what they will call him after a while; call him the Gestapo.

A. Yes, he has Secret Service.

Q. Mr. Secretary, has the Treasury or Bureau of Customs been receiving any complaints from shippers in connection with navicerts?

A. Not that I know of. I haven't received any, but that doesn't mean there aren't any, but nothing has reached this room.

Q. Mr. Secretary, Senator Glass said yesterday in an interview in the hall that he would put his holding company bill in any time you said so and the only reason he hadn't before was that you asked him to hold it up.

A. Well, I suppose once in a while I've got to—this is what happened and this is off the record.

(HERE THE SECRETARY WENT OFF THE RECORD)

Q. Everything status quo on the Japanese trade agreement?

A. I am personally not in on it one way or another.

Q. In what?

A. I am not in on it at all. It's the State Department. I am not taking any part in it.

Q. Customs--inspectors or agents--haven't been instructed contrary to their previous ones?

A. Not that I know of. They just carry out the orders they get.

Q. Mr. Secretary, then your position, as far as you and the Customs Bureau are concerned, is nothing will change until or unless somebody tells you to change something?

A. As far as I know, that is correct. Didn't I read in the newspapers that the President said we would keep it on a 24-hour basis, day-to-day? Is that correct?

Q. Something like that. But the present situation is status quo--anti-treaty?

A. Whatever the status of the treaty is; we simply carry out the orders and you can check.

Schwarz: I checked yesterday and we haven't any.

Q. You already put out instructions as to what to do when the treaty expired?

Schwarz: On December 22nd.

Q. Pardon me. Chick, was that the one on President Grant's proclamation?

Schwarz: Yes.

H.M.Jr.: That story (Sen. Glass), I think, better stay off the record because I never get in an argument, except when I testify publicly.

Q. Mr. Secretary, have you had any discussions with any of the Congressional leaders on new taxes?

A. I never saw a tax question so dead.

Q. You mean, Mr. Secretary, that you not only haven't had any discussions but none have been arranged for the future?

A. No one even has whispered taxes. You wouldn't know that there was such a thing.

Q. The President spoke above a whisper.

A. Did he! What did he say?

Q. He said there should be some.

A. You asked me about The Hill.

Q. Oh, he asked you about The Hill.

A. Yes. Nobody from The Hill.

Q. Would you say, then, that the effort seems to be to avoid the tax subject up there?

A. Well, I don't want to go beyond what I said. I think I've said enough.

Q. Mr. Secretary, there has been some sentiment on The Hill that maybe if they would chisel a little bit off of this appropriation bill and that appropriation bill and save $460,000,000 from the President's budget request, that no taxes would be necessary. Do you share that view?

A. I don't want to get in on that at this time.

Q. You did talk about that on The Hill, Mr. Secretary. About all the reflationary things that could be done. No, I am talking about the savings.

A. That's all in the hearings. Have you got a copy of it?

Q. I read it word for word. W-o-i-d. (Laughter)

A. All right. No, that is all right; I mean I had the chance to change my testimony and I didn't.

Q. Thought it was all right?

A. Yes, I liked it. All right? Very quiet.

Q. How about airplanes, Mr. Secretary? Nothing new on the aeronautical front, is there?

A. No.

Q. We call Mr. Gaston the Admiral; we might have to start calling you Flight-Commander-Morgenthau.

A. At least the stories you wrote were upheld by the White House. Is that correct?

Q. Yes, we were a little puzzled as to what you meant when you referred us to record and doggone we could have had any number of swell stories on it.

A. Gossiping for the minute, I couldn't say what the White House said. That's why I was hobbled because the President asked me to do something and it's up to him to say so.

Q. It all turned out all right.

A. Turned out fine.

Q. Mr. Secretary, there have been some stories published recently where some alleged aviation experts say plane production in this country has now reached the point where there is a surplus of airplanes in comparison to the number of pilots that we are training at present, and that the program will ultimately supply plenty of pilots. Could you say whether that is true?

A. I am far from being an expert. I really don't know. I should think the best place to go for that would be Civil Aeronautics.

Q. There have been some stories recently that there has been some sort of bottleneck in engines rather than fuselages; is that true?

A. The engines--that's the bottleneck.

Q. For any special reason, Mr. Secretary? Is that due to the development of multi-motored planes?

A. No, it's just that the engine production isn't big enough to take care of the demand--that's all.

Q. That would substantiate, to a certain extent, some of these stories that have been printed that there is a surplus in airplanes, actual bodies and fuselages.

A. Well, I would check that story before I wrote, for your own sake. I don't know of any airplane bodies or fuselages laying around but just as a hint, don't quote me, I think you would find they would get many more orders if they could get the engines. An airplane manufacturer isn't going to take an order today unless he's sure he can get the engine. Don't quote me on that.

Q. Isn't the shortage of engines holding up current production, Mr. Secretary?

A. I wouldn't want to--you are getting down now to a point where I can't - - .

Q. You don't want it to appear that there is an immediate problem, something holding up our production at the moment?

A. I don't want to say that.

Q. When you say the engine production isn't big enough to take care of the demand, are you talking primarily about the United States demand?

A. The whole picture, looking at the picture as a whole. I know that the American manufacturer of airplanes could take on a lot more business if he could get the engines. I am looking at the picture as a whole.

Q. Are there any particular steps being contemplated to remedy that condition?

A. It is being studied by everybody.

Q. That brings to mind a donation of some millions of dollars to two manufacturers for plant expansion, as reported by the British and French. I just wondered when that expansion is completed whether British and French will have some sort of first call on the output of the expanded plant.

A. Well, naturally, we are going to see that our own needs are taken care of first, as I said before.

Q. I think what Mr. Schloss had in mind was a case, for example (it was printed), where the French Government gave United Aircraft some money to build a plant to build them engines.

A. You have to strike a balance and we are making very sure that the needs, not only for the Army and Navy,

but for commercial planes, that those needs--they come first.

Q. Even our civil needs come before the foreign orders?

A. I think so, yes. Yes, we've got to take care of air transport and our own Army and Navy first and then do what we can to take care of the demands from all over the world, not only for fighting planes but for transport systems--South America and places that want transport planes.

Q. Is any effort being made to rectify the situation?

A. I say it's being studied and that's one of the things I am doing for the President.

Q. Is that one of the purposes, Mr. Secretary, of these trips to the plants?

A. Yes.

Q. The reason for visiting the plants is to study the possibility of expansion--is that the idea?

A. It's to see what is going on. I can learn more in five minutes on the ground in a plant than I can sitting here and having people tell me about it. You can learn, at least I can, by just seeing and walking through a plant to get an impression.

Q. How the utilization of space and labor, etc., is going on?

A. Yes, and talking to people, finding out what the labor conditions are.

Q. Do you think that it might be necessary to hold up some of the foreign orders first, some of those that are already placed.

A. I don't know, no. I don't think so, no.

Q. It won't be necessary?

A. No.

Q. None of the present orders?

A. None of the orders on the books.

Q. The shortage isn't that acute?

A. It is for future orders.

Q. When are you planning to go up to Buffalo now, Mr. Secretary?

A. I don't know. This weather is one of the worst storms we ever had. Captain Collins is there now. He went by train. He's there now and was there yesterday.

Q. What plant is that?

A. He went to visit both the Bell and the Curtiss plant. And last Friday I visited the Lycoming plant at Williamsport, Pennsylvania.

Q. Last Friday?

A. Yes, I was there all day.

Q. An engine plant?

A. That's right.

Q. Very small engines?

A. They make the 220; they go up to 300 horse.

Q. So far then, you have visited the Martin plant and the Lycoming plant.

A. That is all and Capt. Collins is at the Bell and Curtiss plants today and yesterday.

Q. You are not going up there soon?

A. Not the rest of the week--I can't get away this week.

Q. Do you know, Mr. Secretary, when General Gibbins and Admiral Speer are going?

A. No, I don't.

Q. They will probably go with you--is that right?

A. I really don't know. Right now I have nothing for the rest of the week.

Q. Mr. Secretary, do you agree with the statement of John L. Lewis that if the President runs for the third term he will be badly licked?

A. I am just studying engines.

Q. What kind of engines? Political?

A. All right?

Q. Thank you, Mr. Secretary.

OFF-THE-RECORD PORTION OF SECRETARY
MORGENTHAU'S PRESS CONFERENCE, JANUARY 25, 1940:

H.M.Jr.: This is what happened and this is off the record. First, last year, I can't remember the details—for some reason or other I did ask him (Sen. Glass) to hold it up until after the 1st of February; something was on—I don't know what it was—I can't remember—and he agreed that he would hold it until after the 1st of February and that he would then introduce it and then, for reasons which he never explained to me he decided he wouldn't. Now, I have never discussed it with him since but he did have a meeting—there was something on, I can't remember what it was, but we thought it better to wait until after the 1st of February.

Q. That was the 1st of February, last year?

A. 1939. Now I have never known Glass to be reticent before when he wanted to do something. You know my policy—never get into an argument with a Senator—but that's the story and the facts and then after that, for reasons which I don't know he decided he wouldn't, but he certainly has never waited for me for anything before this. I can't remember the reason but there was some reason we thought and he agreed that he would hold it until after February 1.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 29, 1940:
(Mr. Helvering and Mr. Sullivan present)

H.M.Jr.: We have a release here on tax matters and Mr. Helvering and Mr. Sullivan are here to answer the questions.

Q. It looks like decentralization is very productive, doesn't it?

A. That's what we think, but we would like the public to know.

Q. This doesn't mean, does it, Mr. Secretary, any crackdown or anything of that sort? It just indicates that the process has been speeded up, doesn't it? The process of collecting these back taxes?

A. Where did you get that word 'crackdown?'

Q. I will say it is an unfortunate choice of a word. Just that you are a little stricter?

A. Mr. Helvering is here.

Helvering: Just the facility for reaching these cases that gives us this result—by putting them out in the field where they come in direct contact with our settlement officers without having to arrange conferences in Washington as they used to. You will notice that both in the amount of taxes settled favorable to the Government and also in the amount of refunds at

the bottom of the page, they have both advanced. In other words, sort of an acceleration of the work which would eventually be reached in the Bureau just the same--just moving along faster.

Q. Mr. Secretary, then the conclusion is that they have just reached and finished up more cases rather than resulting in any larger proportion of assessments on any given number of returns? Is that it?

H.M.Jr.: You will have to answer that.

Helvering: It means this: That the number of returns which we have reached has been accelerated and getting more current.

Q. This figure in the second line of $205,000,000 is not the actual amount collected; it's the amount assessed.

A. Yes, that is the actual deficiency reached by agreement with the taxpayer. If he's got the money we will get all of that because he has agreed to it. Same applies to refunds down below.

Q. Well, this means then that because you are working more in the field you are finding more loopholes in the taxpayers' returns; that's what it amounts to, doesn't it?

A. No, no. I might illustrate it by saying, take the third paragraph on the second page; no, that isn't what I am looking for. Where is it--about the Tax Board?

Sullivan: That's right, second paragraph on page 2. That's right--6,750.

Helvering: Yes, the second full paragraph. For instance, we've got these cases out in the field and they are getting before the local sitting of the Board of Tax Appeals. You can see we have reduced the Board's cases from 6,000 to 5,000, a little more than a reduction of 1,000, and then reductions in those.

Q. What it amounts to, then, is you are doing last year's work this year.

Helvering: We are catching up.

Q. Catching up on last year's work?

A. Old cases pending.

Q. Cleaning them up?

A. Yes.

Q. Mr. Secretary, you testified before one of the committees of Congress that you have discretion as to where you can buy your gold and from whom you buy your gold, from foreign sources. Have you used that discretion in connection with any purchases from Russia?

H.M.Jr.: Sandy, far be it from me to argue with you as to your source, but I don't remember saying that. If you say I said it, all right, but we buy--the policy here is, as you all know, is that we buy gold at $35.00 an ounce, less ¼ of 1 per cent, until further notice. Now since 1934 when we bought all gold that was offered to us we have never discriminated.

Q. Since 1934?

A. Since the Act was passed, January, 1934. From that day to this we have never discriminated against any government which offers us gold for sale--any government.

Q. Might you discriminate in the future?

A. You mean, might, or could I?

Q. I mean, is there a possibility that you would?

A. I doubt it.

Q. But you could?

A. I could, yes.

Q. There has been quite a bit of talk about what help, if any, Russia may have gotten from selling gold to you. Do you wish to comment on that, Mr. Secretary?

A. What the gentleman did is he got some production figures, I don't know where he got them from, as to production of gold. I have been trying to get how much gold Russia has produced ever since I have been here but I have not been able to get any accurate

figures. Maybe he's more successful than I am. To take the figure $175,000,000 and say we bought that all is just ridiculous.

Q. Mr. Secretary, have you had any report from Captain Collins on his trip to Buffalo, the airplane factories? He said he would report to you. Would you care to comment on that report?

A. No.

Q. Are you going to Buffalo?

A. The reason I am laughing is the story that once I heard about the fellow in the Grand Central Station— he asked when does the last train leave for Buffalo and the other fellow said, 'You should live to see the last train for Buffalo.'

Q. I knew you were planning to go.

A. That's right but due to storm conditions last week the General and I felt it was impossible to go. I will answer this way. I have no plans to go to Buffalo in the next day or two. I mean I have no plans.

Q. Any other aircraft factories in mind?

A. No, not for a day or two.

Q. Buffalo will be the next one?

A. Not necessarily. Captain Collins spent two days there.

Q. You might go there very soon?

A. Yes, but I have no plans to go. I am not withholding any information. I just have no plans on travel by the next couple of days.

Q. I was talking about the next week or two.

A. Oh, well, that's a lifetime.

Q. You plan to go but don't know just when, is that right?

A. Yes.

Q. I didn't mean to tie you down to any particular time. The story came out of Buffalo that you planned to go shortly.

A. I have no plans for going to Buffalo but that doesn't mean I won't or will go. I am trying to be extra truthful.

Q. Mr. Secretary, last week you said something about a possible bottleneck in the engine factories. I wonder if it isn't so that the industry hasn't expanded as far as they could get tooling equipment.

A. I am just not ready to talk any more on that subject at this time. I have nothing to contribute.

Q. Mr. Secretary, do you think it may be necessary to use government funds or government loans to finance expansion in aircraft capacity?

A. I haven't got anything more to say than what I said last Thursday.

Q. Mr. Secretary, there was an article in a very distinguished New York newspaper about the Treasury having gotten things all fixed up with regard to Brazil and Brazil was going to do some refunding of its dollar bonds.

A. Where is Nick Gregory?

Q. He's sick today.

A. Is it fair to answer? Is anybody here from the Tribune today?

Q. They are being covered by the press associations and remote control. They will be taken care of.

A. What is the question again?

Q. The question is, is it true that Brazilian refunding is in the offing, that the Treasury has more or less worked this thing out?

A. Well, talking for the Treasury, we are not taking part in whatever conversations are going on with Brazil in connection with her debt.

Q. You don't even say there are any conversations?

A. No, I think what I said is all right.

Q. How about Colombia?

A. We are still working on that.

Q. Mr. Secretary, I think it is called the Pan-American Advisory Economic Council, has been meeting here for some time considering this question of establishment of an Inter-American bank; could you tell us whether that strikes you as a good idea?

A. Well, the stories which you gentlemen have been getting which are pretty accurate, I think, have been coming from Mr. Berle, haven't they? And we give Mr. Berle all the technical assistance he wants and inasmuch as I think he is chairman of that subcommittee, the proper person to get the story from would be Mr. Berle.

Q. Your answer regarding Brazil a few moments ago was confined to the debt situation down there. Are there any discussions under way regarding extension of further credit to Brazil?

A. As far as the Treasury is concerned, we are not carrying on any negotiations in any matters with Brazil at this time.

Q. You are working on the Colombian thing. Why wouldn't the Treasury be in on Brazil? That's what I am trying to find out. Is there anything on Brazil?

A. You will have to ask the State Department that question.

Q. Don't tell me they are working independently on that.

A. How long have you been in Washington?

Q. That's all; next witness. (Laughter)

Mr. Secretary, the tax question was kind of dead last time we were here. Can you stir anything up?

A. According to Mr. Sullivan, if there is such a word as deader, if it was dead Thursday, it's deader now.

Sullivan: I see no sign for reviving the interest.

Q. You don't think there is a chance of burying the corpse for keeps, do you?

Sullivan: I wish I knew the answer.

H.M.Jr.: I think Thursday's stories about the subject being dead are still good.

Q. But no funeral yet?

A. No, but I saw by the ticker Mr. Barkley had something to say about it. All right?

Q. Thank you, Mr. Secretary.

H.M.Jr.: What's on your mind today?

Q. Mr. Secretary, I understand the House Naval Affairs Committee has recommended that the control over the fixing of depreciation and obsolescence allowance on Navy contracts covered by the Vinson Act be transferred to the Navy Department from the Bureau of Internal Revenue.

(Here the Secretary went off the record)

Q. Mr. Secretary, Congressman Shafer, of Michigan, has come forth with another Treasury-helping-Russia-against-Finland stories about your buying gold from them. Have you any figures as to how much gold this country has bought from Russia?

A. What Chick gave you the other day, that's all we have.

Q. That was only for the last year.

Mr. Schwarz: I only went back through 1939; we will have additional figures.

H.M.Jr.: He gave you everything we had for 1939.

Schwarz: And 1938.

H.M.Jr.: If my memory is right we bought nothing directly but there were two shipments through two separate countries, amounting to $10,500,000, which had the Russian trade mark on them. When they acquired it or when it was in transit I don't know. I was so interested that we went to the Assay Office and asked them and we gave

you everything we had and it came to $10,500,000.

Q. Gold with a hammer and sickle on it is perfectly all right?

A. After we test it. (Laughter)

Q. Mr. Secretary, have you any opinion on the Mead Bill for a $300,000,000 hospital construction program?

A. I haven't seen it.

Q. He told me that you favored it or will favor it.

A. Well, he may be right on that but I rode down with Dan Bell this morning--we talked about it and Bell hasn't seen it either, that bill, so we haven't had a chance to look at it. I don't know. Senator Mead may be right.

Q. Ask you at the next press conference?

A. Yes, by that time--will you (Schwarz) tell Bell to get hold of the bill and take a look at it. But up to this hour neither Bell nor I have seen the bill and I don't think it has been referred to us yet for one of these reports.

Q. Mr. Secretary, have you discovered whether the machine tool industry is an important factor in the capacity of the airplane engine companies?

A. Well, I will talk for background. Somebody has been talking. We have had representatives of the machine tool people in here and we have had representatives of the airplane engine people and all the world wants American machine tools; so do people within our own

borders. And we are trying to do what, rather the industry is trying to do--I just offered them a meeting place and got them together and what they are going to try to do is to see whether the machine tools can't be given some kind of priority to our own people so that we can take care of our own industry's needs.

Q. Do you mean to say that they have been shipping outside of the country machine tooling for airplane engine production?

A. I will put it this way because the machine tools might be used for many--they have been shipping machine tools to anybody who had the cash and there has been an enormous demand from all over the world for machine tools and these people have, naturally, if anybody has an order and the money they made a sale.

Q. It isn't exactly true that all machine tools can be used for many purposes.

A. I mean they could be for an airplane engine or it might be for some other--I mean, a particular kind of tool--I know this much about the machine industry--tools could be used for various purposes. It might not necessarily be an airplane engine but we do find, going far enough, that I think if the industry--and it's purely voluntary; it's entirely up to them if they will decide that they will give our people at home a priority, I think we can straighten out the

situation very, very quickly.

Q. Aren't you very interested in arranging something of that sort?

A. Oh, yes. I want to see our own people taken care of first.

Q. Mr. Secretary, would that help widen the bottleneck in the airplane engine industry?

A. It would help. For instance, one of the engine companies has had on order for some time a lot of tools and he's only been able to get 25 per cent of his needs and the tool industry is going to take a look--they know now what is wanted and they are going to take a look at their own books and see what can be done by reshuffling and see whether our engine people could be given priority over foreign orders.

Q. Doesn't that all add up to the fact, Mr. Secretary, that really the bottleneck is to a considerable extent caused by the inability of the engine people to get tools?

A. Yes, that is all for background. Yes.

Schwarz: Potential bottleneck.

Q. Yes, potential bottleneck.

H.M.Jr.: The machine tool people say there is no bottleneck--they can rearrange their orders but up to the present time our own engine people haven't been able to get the tools they need.

Q. Just a matter of interpretation?

A. I am giving you the facts. I don't want to interpret.

Q. You don't want to say anything about this directly?

A. I would rather not, because I would much rather say that, 'Gentlemen, we have been able, through the cooperation of the tool people, to do this,' but somebody has been talking, and, therefore, I would like you to know as much as I do--we are just in a formative period. But the industry wants to do it and they can do it--it's purely up to them. I can't bring any pressure and wouldn't and haven't found it necessary. But it seems unbelievable that nobody has offered them a common meeting ground and said 'what do you want'; now they know what the needs are they are very glad to cooperate.

Q. You just fixed up a little fight?

A. No, it wasn't a fight. Here was a group of people going ahead taking orders from anybody who had the money and here was a domestic industry who needed it and no one served as a Judge Landis for them and said, 'Now boys, which comes first?' We ought to decide our own interests come first.

Q. We can mention this story without attributing to you the fact that you have brought these men together?

A. That's right.

Q. Just to be sure of my facts, am I correct in believing that the machine tool people have been selling a large part of their products out of the country?

A. I can't say the proportion but they have had and have a very large number of orders for exports from all over the world.

Q. A big backlog of orders?

A. A very large number of orders from all over the world.

Q. But they are willing to supply domestic wants first if they can find out how much is wanted and where?

A. They are working on that day and night. They now know for the first time what the requirements are for machine tools for our own airplane engine companies. Now they know.

Q. They are trying to work out a plan of priority?

A. And now the machine tool people have gone home. They have a committee of their own and they are calling these people in--it gets down to fifteen or twenty concerns--they will call them in and say, 'This is the problem. Do you want to play ball?' It's entirely up to themselves but there is every indication they will. But it has never been put up to them before.

Q. Mr. Secretary, doesn't the question of plant expansion for the machine tool people enter into this?

A. Yes.

Q. Can't you do something to help them?

A. Again, if they will explain to us what their needs are. They have had a session with Mr. Sullivan and Mr. Sullivan has explained to them what we can or can not do for them, and they never knew that before. Now there is a question of expansion and they now understand

what our position is and they go back and explain that to these various manufacturers. There is no secret about it and it is unbelievable that somebody hasn't done it before for them. It is so easy.

Q. Mr. Secretary, isn't it true that the machine tool industry is a rather widely scattered one and operating in small individual plants?

A. It is true. For instance, they told me about a man up in Philadelphia who makes a certain kind of a tool which is patented. Nobody can make it except himself. He has forty workmen. He's a great fisherman. He's got this business. I understand he's a thoroughly skilled mechanic. He's got forty people and nobody can make it except him. I gather he owns all the stock and when he wants to go fishing he goes fishing, and when he wants to make tools he makes tools. He's a highly individualistic fellow and I want to go up and see him some time and I would like to go fishing with him. But the industry, they tell me, is full of that kind of people and there are plants all over. You will find a little plant in Vermont or somewhere else where they make a certain kind of thing and everybody wants that particular kind of tool and it's a question of having this fellow come in and explaining it to him. The industry assures me they will get eighty per cent compliance at the first meeting. But it's all up to the industry themselves and they

understand it. They have to do it if they want to do it. There is no pressure from here. All we do is sort of introduce them to each other and I never met a nicer group of people or people more cooperative.

