PRESS CONFERENCES

BOOK 15:

MAY 2 - OCT. 10, 1940
Airplane Engines

Foreign orders for airplane engines have tripled, and should quadruple, US capacity; 5/2/40........ Book 15: 6

a) From 7,000 engines per year in January, 1939, now producing 21,000 and should go to 29,000 - 5/2/40................. 6

b) Planes are not as difficult to get as engines - 5/2/40...................... 6

Dr. George Jackson Mead (Vice-Chairman, National Advisory Committee for Aeronautics) employed as Assistant to Secretary at $10,000 year, and Prof. Edward Story Taylor (authority on combustion engineering at M.I.T.) to help on airplane and airplane engine problems - 5/2/40.............. 47-48

a) First problem is that of design; second is production - 5/23/40.................. 49

b) Too many different kinds of engines; must eliminate some and standardize designs to achieve efficient production - 5/23/40........... 49-63

c) In process of getting licenses for certain manufacturers, which will be made to government, so manufacturers can begin production when designs are selected - 5/23/40........... 51-52

d) Army, Navy, National Advisory Committee for Aeronautics, Civil Aeronautic Association, Treasury, and private industry all cooperating on problem - 5/23/40............. 51-55

e) Contracts will be fairly distributed among all manufacturers - 5/23/40.................. 53-54

f) 3 specialists also obtained from California School of Technology - 5/23/40.................. 55-57

Majr heading largest phase of defense program - planes - 5/23/40......................... 57

S.E.E. Machine Tools - 5/23/40......................... 57

Manufacturers will be asked to concentrate on production of one or two models in certain horsepower classification; sizes will be distributed among plants to speed production - 5/23/40................. 61-63


S.E.E. Machine Tools - 6/3/40......................... 84-100

Majr asked President to relieve him of work in connection with coordinating activities of plane, engine, and machine tool industries; President will make official announcement and William S. Knudsen (President, General Motors) will take over work - 6/3/40......................... 85-100
Airplane Engines (Continued)

Edsel Ford invited by E&J to discuss mass production of airplane engine - 6/3/40......................... Book 15: 91-95

a) Ford glad to cooperate if suitable engine is found and orders placed - 6/3/40.............. 92-95

b) E&J also discussed matter with General Motors, Packard, Chrysler and Studebaker; all interested in making engines - 6/3/40... 92-94

c) All have their engineering staffs studying problem - 6/3/40........................................ 94

d) Production of engines will be standardized to meet US needs; if any foreign country wants to buy same models they can do so, after our needs are fulfilled - 6/3/40............. 94-95

e) Manufacture of airplane engines will not affect production of automobiles; retooling for 1941 models will be completed in 2 or 3 weeks - 6/3/40.......................... 95-96

f) Allied Purchasing Mission has been sitting in on standardization proceedings - 6/3/40...

1. January 6 mission completed for $1 billion engine orders.

g) 100% cooperation given by all manufacturers - 6/3/40.................................................. 98

h) Rolls Royce patents turned over to E&J; no discussion of money value yet - 6/3/40...... 99-100

Knudsen takes over staff working on standardization of airplane engines - 6/6/40...................... 101-02 & 114

a) Dr. Need no longer Assistant to Secretary; will be paid by White House - 6/6/40............. 114

British government gives US patents on Rolls Royce engine; licensing will be between 2 nations; left to E&J to decide on amount - 6/13/40.......................... 139-144

a) E&J wants to avoid repetition of trouble experienced in 1917 when patents were negotiated by companies - 6/13/40............. 140

b) Licensing will be on lump-sum basis between governments; manufacturers won't have to pay any license - 6/13/40.......................... 141

c) Ford Motor Company developing production of Rolls Royce engines - 6/13/40.................... 142

E&J getting some Hispano-Suiza engines from France to test, so as to have more than one (Allison) liquid-cooled engine - 6/20/40.......................... 160-62
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Chrysler Motors declined to make Rolls Royce engines on basis they were not suitable for mass production - 6/20/40........................................ Book 15: 164-65
Order for Rolls Royce engines given Ford Motor Company canceled because they refused to supply British needs - 6/27/40........................................ n 188-95

a) M \\&r feels that patent being British possession US cannot make engines for its own use and refuse to supply British needs - 6/27/40........................................ n 189-91
b) No contractual obligation involved, only a matter of fairness - 6/27/40........................................ n 192
c) Purchasing Mission placed order for Allison liquid-cooled engines; US orders filled first; Allied orders will be filled at time delivery was specified - 6/27/40........................................ n 193-95

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- Machine Tools - 6/3/40 - 84-100
- Airplane Engines - 6/3/40 - 85-100

Banking Legislation

- HAWR opposed to two phases of Glass Banking Bill:
  1. Extending time on real estate loans by National Banks from 10 to 15 years; and
  2. Permitting RFC to subscribe to preferred bank stock without prior approval of President through Treasury channels - 5/9/40 - 10-17

- Examination and licensing of National Banks lodged with Comptroller of Currency; Treasury should retain supervision of purchases - 5/9/40 - 10-12

- Chairman Jones, RFC, gave HAWR draft of bill, but before comment could be prepared opposing banking phases, bill was introduced - 5/9/40 - 12-16

- Bill should have cleared through Bureau of Budget but did not; that was why Treasury was asked to prepare comment - 5/9/40 - 12-13

- That portion of Glass Bill relating to obtaining $300 million from lending agencies, to reduce debt limit, favored by HAWR - 5/9/40 - 12-17

Belgium

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School of International Law
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Export-Import Bank
SEE Johnson Act - 5/13/40

Federal Reserve Banks
SEE Plant Expansion - 5/20/40

- E -

- F -
Financing, Government

$353 million June maturities will be paid off in cash or refunded for like amount; no new money will be asked - 6/6/40

- a) If paid off, HW Jr may borrow money through bills - 6/6/40

3½-year note, with 1% coupon, maturing September 15, 1943, offered holders of June 15 maturities - 6/10/40

$20 million residue of 1½ June 1935 note will be paid in cash - 6/10/40

SSE Italy - 6/10/40

$500-$700 million new money in bonds will be asked to keep working balance above $1 billion - 7/8/40

- a) First time money borrowed outside of regular quarterly financing date in 5 or 6 years - 7/8/40

- b) No raise in debt limit contemplated for rest of calendar year - 7/8/40

$1.7 billion bonds applied for, of which $37 million are individual subscriptions, issue 11 times oversubscribed - 7/15/40

- a) HW Jr pleased; only $21 million individual subscriptions in December, 1939 - 7/15/40

- b) Next financing will be about $200 to $250 million for RFC - 7/15/40

Holders of 737 million, 1½, notes maturing December 15, will be offered bond in exchange - 9/23/40

- a) Government bond market and credit of US in excellent condition at present - 9/23/40

- b) National defense program will require raising of great deal of money - 9/23/40

- c) Purpose of taking up maturity at present is to "clear deck" for defense financing in near future - 9/23/40

Bond will be 2%, 12-¾ and 14-¾ (1953-55) years; cheapest money in history of US - 9/23/40

Finland

SEE War Debts - 6/17/40

Ford Motor Company

SEE Airplane Engines - 6/3/40

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Foreign Funds Control

- Senate and House pass bill authorizing freezing of
  Danish and Norwegian bonds and stocks - 5/2/40
- Holland's and Dutch East Indies' funds added to list
  of countries whose assets are frozen - 5/13/40
- Netherlands government filed formal request with
  Treasury that general license No. 6, authorizing
  all payments, transfers, and withdrawals from
  their accounts, be revoked; each transaction will
  be covered by special license in future - 5/16/40
- Luxembourg added to list of countries whose assets
  are frozen - 5/16/40
- Belgium also given general license authorizing pay-
  ments, transfers, and withdrawals - 5/16/40

Upman, Cyril E., loaned by Controller of Currency

to help in handling freezing of foreign funds -

- Argentine government adopts forms and regulations of
  US for freezing funds of some 5 nations frozen by
  US - 5/16/40
- Upon invasion of France by Germany, all French
  assets in US were frozen, including liner

  "Normandie" - 6/17/40

Since capitulation of France to Germany, only

domestic transactions, where French owe American
business men, will be licensed until State Depart-
ment advises which government they will recognize
in France - 6/24/40

- a) No money will be paid under duress - 6/24/40
- b) EJUr has not been informed of statue of Petain
government in France; does not know to whom French
funds must be released - 7/18/40

  a) Professor J. P. Chamberlain (expert on Interna-
tional Law at Columbia University) assisting EJUr on all frozen funds - 7/18/40
  b) Only monies, with few exceptions, being paid
  out of frozen assets of invaded countries
  are to Americans with outstanding contracts
  - 7/18/40
Foreign Funds Control (Continued)
   c) Expense money being advanced to French
      Ambassador to run embassy and consulates - 7/18/40. Book 15: 256-57
   d) HWR will wait for State Department to
      advise which governments will be
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   Funds of Latvia, Lithuania, and Estonia frozen -
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Harrison, George L., President, Federal Reserve Bank
   of New York
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Mussolini joins Germany and declares war on Allies - 6/10/40. ........................................ Book 15: 116-18

a) Did not affect bond and stock markets, or
HMJr's financing program - 6/10/40. ................. 116-18

Johnson Act

No one in Treasury working toward repeal of Johnson and Neutrality Acts to permit belligerent allies to purchase war materials in US when cash resources are exhausted - 5/13/40. ............... 18-24

a) Can get credits from Export-Import Bank to buy other than war materials - 5/13/40. ............... 18-19

Jones, Jesse, Chairman, Reconstruction Finance Corporation

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Established by President; composed of Paymaster General of Navy, Quartermaster General of Army and Director of Procurement, to contact foreigners who want to buy American munitions - 7/1/40. ........... 206

a) Required too much time of Director of Procurement so President separated work and appointed Philip Young as Assistant to Secretary to handle same - 7/1/40. .................. 207

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Luxembourg

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Machine Tools
President asked HMJr to coordinate production of machine tool industry with that of airplane industry - 5/23/40

a) Will require considerable expansion to meet demands - 5/23/40
b) Thus far they have met requirements - 5/23/40

Army and Navy prepared breakdown of machine tool requirements under new bill totaling $200 million; program turned over to machine tool industry for study and reply within week - 5/27/40

a) HMJr confident industry will cooperate 100% in supplying government's needs before Allies' orders; both US and allied programs being correlated - 5/27/40
b) Automobile industry will be allowed to finish their retooling program for 1941 models, after which they agree not to change models if government needs output of machine tool people - 5/27/40
c) Industry did about $300 million business in 1939; new program calls for $385 million - 5/27/40

After coordinating activities of airplane, engine and machine tool industries, HMJr asked President to be relieved of further work in connection with program; turned matter over to William S. Knudsen, President, General Motors - 6/3/40

a) Industries have cooperated 100% - 6/3/40
b) HMJr will continue to act as coordinator of US and foreign purchases at President's request - 6/3/40
c) Knudsen will take over whole set-up including special advisers if they continue on work - 6/3/40

Mack, Clifton E., Director of Procurement Division
See Appointments and Resignations - 7/1/40

Mead, Dr. George Jackson, Vice Chairman, National Advisory Committee for Aeronautics
See Airplane Engines - 5/23/40
See Airplane Engines - 6/3/40
See Airplane Engines - 6/6/40

Morgenthau, Henry, Jr.
Will address Women's Division of Democratic National Committee May 3, on subject of "gold" - 5/2/40

a) First speech in approximately 2 years - 5/2/40
Morgenthau, Henry, Jr. (Continued)
After coordinating activities of airplane, engine, and machine tool industries, EAR asked President to be relieved of further work in connection with program; turned matter over to Knudsen - 6/3/40... Book 15: 84-100
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Plant Expansion
Meeting of aviation industry called in Washington to discuss defense needs of US - 5/20/40... 35-44
a) Government going to cooperate with industry and give it chance to show what it can do to meet situation cooperatively - 5/20/40... 35-41
b) Industry has not asked repeal of social, tax, or labor laws - 5/20/40... 38-39
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c) With vast amount of unemployment industry should get ample labor to continue 42-hour work week; if not, Department of Labor is prepared to exercise discretionary powers to supply skilled labor - 5/20/40. .......................................................... Book 15: 35-43

d) Industry has sufficient funds to handle war program; has not asked government aid - 5/20/40. ..........................................................