Q. You mean eighty per cent cooperation right at the first meeting?

A. Yes, that is what they think.

Q. Mr. Secretary, aside from the problem of getting tools, do you believe there is any financing problem involved in the necessary expansion of the engine industry?

A. Nobody has raised that question so far, that they haven't got the money. No, that story is an amusing story but nobody has raised the question to me that they have not got the money. No, that hasn't been--in all the talks no one has raised that question. They all seem to have lots of money.

Q. There is no State Department question involved in these heavy exports of machine tools for airplane manufacture that you know of?

A. No, this isn't airplanes--it's machine tools.

Q. To get this straight, wouldn't you include this as a machine tool: A piece of machinery that turned out a certain type or part for an engine?

A. Yes.

Q. Those things, as I understand it, are all patented--in connection with making, for instance, the Pratt-Whitney engine. What I am getting at, have they been

exporting machine tools to make these well-known airplane engines?

A. They talked machine tools--I am not trying to evade, I just don't know whether it's a lathe or something that grinds out a cylinder or something that makes a valve or what it is. They talk about machine tools and these fellows came down and talked in trade terms, which is Greek to me. But they got down to fifteen or twenty concerns that are the ones that everybody wants a particular kind of tool from in the airplane engine and they included propellors. That's all I know now; I'm not going into the business.

Q. Your post-graduate course hasn't extended that far yet?

A. No, and there is no department involved; it's purely a policing job in the industry itself, and, as I say, I have been assured they can do it and want to do it.

Q. As far as your remark on nobody raising the question of financing does that apply to the engine companies as well as the machine tool companies?

A. No one has talked financing; no one has said to me, 'We can't do it because we haven't got the money.' No one has said that to me.

Q. Speaking some more about this airplane engine business, does the formula which has been adopted for these foreign orders require that these foreign orders pay for any plant that may be necessary to produce this stuff?

A. Well, that is another story.

Q. That's the one the late Don Brown worked out with the French.

A. I am not familiar with it. As far as I know, we were never asked to pass on that, but they are working on another industry and one where I insisted we make it public and I hope when they have it we will make it public, so the first time we sit in on an order for a plant for a foreign government, as distinguished from one under the Vinson-Trammell Act, it will be made public—the first time there is one.

Q. There is considerable rivalry between the French and British on getting these things?

A. Well, no, I wouldn't say so. All right, does that explain it?

Q. Thank you, Mr. Secretary.

EXCERPT OF OFF-THE-RECORD PORTION
OF SECRETARY MORGENTHAU'S PRESS CONFERENCE
FEBRUARY 1, 1940:

Q. Mr. Secretary, I understand the House Naval Affairs Committee has recommended that the control over the fixing of depreciation of obsolescent allowance on Navy contracts covered by the Vinson Act be transferred to the Navy Department from the Bureau of Internal Revenue.

A. Well, for background, I think you are wrong. I mean, as I understand (I am talking off the record) that was raised by some Admiral. Off the record, I would put up a fight if necessary but I have also, off the record, been told that it is unnecessary to do it. But you check again with Sullivan, but I understand that they would kind of drop that. The Navy naturally would like it.

Q. But it is your understanding that, as far as the committee is concerned, that they are not going to do it?

A. They are not going to do it. They are more than pleased to let the Treasury have it. That's all off the record. You check my information with your man on the Hill. If I am right or wrong I

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would appreciate it if you would let Chick have it. That is the way I get the story. They tried to pull a fast one but they didn't get away with it. Naturally, they would like it. We are tough here.

Q. Mr. Secretary, that would still leave with you the fixing of depreciation and obsolescence for income tax purposes?

A. Yes, for tax purposes.

Q. In other words, the thing they wanted is that ten or twelve per cent profit limitation?

A. That is something that doesn't concern us, but when it comes to sitting down with a man and adjusting his taxes for depreciation and obsolescence, I understand that is absolutely an Internal Revenue matter and I understand Congress feels the same way.

Q. You couldn't very well use one basis under the Vinson-Trammell Act and another basis for the Internal Revenue Act?

A. I think if you will check with the Hill it's a dead horse. If not, I would appreciate your telling Chick. That's all off the record.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, FEBRUARY 5, 1940:

H.M.Jr.: I have had a very interesting twenty-four hours and I am tremendously impressed with the fact that the domestic economy of this country is on an even keel, I think largely due to the leadership and initiative of President Roosevelt.

Q. Largely due to what?

A. Leadership and initiative of President Roosevelt. While the rest of the world is all upset I go into these factories, find them working at top speed and the cost of living more or less on an even keel, and I think that when he took the first steps, when the price of sugar went up, releasing something like 700,000 tons, he served notice upon the speculators that he wasn't going to permit distortion of prices inside of America due to the disturbances which are going on in the rest of the world. The other result of my trip was a full reward for all the grief I took last Spring at the time of the placing of the French orders, criticism, et cetera, and I found these new plants, Pratt & Whitney at Hartford and Wright at Patterson—and the same thing was true of Martin at Baltimore—had gone ahead. I suppose, I haven't visited the West Coast, I

don't know what is going on there--I suppose you'd find the same thing going on at Douglas. I suppose it is the largest industrial expansion that has taken place in this country in a great many years. Both at Pratt & Whitney and at Curtiss they have expanded their physical requirements by fifty per cent. To give you some idea, Curtiss has a plant something like 950 feet long and 450 feet wide, which they built in 70 days.

Q. Who's that?

A. Curtiss-Wright. And the interesting thing to me as Secretary of the Treasury is that in all three instances, Martin, Curtiss and Pratt & Whitney, they went ahead without asking the Treasury Department anything, perfectly satisfied that the Treasury would give them a fair ruling on their plant expansion program. I am also very much impressed with the fact that when there is business the American businessman does go ahead, does expand, provided he's got the orders. And the whole trip, to me, was very reassuring. I am also impressed with the fact that in all three cities, Baltimore, Paterson, and Hartford, and the Lycoming plant at Williamsport, in every single instance they've got arrangements with the city for training schools and they are getting a very fine grade of young men.

Q. For mechanics?

A. Mechanics. Every city has got some kind of training school which they have developed and they are furnishing these plants with all of the labor they want. There isn't a single case where a plant is waiting because they haven't got sufficient labor. Now in both Pratt & Whitney and Wright, in both instances, they only have approximately 25 or 26 per cent of the machine tools which they have ordered.

Q. 25 to 60 per cent?

A. 25 or 26, it is roughly a quarter, and they all feel that the machine tool people are under terrific pressure and they can't help themselves---they have had these orders--I mean, if somebody builds a better mousetrap all the world beats a path to his doorstep. Now they build better machine tools than anybody else in the world and everybody wants them, but both Pratt & Whitney and Curtiss have already felt the result of the meeting which took place here last week, and these machine tool people have been calling up and they promised them acceleration of their orders, so altogether the trip, while it was a tough one, I was three hours last night,

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until 11 o'clock, at Pratt & Whitney, it was a most encouraging one and I wish you men could have been with me. I think you would come back heartened and encouraged, the way I have been.

Q. You visited two of them?

A. It was a great experience. Not a complaint. I asked them particularly, any trouble about getting labor? No. In fact, no complaints at all, certainly none as far as Washington went—and great enthusiasm all along the line. For instance, there was one whole row of very complicated machinery that I saw at Paterson and at every place was a man that looked as though he was forty or fifty years old and at his elbow was a young man learning the trade; on every tool. They are breaking them in. Actually working. I gave them ample opportunity and these people in this business pride themselves on their independence and their toughness and there was ample opportunity to tell me any troubles they had and there were no complaints as far as Washington was concerned, in fact, very appreciative that at least somebody was trying to act as coordinator for them—very appreciative.

Q. You say Curtiss-Wright have been promised acceleration?

A. I used Wright; it's the Wright plant, but it's the Wright Engine Company.

Q. Wright Aeronautical?

A. That's right, so altogether it's a pleasure to get out and come back and meet everybody who is happy, got lots of work and no complaints.

Q. Mr. Secretary, at the start of your statement you said you were impressed with the fact that the domestic economy of this country is on an even keel, I think largely due to the leadership and initiative of President Roosevelt, et cetera.

A. That's right.

Q. Could you elaborate a little bit on that, sir? What do you mean by that?

A. Well, I mean, after all, the rest of the world is all chaotic, prices up and prices down. You go to a place like this Wright where the wages are keyed to the cost of living, which I know has not gone up, generally speaking, and going back to the sugar incident where the President served notice to the country that he wasn't going to permit the thing, and from that day to this we have kept any particular commodities from getting out of line or as much as possible from being depressed artificially due to

the influences in the rest of the world and I think the President is largely responsible for that, and this assignment that he's given me is part of that picture, to keep these abnormal distortions from going on due to this crazy world we live in.

Q. You feel what you saw at these plants is indicative of what is going on in industry in the rest of the country?

A. Not necessarily, but I did visit the industry which is the busiest of any industry in the country, which had the most orders and the industry on which the greatest demands have been made. You would expect to see possible distortions at these industries and there are none and I asked them about the prices for their raw materials and the prices they were charging and I satisfied myself that they haven't used this opportunity to gouge anybody. Here's an industry that's got, I suppose, twice as many orders as it could take care of and could ask any price they wanted. The industry is being fair. They are paying their people well. Well, it's just a pleasure to get out of this atmosphere in Washington to find that people are working and busy and to find that when the businessman gets an order

he goes ahead. He doesn't need any alibis and he's perfectly satisfied. Here are three industries, tremendous plant expansion, all built with foreign money and they go ahead, send the contract in and are perfectly satisfied they are going to get fair treatment from the Treasury.

Q. Mr. Secretary, did I understand you to say Wright and Pratt & Whitney had expanded 50 per cent?

A. Yes, in both cases.

Q. You mentioned some area of footage.

A. I don't know what it is. I asked them percentages. I went into both buildings; both the buildings are finished; they both are awaiting further machine tools to complete the factories and they both were built in record-breaking time. This 950-foot building at Wright was completed in 70 days and the other one practically the same time. I don't know whether it took them--some phenomenal figure.

Q. 70 days?

A. 70 days from the day they broke ground and I was in the building and saw it. I don't think there is anything like it in American industry. It still shows that we can lead the world and show the world.

Q. Mr. Secretary, could you say what plants you visited?

(Cotten)

A. I told you three times now.

Q. I didn't know you enumerated them.

A. I have explained them all.

Q. May we quote you on this first part, Mr. Secretary?

A. What first part?

Q. You said you had an interesting 24 hours and were tremendously interested.

A. Please. Last night I was at Pratt & Whitney at Hartford; today I was at the Wright plant at Paterson, New Jersey; and the other plant I told you about was the Lycoming Engine Plant at Williamsport, Pennsylvania, and the other plant I referred to was the Glenn Martin at Baltimore.

Q. Where are you headed for, Mr. Secretary? Great open spaces out West?

A. I don't know.

Q. I had to ask you, Mr. Secretary. (Cotten)

A. That's all right. I don't know sometimes whether you are kidding me or not.

Q. No, just a question of boiling it down. This question comes from the home office.

A. Keep the home fires burning?

Q. They want to know if the Government is permitting war order contractors to write off depreciation during the period of current contracts.

A. Well, now, a technical question like that, I refer you to Mr. John Sullivan, Assistant Secretary of the Treasury, who is handling that for me. If you don't mind, I refer you to him.

Q. And you can't say whether any contractors are doing that?

A. Any technical question like that I want you to have a correct answer and he will be glad to sit down with you--it's too technical—I wouldn't want to take a chance.

Q. Who is your candidate at Chicago, Mr. Secretary?

A. Well, I have had a swell twenty-four hours.

Q. Mr. Secretary, when you started off, I thought it was a third-term announcement.

A. No. When I am impressed, I am impressed. If you men would go out you would be impressed too, to see that people can go along on an even keel, the price of living being on an even keel.

Q. You think the price assignment is an important one?

A. Oh, yes, very important, part of the whole picture.

Q. A very satisfactory situation?

A. I think so. I don't think anybody is trying to fool me, and, as I say, it's thrilling to get out and see the people on the firing line who are manufacturing and find out how they feel, etc.

Q. Would you call the response of this industry a patriotic response?

A. No, it's a businessman who's got orders and he can see a profit; it's a perfectly honest impulse.

Q. What keeps the world going.

A. He wants to make money and that's what he's in business for.

Q. Even the Treasury recognizes that.

A. It's his profits, the share that we get, which pays the government's expenses and we have encouraged them, as I said, again and again to make profits.

Q. Was this expansion in a great degree due to French orders, Mr. Secretary?

A. This expansion in all three plants, Martin plant, and Whitney and Curtiss is entirely paid for by foreign orders so it doesn't cost our taxpayers one cent and we get the full advantage of it.

Q. I don't know whether you want to say whether they were French orders or not.

A. I said foreign and I am correct when I say foreign.

Q. They were made to pay for the plant necessary to fill the orders?

A. Entirely, in advance—entirely paid for with foreign money.

Q. A great many of these foreign orders for commercial equipment?

A. Some, some.

Q. Probably little, though.

A. All right, gentlemen?

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, FEBRUARY 8, 1940:

Q. Mr. Secretary, a Russian ship, The Kim, arrived in San Francisco night before last and yesterday they unloaded a cargo of gold estimated at more than 160,000 ounces, according to dispatches from San Francisco; could you tell us something about that?

H.M.Jr.: No, it's just an ordinary every-day transaction.

Q. How much did the gold amount to, in dollars, roughly?

A. I don't know: there is no secret. If Schwarz can find out he will tell you.

Q. Then this would be the first direct shipment of gold from Russia in over two years.

A. That's right.

Q. Are they planning to sell it to the Treasury?

A. All I know is the story I saw in the papers and I believe they have turned it over to the Mint, I don't know.

Schwarz: They plan to--they haven't yet.

H.M.Jr.: It's such an unimportant matter that I haven't particularly interested myself in it.

Q. The only reason we are asking about it now, Mr. Secretary, is ordinarily this wouldn't attract much attention but in view of Senator Townsend's allegations and your reply we thought it had some

news value.

A. Right.

Q. Do you know, Mr. Secretary, whether there are other shipments on the way?

A. Not that I know of.

Q. You didn't mean by that first answer that this is just an ordinary daily transaction, that there are frequent imports of Russian gold?

A. No, I meant that ordinarily we buy gold every day from anybody who offers it to us and there is nothing out of the ordinary that we are buying gold--it is an every-day transaction that we buy gold at $35.00 an ounce.

Q. Mr. Secretary, I heard recently that one of the Warburgs went to the White House and made the fantastic proposal that the government and the Treasury refrain from buying Russian gold in order not to help them in the Finnish war. Could you say something on that?

A. Now, two things. In the first place, you are not going to get any thing—I never make any comment on anything said at the White House.

Q. Have you heard about it?

A. The first I heard is what you said. I know nothing about it.

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A. The first I heard is what you said. I know nothing about it.

Q. Mr. Secretary, have you heard what they propose to do with the dollars? Are they planning to buy war materials?

A. Really, I don't know anything about it other than what I saw in the papers and I am not excited about it because we are buying gold every day.

Q. I just wondered whether Mr. Cochran might have made some report to you on it.

A. No.

Q. Mr. Secretary, can you tell us about your meeting with the machine-tool representatives yesterday?

A. There is nothing to report other than I would say that the meeting was successful and the cooperative spirit was displayed by everybody.

Q. Well, we can take that to mean that they are going ahead with this idea of giving priority.

A. They are going ahead and the manufacturers of airplane engines report that they are already beginning to see the results of these meetings. In other words, they are going to get these tools that they need earlier than what they expected and there hasn't been a single manufacturer of a machine-tool but who has offered to cooperate—everybody, 100 per cent.

Q. Mr. Secretary, are there any other groups of manufacturers that you plan to confer with on this thing?

A. No; they are coming back again in about two weeks.

Q. Would you make some comment on the recommendations to organize this Inter-American bank? I see that Mexico has already said they will subscribe.

A. I believe you will have to help me out. I think Mr. Welles, won't he, will have something to say on that. Aren't they having a meeting today on that?

Q. I don't know.

A. All official statements on that are to come out of the State Department. I will leave it that way.

Q. Would you make some comment on the bill introduced by Representative Fish, of New York, to get some of the gold out of Fort Knox into American trade? I haven't seen the full details.

A. Neither have I. I couldn't answer you. I haven't seen it.

Q. Mr. Secretary, at your Monday conference you mentioned the fact that the burden of building new factories or plants or equipment to fill foreign orders was being stood by the foreign purchasers—in other words they were putting up the money to build plants, etc. Can you give us any idea of how much dough is being put up?

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A. Let's get together. What I said was—you correct me if I am wrong—was that the plants which I visited—the Wright, Pratt & Whitney and Glenn Martin—that those new extensions were being paid for entirely with foreign money. Isn't that what I said?

Q. I believe so, but I got the impression that where practicable that was desirable in other cases.

A. I don't want to leave the impression that all plant expansion in America is being paid for by foreign capital. The ones I have seen—Glenn Martin, Pratt & Whitney and Wright—and in those three cases the plant expansions were paid for by foreign capital.

Q. The Atlas Powder came up yesterday with the understanding that foreigners are paying for all plant expansion. Can you give us any idea of the over-all plant expansion money being spent?

A. No, I can't, but what we are trying to do here is this: Wherever we take part or sit in on an order, both domestic or foreign, that has to do with the manufacture of munitions, I am going to let the public know what I know so any contract that we participate in, whenever it is concluded,

we are going to announce it because I think the public is entitled to know it.

Q. You mean, any domestic or foreign munitions orders?

A. Yes, that we participate in in any way; whenever that contract is concluded you gentlemen will know about it.

Q. Mr. Secretary, did the Treasury prepare those income figures which the President gave out at Hyde Park? The reason I asked you is Dewey said the President was $9,000,000,000 off in his calculations.

A. If I answered that, you would just fall over backwards you would be so surprised, not at what I said, but if I answered you.

Q. Don't tell me the State Department did, Mr. Secretary!

A. No.

Q. Would you make some comment?

A. No, thanks.

Q. I would like to see Nick (Gregory) fall over backwards. Mr. Secretary, can you tell us off the record? He can't fall over backwards off the record, though.

A. That is strictly White House business-they've got a good press section over there.

Q. They have Lauchlin Currie over there, too.

A. Sure, he's a good guy!

Q. Mr. Secretary, have you received from Chairman Wagner of the Senate Banking Committee any requests for recommendations or report on his study? I understand he sent some out.

A. You know that study is on and off--it's like Finnegan. Is it on or is it off?

Q. It's supposed to be on. Wagner so stated.

A. Well, I am not up to date; I can't help you out.

Q. Mr. Secretary, what did Mr. Purvis, of the Anglo-French Purchasing Board, have to say to you yesterday?

A. Well, the only information we had, we got a clearance from Atlas to give that statement and you gentlemen got it the same day, while it was still hot.

Q. Mr. Secretary, in your experience with these airplane people, do they seem to be satisfied with the margin of profit they are making, first on foreign orders and, secondly, the limitation that is imposed on domestic military orders?

A. Well, they have never discussed it with me, maybe because they know how I feel.

Q. Well, frankly, the reason I asked the question is there have been some reports circulated that the part that you and the government are playing

in more or less coordinating this program has resulted in placing a top on the margin of profit they can make on foreign orders; I wondered if there was anything to it.

A. That isn't correct, I, personally, or officially, because I don't have any personal feelings.

Q. You said perhaps they know how you feel.

A. The way I feel about profits, whether domestic or foreign, on munitions orders, I think the man is entitled to a reasonable profit but not an excessive profit and I think the Vinson-Trammell Act is excellent and I would like to see it carried out. In other words, we have no discretionary power so far as profits go, but I am absolutely opposed to excessive profits out of the manufacture of munitions of war.

Q. When you said no munitions makers were gouging that more or less covers the question.

A. They haven't discussed it with me but I did ask about their prices and we know what their prices are but, as I say, if it was left to me to write the contract I think the American manufacturer is entitled to a reasonable profit and I have no reason to feel from what I have seen that he isn't. I wanted to use this opportunity to say, in view

of some of these things going on on The Hill, that I happen to be a strong believer in the Vinson-Trammell Act and as you know, off the record, when they tried to take it away from us they didn't get very far.

Q. Mr. Secretary, the Vinson-Trammell Act has a 10 or 12 per cent—the 10 is on ships and the 12 on planes.

A. That is correct.

Q. That hasn't anything to do with munitions.

A. No. You asked me and I am glad to have an opportunity to say how I feel.

Q. When you talk about munitions you are talking about all implements of war.

A. All implements of war.

Q. In figuring your depreciation allowances to get your 12 per cent profit under the Vinson-Trammell Act, do you follow the same formula as you would under the tax law for your income tax depreciation? In other words do you use the same depreciation formula?

A. As I said some months ago, we certainly aren't going to give the manufacturer of munitions who has a contract with the Army or Navy a more favorable ruling on depreciation than we would a manufacturer

who is making rubber boots.

Q. You did say that?

A. Yes.

Q. But on the other hand the manufacturer of rubber boots hasn't a Vinson-Trammell Act to worry about.

A. No, but as far as depreciation and obsolescence are concerned, the rubber boot manufacturer or the manufacturer of machine guns will get exactly the same ruling.

Q. I asked Sullivan about that and he said they do not speed up depreciation--they take the same rate.

A. Isn't that what I said?

Q. Yes.

A. The point I am making is that certainly, as a manufacturer of munitions, he isn't going to get better treatment; if he gets as good, he's lucky.

Q. Mr. Secretary, have you decided if and when you are going to Buffalo? I haven't asked that for a week.

A. There are no plans. This particular assignment that I had from the President, it's well enough along as far as the airplane engine thing is concerned, that I am going to give them a chance to do their own policing and then they are coming

back to see me in a couple of weeks, so there is no reason to go to Buffalo much as I would like to see the city.

Q. What about this report on the Mead Bill?

A. It still hasn't come to me.

Q. Is that on small loans?

No, the hospital bill.

A. It still hasn't come to me.

Q. What is the policing?

A. They are doing their own job—it's up to them. All I can do is to offer my office and introduce these people to each other. Now it's up to them to get together and decide what they are going to do with their own product. All I have been doing is act as a go-between. That's what I mean by policing.

Q. We were hoping you would inspect something in Alaska and would take us with you.

A. Is that so?

Q. Florida would be the better place at this time.

A. These boys are undecided.

Q. Thought we would do a little fur-trapping up there.

A. I would rather do a little policing. We will think it over.

Q. On that earlier question on taxation, if a manufacturer has a closing agreement, as I understand it, that means that for figuring his profits under the Vinson-Trammell Act, he may depreciate his equipment at the rate he expects to junk it. Could he use that same rate in figuring his income tax?

A. I don't want to answer that without being sure; you'd better get an income tax man to explain that.

Q. My impression is that Mr. Sullivan, in explaining it to us, said the same formulas were being used.

A. You find out, Chick; I want you to have the right information, but Schwarz will get it for you. I think I know what the answer is but I want to be sure.

Q. Thank you, Mr. Secretary.

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Q. Thank you, Mr. Secretary.

H.M.Jr.: All right, let's go!

Q. Mr. Secretary, were you informed of the decision of the Scandinavian countries to abandon gold in the sense of forbidding export and exchange control? They were the junior members or the babies of the tripartite agreement, weren't they?

A. Well, I haven't got the thing exactly at my fingertips. To answer your question were we informed, yes. But I understand—Chick can get you the technical details—that Sweden hasn't been on gold for some time.

Q. Well, they forbid the export of the metal now?

A. But I understand that they have not been on gold for some time and if you want a correct technical explanation, you can get it for them, but we have been informed.

Q. That is only by Sweden?

No, Norway and Denmark; they are going to take similar steps.

That's what I want to find out.

A. Well, I don't know.

Q. You weren't informed?

A. I was told that there is a full explanation in the Treasury of Sweden's move but I wasn't cognizant of the fact that anybody else other than Sweden

had made the move. I may be wrong.

Q. Mr. Secretary, I think his original question was to the effect whether you had been informed before the action was announced publicly?

A. I can't answer; I don't know. I think the papers overemphasized the importance because it looked, as you read the papers, as though Sweden had suddenly gone off the gold standard.

Q. That was the United Press.

A. I am not being personal.

Q. Probably Nick (Gregory) can't read very well, Mr. Secretary.

A. Now, children!

Q. Not a United Press dispatch from Copenhagen.

A. Is there a Havas man here? Yes. Then we can't say it was Havas. Well, anyway, I can't answer the question, did we know before it was in the paper. I don't know. But whether we did or didn't, it wasn't very important.

Q. You didn't read it in the Herald-Tribune, did you, Mr. Secretary?

A. I am not going to answer for fear I might incriminate myself.

Q. What is the status of the tripartite agreement now in view of the fact that you have lost three of your big important members? I'm sorry I have to bring that up again.

A. That's all right. It is just what it was a month ago, three months ago.

Q. Does this signify a reduction in the tangible funds of the Stabilization Fund?

A. Ours? No.

Q. Still functioning?

A. Still functioning.

Q. Very much?

A. Well, still functioning.

Q. The last time you said it wasn't functioning very much.

A. Well, we get out a quarterly statement now so you people will know every three months.

Q. Mr. Secretary, would you be opposed to a plan whereby some of these British securities be given to American aircraft corporations to be pledged by them for loans from the RFC for money to build additional plants?

A. Well, to use the President's expression, I would say that was a very "iffey" question. No one has mentioned it to me.

Q. Mr. Secretary, on that point there is a Herald-Tribune story that I wish to ask about which said the British purchasers of airplanes were very much concerned over the corporate taxes imposed on aircraft manufacturers which were in turn reflected in the price of the planes to them.

A. I don't think the latter part of your statement is correct. As affecting the price—did it say that in the Tribune story?

Q. Yes.

A. Nick, I know you didn't write it—did it say that?

Schwarz: It did say that, I believe.

Q. Yes, it does.

A. No, look! You don't expect me to defend the New York Tribune.

Q. No, sir. I expect you to explain it.

A. That is more difficult yet. After all, I am being paid by the United States Government.

Q. Yes, sir.

A. To explain for the Treasury but not for the Tribune.

Q. I don't care about the Tribune; I would like to have the answer myself.

A. I don't know the answer. I can't explain it.

Q. There are no special taxes on airplane manufacturers, are there, that aren't imposed on all manufacturers?

A. What I told you gentlemen I am glad to repeat again. Any taxes levied by Congress and which the Treasury administers on American manufacturers will not be administered any differently, certainly, for a man manufacturing munitions of war than a man manufacturing peacetime——. Now we won't be any more lenient or stiffer. He gets exactly the same kind of treatment and if I may say so it is an American

Administration matter and I am sure neither the English or French will raise the question how we administer our tax laws.

Q. Mr. Secretary, may I ask—the answer is it would take an Act of Congress to change the situation, wouldn't it?

A. Yes.

Q. The taxes are there.

A. Sure! I am simply administering the laws that Congress passes, that's all.

Q. Mr. Secretary, you have examined the prices charged by the airplane manufacturers—I believe you indicated that to us some time ago. Would you be prepared to say whether or not their prices do reflect corporate taxes?

A. What I said, in a very cursory survey—I didn't look at their price lists of all their models but I got the feeling at that time that the prices which they were charging for planes and engines for export were reasonable as compared to prices they charged for domestic users.

Q. From a cursory examination?

A. Yes. I didn't ask them for a price list, Model AA-200, and what is this and what was it six months ago. I didn't go into the thing very thoroughly but from a cursory survey I got the impression that the export price as compared to the domestic price—

I haven't heard any foreign buyer kick and I haven't heard of any foreign buyer who can't get delivery on his planes because of Treasury taxes and I particularly, when I visited these airplane companies, asked each manufacturer a particular question whether the tax policy of the Treasury was in any way impeding him from going forward with his program and in every single case the answer was no.

Q. You said none of the foreign buyers said taxes were interfering with deliveries.

A. No, and the American manufacturers whom I actually visited, the head or general manager, I asked them the particular question whether the tax laws were impeding him in his program of production of airplanes or engines and not in a single case did they tell me the airplane tax laws were impeding them.

Q. And, conversely, there have been no kicks to you from foreign buyers.

A. Oh, well, everybody is human and likes to talk about taxes but it hasn't impeded them in their prices.

Q. You don't mean to say the foreign buyers have not kicked about prices?

A. No, they have not kicked about prices but somebody asked me if they kicked about taxes. I haven't heard any kick about prices.

Q. Did you see the Allied Purchasing Mission this morning, Mr. Secretary?

A. Eh-huh.

Q. Can you tell us anything about it?

A. No, it is their business; they drop in here about once a week; there's nothing particular.

Q. Mr. Secretary, could you say anything about sales of planes to Finland or whether or not that matter has been brought up?

A. I don't know; I don't know of anything particular. I don't actually get into the selling or buying; they've got this committee set up and they report.

Q. I was asking purely on the basis of coordination of purchases.

A. Well, there is nothing that has happened that these countries haven't announced themselves. I don't know of anything particular that has happened. I am not that close to it that I get a day-to-day—something might have happened today or yesterday and I might perfectly well not know about it.

Q. Who was in to see you this morning?

A. Mr. Purvis—he's the head of it. The Frenchman was sick.

Q. Mr. Secretary, are you in accord with the recommendation of the Advisory Council of the Federal Reserve Board urging Congress to abandon purchases of foreign silver?

A. Very good question.

Q. Thank you.

A. But I don't intend to answer it at this time. It is an excellent question.

Q. Has the committee asked you, Mr. Secretary, for any opinion or to come up there? They said they were waiting before taking up the Townsend Bill.

A. No, I read a lot of things in the paper about Senator Townsend saying about my being expected up on the Hill but I have had no invitation.

Q. They had a hearing on the bill two weeks ago and he said they would postpone further action until they heard from you.

A. I haven't had an invitation.

Q. Wagner said that.

A. There is no formal notice and, as a matter of fact, I am waiting for Wagner to come back from Florida. That is off the record but that is where he is and when he comes back maybe we will know.

Q. Mr. Secretary, last year you promised the House Committee on Coinage, Weights and Measures that you would answer in writing some questions they asked you.

A. That man White?

Q. No, you promised the committee you would write answers of what would be the effect of cessation of foreign purchases; I would like to get the answer.

A. So would I.

Q. I would like to have that fixed up. I like that question.

A. Well, I don't know which particular question - -.

Q. That is the question: What would be the economic effect on this country of the cessation of purchases of foreign silver?

A. Is that the question?

Q. Yes.

A. That's a peach.

Q. I helped on it; I know it is.

A. I see. Well...

Q. Mr. Secretary, have you seen the letter which Mr. Eccles sent to Mr. Lasser about the free money that the Treasury seems to have floating around here--about four billions dollars worth, two in the Stabilization Fund, etc.

A. Well, I saw an account of it in the paper and I have asked for a copy of it. My position is a very simple one. I simply refer you or Mr. Eccles or Mr. Lasser to the President's budget message which happens to be my position.

Q. Quote chapter or verse in the message? What part of it?

A. The whole question--those matters are covered in the President's budget message.

Q. You say you have asked Mr. Eccles for a copy of the letter?

A. We have asked the Federal Reserve Board for a copy of it. Sometimes newspapers don't print all of it and I would like to read it.

Q. You include Mr. Eccles in your reference to the budget message. You think he ought to read it, too? You said Mr. Lasser and Mr. Eccles—referred them to the President's budget message.

A. Yes.

Q. Are you referring, Mr. Secretary, to the part of the budget message which discloses how much is available for relief or the part about certain sums to reduce the debt?

A. It was the debt part, which is covered in the President's message in great detail.

Q. In other words, these sums they are talking about are sums that some day are to be used to reduce the debt.

A. I wouldn't answer it without preparing for it. I am not prepared but I do know what is in the President's budget message. The question of debt and debt limitation is all covered very carefully in the message and that part of Mr. Eccles' letter which refers to that, I mean, seems to me—my position simply is the one taken by the President in his budget message.

Q. Mr. Secretary, would you care to make any further comment on the Associated Gas and Electric Co.? There are reports that you were opposed.....

A. No, the only comment I have to make is the Treasury is waiting to hear from the court. Period.

Q. Why was the Treasury so eager to see the SEC go into

this thing again after the SEC had rejected it by a vote of 4 to 1?

A. Well, I tried to explain that in my letter to Senator Norris.

Q. You appeared concerned over the administration of the Public Utility Holding Company Act; can you explain why? You also expressed that that wasn't your full purview.

A. Thank heavens we live in a free country and everybody can express his opinion and everybody had to interpret while I was away what I said to you gentlemen here: that I would be delighted to see the SEC do it and inasmuch as so many people tried to interpret what I had or had not said I thought I would re-state my position, which I did.

Q. There were rumors that you were opposed to Mr. Hanes as a trustee; any truth to that?

A. I am not going to comment on that.

Q. You felt Mr. Hanes was qualified to serve as Assistant Secretary and Undersecretary, didn't you, Mr. Morgenthau?

A. I recommended him.

Q. You didn't recommend him for this job, A. G. & E.?

A. Oh, I don't think I will go into that.

Q. Did Mr. Hanes see you about the matter? Did he talk to you?

A. I am not going to get in on that.

Q. Now I hear reports that he has written to you and Judge Leibell saying he would not accept it even if he was offered the post.

A. What I wrote Senator Norris, as far as I am concerned, is the only comment I am going to make, pending action on the part of the court as to what they are going to do.

Q. Who wrote Senator Norris' letter?

A. I did.

Q. I mean Senator Norris' letter?

A. Oh, I was in Arizona.

Q. The Treasury will appear, I take it, in the hearing of March 8 on the question of whether the trustee by that time appointed is satisfactory.

A. We are preferred creditors so we will be there.

Q. I couldn't understand this, Mr. Secretary. You have back taxes which are coming to you under this receivership or even before that. Somebody said that your insistence on the SEC was a protective measure to collect the taxes but your position is preferential under any trustee, isn't it?

A. I have never been interpreted by so many people on any subject as I have been on this. When I came back I wrote this letter to give additional reasons why I thought the SEC should take it. It took plenty of time to prepare the letter. My position is expressed in that letter.

Q. One interpretation in the press was that the Treasury probably, in case Mr. Hanes were appointed, would appear in opposition before the hearing.

A. As I say, there have been all kinds of interpretations and some of them wrong, quite wrong.

Q. Do you agree with Mr. Eicher's position, that Mr. Hanes is disqualified and he will make such a recommendation to the court?

A. I am not going to comment on it any more; I am going to stand on that letter.

Q. To get to another unpleasant question---.

A. This wasn't an unpleasant question, as far as I am concerned.

Q. I wondered if you wanted to comment on the appointment of Mr. West to the Processing Tax Board of Review.

A. Well, I think it speaks for itself. That is good enough that I won't try to change it.

Q. Does he have other duties besides those?

A. Oh, those are very arduous duties.

Q. Seriously speaking.

A. Who isn't serious.

Q. There was some talk that he had another Treasury job as well at the same time--he was doing some special work in the Treasury, I mean. The report was that he was doing some special work before he was appointed and that he has continued to do special work since his appointment.

A. Well, there used to be a mayor, I think he's since died, by the name of Mayor Hylan, of New York. I hope he's dead.

Q. He is.

A. God rest his soul. And he made a trip around the world and when he came back he said, 'You know, everywhere I went I was greeted with the expression that they had never seen such a mayor.' So I think we will leave Mr. West's appointment just like that.

Q. Can we use that or is it off the record?

A. That's for the columnists.

Q. There is a question whether England and France have enough dollar credits to pay for all the engines and planes they have ordered. Is there anything serious about that situation that you know of?

A. No.

Q. Have you had any complaints about the application of Section 102?

A. None.

Q. Other than last January?

A. No.

Q. As I understand, Jones' question was whether they had liquid credits to pay for these.

A. I am satisfied they've got the dollars.

Q. Mr. Secretary, you granted to China a loan to pay for gold in order not to use up their resources. If the British deposit or sell securities to obtain

this money, and bought gold, would you grant them a similar credit on the basis of the Chinese loan?

A. The only answer I can give is China wasn't in default.

Q. It isn't a direct loan; it's a credit.

A. I still say China isn't and wasn't in default.

Q. Mr. Secretary, in your remark on the ability of Great Britain and France to pay for these planes were you referring to the contemplated billion-dollar procurement program?

A. Yes.

Q. In other words, they've got a billion dollars in dollars laying around here?

A. It may not be laying around but I am convinced they've got the billion dollars to pay for the planes and engines.

Q. It's the law; they've got to have it, haven't they?

A. They've got to have it.

Q. As a matter of fact, they've got much more than that, haven't they?

A. I think they have.

Q. Somebody told me they had three billions.

It's Eccles propaganda.

No, it wasn't from down there.

A. Okay, everybody happy?

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, FEBRUARY 29, 1940:

Q. Mr. Secretary, in connection with this allied air procurement program, there has been considerable discussion about a reported plan under which the two Governments would buy only three types of airplanes in this country, that is, from three manufacturers only, and it is no secret that certain parts of the industry as well as other people have raised objections to that scheme. Can you give us any idea as to the prospects of that plan being put into effect? I heard that you were supporting such a plan, Mr. Secretary.

A. Supposing I give you the facts; then we will see what we will do. How's that? I will give you the facts.

Q. All right.

A. Some time, I forget when it was, oh, it must be at least a month or further than that, the Allied Purchasing Mission worked out a suggestion for a program and then the people in charge of the plans went back to Europe and they had certain options and that option expired--they got an extension and it expired again. Now whatever

plans that they have and it is the plan which they worked out, which I had nothing to do with.

Q. When you talk about options what do you mean?

A. If they want to get so many planes and so many engines they give them an idea of the price and delivery, etc., which they got from certain airplane manufacturers and certain engine manufacturers and then these people who were here, sent particularly from Europe to do this negotiating—they did their own negotiating; I wouldn't be so stupid as to get into the kinds, the companies or names of companies or types of planes--they went back to Europe and they let the thing expire. So as of the moment there is no plan of any kind and they are waiting for this mission to return to this country when they will take up entirely new negotiations. So whatever negotiations they had, whatever options they had, are completely washed out.

Q. That is the experts, the flying experts.

A. No, they had a definite mission here.

Q. I mean a military mission.

A. No, they were civilians. They had a definite mission here on this program; they had certain negotiations with the manufacturers and I suppose this thing has dragged along. The whole slate was wiped clean--they let everything go and the only thing is what the allied mission gave out themselves, that there is a program. A formal announcement came out Thursday or Friday of last week which is the only facts that anybody has and they are waiting for the return of that particular mission charged with the purchase of the planes so this story which has been going around, there is nothing to it.

Q. That mission, Mr. Secretary, is under the general purchasing department though.

A. It is under Mr. Purvis but it is here particularly to negotiate for the purchase of planes by the British and French but as of today there are no plans, no outstanding options, and nobody has any idea what they are going to do.

Q. As I understood it, the plan was to have three specific types of planes built here and not confined to the factories that build those planes now but to produce the same types of planes in

other factories now producing different types of planes.

A. Well, Sandy, there was some kind of plan which was worked out, I believe, that they were going to, the three companies were going to, sort of initiate this thing and then subcontract, but it was all very, very tentative and whatever the understanding was that's all overboard but that was between the allies, working directly with these airplane companies and that is their privilege; they've got the money and they can buy where they want--that is their privilege but this thing--how would you handle this? Those are the facts.

Q. That is the plan under which certain options were taken and then allowed to lapse.

A. It was.

Q. Did the Army pass any opinion?

A. I don't know. The thing was sketched to me very roughly but inasmuch as it is so much up in the air and so tentative and didn't have the approval of what I think they call the Grand or Supreme War Council of the French and English--the whole thing was very, very tentative and just went overboard.

Q. Does that necessarily mean that their plan has been rejected?

A. I don't know.

Q. As far as you know, there is no reason why it couldn't be revived.

A. I don't know.

Q. Other than the planes actually on order there are no plans?

A. Until these gentlemen arrive here they have absolutely no idea what planes they want or what delivery they want and nobody knows.

Q. Do you have any idea when they are returning?

A. I think they will be back shortly--I don't know how or when but I understand they will be back shortly. They are awaiting the arrival of these people. Just how much should we use of this?

Schwarz: I think we should make it clear that this Government's interest is only in the repercussions on its economy and it can go on the record.

H.M.Jr.: My job is to see that nobody gets more than he is entitled to and our interests come first, etc., and when the whole thing is as tentative as this there isn't very much for me to do on it but to listen. But when this board which the President set up, when they take up a particular matter

the head of the Army-Navy Air Corps sits in--they know what is going on, or, if it's ordnance, the Chief man in Ordnance sits in so they are kept posted and everybody--I haven't heard any complaints that they don't know what is going on.

Q. I had heard that they were opposed in the Army to any such plan for fear it would affect our own production.

A. Well, the Army is a big place. Certainly I haven't been advised of any such feeling but there are lots of people. Can they use this for background without any reference to the Treasury?

Schwarz: It is part of the President's committee.

H.M.Jr.: I mean this story, as long as it is overboard, I would rather they didn't use it. Do you have to use it? Do you need it?

Q. Yes, this story has been kicking around for a long time.

Schwarz: Make it for background.

Q. Certain parts of the industry, I know, are disturbed by this report and I might add some people are saying flatly that this plan is going into effect.

A. Well, I am telling you everything that I know. I am telling you that there is no plan, that all options and all understandings were wiped clean.

Q. I only advanced that remark as a possible reason why we might use this story.

A. You can use it.

Schwarz: For background.

H.M.Jr.: For background.

Q. If it came from you it would have some weight. If we could say, that as far as you know, there is no such plan in existence now.

A. No, if you don't mind, Sandy, because anything like that should come from the allied mission themselves. I don't want to because I had a very sketchy outline of it originally. In order to help you men you can use it for background, but don't attribute it to the Treasury. You know everything I know.

Q. Couldn't we say, quoting you as denying the report, that the allied program will be confined to three manufacturers.

A. No, because I won't sit in on that. I am very careful when they get down to negotiating and I don't want anything to do with it.

Q. It does concern you, Mr. Secretary, when they work out a plan of that sort.

A. Only if I feel that the plan is injurious to our own interests.

Q. Wouldn't it be?

A. I don't know. I don't know until the thing comes down but that is my job--to make sure that nothing happens which hurts our own interests, try to keep a balance--that's all.

Q. Mr. Secretary, going over this thing altogether, would it be accurate to say that in accordance with this allied announcement while they do plan to make large purchases amounting to a billion dollars the exact method in which it is to be spent hasn't been determined?

A. For me to say?

Q. Yes. You said there is no plan.

A. There is absolutely no plan and they are waiting for these gentlemen to return who were here, went back and consulted--I don't know what they call it--the Combined Council?

Q. Supreme War Council.

A. They have been consulted and now these people are coming back with instructions and I take it, in the not too distant future, these men will

arrive and will sit down and negotiate with the aircraft people.

Q. It boils down that when this committee gets back they will have the details and will work out the details of how they are going to spend the billion dollars.

A. That is right and my understanding is they are going to start all over again, start right from scratch, but please, I want definitely any formal announcements or direct quotes to come from the allied interests, and this is just for your guidance.

Q. In connection with your specific interests in this matter, sir, to protect our own interests, the objections have been raised that this proposed program, the three-type plan, would have a deterrent effect upon research and improvement of our own planes and would also cut into our commercial possibilities with Latin America; have these matters been brought to your attention?

A. Not one. It has just been gossip.

Q. You haven't had brought up the three-type plan for your consideration? You haven't passed on it in one way or another?

A. I knew about the plan--it was very sketchy--any airplane manufacturer or any engine manufacturer or any Army or Navy official could lodge a protest--there has been no protest, no formal protest nor any sign of any protest here has come to me or to Captain Collins. There has been absolutely nothing. I haven't heard a single thing in regular channels, to Collins or his board or to me or, as far as I know, to the President.

Q. Before any such plan went into effect you would pass on it, would you not?

A. Oh, informally, but it is their money.

Q. But there again, the question of our own interests is involved, Mr. Secretary; does it tend to tie up our own airplane production?

A. Naturally, before any plan goes through the head of the Air Corps, General Arnold or Admiral Towers will have ample opportunity to know about it.

Q. Was it submitted at the time the options were taken?

A. I haven't the details; it wasn't formal enough to get down.

Q. It just never came to your committee?

A. They knew about it; I knew about it; it was very sketchy but it never got down to the point of putting the money on the barrel-head, and so many of these people get excited about doing this and doing that but I wait til it means business. We had a lot of proposals--you know this town is full of foreign buying missions--if every time some fellow wanted to buy planes and negotiate I dropped everything I wouldn't have much time to see you fellows.

Q. We are willing to sacrifice that, Mr. Secretary, if you'll just let us sit in on the meetings; that will speed it up. Tomorrow is March 1.

A. You want to know what the income tax is going to be?

Q. I am not interested; I am paying them. But how about financing?

A. I am not ready to talk yet.

Q. When are you going to have the Federal Reserve in?

A. I am not ready yet.

Q. Not ready for them? Getting mighty close. Will you seek new money?

A. I am just not ready to talk about it.

Q. And no meeting has been set with the Open Market Committee?

A. No.

Q. To return to the war, Mr. Secretary, there is no great urgency about speeding up this new allied program with such a backlog of orders.

A. That's up to them. I don't know how urgent they consider it.

Q. I will ask my last question: These options you referred to, I assume, did not get to the formal stage.

A. No, all verbal. They called in certain airplane manufacturers--"if we place such and such an order about when could you give us delivery and about how much would it cost" and that was part of the thing that got these machine tool people upset; they heard about these orders; they didn't materialize--they heard about them so much they didn't know whether it was a billion-dollar or a five-billion-dollar order and it got everybody upset. Then nothing came of it but they got each person upset and everybody saw this money hanging before his nose and they spread it along the line until when they got through it looked like a five-billion-dollar order. That is why I never got much excited about it but until these gentlemen arrive in this country there is nobody, including the allied purchasing mission, knows what

they want, what kind of engines or what kind of planes.

Q. What is the name of this allied purchasing mission?

A. You give them a good name. I call it air mission.

Q. It is called British-French Air Mission. We will christen it that.

Anything, Mr. Secretary, from the committee on this silver business? They haven't asked you to come up yet?