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In response to letter of George L. Harrison (Pres., Federal Reserve Bank) that banks be allowed to finance armament program, NWJr says government has never competed with private capital - 6/20/40.

a) Feels government should put up "venture money" in cases where expansion is asked for purely military purposes - 6/20/40. .......................................................... 167-74

b) If company wants to expand at its own risk and can use expansion for both military and non-military purposes, decision as to using government or private funds rests with owners - 6/20/40. .......................................................... 169

c) Business men are pleased with distinction between two types of expansion - 6/20/40. .......................................................... 169-70

d) Formula has been worked for providing government funds for military expansion - 6/20/40. .......................................................... 171-73

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Profit limitations on government contracts under Vinson-Trammell Act reduced to 5% - 6/27/40. ..........................................................

a) Treasury did not instigate reduction but favors it - 6/27/40. .......................................................... 196-201

b) Financing formula will be made public as soon as first contract is completed - 6/27/40. .......................................................... 197

c) Financing agreement will be new method, but does not affect depreciation, closing agreement, etc. - 6/27/40. .......................................................... 199-204

d) Profit limitations on government contracts under Vinson-Trammell Act reduced to 5% - 6/27/40. ..........................................................

a) Treasury did not instigate reduction but favors it - 6/27/40. .......................................................... 201-04
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Plant Expansion (Continued)

To change depreciation factor will require legislation - 7/3/40

a) Study being made in connection with plant expansion for war materials - 7/6/40

Pending passage of necessary legislation, government will give manufacturers of war materials "letters of intent" as regards depreciation and profits under Vinson-Trammell Bill which will cover contracts made before law is passed - 7/15/40

Wright Aeronautical Corporation will open engine plant near Cincinnati, Ohio - 7/18/40

a) HMWr discussed matter in May with Curtiss-Wright Corporation and Pratt & Whitney Aircraft - 7/18/40

b) HMG will finance plant; have had difficulty working out contract; Treasury's General Counsel assisted - 7/18/40

Pratt & Whitney Aircraft SEE Plant Expansion - 7/18/40

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SEE Banking Legislation - 5/24/40

SEE Financing, Government - 7/15/40

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Resolution offered in Congress to study subject of excess profits, and authorization for defense purposes, ($4 billion National Defense Tax Bill) very pleasing to President and HMWr - 6/10/40

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SEE Tax, Excess Profits - 7/8/40

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SEE Airplane Engines - 6/3/40

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- SEE Airplane Engines - 6/17/40
- SEE Machine Tools - 6/3/40
- SEE Airplane Engines - 6/27/40
- V. British have about exhausted all available surplus stocks of US planes, guns, and other war supplies; future needs will have to be filled with newly manufactured products - 7/18/40
- Treasury assisted Mission in placing orders for munitions, etc., US should be able to place its own with much less trouble - 8/5/40
- Purchasing Mission negotiating for tanks and artillery; will have to take tanks acceptable to US Army - 8/8/40
  a) British General, who fought in Flanders, giving Army benefit of his experience in designing new tanks - 8/8/40
  b) US has no large tanks, only small and medium-sized tanks - 8/8/40
- Purchasing Mission has broached subject of exchanging islands in Western Hemisphere for destroyers; subject still under discussion - 8/15/40
  a) HUR presented matter to President for consideration - 8/15/40

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Finland:

Finland pays $159,000 on war debt - 6/17/40

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Embargo placed on exports of essential war materials by Navy Department to protect American industry - 6/13/40

a) HDWr urged such action months ago before so much material left US - 6/13/40

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Young, Philip - Assistant to Secretary

SEE Appointments and Resignations - 7/1/40

Page 207
H.M. Jr.: Sorry to keep you gentlemen waiting but I couldn't help it. Okay? What's on your mind? We got our bill through, which pleases me very much.

Q. You mean through the House, too?

A. Through the House, too.

Q. When?

A. Yesterday.

Q. I understand the President will sign it, too; is that right, Mr. Secretary?

A. Terribly worried! I don't know—terribly worried!

Q. Mr. Secretary, will there have to be a new proclamation taking in the new Act?

A. No, I don't think so. We went ahead, you see, feeling fairly confident we were right, got out the order including stocks and bonds and this just confirms it. I don't think we have to do a thing. We went ahead feeling confident we were right—our interpretation of the law—but we wanted to make sure inasmuch as the lawyers had some doubt and we told Congress this is what we have done and they approved it, so I don't think we will have to do a thing.
Q. Mr. Secretary, does it include property?
A. No.

Q. Have you been apprised of the Danish shipping situation which arose as a result of this order?
A. I am not up to the minute on it. Mr. Bell has been handling it.

Q. Do you reckon anything will be done about it?
A. I really don't know. If you gentlemen want to ask Mr. Bell, he is available. I am not up to the minute on it. I don't know of any immediate problem because he hasn't mentioned it to me but if you men want to see him he is available.

I am talking before the women tomorrow and I am not going to talk on the subject they gave me, namely, the budget, but I am going to make my first speech in I don't know when on gold, and it will be available tonight.

Q. What group is that please?
A. Democratic Women. I call it Mrs. McAllister's group, for a better name.

Schwarz: Women's Division of the Democratic National Committee.
H.M.Jr.: And the speech will be available for you this evening for release on delivery tomorrow.
Q.  It is the first speech since when?
A.  I think it is the first speech since November, 1937.

Q.  How about the Temple University speech?
A.  Yes that was afterwards. This is the Spring of '40. That was the Spring of '38—about two years.

Q.  Does this deal with the future policies with regard to gold?
A.  The whole gold question.

Q.  The gold problem? Is that right?
A.  No. The gold question. Gold.

Q.  Did you have an opportunity to examine Mr. Berle's speech on gold, the one he delivered up at Yale?
A.  No, I didn't. I didn't even know he gave one.

Q.  Did you see the newspaper accounts of it?
A.  I didn't even read it.

Q.  I refer to the speech in which he said some day we might have to redistribute the gold.
A.  I am sorry, I didn't even read it. I am sure the people in the Treasury did, but I didn't.

Q.  Mr. Secretary, is there any special reason why you preferred gold rather than the budget? This ought to be good.
Well, I will tell you a little story, in the family.
I went the other night to take Mrs. Morgenthan's
place at the Visiting Nurses' Association and Dr.
Lyons, president of the association, told a story
about a visiting nurse who called on a woman who
was very sick, and she said "before I do anything
for you you have got to take a hot bath. Have
you got a bath tub?"
"Oh, yes. Sure!"
And they went down, the visiting nurse did, and there
was a bathtub full of water with a fish swimming in
it. And the nurse said "I can't give you a bath
with a fish swimming in the water. You've got to
get rid of the fish." And the woman said "well, we
can't get rid of the fish until we eat it."
And for that reason I am going to talk on gold.
I would like to tell that story.
I think I will tell it tomorrow, so let me have it,
please. I will introduce myself that way, so hold
it, please.
So you can't eat gold, after all. Gold fish.
(Much laughter).
A. Well, you can use it any way you like.

Q. Mr. Secretary, that Berle speech, he said if you can't get rid of it any other way, we can give it away.

A. Well, you gentlemen wait. I only talk every two years, so all right?

Q. Have you seen Mr. Purvis lately, sir?

A. No.

Q. Do you expect to see him soon?

A. I don't know. I have no definite date with him.

Q. No trouble?

A. This week Mr. Block-Laine was down, associate chairman, vice-chairman, or whatever he is.

Q. No problem? The thing is running along smoothly?

A. Everything is lovely.

Q. Nice day.

A. Absolutely!

Q. What was Mr. Laine down for?

A. Some of their business. He came down this week instead of Mr. Purvis.

Q. Mr. Secretary, they discuss with you all purchases other than aircraft, do they not?
Q. Mr. Secretary, is it a fairly accurate generalization to say that the foreign orders have about doubled our airplane capacity?

A. The President said tripled.

Q. I think in terms of motors, I don't think in terms of planes. The figure which I carry is the figure which he used, January, 1939, the engine capacity was around 7,000 a year. At present it is running about 21,000 and with this new order it ought to run about 29,000. Three times now, it ought to go about four times; I think in terms of engines rather than planes because we've got to have the engines.

Q. I think so.

A. The plane thing is really comparatively simple.

Q. The engine thing is not.

A. Anything at all you can tell us about the extent of orders or probable extent of orders or probable orders, aside from aircraft?
A. No.

Q. The cost of these new plants is incorporated in the price of the product?

A. I haven't answered any of those detailed questions. I have left it up to the purchasing mission or the Army.

Q. Have you had any new applications for closing agreements?

A. Not that I know of. Mr. Sullivan may have. We might perfectly well have—I don't know about it.

Q. Because Mr. Gregory isn't here this morning, is there anything new on financing?

A. No. Gregory ill?

Q. I don't think so. The Chamber of Commerce had an awful lot of parties last night.

A. Oh, oh!

Q. When are you giving this speech?

A. 10:30 in the morning.

Q. You ought to give them (Chamber of Commerce) a speech.

A. I have been invited.
A. No.

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A. 10:30 in the morning.

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A. I have been invited.
Q. Were you invited this year?
A. To come as a guest.

Q. You are going to simplify this gold question for the women, I take it, Mr. Secretary. It is going to be reduced to an elementary basis, primer stuff?
A. You will see. I hope so, for the women and the newspaper men.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, MAY 9, 1940:

H.M. Jr.: Everybody happy? What paper are you peddling?

Q.: I am trying to sell the Wall Street Journal for a nickel.

A.: Is it worth it?

Q.: No.

A.: What's on your mind?

Q.: Mr. Secretary, in the debate in the House of Commons yesterday Winston Churchill spoke about the trouble the British had because they were inferior to the Germans in air power. Can you say anything about how that may or may not affect the allied purchases in this country?

A.: No, I wouldn't dream of commenting on it.

Q.: Is there any friction between the Allied Purchasing Mission and you people at the present time?

A.: No.

Q.: Is there anything wrong with the Allison Engine Company, Mr. Secretary?

A.: Not that I know of.

Q.: You were out there, weren't you?

A.: Yes.

Q.: Anything wrong?

A.: Well, I mean, that is the fourth engine company I visited.
Q. You didn't go out there because there was any particular problem?

A. No, I have been wanting to go, have been scheduled to go, for over a month, and I've been keeping postponing it.

Q. How are they coming along on their various expansion programs?

A. Well, there is lots to see out there—lots going on.

Q. They think the Allison Engine Company is pretty good out there, don't they, Mr. Secretary? Have you ever heard anything to the contrary?

A. I have been out there and went through the plant the way I went through these other engine plants and I have no particular comment to make.

Q. You haven't made up your mind whether liquid-cooled engines are better than air-cooled engines?

A. I think I will keep out of that.

Q. I am sorry to see these press conferences deteriorate to airplane discussions, rather than financial questions.

A. I see; I agree with you. What else?

Q. Anything on financing?

A. No, but is somebody interested in this bill that has been introduced on the Hill in regard to ....
Q. Jesse Jones bill? Glass bill?
A. Won't somebody ask me about that?
Q. What do you think about the Glass Bill, Mr. Secretary?
A. Thank you. Well, I wrote yesterday to the Director of the Budget telling him that here in the Treasury, and that includes the Comptroller of the Currency, that we felt that the two items which affected National banks, one, extending the time on real estate loans from ten years to 15 years, we here in the Treasury are opposed to it because we don't feel that we want to see National banks get loaded up with long-term loans on real estate, and, two, I don't know whether it is for seven years or whether when the law was written the Secretary of the Treasury shall have the sole—wait a minute—I think that the authority, as I understand it, rests with the President of the United States, when we could subscribe to preferred stock in a bank and he has delegated that authority to me and I act for the President—that has been that way ever since I've been here.
Q. What would this bill do to it?
A. Well, that bill makes it so that the RFC can, in its own discretion, without the approval of the Secretary of the Treasury, subscribe to preferred stock in a bank and I don't know any good reason why it should be changed and I know a number of very powerful reasons why it shouldn't be changed, as long as the examination of National banks and the licensing of National banks is lodged with the Comptroller of the Currency. So here in the Treasury we have advised the Director of the Budget, who, off the record, has not yet reported on the bill, and the bill did not go through the budget office—that's off the record....