A. With Senator Pittman out of town to join Senator Wagner in Florida--in the meantime silver has to wait. It's true, I wish Townsend would go down there also.

Q. They've got J. Edgar Hoover down there, too.

Anything in the works here, Mr. Secretary, about some regulation or regulations designed to further protect American industry and domestic economy against unfair foreign imports to this country?

A. Imports?

Q. Yes.

A. You are trying to over-simplify the word counter-vailing duties.

Q. That was the way I got the tip, Mr. Secretary. That is why I am putting it that way.

A. No.

Q. No countervailing duties?

A. Not unless Chick has one in his vest-pocket. I know of none.

Q. How about removing some?

A. There is nothing right now.

Q. Nothing in the works?

A. That I don't know—but nothing right now.

Q. You must be studying Japanese.

A. Must we?

Q. Not necessarily.

A. What else?

Q. Let's go, Pinnochio. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, MARCH 4, 1940, at 4:00 p.m.

(D. W. Bell also present)

Q. Any financing today?

A. Yes, sir.

Q. Good!

A. For Tuesday morning's papers we will announce, we are telling you now, that we are going to refund the 738 million dollars 1½% notes coming due on the 15th of June, so we propose to offer the holders of these notes another five-year note and the only thing that you gentlemen don't know now is what the coupon rate is, and we won't know that until Wednesday and we will tell you Wednesday for Thursday morning's papers.

Q. What about the bonds?

A. We will not do anything about the bonds. It's a little bit technical. We have a 3 3/8% coupon bond and to refund the 1½% notes and the 3 3/8% bonds is a little difficult.

Q. How much is the bond issue?

A. 353 million.

Q. That also matures in June?

A. On the 15th of June.

Q. There will be nothing on that?

A. No, just this week between now and the 15th we are just going to do the note and 738 millions is still a tidy sum.

Q. I understand the New York bond dealers are coming in tomorrow to confer with you.

A. Not that I know of.

Q. I heard that Davine was coming down.

A. Not to see me.

Q. George Harrison is pretty busy these days.

A. So you think Davine is taking his place? Davine would love that.

Q. You having a conference tomorrow?

A. No.

Q. Are you having any conferences in regard to new money financing?

A. No. Whatever will be done will be on the telephone.

Q. No executive meeting of the Open Market Committee?

A. No. I talked with Mr. Eccles and he did not seem to think it was necessary, and whatever will be done will be done on the telephone.

Q. No cash offering?

A. No cash offering.

Q. For how long are you willing to make that commitment?

A. What commitment?

Q. No cash.

A. Oh, until tomorrow. It won't be any time between now and the 15th of March. I have nothing in mind right now. Nothing over this tax date.

Q. No new money?

A. No new money over this tax date. Is that what you want?

Q. Yes.

A. No new money over the 15th of March.

Q. Will the Treasury change its policy and make a guess on how much they expect in income taxes?

A. No -- any guesses in the papers are what I was told -- a story written over the weekend is a thumb-sucking story -- I always love that -- when it appears in the Monday papers. But the one you refer to is silly and is -- I am informed by the working press is a thumb-sucking story.

Q. I did not see the story.

A. Well, I did and Chick was all upset about it. We will wait -- the policy is we will wait until the checks are in the bank, and when the checks are in the banks and we get telegraphic reports they have been deposited and how much, I will tell you gentlemen.

Q. If I may ask a question for the purpose of nailing this thing down so there will be no mistake about it. As I understand it, we can definitely say the Treasury is borrowing no new money on March 15th.

A. That's right.

Q. And the only March 15th financing will be the refunding of the June note maturities.

A. That's right.

Q. Isn't there a possibility that bonds may follow in a week or so?

A. I don't want to make any commitment on the bonds.

Q. Mr Secretary, last week one of the newspaper men here asked you for comment on Mr. Eccles' letter to Mr. Lasser and you suggested he read the President's Budget Message. Now there is a story in the afternoon papers today saying that some Congressional

leaders feel we should use some of the working balance and surplus in the Stabilization Fund in order to avoid any new tax. Would you have any comment on that?

A. No, I have no comment.

Q. You are not opposed to that?

A. I don't want to be interpreted one way or the other.

Q. What is your policy regarding keeping the working balance at the high figure?

A. It's expressed in the President's Budget which, as I remember it, allows the working balance to run down on June 30th to about 1 billion 100 million.

Bell: 1 billion 100 million, June 30th this year.

H.M.Jr.: The policy of the Administration is as expressed in the Budget Message and he definitely said on July 1st it would be about 1 billion 100 million, and I would say that's my policy and Administration policy.

Q. And that's July 1, 1940? What about 1941?

Bell: About the same.

H.M.Jr.: Whatever it is in the Budget Message, but I have not read this thing and don't interpret me for or against.

Q. There are two factors, one says you can use up this large working balance plus the surplus in the Stabilization Fund.

A. I wouldn't comment on any such thing. I would only do it in writing or before the proper committee on the Hill.

Q. You admit a large part of those funds are inactive?

A. I don't admit anything.

Q. Was that subject brought up at the White House?

A. That's up to the President and Mr. Early, if you don't mind.

Q. You could not say whether or not Eccles' proposal was the subject of the White House conference?

A. No.

Q. We can assume you discussed general fiscal affairs and business conditions?

A. No, you will have to ask Mr. Early.

Q. If you give us a hint we will ask him.

A. I have to live with Mr. Early the rest of the year.

Q. Just for our own information, if we assumed that that was the case we probably wouldn't be very far wrong?

A. No, you go see Mr. Early; he's a nice fellow and a friend of mine.

Q. When he isn't troubled with sinus.

A. He looked very healthy at church today. Had on a new suit too.

Q. Senator Thomas has introduced a bill for distribution of gold supplies through the Export-Import Bank. Could you comment?

A. Not offhand. Same thing would apply. I would either do it in writing or before the proper committee on the Hill.

Q. That's tantamount to making very liberal foreign loans.

A. I don't want to get into it. It's too important a subject.

Q. Has the Senate Monetary Investigating Committee asked the Treasury for any briefs yet on various policies they expressed interest in?

H.M.Jr.: Do you know, Chick?

Schwarz: I have seen no indication of any invitation to us.

Q. Senator Wagner said he had.

H.M.Jr.: That's why I asked Chick.

Q. They did say the Administration had been asked for views on various matters.

A. Whatever Chick says is what Chick says.

Schwarz: He hasn't asked us.

Q. Is the financing for immediate release? Is that all right?

H.M.Jr.: Yes, that's right.

Q. Have you heard from Senator Wagner on the silver bill?

A. As far as I know Wagner and Pittman are in Florida and they expect Barkley to go down there and I expect to follow them.

Q. Tell us about that when you get down there.

A. Well, we'll all go down and I'll hold a press conference.

Q. That's a good idea. We can go on a Coast Guard Cutter. Anything on bonds, anything down on that? There will be after March 15th?

A. That's right.

Q. Mr. Secretary, I hear that the Comptroller of the Currency of the Treasury might reach an amicable settlement with the Giannini's over their troubles.

A. That comes under -- same as discussing pending tax case. We are talking about a national bank and we never talk about a national bank.

Q. This isn't talking about it.

A. Well, I can't talk about it. It's like a tax case.

Q. Mr. Secretary, there is en route to Washington now, I believe, two economic experts -- one from the British and one from the French.

A. Why don't you pronounce his name?

Q. I can't.

A. Ashton-Gwatkin.

Q. Do you expect to see Mr. Ashton-Gwatkin.

A. I have no appointments.

REPORT OF SECRETARY MORGENTHAU'S PRESS
CONFERENCE, MARCH 7, 1940 - 10:30 a.m.:

H.M.Jr.: We have been doing a little research here in the Treasury. I will give it to you but I will read it first. I was interested in how much it cost the taxpayer to carry $1,300,000,000 balance and the insurance policy and that on the basis of one year comes to $82,600. In other words it cost us $82,600 to carry a balance of one billion three.

Q. What do you mean insurance policy?

A. I consider it an insurance policy. I consider it an insurance policy to have a good sized balance and the premium is $82,600, yearly rate, for $1,300,000,000.

Q. Of bills?

A. Yes. I was just curious. There has been so much in the paper about our balance so I wondered what it cost.

Q. Wasn't the issue whether some of that balance might be used to increase the debt limit rather than its cost.

A. Then somebody else - I saw Senator Byrd did a little research work. It was in the budget message that the balance would go down to one billion one the first of July.

Q. He was the only one who was right outside of the Treasury up on the Hill.

A. That's right.

Q. Doesn't it feel good to have Byrd in your camp?

A. You see we both grow apples together and have a common interest.

Q. Would you like to comment about that other angle - the balance?

A. No, because I think it is covered fully in the President's budget. Senator Byrd did give a correct interpretation to it but reading it I was interested. I knew its cost was very little but I did not know it was as low as that.

Q. Any attempt to ask for a rise in debt limit at this session?

A. I really don't know.

Q. Mr. Secretary, I saw where General Arnold of the Air Corps claims that lack of coordination between foreign and domestic plane purchasing has undoubtedly raised the price of your Air Corps planes. That would seem to be somewhat at variance with some of the things we have heard here.

A. I have not seen General Arnold's testimony. I think it was in executive session.

Q. Well, he and some members of the committee told the press last night.

A. Well I have no comment to make.

Q. The Indiana papers are carrying this morning that you are investigating McNutt's income taxes.

A. I have yet to make my first statement on any income tax investigation.

Q. There have been a number of stories about the Indiana investigation.

A. I know there have. I can't help it. If you tell me if any came out of the Treasury you will be doing me a service. I am pretty sure they don't.

Q. He said himself that his income tax was being investigated a little while ago.

A. It's his income tax; I can't discuss it.

Q. You wouldn't dispute him?

A. No. You know I never yet and I do not think there is anybody in the Treasury who would discuss any income tax investigation - if there were or weren't.

Q. You mean while it's in progress?

A. Yes and I am not saying there is or isn't one any more than we do a bank case.

Q. To go back to the airplane cost matter again, I think the chief misunderstanding is about the $20,000,000 deficiency bill that was sent up some time ago. I think there is some misunderstanding about the reason for that bill. Can you straighten us out? Are you familiar with it?

A. I am not familiar with it. This is off the record,

both General Arnold and Admiral Towers had lunch with me yesterday and I do not want to quote, on the record, but Arnold was quite upset about what the papers said he said. He said he never said that so it's up to him to pay. That's why - I listened while the two heads of the Aviation Service had their discussion but I understood that he said he definitely did not say there was profiteering. He made the flat statement at lunch yesterday but I do not want to get in on it. It isn't up to me. I am satisfied as to my facts but I am just telling you gentlemen for your own information that General Arnold did say flatly that he had been misquoted, and definitely had not said there was any profiteering but that was here and I am saying it very much off the record.

Q. The morning reports in the papers did not say profiteering - the cost was too high. Some evening papers interpreted it to mean profiteering which it probably would be if prices were too high.

A. As I understand he was asked a question was there profiteering and he said no and, as I understand it, that was all in executive session.

Q. Are you clear that prices the Air Corps is paying for planes are too high?

A. That I don't know.

Q. It was stated the Air Corps had paid $20,000,000 in excess of original estimates.

A. And they had to give an explanation.

Q. And they gave an explanation which reflected lack of coordination. I wonder if there weren't some other reason for that.

A. They had to do some explaining and I guess that was the best one he could think of.

Q. I think they will admit they made a bum estimate.

A. Personally I think it's tough on the industry but the industry can take pretty good care of itself.

Q. You stand on what you said as to prices being fair?

A. On the record what I am going to ask you gentlemen I do not want to be set up that I say this and Arnold says this. I do not know, on the record, what Arnold says and I don't want to get in on this controversy. You may remember I had a little one last year and also I won. I don't want to get into more but after all industry must have people - they have a Chamber of Commerce, haven't they?

Q. Yes sir. The Aeronautical Chamber of Commerce.

A. Yes, and they should be able to take care of themselves. I mean I am satisfied, as I said, - I used the word

"cursory" - and I am satisfied that the talks I had with these two gentlemen - not on that --they started it, I didn't.

Q. Do you mind if we say you had lunch with Arnold and Towers?

A. Yes, I do. This is, so to speak, in the family.

Q. Mr. Secretary, can we resurrect Colombia at this time?

A. What I am saying is strictly between us. I got enough to know that what I told you gentlemen I am satisfied is correct and if you take the same kind of planes and the same kind of power and you want to buy it today you do not pay any more than you did a year ago but as I understand it they are getting more planes, more armament, etc.

Q. For our background then, prices have not gone up?

A. Don't get it from me. Get it from the Aeronautical Chamber of Commerce. I really do not want to get in on this discussion. It's not my job. I do not have to defend the industry. After all you can go around to the Aeronautical Chamber of Commerce and ask the question, "same plane, same horsepower, same armament, same gadgets today, does it cost any more?"

Q. Is that to this Government or to any buyer?

A. Any buyer.

Q. Your previous remark a week ago was with respect to prices charged foreign purchases. Off the record you are extending that to all purchases.

A. After all, this thing I am doing for the President is an extra chore and as I go around I ask questions and I have not heard any places, starting with the aluminum which is 95 per cent of the body of the plane, from that up, that the prices on the basic materials - that there has been any particular movement, up or down. As a matter of fact, it just stands if they are turning out twice as many planes today they ought to be able to turn them out cheaper and I am satisfied that either for domestic, — army, or navy or airlines — or foreign that there has been no particular - there may be 5 or 10 per cent movement but I do not think there has been even that much - and you gentlemen also know that they have a committee studying this. Horner of the National Academy of Science has been appointed as consulting engineer to study this particular thing but I really would like to be left out of this thing. I think you will find what I told you a week or so ago was true. What I said about these gentlemen being here is just among us.

Q. On the record Mr. Secretary, have you met Ashton-Gwatkin yet?

A. No.

Q. Are you going to?

A. I have had no request from them, no official request for an appointment.

Q. They had their first appointment yesterday. They saw Secretary Hull.

A. So I saw. I have no request.

Q. This is not the Air Mission you were speaking of? Has the Air Mission arrived yet?

A. They are in America, yes.

Q. They are not in Washington?

A. I don't know.

Q. Have you an appointment with Sir Henry Self?

A. They are coming in at three o'clock. Mr. Purvis is bringing these people in at three o'clock.

Q. Does that include Colonel Jacquin and the group that went back?

A. Yes. Pleven. You men don't seem to have been on to him. He is a French industralist who was here and he is the Frenchman who is looking after their interest and Sir Henry Self is looking after the English but Pleven is doing it for the French. You men ought to get to see him.

Q. Heads the French Air Mission or the French part of the Allied Air Mission?

A. As near as I can get it, there is a French-English purchasing mission of which Purvis is the head. Now they have a sort of special section that has to do with planes. The Frenchman on that is Pleven and the Englishman is Sir Henry Self.

Q. And this Air Mission will come in at three - these officials and these two gentlemen and Mr. Pleven?

A. Yes. I do not know who else.

Q. What is Purvis' first name?

A. Arthur.

Q. What happened to the ambitious plan of resurrecting the debt ridden and defaulting South American countries that we were talking about two months ago? There was an ambitious plan of helping Colombia out.

A. We did a job on Colombia.

Q. They only paid partly.

A. We did a one-year agreement.

Q. What about the final plans?

A. I think they are trying to work out a permanent agreement but they did work out a one-year.

Q. Have you any word as to negotiations with Brazil?

A. I am taking no part in it whatever.

Q. Mr. Secretary, Senator Reynolds has a plan to buy Bermuda for their war debt. Would you like to comment?

A. No. thanks. You might send Senator Reynolds and myself out there to make a survey.

Q. That's only one of the islands, he wants the islands of lower California.

A. That will take us about a month.

Q. Do you know whether the Coast Guard escorted the British Queen into American waters?

A. You will have to see the Admiral.

Mr. Gaston: I really don't know.

Q. Chairman Steagall has a bill on which he will have hearings right away and which will remove the transfer of FDIC from a chairman to a board. Do you care to comment?

A. I do not know whether it has come down. I will wait until I get it. Better see the whole thing because I see he has a public works project in there too.

Q. Would you comment on the Thomas suggestion of distributing gold through the Export-Import Bank?

A. We got that in from Thomas for reply.

Q. You will reply to both?

A. I know we got Thomas but I do not know whether Steagall has written to me.

Q. Are you giving a formal reply to Thomas?

A. I got a letter, I have to reply.

Q. Will you give that out here?

A. Ask Professor Schwarz who attends to these matters.

Q. Have you been invited to testify on the silver situation? I understand Wagner is back today.

A. They tell me - it is really very funny - Townsend is so mad that these fellows all go to Florida and he is getting so restless.

Q. Is Wagner back?

A. I understand he is back today.

A. Then we can expect a little fireworks. After all, Pittman is not back. Maybe I could get Barkley out of town. Keep me from testifying.

Q. Any news?

A. Yes, we got 97 per cent plus in on those notes or $717 million of it is turned in.

Q. What was the full amount?

A. It was 738 million dollars. Dan says there may be another million but we will play safe and say 717 million.

Q. These were the new ones, and the old ones were 738 million.

A. That's right.

Q. 717 million exchange?

A. Out of 738 million which he says is 97 per cent plus.

Q. Have you answered that letter from somebody about gold?

A. I do not think so.

Q. Do you think the man will ever hear?

A. I do not know.

Q. You had some visitors today, Mr. Secretary?

A. Yes Chick told you that they were here to say how do you do; be introduced and I have no plans.

Q. This is the economic group?

A. Professor Rist and Mr. Ashton-Gwatkin. They were brought in by their respective ambassadors and we said "How do you do". I have no plans to see them again.

Q. Are they going to confer with any of the officials of the department?

A. I doubt it. Their work is over with the State Department.

Q. Give you any good dope?

A. Not particularly.

Q. Did you read the Post this morning on the release of one of our fast planes to the Allied Purchasing Group?

A. I saw the article.

Q. Can you tell us anything about it?

A. I do not know anything about it.

Q. Apparently the War Department doesn't.

A. I know nothing.

Q. Would that come under your jurisdiction?

A. No, Joint Munitions Board.

Q. Do not all things clear through you finally?

A. No, the responsibility is over with that Joint Board.

Q. Joint Army and Navy Munitions Board?

A. Yes.

Q. Have you asked them to release these planes?

A. No.

Q. Have you talked with them about it?

A. Well, lots of conversation going on.

Q. They are reluctant and I thought you were the reverse of that. I wanted to get your view.

A. I am just telling you as much as I know. No requests have been made and it isn't up to me. No requests made by me of them.

Q. Can you tell us anything new on the potential bottle neck situation -- "engines"?

A. I have nothing new.

Q. I asked you if the situation had been cured?

A. My understanding with the industry is this that if they need any more help they will let me know and if I do not hear from them my understanding is they are going along all right. Now you see there is a committee which has been set up by the Machine Tool people and they meet directly with the engine manufacturers and I have not heard from them now in ten days and I take it everything is going along all right.

Q. Which industry needed more help? You mean the manufacturing groups?

A. Well, the people that needed the help were the manufacturers of aeroplane engines.

Q. What kind of help did they need? Would you amplify that a little bit?

A. They needed machine tools.

Q. Was it a question of price?

A. Just getting the tools.

Q. A matter of getting the tool makers to devote more of their energy to supplying the needs. I do not quite get that. If anybody has anything to sell they sell it. They don't hoard it.

A. I think if you want a story out of that we can get the proper name of the Machine Tool Committee and refer you to them.

Q. Mr. Secretary, to go back to this thing about this new model or this more advanced type of plane, you were asked whether the Allied Purchasing Mission had taken up the subject with you and you said there had been lots of conversation. Undoubtedly you are referring to that specific thing.

A. Well I think - I don't remember what I told you but they are here and they have discussed with me what their problems are and there will be more conversations.

Q. You certainly have no objections to the Allies getting these fast planes have you, Mr. Secretary?

A. No, I have no objections. I can't object. I have nothing. The reason I say I have no objections is the release of models and types of planes and engines does not rest with me. I have nothing to object about. I might object or I might approve but it would be purely lip service. I have no authority.....

Q. But you might have sat with the War Department.....

H.M.Jr.: .....other than I had authority to show the French certain models. I went all through that once.

Q. But you have not said the War Department.....

A. I have had no communication on that direct or official.

Q. Some of these problems that have been discussed by you with the Mission, what I want to say, isn't one of them the fact that they haven't got fast enough planes and would like faster planes?

A. You would have to talk to them about that. They have very capable people here.

Q. I thought they were getting planes - the planes they got from the United States were better than the Messerschmidt.

A. You will have to talk with them. That's their business.

Q. You said you have had a lot of conversations and you were bound if you have people in - - you would have to have conversations and I am curious to know if they brought up the question of faster planes?

A. And I say at this stage of the conversation I will have to refer you to them.

Q. As I understand the situation, assuming that the matter of releasing planes is up to the War and Navy Departments.....

H.M.Jr.: That's correct.

Q. .....whatever committee handles it, then if it went a step further and orders were placed for that particular plane, then am I correct in assuming that you would then come into the picture to determine whether or not those orders conflicted with our own delivery of those planes?

A. In an informal manner I would come in here. Your assumption is correct. But purely informal. After all, I am acting simply for the President and it is a purely informal arrangement that I have.

Q. Is my understanding correct that this particular type of plane under orders by the War Department does not consider coming off the line before May of this year?

A. I don't know.

Q. Has the Mission asked you to ask the Joint Army and Navy Board whether the new type of plane could be released?

A. What I said - I have made no request of this Joint Board.

Q. Have they asked you, Mr. Secretary? Have the French and British asked you to make the request?

A. I do not care to answer it.

Q. Has anyone objected to you about the release?

A. Perfectly frankly, it hasn't got to that stage as far as I know. I do not believe anybody has made any request of the Army, Navy Joint Board, as far as I know. It's perfectly possible they may have.

Q. To change the subject, we hear reports that the Treasury is considering paying cash for the 3-3/8%'s. Any possibility of that?

A. We are just cleaning up this one and I am not thinking about the 3-3/8's so anybody's guess would be good either way.

Q. Can you say anything about when you will take that matter up, the question of the 3-3/8's?

A. No, we have to clean this one up first. Certainly not until after the 15th. I am really not thinking about it.

Q. How about collections this week?

A. How do you handle that, Chick, what's the arrangement?

Mr. Schwarz: By the 20th we will give them something.

Q. Going to kick a couple of bags or something?

H.M.Jr.: We did it once and it didn't work out so good.

Q. Congressional leaders were at the White House today and the President suggested in view of the Agriculture Department increase of 309 million dollars that the matter of new taxes be considered. Will you comment on that?

A. No.

Q. Have you any comment on the action of the Senate committee in increasing the agricultural bill?

A. No, my Bible is the President's budget message on that subject.

Q. You haven't heard from the committee on the silver bill?

A. No. I just read the papers, that's all. Seems as though my apple grower friend from Delaware is getting rather restless, rather nasty almost.

Q. May I quote you on that?

A. No, he's an apple grower, we stick together.

Q. Wonderful people grow apples!

A. That's right. O.K.

Q. Thank you, Mr. Secretary.

Q. Have you been called by the House to an investigation on airplanes?

A. No, I have not.

Q. Any comment on it, Mr. Secretary?

A. No, if they want to investigate all to the good.

Q. Mr. Secretary, do you expect to confer with any of these aviation engineers and officials who are meeting at the Hotel Washington during the next couple of days?

A. No, I have no appointment, I take it you mean the American manufacturers.

Q. It's the American Automotive Association, Airplane Division.

A. No.

Q. Society of Automotive Engineers.

A. Didn't even know they were in town. Ought to get a public relations man. Maybe they have got one. All right, what else?

Q. Has the letter I asked you about last time on gold been written yet?

A. To whom?

Q. Some Senator. Some Congressman.

A. Good heavens, we get lots of letters from people. You have to be more specific.

Q. I have forgotten the guy's name.

A. He needs a public relations man, too. Just another Senator. Well I am not going to answer any question like that. Can't even remember the guy's name.

Q. Which one's have you had?

A. We haven't had any letters which I have seen anyway.

Q. Today's the 14th of March and tomorrow is the 15th. Any news on financing? You said the question of new money would be discussed maybe on the 15th or thereafter.

A. You can say we will not do any for the rest of this month. Let's clean the rest of this month off the slate.

Q. Not anything about this 353 million dollars?

A. We will not do any Treasury financing for the rest of this month. You are safe for the rest of the month anyway.

Q. You said it's all right to investigate - "all to the good". Do you think there is anything to be investigated?

A. No, that's why I think it's all to the good.

Q. Are you planning any more trips to any place or have you pretty well covered that field now?

A. No, in the few trips I made I learned what I

wanted to learn and I can't give more time to it than I have and unless something comes up there is no particular reason to visit any more places.

Q. Is that airplane man that came over a few days ago still in town -- Sir Henry Self? Are they still here?

A. I think you will have to ask the Allied Purchasing Mission. They have offices here now.

Q. Have you seen them since their first introductory visit here the other day?

A. I don't think I will answer that one. I mean I will skip it, if you don't mind.

Q. As far as these investigations, etc., on the Hill, it seems they all come down to the question whether Allied orders are interfering with filling our own needs, and since you are in charge of the supervision of that, can you tell us?

A. Off the record the whole thing gets down to this -- I think my figures are correct -- that the Army has spent 30 million dollars more than they got for planes and in order to justify that, the papers -- I haven't seen the testimony but the papers carry a story that General Arnold said that the reason he was short 30 million dollars was because he had to pay 10 thousand dollars

more per plane. I only get this from the papers; haven't seen the testimony, and that's what started the whole thing. I think I am correct from what I have seen in the paper.

Q. Now, there seems to be an angle on deliveries.

A. That's what I say. Still off the record. I will be tickled to have Congress go and look into it and let them satisfy themselves and I think what they get through them they will find what I told you gentlemen a couple of weeks ago what I found out. So I am delighted if Congress goes in and takes a look. It will be very healthy.

Q. In that case don't you want to make a statement for the record that you are satisfied?

A. No, I have said enough and I think it has been borne out today by what Mr. Early said and what Assistant Secretary Johnson said, and I have seen what Secretary Edison said, and what everybody has said so far is in tune with what I have said.

Q. You have said on the record that you are satisfied with prices and that stands?

A. That's right.

Q. Can we quote you on that again?

A. Sure, nobody has shown me anything which has made me change my opinion from my original statement in which I said, using a two dollar New York Times word, from a "cursory" survey I made that I was satisfied.

Q. But you didn't say anything about deliveries.

A. Well I didn't want to get into a long discussion. There are some experimental planes which have been held up for one reason or another and it's too much Army business. But I am satisfied as to deliveries on the regular orders that nobody has any complaint, but I mean there is so much which has been said on this thing that I am tickled if Congress goes in, because I think they will find everything is all right.

Q. We get the impression that you are very unhappy, that you are between the War Department and your task with the White House, that you can't say what you would like to say about what the War Department says.

A. I do not think that's up to me to get into that. I learned something a year ago.

Q. But you are saddled with the task of coordination aren't you, Mr. Secretary?

A. The President is satisfied and I am satisfied as to what is going on in the airplane industry and that's why I say I would be delighted if Congress takes a look also and I think when they get through that they will be satisfied. I am still off the record.

Q. On the record, have there been any demands from Congressmen to you to liberalize your enforcement of the Vinson-Trammell Act?

Q. Any pressure from that direction on that?

A. On the record, no. Off the record they thought of it for twenty-four hours and then withdrew their request. On the record there has been no request because they withdrew it.

Q. I believe the White House, through Mr. Early, Mr. Johnson and Mr. Edison in their public comments on this situation all cover pretty much the same points and the sum and substance of what all of them said was (1) that foreign orders have not interfered with our national defense program and (2) that foreign orders have not forced up prices to this government and (3) that we are not releasing for export any military secrets or at least not releasing any plane until we have a better product under contract.

A. That's right.

Q. Can we go on the record to the extent of saying that you concur on these three points?

A. Definitely. Definitely.

Q. Are you satisfied with the Brazilian debt offer?

A. You will have to get comments on that from the State Department.

Q. But you are interested in that?

A. No, I told you gentlemen as much as a month ago I had nothing to do with it in any way whatsoever.

Q. But I thought you were interested in Colombia also.

A. I was. Mr. Welles, Mr. Jones and I together handled that one, but I doubt very much whether I will have anything more to do with any others and I have nothing to do with Brazil, and I don't think I will do any more.

Q. Why may I ask? Why did you have something to do with Colombia and not with the Brazilian?

A. You will have to ask the State Department that question, but I don't think I will be handling any more and that's my own decision.

Q. Mr. Secretary, do you plan to testify on the resolution on silver Tuesday?

A. There seems to be a little misunderstanding all around on that.

Q. They said they expected you to be there.

A. Who?

Q. Wagner.

A. Well I say there is still a little misunderstanding because I haven't any invitation.

Q. The way we got it, it came over the telephone.

A. Did Wagner say that?

Q. After executive session we were standing around there.

A. Well .....

Q. Well even if you were invited you would probably tell us the same thing that you were carrying out the mandate of Congress.

A. No, I haven't got any invitation to go up there from anybody.

Q. You have gone on the record as saying that you are just carrying out the mandate of Congress, at least at press conferences.

A. I don't want to be throwing down Senator Wagner. After all, he's my Senator but there must be some misunderstanding somewhere. They did ask a representative of the Treasury to come up but not me.

Q. Said they expected you to testify.

A. They asked us to send a representative which we will do.

Q. Have you selected one?

A. I have time to think it over but they have asked us to send a representative and we will.

Q. That's next Tuesday.

A. Whatever it is but I wasn't invited to come. That's the story.

Q. Are you familiar with the general nature and purposes of the administration's investment trust regulation bill, if so are you in accord with it?

A. I don't know anything about it, just saw it in the papers.

Q. On this Brazilian.....

A. Off the record, what actually happened, I was up there yesterday. We all sat around, all those people, we had a small time ducking it but I received no invitation. Townsend may send down a sheriff to get me but it will take that to get me up there. I don't want to show my enthusiasm for the bill publicly.

Q. Quote you on that?

A. No, no. That other is SEC business.

Q. What is your stand on the whole question of silver, Mr. Secretary?

A. Come around and see me sometime.

Q. That's what Mae West says.

A. Sure.

Q. I would like to get some statement on that.

A. I have ducked it for a long time and I am going to continue ducking it until they send a sheriff for me.

All right, Gentlemen.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S

PRESS CONFERENCE, MARCH 18, 1940:

Q. Mr. Secretary, the Herald-Tribune Sunday morning carried a story quoting the Army and Navy Journal.....

I didn't write it, Mr. Secretary. (Gregory) Apple-polisher heard from.

.....placing you at the head of this interdepartmental committee, this procurement committee, has lead to uncertainty and suspicion concerning the interests of our own national defense. They say it should have been coordinated by the War Department who spent twenty years studying it and, furthermore, they say the only functions the Treasury Procurement Division previously had were strictly commercial and non-military items, and, further, they say even the National Guard is asking when they will get delivery of the equipment they have asked for.

H.M.Jr.: And so what!

Q. Would you like to defend yourself?

A. I don't think it is necessary.

Q. Is Alsop and Kintner's piece today a reply?

A. You had better ask Alsop and Kintner.

Q. Did you see their speculations?

A. It was brought to me promptly.

Q. How are your relations with the Army and Navy people, Mr. Secretary, in connection with procurement?

A. They are perfectly all right.

Q. Perfectly all right?

A. Sure.

Q. Are they friendly?

A. Now, listen! Since when have you gone in for psychoanalysis?

Q. I am not psychoanalyzing, just asking a few questions.

A. What did I say?

Q. Perfectly all right, but I asked if the relations were friendly.

A. Perfectly all right.

Q. From your standpoint or theirs?

A. Mine.

Q. There was a story out of New York Saturday saying that the allied missions had stopped negotiating with the companies here pending outcome of the Congressional investigation. Do you know anything about that?

A. That is not correct.

Q. Can you tell us what is the correct version, Mr. Secretary?

A. Well, I just know that negotiations are going forward; I don't know the exact status of them.

Q. Are they being affected at all by the investigation, Mr. Secretary?

A. Not that I know of.

Q. Mr. Secretary, I understand that any new orders they may place for airplanes and engines they are going to have to take deferred delivery. Have you heard anything along those lines? I got that from the vice-president of an engine company Saturday.

A. I don't know if it's true.

Q. Mr. Secretary, did Under Secretary Welles take any message from you or has he been authorized on behalf of the Treasury to canvass financial, fiscal and business conditions in connection with the tripartite agreement?

A. I was out west when he left.

Q. I know that, sir, but a story from Paris said he conferred with Paul Reynaud and apparently they were not talking about army stuff.

A. Well, I was out west.

Q. Had you discussed that with Mr. Welles before you went west?

A. I was just out west.

Q. He is not a representative of the Treasury, is he?

A. Is he? Well, any comment on Mr. Welles' trip you had better get that from Mr. Hull. I think it is up to him.

Q. Has the allied purchasing mission arranged for any new purchases, Mr. Secretary, since their recent negotiations were resumed?

A. I think it is up to them to announce them, whatever they've done.

Q. The reason I asked that question was I noticed a report the other day that, as a matter of fact, the purchasing mission has bought very little since the war started and that most deliveries which have been made during the last few months were on orders placed before the war.

A. I don't know. They have an office in New York and Washington. You had better ask them.

Q. Any comment on the settlement of the Giannini fight--controversy--pardon me, controversy?

Discussions?

Compromise and controversy.

A. What is that story about, have you stopped beating your wife?

Q. Mr. Giannini seems to have been gloating over it in the announcement from San Francisco.

A. As far as I know, I don't think I ever made any comment but once, did I? I don't want to comment.

Q. Has he stopped calling you names now, Mr. Secretary?

A. You had better ask him.

Q. Are you satisfied with the agreement?

A. Oh, yes--made by the Comptroller--entirely satisfied.

Q. Change from the Bank of America to the Inter-American Bank. What do you think of it? How is it coming along?

A. Well, our technicians work here with Mr. Berle and when it went in the draft form over to the State Department, why, naturally, before it left here it had my approval.

Q. It did have?

A. Yes.

Q. Is the State Department working on that scheme alone or is the Treasury participating?

A. Mr. Berle, I believe; wasn't there a committee of twenty-one from these various nations who sat here? A committee to consider this particular subject of which, I believe, Mr. Berle was chairman, and my arrangement was to furnish him with technicians, which we did, which assisted him in drafting it.

Q. Do you believe yourself that there is a need for such a bank, Mr. Secretary?

A. Yes. I am very much in favor of it.

Q. Well, it was pointed out in one of the editorials that very little could be done with this bank in view of the fact that the South American republics had very little trade with each other and they just couldn't understand how there could be a loosening of that situation between those countries, most of their trade being with the United States.

A. Without having a lot of statistics and facts before me, but what I do know from the background I have, I would say that was incorrect.

Q. In view of the conditions elsewhere in the world, Mr. Secretary, doesn't this Latin-American bank provide the means of putting this gold to work in our own hemisphere?

A. I just think it will be helpful and it ought to assist trade between the various countries who are members of the bank and ought to help them to finance their trade. Of course, one never can tell until the bank is started what the conditions are as time goes on.

Q. Mr. Secretary, who will be the Treasury's representative at the silver hearing?

A. I will.

Q. I thought you said they would have to send the sheriff.

A. Well, they did.

Q. Mr. Secretary, a year ago we wrote stories about the Treasury being concerned about the drop in the pound sterling. About the pound declining and concern being expressed in Administration quarters that it might hurt our trade. Now it is down to less than $3.76 and don't the same dangers still exist or is there going to be a reexamination of the whole monetary question?

A. All I can refer you to is the export figures for January and February which are way up.

Q. For who?

A. For the United States. Total exports are up tremendously.

Q. They were off compared to other months.

A. They were way up, very, very much so. We watch this thing every single day but, after all, you must remember that there are two prices for the pound, the official price and the so-called unofficial price.

Q. The American exporter, what does he get? The official price?

A. The official price.

Q. But can he get the official price?

A. Oh, yes, certainly, on the commodities that they want to buy they pay the official price.

Q. They have to pay it before they leave here anyway.

A. Yes, they do.

Q. When are you going up on the Hill tomorrow?

A. Tomorrow morning, ten-forty-five.

Q. Will you have a prepared statement? You seem very happy.

A. Do you want to come to the wake?

Q. I was wondering if you were going to have a statement beforehand.

A. Well, there is an argument about it; Chick says there should be and others say there shouldn't.

Q. We think Chick is a very wise fellow.

A. I do too.

Q. Will you be the only Treasury representative?

A. We will take everybody along who knows anything about it.

Q. Is it really going to be a wake?

A. I don't know. It will either be a wake or something else.

Q. Are you going to have that statement tonight?

A. Oh, no, to be released as read.

Q. I mean, when will we get hold of it?

A. About a quarter of eleven.

Q. Will you give us a little advance word for morning papers as to what they are going to say?

A. No, because I don't know myself yet.

Q. Will you say what you would like to say?

A. Does one ever, in politics?

Q. Mr. Secretary, to get back to that Inter-American bank, I would appreciate a brief statement from someone who knows what the score is as to what that bank is supposed to do.

A. I will tell you when I find out. Such a statement is very easily prepared. I will have Schwarz find out whether the State Department would like to do it. He will call Mr. Berle, to find out if he wants to do it or wants us to do it. Give us twenty-four hours. Chick is writing my silver statement and he is very busy, you see.

Q. That's the reason you locked yourself in that room today!

Mr. Secretary, there is a report in that little periodicals weekly that came out from the Federal Reserve today as to what that bank is supposed to do. I don't know whether or not that is sufficient.

A. Take a look at it and if that isn't what you want, Mr. Schwarz will get it for you.

Q. Mr. Secretary, the Pan-American outfit put out a lot of stuff on it about two weeks ago; tells everything in there.

Nevertheless, an official statement would be helpful.

We would like to have the Schwarz version of it.

A. All right. Any thing else?

Q. Thank you, Mr. Secretary.

Q. The first question, how many days of March did we collect how much taxes, Mr. Secretary?

A. Well, we collected through the 20th 621 million, plus, and the same period last year, 473.

Q. This is from the 1st of March to the 20th--is that right?

A. Yes.

Q. Inclusive?

A. Yes.

Q. Mr. Secretary, these reports are from the Internal Revenue offices?

A. This is what they tell me--in the bag.

Q. A lot more yet to come for the month?

A. Oh, yes. Oh, sure, but this is in the bag.

Q. In the bank or in the bag?

A. Both, both. Synonymous.

Q. Would you like to rejoice about that, Mr. Secretary?

A. Hooray!

Q. As a matter of fact, they really are running ahead of your own estimates, aren't they, Mr. Secretary?

A. Yes, sir.

Q. Well ahead?

A. Comfortably ahead.

Q. Do you think it will be comfortable enough to obviate the necessity for $427,000,000 in additional national defense taxes?

A. Well, who am I to give the Congress a comfortable weekend?

Q. On the level? (Laughter)

A. Sir!

Q. I don't know what your relations are with Congress, Mr. Secretary.

A. Well, most cordial; you saw how they followed my advice on silver.

Q. I was glad to see you were opposed to the silver program. I think you went up to give it the kiss of death, Mr. Secretary. It was a wake, wasn't it, Mr. Secretary?

A. Well, as I told them up there, I never have felt so exclusive, so privileged—all the friends of silver were busy that day.

Q. When you say they were running comfortably ahead, Mr. Secretary, do you think on the basis of collections through the 20th that there is a good chance that you will make up an additional $400,000,000 that wasn't counted on in the budget estimate?

A. Not a chance in the world.

Q. Not a chance of getting another $400,000,000?

A. Not a chance.

Q. In what period?

A. Well, in the period of 12 months. Is that right, Dan?

Mr. Bell: That's right—the sixty was largely 1941 anyway.

H.M.Jr.: The thing they pointed out to me was this: They tell me there are something like a million employees of states paying their taxes for the first time—a million, at least, they say. A lot of these people may have, through ignorance, paid the full tax on the 15th of March and I am informed that until the 2nd of April when we get the full report we won't really know how much of this is quarterly payments and how much of it is full-year because there are a million new taxpayers who are State employees so this may look better on the surface than it really is. So until the 2nd of April we have to keep our fingers crossed.

Q. Mr. Secretary, as I recall, the estimate on a full-year on state and local employees was only $16,000,000. If they paid it all, would that make much difference?

A. Is that right? I don't know.

Q. That estimate was made by Hanes.

A. What I am telling you is what Mr. Sullivan told me—to keep my fingers crossed until the 2nd of April.

Q. The impossibility of making up that $400,000,000--does that refer to just income taxes or do you think it possible to make it up from all income sources?

A. There isn't any indication that the revenue will increase sufficiently above the budget estimates to make up the $400,000,000.

Q. From all sources?

A. From all sources. Do you agree with that, Dan?

Mr. Bell: Yes, I do.

H.M.Jr.: All right on that?

Q. Does that mean, Mr. Secretary, that you would like to have the debt limit increased?

A. I wouldn't want to go into that. As I pointed out once before, that is Congress' responsibility.

Q. I am not quite clear how you stand on taxes. Do you still want them to pass a tax bill at this session?

A. As I said the other day, as far as fiscal matters go, the President's budget message is my bible; nothing has happened yet to make me change my position.

Q. Your Senator, Mr. Wagner, said yesterday that these figures made new taxes out of the question, virtually.

A. Out of the question? What does that mean?

Q. Well, perhaps I misquoted him--those weren't his exact words. As I understand, Mr. Wagner said there

was no hope of passing a tax bill in view of better collections.

A. Well, I don't want to get into it.

Q. What would happen if they don't pass a tax bill, Mr. Secretary?

A. What do you want me to say? The world would come to an end?

Q. I don't think it's as serious as that, but what happens then?

A. There would not be any new tax bill; we would go on under the old law.

Q. Well, you would have to have a--you have said at times that you won't sign any checks--it's a question of when the debt limit gets to $45 billions.

A. In the first place, Congress is still here.

Q. And you said you were going to be here another year.

A. Unh-unh. (Negative)

Q. You said you would have to live with Steve Early for another year.

A. I said for the rest of the year and Turner Catledge developed that into a whole column. I got a good laugh out of it. The rest of the year, isn't that right?

Q. That's right; that's exactly what you said.

A. Why didn't you write that under your own name? Why did you give it to Turner?

Q. To tell the truth, that is a consolidation of many third-term stories. (Crider)

A. I see.

Q. Mr. Secretary, do you feel that there is a need for raising the debt limit at this session of Congress or do you think you will get along without asking for it?

A. I think it is very important that I get along with Steve Early the rest of the year.

Q. I wasn't here when you made that crack; is that supposed to answer my question about the debt limit?

A. Yes.

Q. What's he got to do with it?

A. I don't know. I suppose he feels the way I do about the President's budget message.

Q. Did the President ask for $400,000,000? Wagner says no hope of additional taxes at this session.

A. He is not chairman of that committee.

Q. He's a pretty influential New Dealer; he ought to know what he's talking about.

A. On silver.

Q. I think he has a smattering of ignorance about taxes also.

A. All right; that's that.

Q. In words of one syllable, you want a new tax bill at this session—is that correct?

A. In words of one syllable, I stand by the President's budget message until he changes it.

Q. Is he going to change it, Mr. Secretary?

A. I don't know; I haven't discussed it; it's only two months old, isn't it? Give it a chance to grow up; it's a young thing.

Q. Very young.

A. Now having completely satisfied you on the tax bill, I want to tell you, you say for tomorrow morning's papers, effective April 1st we are going to change our rules and regulations on United States Savings Bonds and the sale will be confined to individuals only and one beneficiary.

Mr. Bell: One beneficiary and one co-owner.

Q. Let's get that.

A. You will have a formal release.

Q. For tomorrow morning?

A. For tomorrow morning.

Q. Is that a result of the demand by banks for these bonds?

A. Banks and corporations, etc. and so on.

Mr. Bell: Trustees.

H.M.Jr.: For which this United States Savings Bond originally wasn't designed. This thing was designed for people who wanted to save and have a place that they could do it conveniently, post offices where they could go and get it—designed for the individual to encourage savings and we find a lot of banks, corporations, etc., are buying it and that defeats the purpose for which I originally conceived this idea.

Q. Well, Mr. Secretary, it brings up another thing in connection with the debt limit. It strikes me that this action is designed to prevent the largest buyers of savings bonds from getting in there all the time and building up this additional debt at a time when you are approaching the $45 billion limit.

Brilliant, good idea!

A. You mean Sandy is brilliant?

Q. The question, too.

A. Sandy is just making a statement. I agree with you—it is brilliant.

Q. I am asking you whether that isn't designed to prevent the debt from being increased by the Savings Bonds; they are moving along pretty fast now, I understand they are selling at a rapid rate.

A. When I conceived this idea on United States Savings Bonds, the idea was that they should be for individuals,

encourage them to save. We now find that banks and corporations find them attractive and they are buying somewhere between, of the sales, it runs 25 or 30 per cent bought by others than individuals; now that is defeating the purpose of this particular kind of savings certificate. Therefore, we are going to withdraw that privilege.

Q. Mr. Secretary, by Sandy's question, isn't this fact also true, that when you sell savings bonds particularly to these people to whom you don't want to sell them, for every $75 of cash you get by the borrowing you use up $100 on the debt limit?

A. That is correct.

Q. And isn't that a factor in this decision?

A. In part.

Q. Now we are getting some place.

A. I am always truthful on the record.

Q. During the past couple of years I think the Savings Bond Division had conversion with several corporations to sell baby bonds to employees; will that be outlawed too under this?

A. How about that?

Mr. Bell: No, not if they are going to individuals.

Q. I think there were only one or two agreements.

Mr. Bell: I don't think there was any agreement. It was an arrangement whereby the corporations deduct from the employees' salaries and transmit that money to the Federal Reserve Bank and get savings bonds in the names of those employees. A.T. & T. was one that is doing it right along. No arrangement made with the Treasury.

Q. Mr. Secretary, there is also the case of what might be termed an investment hunger; there are not enough good securities in the market for banks to buy and corporations.

A. Perfectly true.

Q. Have you any way to eliminate this condition?

A. No, sir; I wish I did.

Mr. Schwarz: All the comments on savings bonds for morning's papers.

H.M.Jr.: Yes, for morning's papers. Why the morning's papers, Chick?

Mr. Schwarz: It ties in with the press release.