Q. It did not go?

A. It did not go through the budget office.

Q. It went direct?

A. It went direct, so the Budget Director asked us to comment on it and we are commenting on those two phases; now as to the rest, which are matters pertaining to the lending agencies and has to do with making part of the $700,000,000 available—we are in entire sympathy with that.

Q. That part of the bill?
A. That part of the bill, which, shall I say, comes under Mr. Jones' authority. We are in entire sympathy with that and naturally we want to see the Administration get the authority so that we can get the extra $700,000,000, but I want to make it very clear that that part which pertains to Mr. Jones' authority making the $700,000,000 available—the $300,000,000—we are in entire sympathy, but that part of the bill which has to do with the Comptroller of the Currency, we are opposed to it.

Q. This bill only makes $300,000,000 available of the $700,000,000?

This latter part which you approved of was approved by the Bureau of the Budget?

A. I don't know what happened. We did see this bill—Mr. Jones did show it to us.

Q. Wasn't that the Steagall Bill?

A. The first day it was dropped in the box with Steagall's name on it and then next day it was dropped in the box with Senator Glass' name but normally, as I understand it, those bills go through the office of the Director of the Budget.
Now we worked as fast as we could and we could only make a report on it yesterday which we did to the Budget yesterday.

Q. Could we have the official report?

Schwarz: We usually ask the people on the Hill to make it public; we can ask them.

Q. I think it good if we had it.

H.M.Jr.: I have been trying to get the Director of the Budget all morning to tell him I was going to say this. I have been trying to get him since quarter of nine; I have been trying for two hours to get him. I think you had better take it this way, if you don't mind.

Q. Is Senator Glass the author?

A. No, Mr. Jones is the author.

Q. What's the idea of them writing a bill at this time? It is very unlike Mr. Jones to do that before coming to the Treasury.

A. He did come over here but before we could comment he had it introduced. He did come over here and gave Mr. Bell a chance and while we were writing the report I picked up the ticker and saw it had been introduced.
Q. Did he have any suspicion of what you were going to say?

A. He might be a mind-reader.

Q. This I can't get straight—where there are banking phases of it and the straight bill to get more money for the RFC?

A. The two things have nothing to do with each other.

Q. What is the reason for it?

A. I don't know and that is why I am taking the trouble to explain it, because I do feel it is a strict banking matter and I went over the thing with Preston Delano this morning to get his views and advice and he and I are in complete agreement if we were going to recommend any banking legislation I would get all the agencies together and consult them.

Q. Why should Mr. Jones make a recommendation on things that are part of this setup here?

A. I don't know. I can only tell you how I feel. I am telling you what happened. He came over here one day last week, left us a draft and I turned it over to Mr. Bell and he was to prepare an answer which Mr. Bell gave me yesterday morning and I signed it, but the day before, Tuesday afternoon, the thing was dropped in the hopper and I only got the report
Wednesday morning. But please get the thing straight. As far as what he is asking for, the $300,000,000, I am entirely in sympathy and have told the Director of the Budget that, but as to the banking phase of it, Mr. Delano and I are 100 per cent opposed.

Q. The RFC has made a number of subscriptions to bank stocks and you have approved them.

A. Yes, but the authority rests with the President of the United States; he vests that authority in me and I sign "by direction" and you can't, the RFC can not, buy any or lend any money on preferred stock to a bank unless I sign a letter "by direction of the President." Now I don't know any good reason why that should be changed in the seventh year and I know some awfully good reasons why it shouldn't be, because certainly the Comptroller of the Currency should advise me how much money that bank needs, etcetera, etcetera.

Q. Maybe Mr. Jones wants to save you some work.

Furthermore, you should know if a bank needs capital like that.

A. That really, we think, should initiate with the Comptroller of the Currency.
Q. Does that authority only apply to National banks or is it FDIC banks also?
   As I understand, the FDIC makes their own loans under the law.

A. My guess would be—I am not terribly sure—but my guess would be that it is National banks. This is something where the power vests with the President which he detailed to me.

Q. I am just curious that Giannini has offered to sell his stock publicly. Mr. Jones has said he would always be glad to make a loan to him. I am just groping in the dark.

A. Well? Aren't we all?

Q. Very pleasant. Nice day. Goodbye, Mr. Secretary.
Mr. Secretary, there are a number of moves on Capitol Hill to amend the Johnson Act, relaxing the Johnson Act. How do you feel about that?

Well, there is nothing being done here about it.

There is nothing being done here about it?

Nothing is being done here about amending the Johnson Act.

Can you say anything, Mr. Secretary, about your personal feelings?

No, I just haven't thought about it, just taken for granted that it is part of the law, and that we are living up to the law.

You mean you are taking for granted that it will be repealed?

No, taking for granted that it will not be repealed--No, I didn't mean that--taking for granted that it is the law and we will have to live up to it, but no one in the Treasury is working toward repeal of the Johnson Act--I want to make that clear--nobody in the Treasury is working toward repeal of the Johnson Act.

Mr. Secretary, it was said at the White House today that the President will send up a message this
weak asking for additional funds for defense.

Does that mean we will have to ask for an increase in the debt limit?

A.

Q. I think you are a little "early" on that.

By days or months, Mr. Secretary?

A.

Q. No, talking about Steve Early.

A. I didn't mean that, but that is pretty good. I thought that was pretty good. You don't like it. I thought it was good.

Q. Conceding it is a good joke, will you explain it.

A. No, I just think you are a little early.

Q. You mean you have got to get the appropriations first?

A. A little previous. Is that a better word?

Q. You mean the question won't come up until you actually spend the money?

A. I don't know what the answer is to your question.

Q. Mr. Secretary, a North Carolina Congressman put in a bill today waiving the Neutrality and Johnson Acts so that credits may be made available for the purchase of war materials.

A. Nothing like that is being done in the Treasury; there is nothing in the works.

Q. Well, Mr. Secretary, can't they already get credits for other than war materials?
They can from the Export-Import Bank.

I don't see anything to do then.

The Export-Import Bank can and has—they made loans to Italy for cotton.

How about such loans to belligerents?

Does the Export-Import Bank—?

Does the Neutrality Act bar...Mr. Secretary, the last act that was passed extending the life of the bank, a rider was put on prohibiting loans to belligerents.

That's that, then.

The question was the possibility of their getting credits from bankers to buy cotton and wheat.

That would go against the 'cash and carry'.

For wheat and cotton?

Evidently, wouldn't it? I don't know. I know so little about it because I haven't been thinking about it.

I think they are ordinary 90-day credits.

We went all through that on the cash and carry; they first had the 90-day clause and then struck it out. Some people made quite an important thing of that, but they struck it out. Whether it includes wheat and cotton, I don't know. I haven't been thinking about it and nobody else has.
Q. This bill is current; it was just put in about an hour ago.
A. I don't know.
Q. Mr. Secretary, there was a gang in here composed of Gaston, Cochran, Foley, etc. Can you tell us anything about that?
A. They came in— I guess you will have something. I signed a couple of things that had to do with changing the freezing of Holland and something to do with the banks in the Dutch East Indies. You (Chick) get that. They will give it to you. I signed two or three things and Chick will have it right away. That's what they were doing.
Q. Mr. Secretary, granting you can't extend credits to the Allies through loans, what do you think about the idea of buying a lot of raw materials from the colonies of the Allies, etc.?
A. I haven't thought.
Q. You haven't thought about that either?
A. No.
Q. Strategic materials?
A. I haven't been thinking about it.
Q. It costs money and I thought it might affect you.
A. It will come here sooner or later.
Q. Have you been in on any of the conferences on the
national defense message that is to go up this week?
A.
I was over at the White House today for a couple of hours. That was on the ticker, wasn't it? At least I saw it.
Q.
I don't know; I guess I didn't read it. Mr. Secretary, how about using part of the Stabilization Fund for paying for these national defense expenditures? Has that been mentioned?
A.
Not to me. I am sure somebody thought of it—I haven't.
Q.
You haven't changed your views expressed on the Hill calling it tricks, etc., and so on?
A.
Tricky? I didn't say that.
Q.
He called it subterfuge.
A.
Well, I haven't changed whatever I said on the Hill about the Stabilization Fund—I still feel the same way. You remember I said a great national emergency which I did not yet envisage, but it might come along.
Q.
Is this such an emergency?
A.
That emergency has not yet arrived.
Q.
Mr. Secretary, are you preparing or have you been asked to prepare some data on national defense taxes?
A.
No, sir. I have not, sir.
Q.
Have not been asked nor are you preparing anything?
A. I have not been asked. We are always prepared.

Q. Mr. Secretary, you are aware of the complete change in sentiment for some sort of financial help to the Allies, are you not?

A. I am not.

Q. Well, in the event that the Allies use up their cash resources here in an expansion of their purchases, would you favor any changes in the Johnson Act?

A. Well, I can only go back to what I said--nobody in the Treasury is working on changing the Johnson Act. That is all I said.

Q. I am projecting into the future and the future is not very far.

A. I can only say as of today (laughter)—if I said that wasn't such a bright remark, would you run that in a column? (laughter)

Q. Mr. Secretary, I am rather serious and I think the other boys are rather disturbed about this thing—the whole question of the Johnson Act.

A. What do you want me to do—break down and cry?

Q. No, not that, but would you give us some sort of a statement?

A. I have; I gave you a very forthright statement that neither I nor anybody in the Treasury is working on
any modification of the Johnson Act—that is a fact—can't go any further than that.

Q. You don't expect to start tomorrow to work on it, do you?

A. Let's be serious, as our fellow-friend from the Trib said.

Q. Has anybody asked you to work on it?

A. Today is not twenty-questions day.

Q. If somebody has asked you it is a story, Mr. Secretary.

A. Nobody has asked me—mineral, vegetable and animal.

Q. Mr. Secretary, when do you expect the allied cash funds to be exhausted?

A. How old is Anne?

Q. I didn't know her.

A. Well, I don't know the answer to yours, either.

Q. Has the Allied Purchasing Mission asked you to help them speed up the delivery of planes, Mr. Secretary?

A. Well, if I answered that one then I would be getting into talking about their business, which I don't think I have done so far—much.

Q. No, not much. Have they inquired about the Johnson Act?

A. Not today.

Q. Up to date?
A. Up to date, no. God, I hope that's the truth. (laughter) I am trying to think of the last twelve months.

Q. They would probably be remiss in their duty if they didn't.

A. All right, fellows.

Q. Mr. Jones testified on his bill today; do you plan to go up?

A. I doubt it. I sent a letter up and I think that is enough.

Q. Has the decline in the government bond market upset your financing plans?

A. No.

Q. Have there been any stabilizing actions by the Reserve System?

A. I can not answer that.

Q. How about the Treasury's open market account?

A. You will have to talk to the Federal Reserve System.

Q. To get back to this defense business, did I understand you to say, Mr. Secretary, that you did not know whether they would have to raise the debt limit in the event of another request for an appropriation?

A. Didn't I say 'too early!'
Q. A little early.
A. A little early— that's what I said.
Q. You also said, I think, you were a little previous. I don't know whether you can answer my question on financing, Mr. Secretary, as to whether the decline has changed your plans?
A. No, because I had no plans. Everybody happy? Have you got a perfect story?
Q. A lot of funny answers here.
A. Well, it is a funny day.
Q. Did I understand you to say you did not know whether Congress would appropriate money above the debt-limit?
A. Help me— did I say something about that?
Q. A question along those lines was asked, and you said you didn't know.
A. If it was, I never heard it.
Q. May I ask that question— can Congress appropriate above the debt-limit?
A. I really don't know. I'll have to see my lawyer.
Q. Thank you, Mr. Secretary.
Mr. Secretary, Mr. Woodring yesterday endorsed this suggestion of Senator Thomas to use $500,000,000 of the Stabilization Fund to buy critical materials. Do you still feel the same way as you did several weeks ago about using the Stabilization Fund?

Just the same.

In other words, you oppose this?

No, if you don't mind—I haven't changed my opinion about the Stabilization Fund and its uses.

Well, then, would you say, Mr. Secretary, that the need for strategic materials and munitions creates an emergency justifying the use of it?

Don't do that to me today; I just haven't changed my views on the Stabilization Fund. I haven't seen what Woodring said. I don't know what he said.

He didn't come right out and say use it but I think Thomas suggested it.

Again on the theory I like to pick my fights and I don't want to get into a fight with the War Department today.
Q. But to make sure of that attitude by which you are standing, wasn't that attitude one by which the Stabilization Fund was to be used only in a very great emergency?

A. Yes, and that emergency, at the time, I didn't envisage and don't yet. There are a lot of other schemes besides Woodring's in town to tap the pot. People stay up nights trying to find ways to spend that Stabilization Fund.

Q. Can you say anything about how we can or should finance the additional defense expenditures?

A. Let's wait until the President delivers his message, please, as far as I am concerned.

Q. Will there be some indication in that message?

A. You will just have to wait. Now Chick gives me some red-hot news for you boys. He informs me that general license No. 6 authorizing all payments, transfers and withdrawals from accounts of the Government of the Netherlands is hereby revoked. (Hands release to Crider)

Q. Does that mean by the Government of the Netherlands?

A. Us, at the request of the Minister. This was a general license for the Government of the Netherlands.
Q. It gave them the authority?

A. It gave them the authority and now they come in—
the Minister does—and ask us to revoke it.

Q. No more withdrawals?

A. The license system applies the same to the funds
of the Netherlands Government now as it does to
individuals.

Q. You say that it applies to them as to all other
countries?

A. Well, Norway, Denmark, Luxembourg, but they
wanted a general license and we gave them a
general license. Now they requested a change
and at the request of the Minister, Mr. Loudon,
we revoked it.

Q. There was a report in the papers today that the
Germans had seized $91,000,000 of the Dutch
Central Bank.

A. I don't know. I just saw the story in the paper.
Nothing official on it. Could I give you some
more hot news, or you first.

Q. Can you say for what reason Mr. Loudon asked
you to revoke the license?

A. No, I don't know—haven't the slightest idea.
I can look at the map.
Q. The licensing for Belgium remains the same.
   A. We never gave the Belgians one, did we?
   Schwarz: Yes, the Belgians and Netherlands.
   H.M. Jr.: Well, evidently the Belgian one still stands, but he came in and with a formal letter asking us to revoke it. All right?
   Q. Let's have yours now.
   A. Well, on May 13 they handled here 162 applications, May 14, 458, and May 15, 545. Now that doesn't begin even to represent the business they are doing because under the system New York Federal Reserve passes on a great many that don't come down here. But sometime, if you men are interested, we will give you a kind of a tour through it—it is really quite interesting. We have developed a new technique—no precedent by any government. If you are interested we will take you through. They did quite a remarkable job and, incidentally, we have borrowed Cy Upham to come over and help in this work. And we are also going to borrow more from the Comptroller's Office people.
   Q. They will be connected with what?
   A. They will be working under Mr. Bell on the question of handling licenses for these particular countries.
Q. Does that make Cy again an assistant, for the time being?

A. No, just borrowed.

Q. All of which proves that exchange control is possible but still obnoxious.

A. Correct—no, it is just—after all, they are all part of the Treasury family and Mr. Delano said what could he do to help. He said his banks were in good shape and could be help and I said yes. Cy used to work in the foreign exchange department of the National City for four years so he's had that experience. I just want to keep my assistants alive and we need more help—it's no joke either.

Q. Mr. Secretary, can you say anything as to the purpose of general licenses which were given authorizing the use of frozen funds for the purchase or sale of securities or commodities futures?

A. You will have to see Bell or somebody.

Schwarz: Bell or Foley.

H.N.Jr.: Yes, make it possible for them to see them. The thing is running and I don't follow it from minute to minute.
Q. Talking about the Comptroller's Office a moment ago, have you anything to add to comments on the Hill in connection with the Comptroller's being a clerk of yours?

A. I wouldn't even dignify the remark by answering it. He is doing a swell job; he's one of the best Comptrollers we have ever had and I think his record speaks for itself. He needs no defense from anybody.

Q. Could you say something about the charge made by Mr. Schram and Mr. Jones that the RFC knows more about banks than the Comptroller's Office?

A. That's their opinion.

Q. This question came up—the State Department disclosed yesterday that the embassies and consular offices had asked all Americans to leave Europe as soon as possible. Now some of those Americans apparently have deposits with various foreign banks. Would the Treasury handle those withdrawals in case these countries were involved in a conflict? How is that handled? Is that part of the work here?

A. Take that up with Bell. I don't know. We will try to find out for you.
Q. One other question, Mr. Secretary. The Commerce Department received a cable from the embassy in Buenos Aires saying that Argentina has taken action similar to ours for those five countries. Do you know if any other Latin American countries have done the same thing?

A. Argentina came in here shortly after we did this and got all our forms.

Q. On the Inter-American bank?

A. No, freezing. They got all our forms and regulations. Did anybody else get them?

Schwars: I haven't been told of anybody else.

R.M. Jr.: They did it two or three days after the Germans went into Denmark. They liked what we were doing and the way we were doing it and we turned all of our forms over to them.

Q. Isn't this the first time that the Argentine Government has followed the United States example?

A. I can't answer that, but, off the record, isn't it about time?

Q. Didn't they follow us in making corn beef?

A. They are ahead of us; they tell me it is good corn beef.
Q. Just to keep the record straight, is there anything you could say regarding the old tripartite agreement now that there is only one foreign signatory left?

A. Have a heart.

Q. On aeronautical purchases, have you any information from the Allies?

A. Nothing but what they give you—keep you supplied.

Q. Thank you, Mr. Secretary.
H.M., Jr.: You are putting on weight, Sandy.

Klein: Thanks.

A. Don't thank me; thank the cook. Yes, gentlemen.

Q. Mr. Secretary, what results do you think were accomplished at the meeting today of the aircraft people?

A. Get together—exchange of views.

Q. Isn't it a fact, Mr. Secretary, that the War Department already knows what the production capacity of practically every aviation plant in the country is?

A. I am sure they do.

Q. Well, what was the purpose in calling this meeting then?

A. Just what I said.

Q. Mr. Secretary, several men who attended that conference this morning, particularly those from the West, expressed disappointment over the lack of any definite program and they said it is hardly likely they would come East again for this thing unless they were sure there was something definite to be taken up.

A. You watch them come and get it when the money's there.

Q. That is definite.

A. Sure they will come.
Q. Mr. Secretary, can you express an opinion on the
proposal for plant extension in the inland states
yet?
A. Not yet.
Q. Has there been a general suggestion for the inland
region?
A. In order to make it a little easier for me and you,
at lunch I made a very informal report to the Presi-
dent of what progress we were making and he said he
would discuss it in further detail at his press con-
ference tomorrow, so I think that you people know
about everything that I know or everything that you
should know anyway up to this morning, and I think
when you gentlemen see him tomorrow he will have
something to say on this subject and, after all, I
am just collecting this information for him and I gave
him everything that I had and I think you will find
he will talk about it tomorrow.
Q. Just a pep talk today.
A. Call it anything you want. It is a pretty important
thing to make fun of.
Q. I am just repeating what the manufacturers are talk-
ing about.
A. Well?
Q.

Some of them said, Mr. Secretary, that this thing which the War Department people indicated was thrown at them so fast they didn't have a chance to get anything ready for the meeting.

A.

The meeting was all right. After all, if I was a manufacturer I should think that they would want to get the attitude of the government. There have been a lot of wild rumors going around about what the government would or would not do. They had a chance to satisfy themselves and also the government in asking industry to help and I should think that the fact that they know the government is going to give industry the first chance to do this thing, that in itself would be worth a trip to Washington. If I were in this business and had my money in it I would like to know what the government expected me to do and what it expected to do itself. If they didn't ask the right questions certainly they are dumber than I think they are. Certainly they had ample opportunity to find out what the government wants to do about plants, production, etc. They had the chance to find out—we are calling on industry first. We offered them the cooperation of the government. We would like theirs in return. If I was in the business and wanted to find out how to get the business and what the attitude of the government was I would find the trip worthwhile.
Q. You think they didn't find out?

A. If they didn't they are dumb and I think they are a pretty smart bunch of fellows. If they didn't ask the right questions I can't help it.

Q. Can you tell us what you told them the government was prepared to do?

A. I can only repeat we said we wanted the cooperation of the government and in return we wanted the cooperation of the industry. In other words, we are going to let industry show what it can do and there is every feeling here that we want to give industry a chance to do its stuff and cooperate. That doesn't mean we are going to suspend all social legislation and all tax laws and nobody has asked us to do that, but we are certainly going to keep the same labor standards that we have got now and the few that I talked to face-to-face I was delighted to find out they are not asking us to let down the barriers as far as labor is concerned and as far as tax laws are concerned and I am glad they didn't ask us to because we don't intend to do it.

Q. Mr. Secretary, did you go into any specific details as to what forms the cooperation of the government with the manufacturers might take?
No, there have been a lot of rumors as to what the government will or will not do. We are asking industry to make the first move and if they throw their shoulders into this thing and get busy everybody will be happy, and all I can say is actually the face-to-face contacts that I have had on my trips and here I am entirely satisfied as to the attitude of the industry—the aviation industry—entirely satisfied.

Q. They have exhibited the cooperation?

A. Entirely satisfactory. There was none of these requests for letting down the barriers on social legislation. At least, I haven't seen it in the face-to-face contacts I have had with these people.

Q. Some have found, Mr. Secretary, that some of the labor laws might tend to reduce the production or a satisfactory increase in production, is there a possibility some of these things might be revised?

A. Under the Walsh-Healy and Wages and Hours Law, as I understand, they are working 42 hours and certainly with all the unemployment that we have at present we are not going to change those hours as long as there are so many people out of work who want work. And, as I say, I want to say again, for the people that I talked to directly, I mean, as far as Vinson-Trammell, Walsh-Healy, Wages and Hours, not a one asked me or indicated to me that they wanted that changed and I was very much pleased.
Q. Mr. Secretary, when you say that you are going to give industry a chance to show what it can do first, is there an implication there that if they don't meet certain standards of production that the government will go in there?

A. I am glad you have asked me. I never threatened. The talk has been all around and there has been so much talk about the government's going into the business. That is what I wanted to get.

A. There has been a lot of that talk and I say if I was in the industry and could satisfy myself that I was going to be given a chance first, and a fair chance, I would go home and feel that I guess we've got a pretty good government in Washington.

Q. Was there an implication—not as a threat—were they given to understand if they didn't meet the requirements...?

A. It wasn't necessary. That is why I feel very happy this afternoon about the meeting because nobody asked me any unpleasant questions and nobody threatened me, and, on the other hand, I have never threatened anybody else. I never threatened, so this whole question—nobody threatened me with this or that and I didn't have to do anything. Some of the people that I saw last night and today here, saw while away, I am today...
feeling that the attitude of the people is excellent. Now I hope they think as much of the government and, as I say, again if I had to pay my carfare to come on, to find out what is the attitude of my government toward my own business I would say the carfare was worth it; Morgenthau isn't much to look at but it was worth something.

Q. Did you say, Mr. Secretary, that there is nothing to this rumor of the government going into the aircraft business?

A. What I mean to say is, first comes the opportunity of the industry to show its stuff—that is first.

Q. How will it be manifest?

A. Let's wait until the money is made available.

Q. Will they take the contracts?

A. Yes, and produce.

Q. I wish you would explain that to us; does it mean expansion?

A. I am not prepared to answer you; I am just not prepared.

Q. After you find out what industry can do then it will be time to find whether the government must supplement it.

A. Whether it is necessary or whether the industry will ask for it.

Q. Was there any question of financing expansion?
A. No, everybody seems to have enough money. Nobody I talked to is bothered about getting working capital. I said to somebody 'you've got plenty of money!' and he said we have all we need. Nobody is short of working capital who has orders on hand.

Q. What do you mean?
A. Nobody is short of working capital who has orders on hand that I have met. Nobody is short of working capital.