A. Oh. All right?

Q. Mr. Secretary, how about this suggestion from the Capitol yesterday that you invest the stabilization fund in government bonds? Did you hear about it?

A. Yes.

Q. Any comment on it? A small portion of it is, I understand, invested but only a very small one.

Can you buy government bonds and reduce the debt by using the funds of the stabilization fund, or is that excluded for debt reduction purposes?

A. Buying these bonds doesn't reduce the debt at all. I mean, they are still on our books and as long as we have a deficit we have to issue new certificates of indebtedness of the United States Government in one form or another and buying them in on the part of the stabilization fund, all it would do would be to completely distort the government bond market. If I went out and tried to buy $10,000,000 today it would completely distort the market.

Q. You bought them when the market was dropping?

A. That's something else, but to buy them now and drive the government bond through the ceiling, what good purpose would be served by that?

Q. Congress seemed to have the idea that you could earn interest on the stabilization fund.

A. I have never felt that the stabilization fund was designed to earn money. We have earned money and a lot of money, but I have never felt that that was the purpose of it and I still feel that the stabilization fund, as long as I am here and trustee of it, I am going to guard it with the last breath in my body against some unforeseen emergency. But to use up

that money now when there is no emergency and no particular purpose would seem to me unwise. That is there for some national crisis or emergency which I don't see today and I don't see it on the horizon, but it is there and in this crazy world the unforeseen and the impossible is happening every day and that money is there and I feel Congress did me the great honor to make me the trustee for that fund. I certainly am going to guard it carefully and not use it when there is no national emergency.

Q. Mr. Secretary, would the reaching of the debt limit be an emergency warranting the use of part of that fund?

A. I wouldn't consider it so and this device in using it for government bonds doesn't help the debt limit situation.

Mr. Bell: In investing the fund doesn't help the situation one bit; you would have to retire the bonds.

Q. That is what I meant.

A. You can't retire them through the stabilization fund but you would have to do it through the general fund.

H.M.Jr.: Suppose a bond matures in '45 and we buy $100,000,000 out of the stabilization fund; it still stands on the books that we owe $100,000,000 until 1945 and doesn't change the debt picture at all.

Q. For example, here's $153 million of June 15th bonds you have called. Now if you use the stabilization fund to purchase them from the bondholders and retire them that would be a reduction of the debt limit, would it not?

Mr. Bell: If you did that, but I don't think you can use the stabilization fund as such to redeem debt. You can invest the fund but can't retire debt.

Q. That's the point.

A. Let me state my position: As far as the debt limit is concerned I certainly am not going to use any stabilization fund or any trick method to change this question of the debt limit. It is Congress' responsibility and if they vote the spending of money which will exceed the debt limit within the fiscal year I am sure it is up to them to correct it and certainly at this end I am not going to use some device or some round-about method to circumvent a matter as important as this. I said before I don't think the $45,000,000,000 debt limit is something that is very important. There is no reason why it shouldn't be 46 or 47 or 48 and it wouldn't worry me in the least to see it raised to $50,000,000,000, but it should be done in a perfectly open legal way by

Congress. The bill should be introduced and should be passed to increase it by the amount that they vote the spending of the money and the revenue, whatever the minus figure is, so much deficit has to be added and financed out of the debt limit. This whole question of the debt limit, I just think they are making a mountain out of a molehill and as far as I am concerned when the time comes and we find it necessary, I am perfectly willing to appear on the Hill and say so but I am not going to do it in some round-about way like the stabilization fund which I say again I consider a trust which Congress has given me to be used and held only in case of a national emergency.

Q. Would you then, Mr. Secretary, have any objection in principal to Congress, which set up the trust fund, by its own initiative decreasing the size of the fund and turning some of it into the general fund for use for some of these other purposes?

A. I believe the most sensible thing is to leave the stabilization fund alone. Now it is there; we have guarded it; we have been fortunate enough to have it increased slightly and I repeat that in this

crazy world the time may come where we may get down on our knees and be thankful for the fact that it is there against something which may appear which I don't see now but which may happen. There is no need to use that instead to circumvent the debt limit or anything like that. After all, France held on to its gold in the Bank of France until recently and they resisted all similar pressure to take the gold away from the Bank of France. It is there and I am sure they were very pleased and thankful that they had it there to use it at this time.

Q. Your conversations indicate you are not very, very bullish about the future.

A. You know I never discuss the future; the Treasury is on a 24-hour basis.

Q. Mr. Secretary, Mr. Purvis was here to see you yesterday. Can you say anything about that visit? . .

A. No. He comes in about once a week. He usually is here about once a week—comes down to Washington and he comes in and discusses his problems.

Q. Are you interested in airplanes?

A. Interested because we talk about all these secrets and all you have to do is to pick up the paper (holds airplane photograph from newspaper up) and there is

a picture of the latest type Bell plane. You get an aviation magazine and it tells you how to make new planes; you get the most intimate details. I am trying to find out the number of this plane. They say they sold it to a foreign government and I don't even know what foreign government they sold it to—that's how much I know.

Q. Is it true that this air mission from the allies and the purchasing mission—neither of them have authority to commit their governments and the present conversations are only feelers?

A. You've got to ask them.

Q. There have been reports to that effect.

A. I don't want to comment.

Q. Were you aware of the Atlas Corporation merger with Hercules?

A. Only through the newspapers.

Q. Are you going on a little vacation?

A. Tonight.

Q. For how long?

A. I hope for a week or ten days.

Q. Georgia?

A. Right.

Q. Sea Island?

A. Right.

Q. Have you got a telephone number you can give us. Please, Mr. Secretary.

Mrs. Klotz: I don't even have one.

Q. Thank you, Mr. Secretary. Goodbye.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 8, 1940:

H. M. Jr.: Rainy day, I see.

Q. Only 2 per cent rain.

A. All right, gentlemen?

Q. Welcome home, Mr. Secretary.

A. At your service.

Q. What is the progress in the Indiana 2 per cent investigation?

A. I am not going to comment on that.

Q. How about that suit brought against that man, Mr. Elder?

A. Look! If you gentlemen have not read the statute in regard to Treasury officials discussing pending tax cases, I will be very glad to give you a copy of it, but anybody discussing, including myself, I think it's a thousand-dollar fine or a year in jail and I've got to plant my crops this spring and I haven't got a thousand dollars, so under both circumstances I don't think I will discuss it.

Q. Didn't Mr. Helvering say he was going to tell all?

A. Well, I wasn't here and I didn't hear what he had to say so I don't know. I don't know what he said. I haven't talked to Mr. Helvering since I got back.

Q. Mr. Secretary, can you give us the names of those who were innocent but whose names have been bandied around?

A. Everybody is innocent until proved guilty.

Q. Everybody is guilty until proved innocent?

A. Everybody is innocent until the courts have proved him guilty. Nobody has said anything about anybody as long as I have been here, about any pending tax case. I can't help what people write and I want to say this: As far as I know, the working press has not written anything. I don't know of a single case that the working press has written anything about the case you have in mind.

Q. Isn't Mr. Lindley a member of the working press? He's the one who wrote an article.

A. Well, you can classify him better than I can. When I think about the working press I am talking about you gentlemen working for the daily newspapers.

Q. Mr. Secretary, we can say, then, you will have nothing to say at any time about this case, anybody connected with the Treasury?

A. What you can say is that nobody in the Treasury discusses any pending tax cases.

Q. Mr. Secretary, when is this case going to be concluded?

A. Didn't you just hear what I said?

Q. I certainly did.

A. Well, I think that was English, plain.

Q. Well, may I ask when the case is likely to be concluded?

A. I will repeat what I said, that nobody in the Treasury, including myself, discusses any pending tax cases.

Q. I didn't know my question conflicted with that.

A. I think it does, if you don't mind. I mean, we've got, I don't know how many we may have -- we may have ten thousand cases pending. I am not going to discuss any of them and I am sure no responsible official is going to discuss any of them, because the law specifically says it is illegal for us to discuss it and that's why -- the daily newspapers are perfectly cognizant of that law because I believe it affects them as well.

Q. Mr. Secretary, the Federal Reserve Bank is quoting two different rates for the British pound, the unofficial rate and official rate. I understand that is a matter of concern to the Treasury. I wonder if the Treasury is contemplating any action.

A. The matter is under discussion and we are not prepared to say anything at this time.

Q. Mr. Secretary, the Senate, this afternoon, passed a resolution asking Mr. Smith (Budget Director) to provide data as to how, under the President's Budget Message, you are going to obtain that $700,000,000 credit.

A. Well, that is up to Mr. Smith to say when he comes to town.

Q. Will you still stand by the President's Budget Message as your Bible in view of this?

A. I have had no communication with the President or the Director of the Budget to make me change my position.

Q. Did Senator Byrd ask you to provide the data or did he just ask Mr. Smith?

A. Well, I got back a little before noon. As I understand it, and I think I am correct, I discussed this matter with Director Smith before I left. I am not trying to put anything in his lap -- this is his responsibility and he agrees it is his responsibility, in regard to the so-called $700,000,000. I mean, we had a discussion with him before I left. I think you gentlemen asked me that time what Smith and Currie were doing over here. We were discussing that question as to whose responsibility it was and we agreed it was Mr. Smith's.

Q. Why did he turn Senator Byrd down, Mr. Secretary?

A. I don't know. You will have to ask him.

Q. Could you tell us why the Federal Alcohol Administration was transferred over here?

A. No, I can't answer that. All I can tell you is my own position has been, for a number of years I recommended that the President do one of two things: Either he take it entirely out of the Treasury so we have no quasi-responsibility for it or else he give us the entire responsibility. As I understand it, having read this order very hastily, the responsibility, if this order becomes effective, the responsibility is entirely in the Treasury — it becomes an integral part of the Treasury.

Q. Does that mean the personnel will be abolished and that you will perform the functions or will you retain the personnel?

A. I asked Mr. Sullivan this morning, Assistant Secretary, whether he would make a study of the situation as to the best way to integrate this organization into the body of the Treasury and he is going to make that study for me, so I think

we have what, sixty days, and he is going to make that study because Internal Revenue comes under him and there has been a lot of work done under that thing, and he's going to make a study of how best to absorb it.

Q. Mr. Secretary, has any representation been made to the British Government in regard to the decline of the pound sterling? It was made the subject of comment by Secretary Hull while you were away.

A. All I can say is this matter of the official and unofficial rate is under study by the Treasury and particularly by Customs.

Q. Any idea when you will arrive at a decision? You've been a long time doing it.

A. Well, I wouldn't want to put a date limit on it.

Q. Mr. Secretary, is your study exclusively as to which rate should be used for customs purposes or in some broader way?

A. Customs.

Q. Is it only the customs angle?

A. Right.

Q. Aren't you concerned or interested in the general effect?

A. Yes, but we have to cross the one bridge, what is our legal responsibility on merchandise coming in the United States from the British Empire.

Q. Well, also under the tripartite agreement the signatories have agreed they will not participate in any premeditated devaluation of the currency and it just seems that here the free pound has gone way down and there have been complaints that this has more or less offset any advantages both countries may have had under the reciprocal trade agreement.

A. Well, in answer to that, I had a survey made amongst the importers and exporters to find out if there were any complaints amongst the importers and exporters as to the two rates and up to this time I haven't received any complaints and I went directly to them. If any man in the export or import business wanted to file any complaint with the Treasury that he felt at present he was at a disadvantage and they were using this for competitive purposes, to answer Gregory's question, and we haven't received any complaints that they feel they are suffering due to the rate. In other words, therefore, there is no reason for me to feel that the English have at this time wilfully resorted to reducing the pound for competitive purposes and,

therefore, the spirit of the tripartite has not been affected to date.

Q. Mr. Secretary, would you go to jail if you told me whether Tom Pendergast paid his income tax? Does that come under the same category?

A. I don't know; I thought that was in the paper.

Q. Whether he paid or not?

A. Well, I will find out and you, as a friend of mine, don't want me to go to jail--we farmers have to stick together.

Q. This year.

A. This year, until after election. Anyway I am sure I can count on Kansas. Anyway, I will find out.

Q. Mr. Secretary, have you been in communication with any of the other government departments.....

A. I just want to say once more, I am very serious about this, the rumors and the stuff that has been going around, none of it has come from my office or from any Assistant Secretary or from Internal Revenue. Now I know what I am talking about. The gossip and material which all of these people have been carrying and I again say the working press, the daily press, has not carried this stuff, has not emanated from the Treasury. I can't control other people but at least I can

control the Treasury and that gossip which has been going around this town has not come out of this office, nor the Assistant Secretary's Office or Internal Revenue. I know what I am talking about. I can't control the other people and if the other people want to put pressure on me by trying to force my hand, all I can refer to is the last six years I have been here and I don't think they have been very successful in other cases and I am not going to have my hand forced.

Q. Did Mr. Helvering violate the law the other day at the White House?

A. I am informed by Chick that Mr. Helvering said he didn't say what he was quoted as saying.

Q. We have a stenographic transcript of it. (Klein)

A. Mr. Helvering is a lawyer--I am not. He is Commissioner of Internal Revenue--I am not. He can take good care of himself.

Q. Can't control his human impulses, however.

A. I am glad of that. I mean, that he is human, but I can control my own.

Q. You are not chiding Mr. Helvering, are you?

A. No, I don't know just what he said. Chick tells me he said he didn't say it.

Q. I was a little late in arriving, but have all these references about going to jail, etc. to do with Indiana?

A. Well, you ask some of your pals when you get out.

Q. I seem to have missed something.

Does the same thing apply to Illinois?

A. It applies to all 48 States and the Territories.

Q. Including Pennsylvania?

A. That is in the Union.

Q. Could you say what Mr. Helvering did say?

A. Chick can talk for himself.

Schwarz: He said he did say he would expedite any current investigations but he did not promise any statements.

Q. He admits that certain organizations and individuals were being investigated.

A. He says he didn't.

Q. Well, I disagree with him--I happened to be there at the time. Mr. Secretary, may I ask if when this investigation is concluded there will be a statement?

A. I am sorry, I can't discuss it.

Q. When you said about this thousand-dollar fine it also applies to newspapers that carry stories about this?

A. There is some law on printing this stuff.

Q. I know that applies to Treasury officials, but you said it might apply also to .....

Schwarz: The law simply restricts Treasury officials from giving out information.

H.M.Jr. There is nothing else.

Q. Mr. Secretary, do you know whether any British goods have come to the United States since March 25 on which there has been a protest made in anyway?

A. There has been none. I asked that particular question myself.

Q. And the question hasn't come up for a ruling.

A. There hasn't; there has been nothing arriving at any port up to half an hour ago that we had to decide at what rate it should enter the port.

Q. What is the free pound today, Mr. Secretary?

A. $3.55.

Q. Against $4.02½?

A. Something like that.

Q. Mr. Secretary, can you tell us anything about the progress of the negotiations between the Allied Purchasing Mission and the airplane manufacturers?

A. No, I haven't got anything to contribute.

Q. Mr. Secretary, is there anything new you can say about the attitude of the Treasury on taxes in view of the increased appropriations above the budget being voted for farm payments?

A. There is no fine, but I am not prepared to discuss it. I wish I could invoke some fine.

Q. Are you going to go before the Appropriations Committee?

A. I don't think so; I never have, no, I did once.

Q. Anything to be said about the debt limit?

A. No, just waiting. Say, let the other boys do the worrying!

Q. Some time ago the German Government started issuing checks. Is it possible that the Treasury might adopt the scrip plan if expenditures go above the debt limit?

A. We will, if the Tribune will advocate it.

Q. I doubt if they will.

A. So would I.

Q. Mr. Secretary, the British have mined the northern coast of Norway at places that are open ordinarily to American shipping. We just wondered whether you have been in communication with any other branch of the government about what can be done about it.

A. It would be the other way around; they would notify us.

Q. They haven't notified you?

A. Nobody has.

Q. Mr. Secretary, there is a possibility that the debt limit need not be raised before Congress returns in January.

A. I haven't seen the latest figure so I wouldn't want to comment on it.

Q. $42½ billions.

A. I wouldn't want to comment.

Q. Mr. Secretary, are you planning to meet with the presidents of the various Federal Reserve Banks at the next meeting which, I understand, is to be at one of your favorite hideouts, Sea Island?

A. They are getting ready for it, fattening the calves and getting out the beer barrels. No. That's on the 12th.

Q. You are not planning to be down there?

A. I am not a member of the Federal Reserve; it's a very exclusive club.

Q. Thank you, Mr. Secretary.

Q. How is the custodian of frozen assets? How does it feel to be an iceman, Mr. Secretary? Is it true that you have taken Barbara Hutton under your wing?

H.M.Jr.: Birds-eye?

Q. That's in the family.

A. I take it, that is the reference.

Q. She's a Danish citizen.

A. Is she birds-eye?

Q. I don't know; I think her mama is.

A. I see. I thought that is what you meant. I guess that is Mrs. Joe Davies, as a matter of fact.

Q. Her ma was Hutton-Post or something like that. Anyway, the assets are frozen.

A. Yes.

Q. Mr. Secretary, I got the impression yesterday from the Allied Purchasing Mission that they couldn't get to first base on finding out just which types of the latest planes were going to be released and then later in the evening I head from the War Department that they released three of the latest types of planes to the allies. Mr. Purvis and his associates were in here to see you and I naturally thought there might be some magical connection between that visit and the fact that the War Department later released these planes; could you break down and confess?

A. Well, the policy which I have pursued in this extra job which I have, I think that any announcements as to conclusion of purchases ought to come from the buyer.

Q. Well, another question I had was would that necessarily be conclusive, the fact that they released three planes, when there are six or eight that they are interested in. Would that be the final answer? In other words, the fact that the Air Corps has released three planes--would that be the end of negotiations?

A. I still say that if and when any foreign government has signed a contract--.

Q. That's the end?

A. That's the end and I still think it is their money and they ought to do the talking, as far as I am concerned.

Q. Isn't one of the things that has been delaying them the fact that some plane manufacturers have been trying to get out of them the cost of the development of new planes to replace those they are getting?

A. In this new capacity as the manager of a refrigerator I can't talk about this plane business.

Q. Was that the last obstacle, supposedly, prior to negotiation of contracts?

A. I am not going to help out a bit this morning.

Q. Could you tell me whether it is actually so that the War Department has released those planes?

A. Well, whatever the War Department has said, I don't know.

Q. The War Department this morning said they have not made any such announcement.

A. I am not trying to interpret what the War Department did or didn't say, see; they've got plenty of people that seem to be able to talk over there and I think we will let them do the talking. I have nothing on the record.

Q. As coordinator, you wouldn't say whether the release of three planes would be a final statement of the War Department's position regarding which types?

A. As whatever I am?

Q. Errand boy.

A. I have nothing to contribute at this time and if and when the allies have bought some planes I take it they will make the announcement or the manufacturer who did the selling, but it is up to them or if the War Department or Navy want to say something. I can't help out today.

Q. (Points to map on wall).

A. That is Norway, believe it or not.

Q. I surmised that but whose hentracks are those on it, the purple ones?

A. I can't recognize them. Mrs. Klotz has been drawing.

Q. Going back to the ice business, Mr. Secretary, has anybody asked for a license to withdraw any Danish or Norwegian funds?

A. I tell you what I did yesterday. We had a meeting here yesterday during the day to which we invited -- the Federal Reserve Board sent representatives -- several representatives;

the Department of Justice had people here, and the SEC had people here just to keep them acquainted and the State Department had people and we worked out what we thought was the best procedure, the result of which was that the President took the action he did. I got Dan Bell back from Dallas last night and he is working out the details now. What I can tell you and where you people can render a public service is this, that if anybody in the United States has any money or property in either Denmark or Norway and he wants to transfer it or to sell it and wants to know how to go about it he ought to get in touch with his bank and his bank will get in touch with the Federal Reserve Bank of that district and they either will have the answer or they will get in touch here with the Treasury and we will either give them an answer or a license when we get this thing fixed. What we are going to try to do is anybody who has a legitimate business and has the right to transfer funds.....

Q. This is in reverse, isn't it?

A. Just one second. What we are going to try to do is anybody who has a legitimate business, we are going to try to give him service every day so if some man has business to transact he will be able to transact it the same day. That is our objective. We hope to have the machinery worked out so the transaction will take place within the same day. In other words, we will try not to hold him up at all.

Q. Would you advise him to sell if they have got those properties?

A. I am not in the business. The only thing I have got to sell is apples and they're all sold.

Q. Mr. Secretary, going back to Sandy's question, you said if anybody had property in Denmark or Norway and wanted to transfer it, isn't that rather in reverse?

A. No, there might be people over here. I am talking about property in the sense let us say, for example, I will try to make an example: Supposing there might be a Dane or Norwegian who owned shares in an American company in America, the ownership of which was in the hands of a Norwegian or Dane, and he wanted to transfer property in this country but the ownership being either Norwegian or Danish. Supposing a Norwegian or Dane owned ten shares of General Motors and he wanted to transfer that; that would come under this order.

Q. Living in this country?

A. Living in this country or over there. I mean a Dane might—I am sure there are Danes and Norwegians who own shares in General Motors or U. S. Steel— and if they want to transfer that.....

Q. That is, he would have to get a license before he could have the sale executed on the exchange.

A. For transfer, I think I am right.

Q. How about the case of a Danish national living here in New York having a bank account in Denmark?

A. The same thing applies.

Q. Could you arrange for a transfer of funds over there?

A. We can't freeze any funds there; we can only freeze funds in this country.

Q. That's what I want to get clear.

A. I am only Secretary of the Treasury of the United States.

Q. How about International money orders? Does the Post Office Department come in on this in connection with transfers through that channel?

A. You have raised a question I can't answer; I am glad you raised it.

Schwarz: They are in on it.

H.M.Jr.: Any transfer of Danish or Norwegian funds within the United States and I take it their territories are affected.

Q. So as to prevent that from getting over there and into the hands of German authorities who are in control?

A. (No answer)

Q. In other words, Mr. Secretary, your advice to the businessman about getting in touch with a bank applies to anybody who is affected by this order?

A. That is right.

Q. In other words, the embargo works both ways--you can't let anything go out or come in without a license?

A. I don't know about the coming in but it is a transaction of business by a Dane or Norwegian doing business in this country; we take care of the one end and that is this one.

Q. Mr. Secretary, supposing a Dane living in Denmark had some money on deposit in New York and he wanted to withdraw some of that, of course, he is the rightful owner; but supposing you had reason to believe he was withdrawing it under duress; would you, under those circumstances, grant a license for withdrawal?

A. That is a legal question--I am not a lawyer, Mr. Klein, and I can't answer it. Did you think that up all by yourself, Sandy? We will wait until one of those comes in and we will tell you the answer and we will give to very careful consideration.

Q. Mr. Secretary, could you say on what general proposition you will grant or deny licenses?

A. Rule of reason.

Q. This same day 'no delay' business confines itself merely to those transactions taking place in this country?

A. That is all I have.

Q. Could you give us any idea of the procedure that will be followed in the event any application for withdrawal of funds from this country back to Norway or Denmark takes place? What delay will there be?

A. There won't be any unnecessary delay unless we have a question or we have doubt as to the transaction.

Q. But it will be more than one day, will it not?

A. If the transaction looks like a legitimate transaction, every effort is going to be used not to embarrass anybody and we will try to clear each transaction the same day. If we need additional information it will depend on the principal--how long it takes them to give us the information we need but every effort is going to be made to accelerate the thing so it will go through in a normal way so no businessman will be handicapped unnecessarily.