Q. How about the question of skilled labor, Mr. Secretary? Is that sufficient?
A. For the moment.

Q. It's all right?
A. For the moment.

Q. How about financing plant expansion?
A. Nobody has asked me; now on floor space no one brought that up.

Q. Mr. Secretary, you said that with the degree of unemployment that obtains, there should be no extension of the work week. Does that carry through to supplying industries? There are machine tools which require highly skilled workers.

A. The Secretary of Labor has certain discretionary powers and if and when she is convinced that the shortage exists why I don't know whether they are vested in her or in the
President and she acts, but there are certain discretionary powers, but certainly at this time there is no disposition on the part of the Administration to change any of the labor laws because it isn’t necessary; there is too much unemployment.

Q. That applies to the machine tool industry also, Mr. Secretary?

A. It applies to all industry at this time; what it will be thirty days from now I don’t know, but as of tonight. Is there a disposition to use those discretionary powers now?

A. I don’t know—it isn’t there. If the situation arises I am sure the Secretary of Labor will meet it but as of tonight, certainly when I spoke to her Saturday, she wanted to assure herself Saturday, and I assured her there is no disposition here to bring any pressure—quite the contrary.

Q. Mr. Secretary, is there not a flat eight-hour day back of the Walsh-Healy Act?

A. You have got to be a little generous with me on the Walsh-Healy and Wages and Hours—just where one ends and one begins I don’t know.

Q. It is back of both of them.

A. You may be right but I haven’t been in on the labor thing but I listened Saturday, Sunday and Monday. I know little about that, but if you say there is something...
Q. I think there is.
A. You may be right.

Q. Mr. Secretary, people are still interested in how we are going to finance the defense program—all kinds of rumors about the Stabilization Fund.
A. There are more people in Washington who stay up nights burning candlelight and figuring how to get at the Stabilization Fund. We are going to form a club—those who try to get it and those who have it.

Q. Mr. Secretary, now that you have brought up the question of the Stabilization Fund and not being an alarmist, did you close out your accounts with the British and French funds? I just wondered if there wasn’t some danger you might lose some money on their accounts.
A. You are going on the theory I might own some paper currency.

Q. No, but you might have a gold account over there that might be threatened.
A. It is a good idea. I will look into it—thanks for the advice.

Q. Mr. Secretary, I think one of the things worrying these people as much as anything else is the amortization problem, as to whether they can finance new plants.
A. That is part of the tax program and John Sullivan is down the street about three or four doors—you can go
knock at his door and he will see you. The people I talked to in the last couple of days, they didn't ask me about it and Sullivan was with me when I saw them.

Q. Doing business at the old stand on the same basis.

A. Sure, but go down three doors and he is there; you can talk to him.

Q. No concessions to anybody that peace-time manufacturers could not get?

A. Not yet.

Q. You are limited by law as to what sort of concessions you can give—is that correct? Is there any disposition on the part of the Treasury to have any laws changed if necessary?

A. (No answer)

Q. What is the status on taxes? Has the Treasury started working on anything at all or are you just going to let it go?

A. We always work. We can give you any one of a hundred programs.

Q. Has anybody asked you to submit one up to Congress?

A. No.

Q. Mr. Secretary, in view of this defense request, isn't the budget sort of knocked around a bit and wouldn't it be appropriate to have a supplemental budget message? Is that under consideration?

A. Certainly, we are thinking about it.
Q. Thinking about what?
A. The budget.
Q. I said a supplemental budget message.
A. Didn't you see Lew Douglas over there? Do you want
to hear a good story? When Lew came out he kept me
waiting twenty minutes for lunch and I said, 'My God,
Lewis, it took you a long time to sell the President
an insurance policy,' and he said, 'That is the
toughest fellow I ever went up against. Can you help
me out?'
Q. Maybe he was trying to sell a blanket group policy for
the whole nation.
A. That might be true. He sells life insurance and he kept
me waiting twenty minutes.
Q. The Secretary told us yesterday how they were working on
this program with all possible speed, down at the air-
port yesterday. He got in his car and started to drive
off and forgot to release the brakes.
A. That's even. I think we will adjourn now.
Mr. Secretary, it becomes increasingly difficult to keep up with your appointments. I wonder if it might be possible to have a calling list made available to the press every day like they do at the White House.

A. Thanks for the compliment.

Q. Would you think it over?

A. It would be too difficult.

Q. Too difficult? Too many appointments?

A. No, no. Too difficult to explain.

Q. Too difficult to keep up with, too.

A. No, too difficult to explain.

Q. Would you like to explain some of the distinguished guests you have had in the last two or three days?

A. I have got a couple of little things I will tell you about.

Q. Go ahead.

A. Following this work which I am doing for the President on airplanes, and as I told you gentlemen, on Sunday the engine question is the most difficult one. I've got Dr. George Jackson Mead—at present he is vice-chairman of the National Advisory Committee for Aeronautics, and besides that I
suppose he is the most distinguished engineer on airplanes, engines—who is not connected with the industry or with the Army and Navy. We can get you his list. He was chief engineer for Wright; he was chief engineer for Pratt & Whitney, and chief engineer for the Air Corps out at Dayton. He's got a list—that is for background. And as one of his assistants we have asked M.I.T. to lend us Professor Edward Story Taylor, who is the internal combustion engineer authority at M.I.T. That is to help me on this airplane engine business.

Q. Start in right away, Mr. Secretary?
A. They've been here for two days—at least, one has.
Q. They will have offices in the Treasury?
A. Yes.
Q. Dollar-a-year men?
A. No. Well, in the case of Mead he didn't want to be paid but I insisted. He goes down as Assistant to the Secretary.
Q. Mead?
A. Mead.
Q. Full-time?
A. Full-time. Mr. Mead is going down at full-time, $10,000 a year. I don't know what arrangement they made with Professor Taylor, but we are paying him too.
Q. Is that one of the liaison men that Mr. Early spoke about yesterday at the White House?
A. No, this is to help me on the particular assignment the President has given me, airplanes and airplane engines. I've got this thing. Until we get the thing going he wants me to help on it.

Q. Are these men production experts, Mr. Secretary?
A. That seems to be the problem—production.
Q. These fellows are primarily design.

A. Are you concerned with design as much as you are with production?
A. First, design, and then production. You've got to start first with the design. Any of your aviation editors will know that this man, George Jackson Mead, is the outstanding man in the country—there isn't his equal anywhere on airplane engines—he is recognized as such.

Q. Does that mean, Mr. Secretary, that these men are going to work on new aircraft engine designs?
A. They will work on the whole question. They've got I don't know how many engines in this country and the question is which one of these engines will we push to increase production.
Q. The problem is one of standardization in order to meet mass production?

A. That's it; there are too many different kinds of engines and the question is deciding which ones they will discard and which ones they will concentrate on—having decided that a certain type of engine is the best one and we are working very closely with Army and Navy, in constant consultation. As a matter of fact he is leaving tonight for the Wright Field at Dayton where he was former chief engineer—Mead. He is working very closely with the Army and Navy—every minute he is in touch with them, but if we discard some of these models and concentrate—I believe, for instance, in the trainer planes for Army and Navy they tell me we are using a great many, maybe five or six, different kinds of engines and we hope to concentrate on two or three.

Q. Does this mean, Mr. Secretary, that the long controversy as to the relative merits of air-cooled and liquid-cooled engines is going to be settled?

A. Not necessarily, but it is impossible to go into production in a big way on too many different models so we have got to eliminate some. Both Civil Aeronautics—Dr. Warner is over here all the
time--plus the Army and Navy the whole thing is coordinated, coordinated with the National Advisory Committee for Aeronautics, because this man is vice-chairman in charge of NACA. So you've got the NACA, plus CAA, Army and Navy all coordinating, plus private enterprise. As a matter of fact, a man came in yesterday and said he had an engine which he thought was the last word and I said, all right, send it out to Wright Field and they will test it. But there has got to be some elimination and standardization and efficiency.

Q. This looks like you are going to select certain of these and farm them around.

A. We are in the process now of getting certain licenses for certain manufactures and incidentally the licenses for all these things will he made out to the government.

Q. The engines that will be selected, those manufacturers will license them to the government.

A. And we will issue them.

Q. Are you going to pay for them?

A. We will be fair. Mr. Sullivan is handling that for me, John Sullivan. We will be fair. I don't know, in some of these cases where an engine got the
contract in competition for Army and Navy, the contract says that the design belongs to the government and there is another clause in 1916 where we could take the patents and the manufacturer could go to the Court of Claims and be paid. But I want to repeat that I have no complaint—quite the contrary—as far as industry is concerned, I am getting full cooperation. There has been no occasion for using any big stick—no occasion.

Q. In these contracts I suppose it will be provided that they will get a certain percentage.

A. It is too early—I don't know, but there are certain types we have already decided we want to get the licenses on and the attorneys for those manufacturers have been in the Treasury since Monday drawing up those contracts.

Q. Then you have already selected certain engines?

A. Selected by the Army and Navy.

Q. Can you tell us what they are?

A. No, I am sorry, but the Army and Navy does the selecting.

Q. In the interest of speed, can you give us an idea of how long it may take Mr. Mead to choose which engine you are going to put into production?
A. I think by next week. At least we will make some decision by next week.

Q. These fellows are familiar with the general merits.

A. I wish you could hear them talk—they make me dizzy. By next week, in order to save time, we want the contracts for the licenses signed so that if they say we want this or that—that procedure, which is something new—the Army and Navy heretofore have never been able to get the manufacturers to license but now we have been able to do that and in order to save time we are having the contracts drawn.

Q. Is there any likelihood that this procedure might be extended to airplanes as well as engines?

A. Perfectly possible. In the case of this contract the Allies made for these Consolidated bombers, they, on their own, shared the contract with Boeing, so the manufacturer did it himself.

Q. It was more or less my understanding that earlier the government was opposed to the allied policy of concentrating on a few types. Have we now, in view of the different situation, changed our point of view?

A. I could make a wisecrack but I won't. We've got to get production in this country and it has got to be so much bigger than anything we've got that
a lot of things we thought last week or yesterday are not true today and if we are going to get engine production, airplane production, we can give—there will be enough business for everybody, but he may not have his own pet engine or his own pet plane. The other thing they were talking about was something quite different. As you know they were talking about letting three manufacturers divide up the business as they saw fit. This is a question of the government doing it and after all we are hired servants and it is up to us to see it is fair and everybody gets his share of business. But times are different. There is every disposition to be fair but the licenses will be issued to the government and it is up to us to strike a balance in the whole industry, but if an outside buyer comes in and gives it to a few and lets them share it out, it is not quite the same.

Q. Is my understanding correct that the government will attempt to standardize production in the industry?
A. In cooperation with the industry.
Q. That goes for both engines and planes?
A. Yes.

Q. To get this production, a certain amount of freezing is necessary.

A. What do you mean by that?

Q. Limitation of types.

A. I don't like the word freezing—selection. We freeze balances—we select types.

Q. Mr. Secretary, in view of the standardization which you have explained is necessary in order to get production, can you say anything about what steps are being taken to insure that the progress of research, etc. will be taken advantage of?

A. Well, look at the people you've got here—you've got everything in the way of research combined. By getting Mr. Mead, I get the professor of the National Advisory Council of Aeronautics—I get everything they've got, everything the Army and Navy has, everything M.I.T. has. I've got three people here from California, from the California School of Technology—the Guggenheim School of Aviation—they've been here since yesterday.

Q. Can we get their names?

A. Get their names (to Schwarz).
Q.  Are they going to cooperate with Mr. Mead entirely?

A.  Yes, you can get their three names. They've been here since yesterday. Everybody who has something. And I am using the scientists rather than the people in the business. If it is humanly possible nobody is going to be overlooked, if they have any real scientific knowledge. There are a lot of crackpots already offering their services, but there are just two places you can go—one is M.I.T. and one is California Institute of Technology. Those are the only two places you can go to get technical information.

Q.  Mr. Secretary, about this standardization, would you try to standardize armaments for these planes? For example, the caliber of guns and cannon?

A.  I haven't got that far. That is something else again. I have told you how far I have gone.

Q.  Mr. Secretary, I still can't understand how scientists in engineering are experts in production—I still can't seem to bring those two ideas together.

A.  That comes next.
Q. You are only working on the first phase.

A. This is selection.

Q. This is the first phase?

A. First phase and I am having the people come in.

Q. You are having the industry?

A. Industry and production. I have seen most of the production people; if I didn't seem them all on Monday it wasn't my fault.

Q. In other words, Mr. Secretary, after these people pick the types you want to put into production, then you will call in production men to do it. You don't have to go out of the industry to get production.

A. I want to get some disinterested advice.

Q. Have you made any provision to supply funds for the plant expansion?

A. Not yet. It hasn't gotten that far.

Q. This indicates to us you are heading the largest phase of the defense program.

A. The planes. And the President last night also asked me to do machine tools for him and they are coming in Monday at eleven—the machine tool committee—representatives of the industry.

Q. Is that a problem in expansion?
A. I don't know, until I see them, but, believe me, they have some job cut out for them. They have got to step. So far there has been very little expansion in the machine-tool industry and if they are going to take care of this business they will just have to expand.

Q. What if they don't?

A. Wait until we ask for it. So far they have been sitting pretty tight.

Q. Rugged individualists.

A. You don't want any more fishing stories.

Q. Mr. Secretary, didn't they give you a lot of fancy promises several weeks ago?

A. Machine tools? As far as Wright and Pratt & Whitney are concerned they are entirely satisfied with what the machine-tool people did. They said they came through and made good. That is, the only places I worked and both Wright and Pratt Whitney said they had no complaints—that the machine-tool industry made good. I would love to sit here and say this and that but so far the industry has cooperated with me 100 per cent.

Q. Does that mean they haven't come through on Allison?
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Q. Does that mean they haven't come through on Allison?
A. Allison didn't ask for any help. They said they could take care of their own show. We offered them the same assistance and they said they didn't need any help.

Q. Was this question of licensing discussed yesterday with Thurman Arnold and his crew when they were over here?

A. Thurman Arnold simply wanted to tell me that if I needed any help with industry on any assignments which the President had given me that he was ready and his assistants were ready to help me if I called for help.

Q. What did he mean by help?

A. You ask him, but so far I haven't needed it. He felt a little patriotic yesterday and wanted to come over and say if he could be helpful with his end of the work, he was ready to be helpful.

Q. Mr. Secretary, did he have a blackjack in his pocket? He only handles anti-trust.

A. I know but he asked to see me and brought his assistants.

Q. Did you ask him, Mr. Secretary, to make a public statement clarifying the anti-trust policy on this defense program?

A. No.
Q. I understand there is such intention down there.
A. I did not. He asked could he come over and see me and sit and I said yes.
Q. I understand he spent 95 per cent of his time trying to find out what you were doing.
A. No.
Q. 85?
A. No.
Q. Mr. Secretary, in this production problem I have been talking to some of the people down in the Army and with some of the manufacturers from Detroit. I would appreciate your clarifying my mind in this respect. The Army has about $89,000,000 of mechanized equipment, rolling stock they want the automobile plants to put out. The automobile factories can produce fast and they can turn a few screws around and make shells without much trouble. There seems to be some difference of opinion as to how much of that productive capacity is going to be needed for rolling stock, trucks, etc., for the Army and how much will be available to turn out airplanes. Can you give me any idea?
A. No one has mentioned that to me and I suppose it is like everything else—I suppose the fellow
in charge of tanks wants to tie up everything so he can get it and the fellow in trucks—don't quote me on this but I suppose that is the way it is.

Q. That is exactly the way it was in the war—is there no super-coordination?

A. There will be. The President is getting started as fast as he can. How long was it—two weeks ago they sent up a request from the Army and they cut it—just look at how many requests the Army made of Congress up to two weeks ago and the Congress slashed their appropriations. Now, overnight, they want to give the Army and Navy everything they want and more besides and we haven't got any of the money yet and I think we are moving just as fast as we can without getting hysterical about it.

Q. Mr. Secretary, you don't want to create the impression by what you said this morning about selecting engines that any one of the three great engine producers is going to be cut out of the picture?

A. Oh, no, models not engines.

Q. All their services will be needed?
A. All of them. Pratt & Whitney may make ten
different kinds of engines—it is possible they
may be asked to concentrate—I don't know. Don't
use any names—use X-manufacturer makes ten models
and may be asked to concentrate on three or two,
but by doing that, if you took away some of the
models from him, that would enable him to
immediately increase his production on the re-
main ing ones, and that is the thought—I don't
want to be quoted as to names—if we took Pratt &
Whitney or somebody else and took a smaller
horsepower and gave that to somebody else to let
them concentrate on the larger horsepower, in
that way we can get more production.

Q. The big problem is in the large horse-power engine.

A. In numbers, yes.

Q. And you've got to produce training engines.

A. Yes, but they have also got to standardize on
what two-hundred or four-hundred horse-power they
want and divide it around, but they have a
dozen different models. If we increase, we can't
increase twelve different models—we will
divide it up among the manufacturers, and greatly
increase the production, one or two within
certain horsepower classification.
Q. Generally speaking, one horsepower model for each range.
A. We hope to, one or two. One or two models within certain horsepower classifications.
Q. That doesn't apply to top horsepower.
A. Say several and nothing has jelled. We are still looking around.
Q. Mr. Secretary, can you tell us how this fits into the program, the visits of such people as Mr. Biggars and Mr. Stettinius and other people to the government in the last two or three days?
A. General conversations.
Q. About what?
A. The weather.
Q. Ah no! They fit into this picture.
A. Just the weather.
Q. They are going to coordinate the weather; will you tell us their names?
A. I don't think so.
Q. Many besides Biggars and Stettinius?
A. Lots of people.
Q. Are you trying to rally people along this defense program? If that your job?
A. No, it isn't my job. Their coming is quite casual and has no significance. The one with Stettinius was made two weeks ago and had to do with certain strategic materials.
Q. Bigger was two days ago. Manganese?
A. Both were casual. There are certain things that we need. It is general and I am not going to say, if you don't mind.
Q. Mr. Secretary, how about your study of the revised budget as it pertains to the debt limit—Mr. Harrison and Vandenberg—.
A. I rode down with Mr. Bell this morning and both he and I are looking for the letters they are talking about. We haven't seen them yet.
Q. But you are going to make a study?
A. Sure.
Q. Have you found out if you are going to exceed the debt limit by January or before that time?
A. We take a net inventory every night.
Q. How does it look today?
A. Don't ask me.
Q. Any news on financing, Mr. Secretary?
A. No, roses are red.
Q. Thank you, Mr. Secretary.
If you gentlemen don't mind, this is going to be just a one-topic press conference. Mr. Jesse Jones called on me this morning and we had a very satisfactory discussion and we both agreed that the important thing was for both of us to work together which we have been doing quite successfully for the last seven years, and any little differences on any particular bill were so insignificant that they should be dropped. Now there are all kinds of things the President wants Mr. Jones and myself to do and we are going to continue to work as a team, and as a result of that he wrote this letter to Chairman Steagall, which you may or may not have seen.

Q.

Have you a copy?

A.

Yes.

Q.

Is that the only one you have?

A.

That is the only one I have (hands it to Klein). But he and I have had the most agreeable relationships during the last seven years, and certainly for the remaining time we are here it is my desire that that relationship should continue.
Q. You are not going to let any bill interfere with it?
A. Not going to let any bill interfere.
Q. In other words, they are simply dropping out two portions of the bill.
A. Which I objected to.
Q. One relating to capital stocks of the banks and the other extending amortization on mortgage loans?
A. Increasing real estate loans from ten to fifteen years, which I objected to, and also giving the RFC power to purchase preferred stock without having it originate in the Treasury—two things which I objected to.
Q. And I had this one by myself up to now.
A. Now you have company. I am very glad to do this and I would appreciate it if you boys would write it in the spirit in which I am giving it.
Q. This is quite a prelude about the spirit in which this is written—that everything is all bumpy dory between you and Mr. Jones. Isn't this a reversal of Mr. Jones' views?
Mr. Jones' views are in the letter he wrote. The only significance is that he and I had a difference on this and this difference is so unimportant that he—what he wants to do and what I want to do is to work in the common cause, the common good of this country, and, therefore, we have decided to drop this thing and get together on more important matters.

Q. He's the fellow that is making the concession.

A. Yes.

Q. You are not saying go ahead; he is saying all right. I will withdraw my desire.

A. Yes, he did, in the letter, publicly.

Q. Was he over at the White House with you today?

A. No, I was alone with the President. No, he was here this morning for about three-quarters of an hour. Everybody has got to bury their personal differences in order to work together on this tremendous job which we have and that is the spirit in which this is done.

Q. Thank you, Mr. Secretary.
H.M.Jr.: Sorry to keep you waiting; I don't do that very often, do I?

Q. No, Mr. Secretary. You had a lot of machine tool people here; what can you say about it?

A. I think what they said goes both ways.

Q. They didn't say very much. They said an announcement would come from the Treasury.

A. Well, it was just a preliminary meeting and I haven't had a chance—we had prepared by the Army and Navy a list of the machine tools that would be needed for the existing program—complete breakdown—and this list was given to them in confidence and it totaled $200,000,000.

Q. What is that, Mr. Secretary?

A. That is the amount that is needed for this program—the government program.

Q. That is for the emergency program?

A. Well, when the bill passes, when the War and Navy Department bill passes.

Q. That is just for new equipment?

A. Just for machine tools.

Q. Machine tools that would have to be bought from them?

A. That's right.
Q. That includes the allies?

A. Government, but it did not include the machine tools necessary for this training of pilots, whatever the amount of pilots—the planes necessary for that civil program will be over on top of that.

Q. How about export of military planes?

A. This is just government, just the Army and Navy program. The machine tools come to $200,000,000 and they were given a complete breakdown by this kind of lathe and this kind of tool and they took that away and they were asked how soon could they begin to deliver the tools necessary for the government program and they said they would be back here a week from today with the answer.

Q. Mr. Secretary, because some people, including myself, and a lot of others, don't exactly know what machine tools are, could you specify a half a dozen of the more important ones?

A. A rake and a hoe and scythe.

Q. How about a flit gun, Mr. Secretary? I am serious, Mr. Secretary.

A. Boring machines, drilling machines, forging, gear-cutting, millers, lathes, boring. Did I say that? I didn't mean to get personal!

Q. Oh, yes. (Laughter)
A. All right.

Q. Mr. Secretary, there is one thing I would like to get clarified on this $200,000,000--is that money to be spent by manufacturers on contracts for the government or by the government itself?

A. Both.

Q. This is everything for the Army and Navy program, aircraft, ships and everything else?

A. This is what the Army and Navy say they need for themselves and the industry will need to do the work for the Army and Navy.

Q. For the new program?

A. For the new program, when the bill passes--they figure they will need roughly $200,000,000 worth of boring machines (laughter). We don't want any boring from within either--how's that?

Q. Pretty good. What is the ratio there between the two--how much will the industry have to expand and how much will the government?

A. You see they came down and we had a complete program--that is, Army and Navy officials did a beautiful job and we gave them a complete breakdown and they have taken this thing away with them to study it, study their plant capacity, etc., and so on. They are meeting all day today with the Army and Navy people,
complete coordination; they are having a meeting in Dayton tomorrow and they will come back Monday and tell us what the answer is. They were entirely satisfied—all the information they wanted was given to them and I want to say their attitude was splendid.

Q. Did they indicate they would probably need plant expansion?

A. They didn't say. It just kind of took their breath away—it was so big. They wanted time, but their attitude was splendid.

Q. Mr. Secretary, I understand of course you won't know the real answer of how soon you can get these things until next Monday, but roughly, is this for a year or two years?

A. It is to take care of the program when Congress passes the bill for the industry to supply the Army and Navy and what the Government needs in its own shops.

Q. Those preparations are for the next fiscal year?

A. Yes.

Q. Then you need these in the next fiscal year?

A. Yes.

Q. Is there any hope that any existing industry that uses machine tools a lot might temporarily forego some of its capacity for this?
A. You will have to be more specific.