Q. Actually, Mr. Secretary, there wouldn't be any actual removal of funds from this country in any event. Most of it will be transfers of funds from one account to another account in New York.

A. Well, it might be. There was a question yesterday about transfer of funds from here to a shipment being loaded in Canada.

Q. That was metal probably.

A. It happened to be grain. And the question was the man wanted to pay each day as they loaded and he wanted his payment yesterday. We cleared last night about fifteen or twenty transactions that occurred yesterday.

Q. After the orders had been signed?

A. No, before. They had been on a voluntary basis for two days and anything yesterday was practically the same. All transactions were referred to us for two days.

Q. Have there been any actual licenses since issuance of the order?

A. I don't know; I haven't heard of any and you know banks don't open until ten. There might be but I doubt it.

Q. Do you have a rough estimate of the amount of such balances in the United States?

A. Yes, but I question whether I would want to give them out.

Q. Mr. Secretary, any regulations or orders to customs collectors being prepared here regarding the application of some duties now applied to Germany to imports from Denmark?

A. I can't answer that question.

Q. Mr. Secretary, I didn't quite understand that money transaction about shipping the grain. A man was loading?

A. Sandy is good to you today.

Q. Every day.

A. I still say today; I will not be duressed.

Q. Just what was the money transaction on that shipping thing? The man was loading grain for Denmark or Norway?

A.- I don't know which country but there was a ship being loaded in Canada for one of those countries but the money was here in a New York bank.

Q. A Norwegian or Danish account?

A. Yes, but this man had the arrangement as the ship was loaded he wanted the money each day and he wanted payment of that money. We let it clear through the commercial bank so the grain agent or the shipping merchant got his money.

Q. The money was for the expense of loading?

A. No, it was for the grain.

Q. To get back to these mechanics, will every request for movement of funds back to Norway or Denmark come under your scrutiny or the scrutiny of Dan Bell or will that be exercised through the Federal Reserve banks in New York?

A. No, they will be referred here to the Treasury.

Q. Each individual one will flow here through the Treasury?

A. After a while we will be able to say this kind of transaction doesn't have to be referred to us--after a while, in order to speed up the thing we will be able to say don't refer this kind of a transaction to us but until we can find out more about the transactions and can work out a pattern today they will be referred and the boys are coming in this afternoon with the list and I am going to go over it with them myself.

Q. That would include the transactions in American securities?

A. Anything, up to today. They are coming in this afternoon and we are going over them and see what they are like and after we decide that kind of transaction is all right, don't refer that,—San Francisco or Chicago, you can clear that—the twelve banks, just clear those but those which are questionable or we need additional information, they will come here but I repeat, the idea is to give a man in legitimate business the minumum trouble.

Q. That Canadian business you brought up wasn't a case of money going out of the country?

A. Yes, it went to a Canadian.

Q. To a Canadian?

A. Yes.

Q. It wasn't an American?

A. No, a Canadian.

Q. How soon do you expect Mr. Bell to have those details all cleared up? I suppose the whole thing is pretty much at a stalemate right now.

A. No it isn't—there wasn't anybody who suffered the last few days. It was on a purely informal basis. We worked through Mr. Loree's committee for two days and there was no stagnation. Nobody has had any kicks or complaints. Until we can get these forms printed we will have to do it

by telephone or telegraph but the boys work quick, I would say a day or two.

Q. Mr. Secretary, have you received any notice from the customs collectors in regard to the problem of the official or free rate in sterling?

A. That is still under study but there still is not a definite import case pending; there is nothing waiting for decision.

Q. That first shipment since the 21st or 25th hasn't arrived yet?

A. If it has, I haven't been told about it.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 15, 1940:

H.M.Jr.: What are you going to do for me today?

Q. What are you going to do for us?

A. I have nothing to volunteer.

Q. Mr. Secretary, can you give us any idea of how many or what kind of requests for licensing transactions in Norwegian or Danish funds and what your action has been?

A. No, so far, I think I am correct, that all of the applications have had to do with transactions which took place prior to April 8th and I think they cleared the bulk of them. It is a good deal more work than we contemplated; we are going to have to get some extra help.

Q. Can you give us any idea of the size of these transactions?

A. You mean number?

Q. Any figures, roughly.

A. Well, as far as applications, they run in the hundreds but as to dollar value I can't tell you—I don't know.

Q. It would be into the millions anyway, would it not?

A. I don't know but there are literally hundreds of applications and they will be cleared, I think, very promptly.

Q. What do you mean by extra help, Mr. Secretary? Are you going to get some importers or exporters here?

A. No, no. We've got to set up a section to handle this thing. It is going to be big and we have got to get some people down here who are experts in this business. As a matter of fact, I've got some people here now, trying them out to see if they will do.

Q. Are they from the New York Federal Reserve Bank?

A. As a matter of fact, they are three people from the auditing section of the Clearing House of New York. They are laying off their auditors and we have three of these people down here to see whether they will or won't do. They are familiar with credits.

Q. Can you give us their names?

A. I don't know.

Q. Can you say now, Mr. Secretary, whether there will be a longer lag in some cases than that one day you spoke of last Thursday?

A. Well, there will be undoubtedly more than a one-day lag where we are considering turning them down, but I don't think we have yet gotten any transactions that have taken place after the 8th of April. The others, as far as I know, are being cleared.

Q. There will be a lag then only in the questionable cases?

A. That is right but this thing is much bigger than I had any conception of--it is a big job and we are doing it up to now, I think, to the satisfaction of everybody. I haven't had any complaints yet. It is much, much bigger than I thought it would be.

Q. Have you received any requests for licenses which you have turned down or are considering turning down?

A. I can't answer that, because I don't know.

Q. You say you haven't had any application for transfer of funds which related to transactions after April 8th?

A. Not as of this morning. I don't know about today. What I am talking about is as of this morning.

Q. You haven't had any complaints to the close of business Saturday night? You haven't turned any down?

A. I don't know that. As of this morning, everything was going all right.

Q. Mr. Secretary, what I had in mind was whether or not the Danes and Norwegians are taking this as something that will react very favorably to them as a protective measure.

A. Well, the Danes and Norwegians who have money over here are naturally delighted.

Q. Have they communicated with you?

A. Not directly, but I understand that--word has come to me that they are very much pleased. I don't want to go off the record?

Q. Does that go for the governments of those countries as well as those individuals?

I presume it goes for the governments. Mr. Secretary, I understand that the legations here have directed their nationals in this country to make inquiry of them before they even undertake any transfer.

A. That I don't know, but you can ask the Danish and Norwegian legations how they feel about it; they can speak for themselves.

Q. If there haven't been any kicks...you can take it they look at it as a protective measure.

A. I haven't received any kicks and I understand that everybody concerned on this side of the water is delighted.

Q. They ought to be.

A. Yes.

Q. Mr. Secretary, at the last press conference you said as this thing developed these applications would naturally divide themselves into certain classes and there would be some in which you would be able to tell the Federal Reserve banks that they could automatically go ahead; have you done that yet?

A. No, they are trying to do that; perfectly frankly, I have sent for Bell and he has come back. He is running the show. I saw him this morning and he said no troubles up to now. He tells me everything is running all right.

Q. Mr. Secretary, the question came up in my mind as to whether this step was taken at the behest of the Danish or Norwegian Governments or was it taken solely on the initiative of this government?

A. It was taken solely on my initiative; I mean initiative of the government, united action.

Q. On this matter of possible refusals can we not assume that the policy is not to refuse any licenses for transactions that took place before this thing was put into effect?

A. Well, the chances that the business which was transacted before April 8th—the chances are that they will clear.

Q. It is not a fixed policy?

A. No, but the chances are we will; the thing came up so unexpectedly the chances are those will be proper transactions.

Q. Mr. Secretary, in view of the statement that this step was unprecedented, the thought crossed my mind if the German Government proceeded to confiscate American investments in Norway and Denmark—I understand about $100,000,000—isn't it correct to assume we might take retaliatory measures by confiscating the dollar balance of the German nationals and German Government, which amount to more than $163,000,000 at the end of this year.

A. If you could change your question by using the word offset instead of confiscate, because we don't do that.

Q. Pardon me; I am not a diplomat.

A. Neither am I, thank God! But if American property was confiscated and there were government funds here certainly we are going to look after the interests of our own citizens first and do it in a perfectly legal manner and that also goes for Americans who have invested their money in Norwegian or Danish securities. We are also looking into that.

Q. What is the status of American investments in property in Czechoslovakia and Poland? No step was taken.

A. I know.

Q. Still the balances were here.

A. I know.

Q. What was that word you wanted me to use?

A. Offset.

Q. Were the American investments confiscated in those cases?

A. I don't know, but I don't think so. Certainly a great many Americans owned bonds of the Polish Government and I don't know what is going to happen to those. There was a considerable number

of Polish Government bonds owned in this country but, after all, this is something new in the world that is going on, having one government just walk in on another.

Q. Well, would the United States offset those bonds in the event they weren't honored?

A. Those are all things we are studying. The first step was to freeze these funds; we have done that. Having done that we can sit back and study this thing, but you can be sure that having frozen these funds we will take very good care of our own citizens and their investments. The first step—that's why we've got to move so quickly. We've got to learn. This is a different kind of a world and property rights are being treated in a different way. We have learned by what has happened to Austria, Czechoslovakia and Poland, and having learned what has happened we did feel that by freezing these balances then we could sit back and take an inventory of American investments in these countries and American investments in securities of those countries. From the standpoint of an American citizen who either owns Danish and Norwegian bonds or has investments and property over there we are in a position now

to look after his interests, which we weren't before.

Q. This whole broad picture involving Czechoslovakia, Poland and Austria, Denmark and Norway is being studied and has been under study for some time?

A. What we are trying to do is to learn by experience.

Q. The funds frozen by the order of the President, are those the funds you thought might be offset?

A. No, if it got down to a question, it would be Government funds which are frozen.

Q. German Government?

A. No, I am talking about Norwegian and Danish funds.

Q. Mr. Secretary, the reason I asked was the original question was what would you do about German funds in this country?

A. I misunderstood. Did you say that?

Q. I said the German Government had $163,000,000 invested here.

A. I am sorry. Say it again. I misunderstood it.

Q. I said in view of this step, freezing these Norwegian and Danish funds, the thought crossed my mind if the German Government confiscated American investments in the occupied Norwegian

and Danish territory, whether the American Government would take steps to confiscate German dollar balances in the United States to offset these losses.

A. I didn't understand your question. The answer to that is we have not yet crossed that bridge. You have raised a point which I can't answer because we haven't crossed the bridge. I am glad you clarified that. I thought he was talking about Norwegian and Danish—I didn't understand.

Q. With regard to the manner of offsetting, would you explain what you have in mind?

A. Just take your figure. For instance, supposing we had $10,000,000 of Norwegian funds belonging to the Norwegian Government and subsequently, just for an example, but supposing that the Norwegians lose and they become a part of the German Empire and we subsequently find that American citizens either own Norwegian bonds or have investments in Norway to the extent of $15,000,000 and they file this thing here. Then the question for us to decide is what becomes of that $10,000,000 of Norwegian money. We've got plenty of time to sit back and study it and get the advice of the Attorney General and our own General Counsel.

Q. Just to make that clear, the $10,000,000 is government money and $15,000,000 is money of American nationals in Norway.

A. In Norway--let us say an oil company or a machinery company has investments in Norway or you and I own a Norwegian bond--that kind of thing.

Q. In other words, you might put it this way: That the $10,000,000--those funds are hostages for the money invested in those countries in case those governments disappear entirely and are not restored to their own people.

A. I don't want to go that far. All I can say, for the time being, is I am trustee under the Executive Order of the President of those funds and pending what happens to Norway and pending American citizens registering their claims with us and pending what my General Counsel and pending what the Attorney General said is my legal authority, because we happen to obey the law in this country and live up to, we will take such action after very careful study. But in the meantime everything is--the lines are held because the money is locked up. Does that answer it? But I don't know what we will do.

Schwarz: Do you want that for background as a hypothetical case, pending developments?

H.M.Jr.: You mean the ten or fifteen million?

Schwarz: Yes.

H.M.Jr.: No, they are not going to write that.

Q. We don't want to use the ten or fifteen million either; we could use examples on our own.

A. Make it your own example. It is coming from me but use it in your own way. Say X country and X millions of dollars. Thank you, Chick. Chick is acting like a lawyer.

Q. Mr. Secretary, Poland is in an entirely different position. We still recognize the Polish Government as existing although they are in Paris.

A. Yes, but we haven't frozen their money; we haven't got it.

Q. As I understand it, you are talking about what will happen eventually.

A. I can only talk about for the time being. Under Executive Order of the President of the United States, all funds are locked up of Norway and Denmark.

Q. Mr. Secretary, one point. You said that you were trustee for funds, for example, of the

Norwegian Government in this country.

A. That is right.

Q. Would you go so far as to say that you are trustee of all funds?

A. Of Norwegian and Danish funds in the United States.

Q. To summarize this whole thing, Mr. Secretary, to make sure we've got your story.

A. Please do.

Q. Would it be fair to say that it is your belief that you are trustee of these funds and one of the reasons for it is to possibly have a way of reimbursing American nationals whose investments in these countries might be destroyed by coming events?

A. You sit down here and I'll stand up there. Get what he said? Now he was talking to me and would you men ask the AP the question; he was talking for me.

Q. I want to know if you are saying just what he said?

A. Absolutely. He and I are just like that.

Q. Just one point which, I think, in order to be clear about this ought to be cleared up, and that is whether or not, so far as the offsetting business is concerned, you were talking about

government funds solely and exclusively.

Schwarz: It is all in the future.

H.M.Jr.: Listen, do you mind if I explain?

Q. Sure.

A. I repeat and then I am going to stop. All funds, government and private, belonging to Norwegians and Danes in this country, for the time being, are locked up. I am the trustee by Executive Order of the President. We receive applications from people who want to use these funds. We study their applications. If we feel that it is a legitimate transaction we pass it. In the study stage, we are studying what legally we can do in case American citizens who have either direct investments in these countries or are the holders of securities of these countries—what we can do in case these two governments do not recognize the ownership of Americans who have investments in these countries. Now that is as far as I can go.

Q. That was better than his.

A. I doubt it. I can't go any further.

Q. Let's get this Czechoslovakia and Poland straight. Do you want that knocked out entirely?

A. I haven't done anything about it.

Q. Do you contemplate doing it?

A. I can't do it.

Q. There is nothing to do there at all?

A. No, it is water over the dam.

Q. Mr. Secretary, getting over to the other side of the picture, how about the action of the British in permitting the pound to slip as they have? Complaints are coming in now, as I understand, at least Ray Tucker says so, that our commerce is being placed at a disadvantage and somebody else said the pound was going to $2.00.

A. I am sorry Ray isn't here so he could expound on his own story, but I have no information to date and neither has any other agency of the government, because I have been in touch with all of them that have anything to do with this. As of tonight no importer or exporter is suffering at present due to the rate situation, but I hope in the not too distant future to have something to say to clear up that thing in a day or two.

Q. In that connection, Mr. Secretary, is the British Government still keeping you informed

under the terms of the tripartite agreement of their sterling rate moves?

A. They keep me informed as to whatever..... State your question again.

Q. Does the British Government keep you informed as to their intentions on the free rate of the pound?

A. The Chancellor of the Exchequer, Sir John Simon, made a statement on the floor of their Parliament in which he said that $4.02½ or $4.03 was the official rate and that would be the official rate at which the bulk of business would be done at. I can't paraphrase; it's available. That is what he said.

Q. As a matter of fact, paying off their securities as of the 19th of April at $4.02½. They are also doing things subject to the rate. What is the unofficial rate?

A. $3.54½. I can only refer you to the official statement Sir John Simon made and everything we have from the British Government is that they consider $4.02½ or $4.03½ the official rate.

Q. Mr. Secretary, he also stated publicly that they will not devalue, as a matter of policy.

A. That I am not familiar with.

Q. Another thing I wanted to ask about was the British subsidy. Since they have appointed a new trade board whose job is to expedite exports by any means possible, tying that up, as it may very well be, with this depreciated pound, isn't it conceivable you might very shortly be confronted with the problem of having to levy countervailing duties to make up for the subsidies?

A. I can only repeat what I said. We are watching this situation on a day-to-day basis. People in New York are going over every invoice that comes in. I have kept up to the minute and there is nothing as of today which would make me change my position and that is that they are ("not" implied) going contrary to the spirit of the tripartite agreement to gain competitive advantage through depreciation as of today. But we are watching it very, very closely and we are watching every single transaction.

Q. Of course, Mr. Secretary, after they get rid of all their securities—they will be in a swell position; until they do that though....

A. All I can say is as of today and we are watching it very closely and so are all the agencies of the government.

Q. Were you advised of the second mobilization of securities?

A. I was advised in advance.

Q. Do you know how much that would come to?

A. That will have to come from them.

Q. Mr. Secretary, you said there is nothing to change your view that they are going contrary to the spirit of the tripartite.

A. They are not going contrary. I am sorry. I am full of mistakes today. We are going over every invoice.

Q. Are you considering the possibility of cutting the gold price?

A. What! ! Does that answer you?

Q. Mr. Secretary, with regard to this high-pressure salesmanship on British exports to finance the war, there is of course a statute involved there and in the tripartite agreement.

A. What do you mean?

Q. If they subsidize their exports to get more money, which they are talking about doing...

A. We have certain....

Q. Statutory duties.

A. Right. But as of today...everything is all right.

Q. Did you see the Whirligig piece?

A. I don't read it. I only read the daily newspapers.

Q. Mr. Secretary, would you say whether what you will have to say in the next few days is a result of your talks with the British?

A. No, an interdepartmental committee.

Q. Was that the subject of your conference today with Mr. Hull and Mr. Welles?

A. Yes.

Q. Mr. Secretary, with profound apologies, it seems to me that the credits we have locked up do not belong to the people who are apt to confiscate American property.

A. I will say this again.

Q. Put it this way: We are holding securities belonging to Danes and Norwegians and their respective governments.

A. Yes.

Q. If American property is confiscated in either of those two countries, I think it is safe to

assume it will be confiscated by the German Government. Then, are we to offset the seizure of Danish properties by seizing Danish funds in this country? It seems to me we are socking them twice.

A. What I said was this and I will repeat it once more: That all Danish and Norwegian funds, for the time being, are frozen in this country and we are going to sit back and see what happens. I don't know what is going to happen. And in the meantime what we are doing, when I say we will see what happens, we will see that nothing happens to American citizens who have investments over there, to their disadvantage, if we can prevent it. I don't know if we can do it legally but we will not do anything illegal, but we will sit back and take care of our own people. I think we have got this thing pretty straight, haven't we, boys?

Q. Thank you, Mr. Secretary. One other thing.

A. I can't add anything to it; I have been as intelligent as I can be with my limited capacity.

Q. Can you tell us how much the government has here?

A. No, you fellows have squeezed me dry, up to the point I can give it to you.

Q. Mr. Secretary, I will change the subject if I may. Can you tell us how much of recent gold imports from Canada were of Scandinavian origin?

A. I don't know, and if I did I couldn't tell you.

Q. Do you know whether a considerable amount?

A. I really don't know.

Q. Can we get on aviation for a second? There has been a story recently to the effect you had planned to have the British Allied Purchasing Mission, in effect, finance the development of new war planes in this country in return for the present financing offered them.

A. Not today.

Q. I think, Mr. Secretary, the story was that that was the War Department's attitude and that you had supported the War Department in that stand. Is that all right for today?

A. I will say this, that the government worked out a formula whereby these releases would be made to foreigners wanting to purchase planes and I presented that formula to the Allied Purchasing Mission and they accepted it in toto.

Q. With or without reservation or complaints?

A. Without complaints and without reservations, without a murmur. They asked me what was the government's policy—I told them, and they said thank you.

Q. Can you help us? Can you tell us what their division was on allocations of the development costs of planes this country is to get to replace—is there any division?

A. No.

Q. Was it on a take-it-or-leave-it basis?

A. It was not. They asked me courteously to explain to them what the government's policy was; I explained it to them as courteously as I knew how and they said thank you and accepted it.

Q. This question was a question on whether or not these countries to whom you release planes should bear a share of the development costs.

A. These gentlemen asked me what was the government's policy as to how they can purchase airplanes from certain manufacturers and I explained what that policy was.

Q. Can you explain it to us?

A. No.

Q. That was the plan under which they share the cost of shifting over to new motors.

A. I think that explanation as to details better come from the Army.

Q. However, the formula includes that phase of the delivery?

A. The government's explanation of it--I gave it to them. They asked me to give it to them and as soon as I was through talking they said thank you, shook hands, and left the room. As to details of that, you should either get them from the Secretary of War or the Assistant Secretary of War or whose ever job it is to explain it.

Q. Thank you, Mr. Secretary.

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REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 19, 1940:

H. M. Jr.: I understand you fellows wanted to see me; here I am.

Q. Hello!

Mr. Secretary, you said some time ago that you were going to let us know everything you knew about the airplane negotiations. I wonder if you can add anything to what Mr. Purvis said yesterday.

A. Did I say that?

Q. Yes, you did, Mr. Secretary.

A. I would let you know everything?

Q. Well, you said you would be of all the help you could to us.

A. That is different. Well, I read in the paper what he told you people yesterday and that seemed to be the correct story. He seemed to give you everything up to the last minute.

Q. No, he didn't, sir.

A. Didn't he? What did he tell you?

Q. All he told us was that very large quantities of planes had been sold or contracted for. He didn't give us the numbers or value.

Nothing wrong with the numbers?

A. What I said — I am very sure of it — it was up to the buyers to announce the details and I still think it is up to the allies to say what they buy.

Q. On the domestic side, do you know whether the final arrangements have been completed between the contracting companies and the subcontractors to which they will let considerable portions?

A. I don't know anything about that; I wouldn't know anything about that.

Q. Mr. Secretary, can we go to the icebox for a while? How are you coming along with the Norwegian and Danish licensing?

A. I think very well, considering the size of the task. They had over 1200 applications and they cleared over 1132 — leaves 74.

Q. How about denied?

A. Two.

Q. Who were they from? On what basis, Mr. Secretary?

A. I don't know.

Schwarz: It is at the bottom of that memo.

H. M. Jr.: I still say I don't know. Go ahead you explain it.

Schwarz: I don't know.

Q. It must be a game, isn't it?

A. As long as Chick kind of put me on the spot (laughs) it doesn't say much. It says the two which were disallowed wanted blanket authority to pay specific amounts twice a month indefinitely. 'These requests were not granted because conditions may change. It is recommended that they file applications for each time they wish to transfer such funds in the future.'

Q. Did it say both were for blanket authority?

A. Yes, both.

Q. In other words, the two that were denied were denied because it was too general.

A. Well, they wanted to do it twice a month indefinitely.

Q. They wanted to do it without having to come in and apply for the licenses?

A. That's right, but I really think that considering this is new business for us and the size of the thing, I think the Treasury did quite a remarkable job on it.

Q. Mr. Secretary, these figures cover roughly how many days?

A. Well, it starts with 40 on April 11 -- the biggest day we had was 392.

Q. When was that?

A. April 17.

Q. These all refer to transactions placed prior to April 8?

A. Let me read it. There is no reason why you can't have it. Who is president of the association? (Hands memo to John Crider)

Q. These applications all refer to transactions made prior to April 8th?

A. I am not sure. I think they are beginning to get into some after April 8th.

Q. Have any of those been granted, sir?

A. I don't know.

Q. What is the last day on it?

As of the close of business on April 18.