Q. What about automobiles?

A. On the automobile situation, that was discussed and I understand that the automobile industry will be finished on their retooling program in about a month and that is on the '41 model, and unless something comes up that we don't foresee now, talking in a general way, I mean, for the good of the whole economy, I believe that it is in the interest of the whole economy to permit the automobile industry to complete their retooling program. Now when I did this job for the aviation, these two motor companies, on getting them together with the machine tool industry, and if I have to say so myself, both these two motor-engine companies, Wright and Pratt & Whitney, were delighted with the results and so were the machine tool people, and until I got them together they never had a committee working together—they each formed a committee to work together—they never had that. At that time the question was raised as to the needs of the automobile industry and whether they should go forward with the program for the new models now and we found that the tools the automobile industry needs and the tools the aviation
industry needs, they, in only a few cases, are they the same tools and as I say the automobile industry is so important to the whole economy of the country that unless something comes up that we don't foresee at this time I am fairly sure that there will be no interference with the automobile industry if they complete their program of retooling and which they will do in about a month's time. There may be specific tools that we may need but, after all, they are in the middle of this--practically the end of this program--now, and the heads of one of the largest companies has told me that if next fall when they are laying their plans for another model that if the government doesn't want them to go ahead they will forego that.

Q. This coming fall, you mean? Mr. Sloan?

A. Yes, I would rather you wouldn't use his name, just keep it. Next Fall, if the government finds that we need the entire capacity of the machine tool industry and the men who are working on it and would say, at least this one company, which is the biggest, "gentlemen, we don't want you to change your models", they would forego it. But right now they are in a position where they have a
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month to go and the automobile industry is so important that the fact that there is little conflict that doesn't mean that two weeks from now we may find that we may need some specific tool, but with only one month to go we will try every way we can to have the automobile industry finish its program.

Q. Can we disclose that?
A. I don't want to mention any names, but that is on the record.

Q. Mr. Secretary, the industry is on a basis of 93 per cent of peak production; will a census have to be taken to find out what more they can do?
A. That was the purpose of the meeting this morning--to tell them what the government feels that they need and they were given a most comprehensive statement, breakdown--they continued in conference all day with the Army and Navy officials and they meet in Dayton tomorrow with the industry. They have copies in confidence of what the needs are and they study this thing and come back in one week and say "this is what we can do".

Q. Did they say anything, sir, about whether or not they could go on two-or three-shift--some are on three-shift basis.
A. Didn't go into it because I don't think they
expected as complete a program as we gave to them—the
fact that we would be ready. But it is in the
advantage of coordination and planning on the part
of the government.

Q. Mr. Secretary, do you have any figures in mind
about the size of the machine tool industry? Can
you tell us what relation the figure of $200,000,000
has?

A. They tell me the biggest is I think they had about
$370,000,000 last year. Isn't that about the
figure?

Mr. Schwars: That is a little high—I think about three
hundred.

H.M.Jr.: You had better check that, but the figure the
government gave me was around 370.

Mr. Schwars: They are working on a $355,000,000 rate
this year.

H.M.Jr.: Is that what they are doing now?

Mr. Schwars: At present.

Q. That was $300,000,000 last year?

Mr. Schwars: That was it.

H.M.Jr.: What is the rate now?

Mr. Schwars: 385.

H.M.Jr.: 385 now. But you had better check that now.
Mr. Schwartz: I have it now.

H.M.Jr.: Did Berna agree with that? Those are the Army and Navy figures.

Q. Any prospect of priorities or licensing?
A. I had better wait until I get their answer—give them a chance.

Q. On the other side, Mr. Secretary, did they give you general assurance they would grant you priorities for the national defense?
A. I just took it for granted.

Q. Did they indicate anything to make you feel that way?
A. Yes, sir.

Q. Mr. Secretary, is there any prospect of using tooling and die capacity of the automobile industry which would be more or less idle after the defense program gets started?
A. These men here are going to work out a program—they know what we want and they are going to give the government what we want and I feel sure they will put their teeth in this and come back.

Q. And you will leave details to them?
A. In the first instance, after all, they know their business and I never attempt to tell a fellow how to run his own business. They know their own business and these people I went through experience with them on the aviation engines and
and I got full cooperation and Pratt & Whitney
and Wright were delighted with the results and
so were the machine tool people. Having learned
from that experience I have sufficient confidence
in them to say "here is a program; come back in
a week and tell me how you can do it". Certainly
they are entitled on their record to have a
chance and their record with me on those previous
experiences is 100 per cent—they came through
100 per cent.

Q. They will work out the details themselves and
come back and tell you if they need any government
help?
A. Yes, but they are spending all day with the Army
and Navy.

Q. Mr. Secretary, can we get to airplanes and engines?
Have any selections been made of engines yet?
A. No.

Q. How about the licensing arrangement?
A. It is in the hands of the lawyers, if you know
what that means.

Q. A couple of years.
A. Not if I know it.

Q. A new kind of lawyers—was that why they were in
here?
A. That was my 9:30 staff meeting at 2:30.

Q. Mr. Secretary, the President said there aren't going to be any new millionaires around this time. That speaks of the tax program.

A. Not getting personal, are you?

Q. No. I just wondered how it could be done, as a matter of fact.

A. Well?

Q. That speaks of a tax program of some sort; is there anything in the mill on a tax program?

A. What does Mr. Welles say when he is asked a question?

Q. Eh-huh.

A. Okay. Eh-huh.

Q. That means yes.

A. What means no?

Q. I don't know, Mr. Secretary. Is your answer yes for the record?

A. My answer for the record is no comment.

Q. When are you going to ask for an increase in the debt limit?

A. No comment.

Q. Mr. Secretary, can you tell us anything about the status of the negotiations with Mr. Annenberg? I understand they have reached a figure.

A. Well, I haven't got the check yet.
Q. I know but can you tell us anything about it?
A. No, only when I get the check.
Q. I understand he pays in cash.
A. Well, if I get the cash or its equivalent I will come around and see you.
Q. Has some sort of a tentative settlement been made?
A. No comment.
Q. You talk like J. Edgar Hoover now.
A. Well, that's no slander.
Q. On this aircraft expansion program which the President has recommended, the current appropriation bills provide for a relatively small number of actual aircraft orders. What plans are contemplated for actual orders of aircraft to support an expansion of the industry?
A. Well, it is a very good question and I am just not ready yet to answer. Everybody is working day and night—Army and Navy, Civil Aeronautics and ourselves and we just haven't got the answer, but I mean we are working very, very hard, but I would rather make haste slowly and be right than to be too hasty and be wrong.
Q. I assume it would be an Army order because the Navy doesn't need planes until the ships are ready, except the trainers.
A. They have an authorization for ten thousand.
Q. They testified they don’t want anything but trainers. The Army situation is different.
A. Yes. But the whole thing is being correlated and everybody is working day and night, including Sundays, and nobody has got the answer yet.
Q. Well, you are working on a procurement plan.
A. Oh, yes, very, very hard.
Q. In addition to the emergency?
A. The whole thing but we are not ready.
Q. Mr. Secretary, what are you going to do with the 353’s coming due June 15? No news on it?
A. No.
Q. May I just ask one more question in that connection? Do you anticipate a procurement program in addition to the current one in this session of Congress?
A. Not that I know of.
Q. It wouldn’t be until next year?
A. I really don’t know; there might be—again, I don’t know.
Q. That whole business has to be correlated or coordinated with the Allied program, too, doesn’t it, Mr. Secretary?
A. Yes, but as the President says, it has to be superimposed on top of their orders but we are correlating it and that is one of the reasons I am in it.
Q. When are you going to see the aircraft people?
   You said in a week.
A. I will tell Chick.
Q. Will he tell me?
A. Sure.
Q. Will you have a program then?
A. Working day and night.
Q. I mean, you will have a program before you call
   them in?
A. Well, any of these things we've got to work it
   out as a partnership between industry and the
   government, and we can't tell until we see these
   people, but they will be called in by companies,
   not en masse again. There will be no more of
   those meetings, if I've got anything to do with it.
Q. No more pep talks?
A. I didn't call the meeting.
Q. Nobody else would admit to it either.
A. Well, some time I will tell you who called it.
Q. Can you report any progress on this standardization of
   engines?
A. I've got nothing to report. You boys will have to
   be a little patient; as I say, we are going to
   make haste slowly.
Q. Mr. Secretary, have your budget studies indicated yet whether the debt limit will be reached by January 1 or when?

A. I have the study.

Q. How do they stand now? Are they going to or what is the margin?

A. Just like the aircraft thing; you will have to be a little patient.

Q. It is an awfully interesting subject to me.

A. Yes, it is to me, too.
H.M.Jr.: I don’t know whether the story is true but they tell me that Mr. Knudsen went out of my office and leaned his arm on Perlmeter’s shoulder and sat there waiting for somebody to ask him questions and he didn’t so he went on about his business.

Q. We would rather ask you the questions.

A. I don’t know how true it is but they tell me it is 50 per cent true anyway.

Q. I’ll put it this way. If I had seen Mr. Knudsen he wouldn’t have gotten away so easily.

A. He didn’t go out through there and he didn’t run either.

Q. Well, I was talking to someone else and didn’t see him.

He probably got a much better story.

A. You don’t mind, do you?

Q. Was Jerome Frank, Chairman of the SEC, and two other persons from there in to see you?

A. The only place I saw Jerome Frank was coming out of the President’s office where he had an appointment—you had better get your OGPU straightened out.
Q. They just went down the hall, Mr. Secretary—thought they came from your office.

A. Well, I haven't seen them. No, seriously,
I have only seen Jerome over at the White House today; it's perfectly possible he was at the Treasury but I didn't know it.

Q. Is he working on a new tax plan?

A. Who? Jerome Frank?

Q. I was wondering if there had any request come from the SEC for combining the data you had on foreign selling with their data over there; they say their data is not complete and yours is.

A. You will have to ask Mr. Frank. I really don't know.

Q. Mr. Secretary, could you give us a summary of what developed at this historic meeting of Mr. Knudsen and the military and naval people and the machine tool people and yourself this morning.

A. Well, the whole story is this was the meeting which was announced last Monday that they would meet again this Monday which they did and last week the President appointed this committee of seven, and I asked Mr. Knudsen would he please...
take this off my hands which he said he
would, and, therefore, I turned this group
of machine tool fellows and Army and Navy
and machine tool fellows over to him.

Q. Are you through with aircraft?
A. I am through with machine tools. On aircraft,
I go off the record—May I? Thank you.

Q. I hope it's printed in the morning. (Lins)
A. Well, I have asked also of the President to
be relieved of that at lunch today and he said
he would like to handle it at his own press
conference tomorrow. He said he would like to
handle the aircraft story tomorrow but I have
asked to be relieved of that also.

Q. I was going to ask you at this press conference
just where the line was between your duties and
Mr. Knudsen's.
A. There is none because the aircraft and machine
tool thing I have asked to be relieved of because,
after all, I have laid the foundation for this
thing and Mr. Knudsen was very much pleased with
what we have done and most likely will take over
bodily the people I have here, but I would like
you gentlemen and lady to wait until tomorrow.
Q. Can we say that much about machine tools?
A. Machine tool is on the record; I have asked Mr. Knudsen to take it off my hands and he said that he would but the aircraft will have to wait until tomorrow.
I have laid the foundation and he's delighted with what he has seen and heard. We spent over two hours together and he will take it over because it is the only thing in town that has been started.
Q. Mr. Secretary, without saying anything as you requested about the change-over about airplanes and airplane engines, may we say Mr. Knudsen talked to you about airplanes and airplane engines?
A. Yes, does that help any?
Q. Yes.
A. Okay.
Q. Mr. Secretary, has the machine tool industry reported whether they can produce $200,000,000 worth? I believe you said they would report back.
A. The report, as I read it, simply offered cooperation but how they are going to do it is another story.
Q. They didn't say how they were going to do it?
A. Well, not in the report that I read. I mean, the will is there; now it is up to them to produce.

Q. Would they have to submit details at a later date?
A. They want to continue; they've got this committee. I don't know, they've got some fancy name—National Defense Committee or Committee on Cooperation or something or other, but the fellows are very sincere fellows and I believe they will produce, but they've got to do some more homework, but I am convinced of their sincerity after the experience I had with them on Pratt-Whitney and Curtiss-Wright; they certainly came through on that and I think they will on this. But just how they are going to do it, they haven't had time yet...