A. Bell, I just want to say, has handled it for me. Altogether they have done quite a remarkable job.

Q. Would it be possible to get a breakdown of these figures indicating which applications were made after the 12th?

A. No, these were all they were willing to give you today and I am surprised there is that much.

Q. Could you say, Mr. Secretary, how much money they involved?

A. I don't know. You've got everything I've got.

Q. How is your inventory of assets coming along?

A. I haven't been told.

Q. Is it over yet? Have you completed the inventory?

A. Oh, I doubt that.

Q. Could we get any estimate of the dollar-value of these 1200 applications?

A. No, I haven't got it; you've got everything I've got.

Q. Mr. Secretary, if an American firm with a representative in Denmark wanted to send him $500 to come home on, does that company have to apply for permission to send dollars to Denmark?

A. If the dollars are here, yes; sure.

Q. They are not Danish funds.

A. That doesn't make any difference, if the dollars are in the United States.

Q. You would have to get a license to transfer dollars?

A. Every single transaction has to go through here.

Q. Mr. Secretary, you said the other day that as a result of some of your first studies of these, you might find there were certain classes.

A. I think it is either 17 or 18 classifications they put these things in. They run through these and classify them and pass on them in bunches -- that is what they do.

Q. You said there were certain classifications they might exempt.

A. I don't think they have done that, but it is either 17 or 18 classifications.

Q. They haven't reached that point yet?

A. No, but they put them into one of these 17 or 18 and pass on them in a group.

Q. Is it possible to get an idea on which of these classes will not be passed on definitely?

A. I don't know; I asked what I could tell you this morning.

Schwarz: It is a little early.

H. M. Jr.: Yes.

Q. Mr. Secretary, how about the expenses of running the legations of Norway and Denmark here? Do they have to get licenses for that and do these include some such licenses?

A. That I don't know, but they would have to just the same as anybody else.

Q. Is there any reason you wouldn't grant such a request?

A. No.

Q. Mr. Secretary, Mr. Chen was in here; could you tell us the nature of his visit?

A. Mr. Chen, after being here for twenty months in charge of purchasing for the Chinese Government, is returning home and he came in to say goodbye and thank you.

Q. For what? $45,000,000?

A. For $45,000,000.

Q. Mr. Secretary, can you tell us anything about the negotiations that are supposed to be under way now or discussions between the Allied Purchasing Mission and War Department on the super-bomber?

A. Haven't all those releases come from the Army when they get together?

Q. I guess that is correct.

A. As they clear them, I think all of those things — they give you pretty good service over there.

Q. What happens is, sir, one paper gets wind of it and then they have to admit it to all the others.

A. Is that what happens?

Q. Are you seeing Mr. Purvis today?

A. No, he went back to New York.

Q. Are you going to be a delegate to the convention, Mr. Secretary?

A. No.

Q. You will be there, won't you?

A. My family tells me so. They all say they are going to go — they are just taking me along.

Q. Sir, would you say that a ship of the type of the super-bomber, which is generally considered as specifically adapted to American usage, might fall under somewhat different considerations considering its release as a general-purpose ship?

A. That is up to the Army and Navy; they meet and decide what they do or don't want to, and it is entirely a matter up to them. Until they make up their minds I don't know and I don't even attempt to influence them. It is entirely up to the Army and Navy officials. They have an Aeronautical Board legally charged with that responsibility and after they have decided I am advised. Until that goes on and who the club members are or what they might do, I don't know.

Q. Mr. Secretary, if you were a delegate to Chicago, who would you vote for?

A. Well, isn't that a privilege that every citizen has — when the time arrives you go to the booth and pull the curtain?

Q. Not at a convention; you yell as loud as you can.

A. Well, I think that question would come under a 'triple-iffey' question. If I went to Chicago, and if I were a delegate, and if certain people were candidates who would I vote for.

Q. Do you prefer home-county talent?

A. Well, we Dutchess County boys all stick together.

Q. Mr. Secretary, do you still stand on the President's budget message on taxes? (Laughter)

A. Well, I still indorse everything the President said about it.

Q. I see you Dutchess County boys do stick together. You mean as amended?

A. Everything the President said up to the time he got on the train on revenue and taxes why we are together. We Dutchess County boys are still together. That includes this fellow. (Klein)

Q. Sure, Sandy is one of the apple growers. We mustn't forget — we also have Hamilton Fish in our county. (Klein)

A. No, he just represents us.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE APRIL 22, 1940:

Q. Any news?

H.M.Jr. Not a thing.

Q. Mr. Secretary, the Federal Advisory Council is an old subject, of course, to you and it implies that there is inflation in the government bond market because of the easy-money policy—of course, that applies to all high-grade bonds.

A. Well, I lived here in Washington for seven years and heard that inflation was always just around the corner—I haven't seen it yet.

Q. Mr. Secretary, did you see the President's letter on how he would recover $700,000,000 of assets of government corporations?

A. I haven't seen it.

Q. Well, one proposition is to take $200,000,000 of the capital of Federal Land Banks—I was wondering how they could do that since that capital is only $100,000,000.

A. That matter is being handled entirely by the Budget Bureau.

Q. Did you advise against it?

A. That $700,000,000 being in the President's budget—we need $700,000,000—I don't care how they get it, but after the 1st of July I've got to get

$700,000,000 somewhere and we are counting on it.

Q. Mr. Secretary, in that report also it was pointed out, and Mr. Draper made a similar assertion today, that there is no means of coping with the excess reserves which have risen to a new high level.

A. Who are you quoting?

Q. Mr. Ernest Draper (Federal Reserve) and he apparently was again reiterating the claim of the Board that they must have additional powers to cope with this question of excess reserves on the fear of inflation.

A. Well, I think that is one of these questions that can be very well studied by this committee which Senator Wagner is in the process of calling, and so forth and so on.

Q. Mr. Secretary, did you confer with the Democratic leaders today on the proposed legislation to back up the Presidential Proclamation?

A. No, I think they are going to see us tomorrow. I understand they have all been out of town.

Q. Who would it be? Barkley and Rayburn?

A. Well, it would be up to Senator Barkley to talk to Mr. Rayburn, because the Speaker was out of town. If he is back I suppose it would be the Speaker and Mr. Rayburn.

Q. Mr. Secretary, do you share the views of some members of the Federal Reserve that there is a potential danger of inflation?

A. You and I would have to have a couple of days to go into that.

Q. It was a simple question.

A. A simple question but not a simple answer.

Q. You have no qualms about easy money?

A. I can't go into it like that. It is too important a subject.

Q. Isn't it a fact that if there came a hardening of money rates there would be a decline in the government bond market to fall in line with new yields and don't you consider that a danger at this time in view of the fact of that $700,000,000?

A. I don't know how long it took this advisory board to make up their mind but I suppose it was a long study but I just couldn't give it offhand—it's too important.

Q. Do you feel that the problem should be studied by the Federal Reserve Board?

A. I take it that they are studying it continuously, just like we are. I am sure they are.

Q. They said that in the report; they said they wouldn't make a report of it because they are studying it continuously.

A. Well, I would say ditto.

Q. This is an old question, Mr. Secretary—did you ever answer that letter on gold? I think that Senator Thomas sent it over.

A. Did I? Chick says no. Chick always tells the truth.

Q. That is a long time that he sent that letter over here.

A. You boys must be hard-up today. Aren't there any good stories around town?

Q. I believe you had among your callers today Mr. Louis Johnson.

A. That's right.

Q. That immediately brings up the subject of airplanes.

A. That's right.

Q. Can you tell us anything about it ?

A. No, no, I'm sorry.

Q. Mr. Secretary, can you say anything about the progress in licensing transactions in Danish and Norwegian funds?

A. I saw Mr. Bell a little while ago and he said everything was going along very fine.

Q. Have any licenses been granted for the export of funds from this country?

A. If he has he hasn't advised me.

Q. I think we got one to pay one of our correspondents.

A. Did you? Can we quote that? Is that on the record?

Q. All I know is the AP told me.

A. Good! There's a story!

Q. You don't know of any others, Mr. Secretary?

A. Well, Bell didn't tell me of any.

Q. Mr. Secretary, I suppose, rather can we assume, that this policy adopted with regard to Norway and Denmark might be extended if the situation came to other countries, such as Jugoslavia and Sweden.

A. You don't expect me to answer that question.

Q. I thought this might be a general policy.

A. You don't expect me to answer it.

Q. I thought I did.

A. I'm not going to.

Q. Is there a study being made with regard to any country being mentioned in connection with aggression threats?

A. My heavens!--the boys would be so busy they wouldn't eat.

Q. Has the State Department yet advised you that Denmark has a de facto government, or not?

A. No. De facto, or any other kind.

Q. Nothing on the tariff end of it then?

A. No, I wish I had something nice and juicy.

Q. How about financing? You said the last time March 15—here it is April 22.

A. Not a thing.

Q. Mr. Secretary, now that you have taken care of the free sterling situation, are you studying the problem of possible subsidies of British exports to this country, the possibility of having to levy countervailing duties?

A. We watch all imports of all countries.

Q. This would require looking at it at the other end.

A. The boys in Customs, everybody is watching it all the time, no one particular country, all countries, all merchandise.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 25, 1940:

H. M. Jr.: Good morning, gentlemen.

Q. With regard to that Wagner questionnaire, can you tell me, sir, whether the Treasury research department aided him in compiling those questions at all?

A. You had better ask Senator Wagner that question.

Q. I can't seem to reach him; he is always busy in committee. I see you twice a week.

A. I think you had better ask him his sources, if you don't mind.

Q. A source on Capitol Hill revealed that you answered that letter on gold.

A. Have I?

Schwarz: Yes.

H. M. Jr.: What did I say?

Schwarz: You recommended that Senator Wagner's committee might be interested in the subject.

H. M. Jr.: I didn't know.

Q. Can we get a copy of that here?

A. How about it, Chick?

Schwarz: If they get us permission from the committee to help them out.

H. M. Jr.: Help them out. He's been after this thing for months now.

Q. Was the letter to the committee or Senator Thomas?

A. I read in the paper today something about Senator Thomas and gold coins; is that what you are referring to?

Q. That is what I wrote.

A. Well, get together. (Laughter) Is that what I said? I don't know — you've got me! I am kind of busy and as long as there are twelve initials on it I always sign. They always say only the first fellow who puts his initials on it reads it, but when there are twelve initials I sign — I am busy. But fix them up and you might let me read it, too. Got any other good ones on me?

Q. Mr. Secretary, have you licensed any substantial amounts of capital exports to Norway or Denmark?

A. No. We were awful busy on the Hill yesterday; you will have to find out or let them see Danny Bell.

Schwarz: I will arrange.

Q. Will you get that legislation through in a day or two?

A. I don't know what the machinery is, but we have got the unanimous approval of both the House and Senate and they seem to think it will be introduced the first time it is possible. It is the most gratifying experience I have had since I have been here — the reception I got from both committees.

Q. Mr. Secretary, anything on airplane purchases?

A. No.

Q. Gotten pretty dull, have they?

A. Now all they have to do is to manufacture them.

Q. And all the orders are in?

A. I think they have had all the releases, as far as I know — I think they have had all the releases they have asked for from the Army and Navy.

Q. How many is that?

A. Gosh, I don't know!

Q. Wasn't it four different types — or seven?

A. I don't know. There is one more that the Army hasn't told you about that they ought to tell you about.

Q. Why don't you tell us?

A. No. I have been very careful.

Q. Can you give us a little background?

A. You can call up Mr. Johnson's office and ask when they can release that last one. (To Chick)

Q. Is that an order or a release?

A. Release.

Q. Have they authorized a release — is that it?

A. I think somebody over at the War Department announces as each of these models is released. They did release one several days ago but for some reason or other they didn't tell you fellows.

Q. Is it a big bomber?

A. Let it come out from there. I have been very careful about it. I would like to keep up that record.

Q. How about these contracts for newly released models?

A. They are going ahead very fast.

Q. They haven't been signed yet.

A. Doesn't the Allied Purchasing Mission give you that?

Q. Whenever we can catch them in your outer office. They said some of them had been signed.

A. Well, if you come around here about half past eleven you might catch somebody.

Q. Mr. Secretary, have you spoken with any one or looked at that question of recovering some $700,000,000?

A. No, just that the President wrote a letter on the thing or at least the President or the Director of the Budget. I don't know who signed it.

Q. The President.

A. Saying where it was and I take it it is there and available after the 1st of July — I hope it is there.

Q. Well, there seems to be a lot of question as to just what is there and what isn't.

A. I take it he has put it in the lap of Congress and off the record ....

(Here the Secretary went off the record)

Q. Mr. Secretary, is there any legislation on baby bonds going up this year?

A. No, I don't look for any; we have nothing in mind.

Q. Thank you, Mr. Secretary.

OFF THE RECORD PORTION OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE OF APRIL 25, 1940:

H. M. Jr.: Off the record, what I do is Danny Bell and myself, we put the heat on the Director of the Budget to make it perfectly sure that we are going to get it and we leave no doubt in his mind that we need it. I put the heat on him and it is up to him to make good. He takes it as his responsibility to produce $700,000,000.

Q. He didn't ask your opinion, did he, Mr. Secretary, as to the plan by which they propose to recapture this $700,000,000?

A. They tell me it is $700,000,000. Now in our plan for financing and the rest of it we are counting on $700,000,000. How they have divided it up between each department, those hearings were conducted by the Director of the Budget and it is his program, but I am not interested in which department gives it. I am interested in the total sum. I am talking off the record. And I look to him to produce $700,000,000, or else.

Q. Or else what?

A. Well, legally, he is charged with the responsibility of advising Congress whether we are or are not within the debt limit — that is also his responsibility. It is up to him to advise the President

and Congress whether the appropriations and expenditures are within the debt limit. Now, if he can't produce $700,000,000, he's got to write a letter to Congress and say it ain't there — this is all off the record. So I just look to the Director of the Budget and remind him about twice a week.

Q. So did Senator Byrd.

In the case of the Federal Land Banks they maintain they haven't got $200,000,000 there to take out and in the case of the FCA they feel if you took $300,000,000 out of there, it would greatly impede their program, and, as they put it, their ability to take losses.

A. Again off the record, before they moved the budget physically and actually and every other way out of the Treasury I felt and took responsibility; now I am advised I have no responsibility so I am just another department.

Q. Are you relieved, Mr. Secretary?

A. Well, it is one less worry.

Q. You seem very happy today.

H.M.Jr.: Why not? I just got a bill through the Senate.

Q. Did it go through?

A. Absolutely--just like that.

Q. What bill is that?

A. That's the one people like the Wall Street Journal worried about this morning.

Q. That Wall St. Journal article implies there is more to that bill than meets the eye.

A. I haven't got the three things, but you know how that is, don't you? You know that game?

Q. Seriously, Mr. Secretary, although that bill is obviously designed on this Norwegian-Danish thing, wasn't it also drafted with an eye to handling emergencies that might arise in the future as to the liquidation of American securities?

A. For background, the bill was designed because a New York law firm advised a New York banker that we did not have the authority and rather than wait, the way some of these other departments and agencies have done, until they dragged it through the courts, I, on my own responsibility, asked to be heard by the banking committees of the Senate and House, which I did, and Mr. Bell and Mr. Foley and I went up there and answered every question we were asked, and to me it

was one of the most encouraging experiences I have had in a long time because everybody was satisfied and gave us unanimous support without a dissenting vote. It has gone through the Senate--I hope it goes through the House and I would be tickled to death, if anybody has any doubts, if he will go up and explain them to the elected representatives of the people.

Q. Can you explain to us what you did, Mr. Secretary?

A. Very simply. This law firm in New York claimed that the executive power of the President did not cover stocks and bonds. The United States Treasury and the Department of Justice advised us that it did so we went ahead and got out that second order and, having gotten that out, so as I say, not to be dragged through the courts and give the lawyers a chance to get some fat fees (that is off the record) we would let the Congress tell us whether they approved it or not. Both committees unanimously approved what we did. The Senate has just passed it.

Q. Chairman Steagall got the impression that this thing is not so much that the present position is serious at all, but some time in the future....

A. I don't know what he had in mind; I only know what I had in mind. I had nothing in mind, but inasmuch

as the question was raised as to our authority I didn't want to wait in these times or to have the possibility of having some bank say we won't do anything on stocks and bonds and let the courts decide. If you exclude stocks and bonds you might just as well not do this thing.

Q. This order only makes the order applicable to stocks and bonds?

A. It includes everything else we have done, plus stocks and bonds.

Q. Mr. Secretary, Senator Danaher said he saw danger in extending the powers of the President.

A. Senator Danaher was there at the committee and didn't say boo then. He went home and somebody most likely whispered in his ear or he saw something under the bed and he suddenly decided there was a joker but when he was there he didn't see any joker but he goes home and something mysteriously happens and he gets all worried. He didn't get worried at the committee hearing.

Q. Can I quote you on that?

A. No, thanks. I wrote the letter--then I tore it up.

Q. Anyway you are delighted?

A. Surely, absolutely.

Q. You said that last Thursday.

A. Yes. Yes, I think it is very interesting. I am very much pleased. It is a terrific responsibility.

taking over these moneys, and we have tried to handle it very fairly. There hasn't been a single complaint from any bank or importer or exporter that I know of and the Federal Reserve in New York, they have got a force of sixty people working on this thing; we've got a big force downstairs and we clear the thing and it goes along--it is very important.

Q. Mr. Secretary, aside from the Danish-Norwegian situation, and the necessity for this legislation, is it possible that this new legislation together with the legislation already in force, provides a method of controlling the dumping of American securities by foreigners if such a situation should arise?

A. It has nothing to do with it, absolutely nothing.

Q. But those powers exist, do they not?

A. They exist already, but this thing only was asked for exactly what I am telling you gentlemen. We have nothing else in mind and there is nothing else in the bill other than to make this thing include stocks and bonds and if this New York law firm--I don't want to mention them because I don't want to give them publicity--hadn't mentioned it, we never would have gone to the House.

Q. If it passes the House and is signed by the President, the Treasury will then have authority to freeze American securities here owned by any government.

A. It won't do a thing. He issued an executive order, Ruling No. 2, which has already done it. We don't do a thing.

Q. I mean in the case of other countries, he would have that power.

A. It is just if another should be invaded he simply adds the name of the country.

Q. In other words, he already has the power.

A. We claimed we had the power--the Department of Justice said we had it--this New York law firm said we didn't.

Q. And that applies only to stocks and bonds?

A. That's right.

Q. And if it happens in another country?

A. It would be just the same and you add X-country.

Q. Couldn't you issue such an order that if X-country began selling securities at such a pace that it affected the New York stock market....

A. No, unless you want to apply exchange control to the whole country. You wouldn't just single out stocks and bonds. You people know how I feel about exchange control.

Q. All funds?

A. Because they started dumping stocks and bonds we would slip exchange control on that country? Everything that I have done here is to keep the New York Stock Exchange open, all exchanges open--everything

that I have done is to keep business as usual, and I said that since last April or May, since we first started to discuss this thing and I think my saying that I was in favor of keeping all exchanges open had something to do with keeping people from wanting to dump their stocks here because they felt we would do everything possible to keep the United States a free and open market to sell and exchange goods, and I am saying it and am very glad to reiterate it, that we are continuing to do that. It takes away the fear of somebody who has stocks that he should suddenly dump them and try to get under the wire. If another country is invaded we will do the same thing but not because X-country tries to sell our stocks and bonds. We can take it; we can absorb it.

Q. You say this is not a power to be used singly?

A. That I don't know but we haven't got it in mind--quite the contrary. Everything will be done to keep the United States open to do business in without any restrictions other than the restrictions already there, and no one should get afraid and get a little smart and duck under the wire because I am going to slap on something. This is simply part and parcel of taking these moneys and keeping them for their rightful owners. Have you got that all right?

Q. Sure.

A. Wall Street Journal got it?

Q. That wasn't my story, Mr. Secretary, and I wasn't indicating anything was pending.

A. That's right--gave me a chance to make a speech.

Q. But has the President the power to issue an Executive order?

A. Just as to stocks and bonds? I don't know; maybe he has. Nobody has thought about it. Can he do it for peanuts? I don't know, because nobody's mind around the shop is working that way.

Q. Mr. Secretary, is the invasion of a country the only reason now contemplated by you at present for invoking these powers?

A. As far as the Treasury is concerned.

Q. In other words, this legislation, like the legislation before it, you contemplate using only in case of an invasion?

A. Look! I am not going to answer that question. I have nothing in mind. Neither am I--but I will tell you why I am not going to answer it--because they think up new ways every day and where they used to sneer at me for saying I keep the Treasury on a 24-hour basis seven years ago, it is the soundest thing I ever did. I don't ever tie my hands from one day to the next because I don't know what is going to

happen--to say I will never use it, I don't know. What we are trying to do today is to protect our own interests first and those of our nationals. What somebody will do tomorrow--we are here and trying to keep up with this terrible procession going on all over the world and trying to take care of our own interests first, last and foremost, so I won't say what I will do tomorrow.

Q. I understand that, but here is what I was driving at: You said it was invoked in the case of Norway and Denmark, in the case of invasion. Then there was a question whether such powers might be used for some purpose like dumping and you said you weren't contemplating anything like that. I wondered if there was any way you could explain what is the motive for invoking these powers.

A. No, I can't help you out. After all, we only moved after the aggressors moved so we've got to wait.

Q. Because it involved aggression?

A. So far it does.

Q. The Trading With the Enemy Act of 1904 was used in 1913 to close the banks.

A. May I interrupt? It was in 1917.

Q. In 1917, a purpose which was never designed primarily...

A. That is the argument they used on the Hill and they have just voted that down because I told them what I had in mind and they believed me and that is the

angle Senator Danaher and the rest of them used and I explained it wasn't true, wasn't so, and they believed me and that is the basis on which it passed the Senate.

Q. That wasn't brought up.

A. Yes it was--a lot of other things were brought up. I told them I only made it to save being dragged through the courts on stocks and bonds.

Q. And that is the only purpose for which you asked this legislation?

A. Yes. Okay? The Senators are easy compared to you fellows.

Q. We know something. (Laughter)

A. Says you! All right--where do we go from here?

Q. Anything new on the pound?

A. Not that I know of.

Q. No complaints about your action?

A. No. Surprisingly quiet. Everybody seems perfectly satisfied, including the British.

Q. Any news on financing, Mr. Secretary?

A. No.

Q. Can you tell us now, Mr. Secretary, what general types of transactions under that freezing order are going to be refused?

A. Listen, go out and see my lawyer, will you? This is a nice afternoon and I want to go out for a ride, seriously.

Q. We tried to see what kind of a law you would amend.

A. Take them around to see my lawyer.

Q. What firm is he with?

A. Treasury, Treasury, Morgenthau.

Q. Is that tweed assessed on the official rate? (Tweed samples on Secretary's desk)

A. (Secretary laughs) That was put there hoping somebody would ask and that fellow tried it. I put it there and I was terribly disappointed nobody had asked. That (sample) is for my son and that is for me.

Mr. Schwarz: Three o'clock press conference next week, daylight savings.

Q. Thank you, Mr. Secretary.