Q. Mr. Secretary, in view of the fact that you have had so much to do on this airplane work, I wonder if you would make some comment on the proposal to sell some of those Army and Navy obsolete planes to the Allies?
A. No. That's Army and Navy business.
Q. Going back off the record on the transfer of planes to Mr. Knudsen, will that include your liaison job on coordinating foreign and domestic?
A. No, he wants me to keep that; very definitely wants me to keep it.
Q. Is that on the record?
A. No, off. The President wants to handle this tomorrow himself—very definitely off the record—he definitely wants me to continue what I am doing only more so. Knudsen was delighted with the meeting with these fellows I had here. Thought they were a swell crowd.
Q. Over how long a period will the $200,000,000 program be spread?
A. Gosh, I don't know.
Q. A year, you said last week.
A. At least a year, depending on how quickly they start.
Q. You will have to get rid of bottleneck problems if this thing goes through?
A. No, there were certain things the President asked me to do when we had this thing set up— I am talking off the record—and I did them and
I made a start and I think we've got one
of the best groups in the country on airplane
engines, barring none, and it is there and I
am delighted somebody has relieved me of the
responsibility of the work—I can sleep one
hour longer at night.

Q. How about financing? Does that keep you awake?
A. Nothing today on it.

Q. I hear you are going to offer notes.
A. I've got to help him (Gregory) out on his liaison
or spywork—I don't know what you call it.

Q. Help me, too.
A. I just said there was nothing doing.

Q. In view of the President's latest message on
national defense needs, does that change that
joint agreement you arrived at with representatives
on the Hill for a three-billion-dollar increase
in the debt limit and three billion dollars in
taxes over five years?

A. Well, during that short four-hour session I had
I told them I made the agreement and unless some-
body wanted to change it I would stick by the
agreement.

Q. In other words, that is sufficient to cover the
new request, too?
A. It is sufficient to the extent of $3,000,000,000.

Q. Well, it still isn't quite plain because that brings the national defense expenditures for '41 fiscal year into the neighborhood of $5,000,000,000.

A. Well, as I say, it covers it up to the extent of three billion.

Q. How will you handle the rest of it then?

A. Regular borrowing.

Q. Do your five experts go over to Mr. Knudsen with the problem?

A. Again off the record, Mr. Knudsen met these people; he seemed to like them very much; he seemed to like what they've done very much because they have done a magnificent job and I think the chances are if they go, I don't know whether they will go, but if they go I think he will take them over bodily.

Q. Didn't they enter the service for the duration? Or didn't you have them for a specific purpose for a specific time?

A. Frankly, they came down to help out the President and me and they are free and it is up to them to make up their own minds. They are not connected
with any industry. They are all people who
have no financial interest in the industry.
They are all people who did this at a considerable
personal sacrifice. I think they will go but
they have got to make up their own minds, but,
as I said before, the President wants to handle
this himself, but I would say the chances are
90 per cent they will go, if Mr. Knudson wants
them, and I think he does, because they are good.

Q.

On the record, Mr. Secretary, have you arrived
at any standardization of engines yet or have you
arrived at any particular ones?

A.

In view of all of this I don't think I am going
to talk on the record on engines—it is so near
finished, I think I will let it go.

Q.

On the record, Mr. Secretary, you had a conference
with Edsel Ford last week; could you tell us
what that was about?

A.

Mr. Ford came down, at my invitation, to talk
about the possibilities of his getting into mass
production on an airplane engine and he is very
much interested and he said that if he can find
an engine or if we can find one for him which he
can produce on a mass production basis why he
would be glad to get into it on a patriotic basis.
Q. Might that be the Rolls-Royce engine?
A. I don't know. I have personally never seen one.

Q. Is that his thousand-engines-a-day proposition or a thousand a week or month?
A. No.

Q. They talk in terms of a thousand.
A. That was the Ford.

Q. Edsel is younger—he might step up production to 2,000 a day. Did he say what production he thought he could handle?
A. No, because he was very honest. He said he didn't know anything about it—this was a new subject—he would have to look into it, depending upon the engine, design, etc., just what they could do, but he is going to put his engineering staff on it but this is something new and he is going to go home and look into it, but he is interested provided he can find something he can produce in a mass production way and (2) if he can get the orders.

Q. Have you approached any other automobile manufacturers on a similar subject?
A. Well, I talked to, I think his name is Sloan, the President of the General Motors and Gilman of
Packard and some of my people talked to the president of Studebaker, and Keller from Chrysler has been here. I have personally seen Mr. Keller, Mr. Ford, Mr. Sloan; I have seen the president of Packard and some of my people have seen the president of Studebaker; Guy Vaughan of Curtiss-Wright has been here two or three times and so has Wilson, president of Pratt & Whitney.

Q. Was it confined to aircraft engines or did it include airplanes?

A. I have only been talking engines.

Q. That would be training?

A. All engines, the whole engine problem, our own problem and the Allies' problem.

Q. Mr. Secretary, did they all, that is, like Mr. Ford, express interest in producing?

A. They are all interested; they all would like some business. I think I have covered them all.

Q. Mr. Secretary, the idea of their going into the business of building airplane engines, was that their idea or your idea in each case?

A. Well, in some of the cases it was theirs and in some of the cases it was mine.

Q. Would you say in the case of Ford?

A. I called him up and asked him on the telephone to come down.
Q. What do these people think about the feasibility of making airplane engines in an automobile factory?

A. They are very much interested and they say it depends on the engine as to whether it can or can not be done. Whether it is adapted to mass production?

Q. That's the thing, but they have all got their engineering staffs on it; they are keenly interested in it, as a matter of national defense and they have put their engineers on this thing and we will make the information available to them at Wright Field at Dayton. As a matter of fact, some of them have had their engineers out there to get this information.

Q. In other words, what you are finding out about possible standardization is being relayed to the automotive engineers?

A. Right. We have moved awfully fast.

Q. You said Mr. Ford is interested in this problem for patriotic reasons; he has been opposed to the manufacture of planes for war. If he turns them out will it be for our program or for the Allies?

A. I never mentioned this but I was talking first for our own government and second for any foreign government that wanted to place orders because we
don't want our own manufacturers making three
of four different kinds of engines which we may
not be able to use ourselves. Therefore, I am
trying to make sure here, Mr. Knudsen is in hearty
sympathy with this, that whatever our people get
into in a big way will be something we can use
ourselves. We don't want to tie up our automobile
plants with the same kinds of engines for some
foreign government which we in turn couldn't use
ourselves and that is part of the standardization
program, and, as I say, he is in hearty sympathy
with it—that goes for Canada as well. In other
words, if we get into this thing it is going to be
an engine first that we can use ourselves and if
any foreign government wants to buy them they will
be here for sale.

Q. Mr. Secretary, if any or all of these automobile
companies accept that suggestion and do go into
airplane engine production, is it your idea that
it will interfere with production of automobiles?

A. They don't seem to think so.

Q. In that connection, Mr. Secretary, has any definite
decision been reached about '41 models?

A. No, but every week that goes by now they are nearer.
It must be two weeks ago they told me they would be
finished in a month, but I would say certainly from what they said that in two or three weeks they will be complete as to their tooling.

Q.

A.

How about the '42 models?

Well, that will be for Mr. Knudsen to decide. He can decide that one. He can go into a conference with himself and decide what he is going to do. He can have a conference and think it over.

Q.

They will be through tooling shortly for the new models?

A.

I would gather in several weeks they will be finished on that program for the '41 model.

Q.

Mr. Secretary, have any technicians from the Allied Purchasing Mission been sitting in on these standardization proceedings?

A.

Oh, yes, oh, yes. We want their advice and we are frankly saying, 'Now, gentlemen, be a little patient until we can get this thing straightened out—just wait a minute because we have got to decide first', and they are being. They completed their program only last week. Any new program we will just ask them to be a little patient. When I say patient, just a week or so.

Q.

What program do you mean has been completed?

A.

This program they started—this mission arrived January 6 and the engine program they set out on
was finally completed last week when they signed the last contract with Pratt & Whitney, so that program which they started January 6 was finally finished last week, but anything else would come would be something new, but the thing they originally came here for on January 6—they signed the last contract with Pratt & Whitney last week, so that particular program, the billion-dollar program, as far as engines are concerned, was completed last week.

Q. Not so far as planes.
A. No, but as far as engines, that was completed last week.

Q. Mr. Secretary, can you say anything about the report we have been asked to help China prevent further dropping of her currency?
A. I can't comment on that.

Q. Mr. Secretary, in your conferences with these automobile people, did you definitely ask them to go into engine production or merely ask them to consider whether they would like to?
A. What I said was the truth. Some of them sought me out; I sought some of them out. I don't want to give names, in other words.

Q. That's all right.
A. Good!

Q. The only thing I want to get clear, I am pretty
dense today.

A. Are you? Just because Knudsen leaned on you?

(Laughter)

Q. I merely assume that there wasn’t anything really formal about this but you talked to them and they said they would but it wasn’t a definite case of you do this and you do that.

A. Very informal and that ended it in such a condition that Mr. Knudsen can take it on without feeling his hands are tied in any way.

Q. No commitments?

A. No commitments.

Q. So far, they were willing?

A. I have yet to meet the first fellow since I have been on this assignment that has not offered me and given me one hundred per cent cooperation—I have yet to find the first person who has not come down when I asked him and given me 100 per cent cooperation.

Q. There is one question in regard to Ford I am not straight on. You said he told you he was going to have his engineers make a study of his plant facilities—they used to produce a lot of engines.

A. That was twenty years ago. I am not sure but I think their plant was completely rebuilt in the last twenty years.
Q. They made them in '21 and '22.
A. Certainly all the tools they had must be out of date by now.
Q. They would all be out of date.
A. Absolutely.
Q. Any more trouble with patents?
A. No, everybody has been fine.
Q. I meant this thing said yesterday by this trustbuster of the Department of Justice that there was a tie between our producers and Germany.
A. Was, was. All right? Everybody happy?
Q. I wanted to ask, Mr. Secretary, what are the values of these Rolls Royce patents? Have you gotten that far?
A. For the time being they have just given them to me, as Secretary of the Treasury. No money has changed hands but I want to say that Ambassador Kennedy was most helpful in getting this for me.
Q. You have a permit to use them?
A. Yes, and they haven't talked about money. There is a good spirit around here.
Q. Do you think they will?
A. Well, so far they haven't, from Lord Beaverbrook to Joe Kennedy to me and they just said I could have everything I asked for and there it was and some time later when we are all less busy we will
talk about money. In the meantime the stuff is
mine—I can fix the price.

Q. They will get a royalty?
A. No, they didn't even say anything. Later on, when
less busy, they might talk price.

Q. You mean after the war was over?
A. Yes.

Q. I don't know whether you want to comment on this
but there has been a lot of speculation as to the
power of this defense commission and I merely
wanted to ask you just what Mr. Knudsen's power
will be in this picture. Is he going to merely work
with the industries on the cooperative basis?

A. All I can tell you is that I, as Henry Morgenthau,
Jr., and as Secretary of the Treasury, give these
fellows 100 per cent cooperation. They've got
everything I've got that they want, plus.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 6, 1940:

H.M.JR.: Good morning; sorry to keep you waiting but
       I don't do it very often.
Q. No complaints.
A. It's cool out there.
Q. Mr. Knudsen been around lately?
A. No, but I was talking to him.
Q. What about?
A. Oh, do you really want to know?
Q. Certainly.
A. Well, the papers had it but he is taking over
   this whole section headed by Dr. Mead, which
   pleases me very much because it means that the
   very hard work which I have done isn't gone to
   waste and they will carry on under Mr. Knudsen.
Q. How many people are there in that section?
A. God, I don't know!
Q. Roughly. Is it five or ten?
A. I would say there may have been a half a dozen.
Q. Including the three from the California Tech?
A. California Tech, there must have been about a
   half a dozen but he has taken it all over which
   means that work will continue without any stopping.
Q. Does that mean under your jurisdiction, even the standardization of engine, design, etc.?
A. Everything.
Q. Does that go out?
A. Everything, the whole works goes over to Mr. Knudsen with Mr. Mead and everything he has done.
Q. That leaves with you only the coordination of foreign and domestic?
A. That's all—practically nothing to do.
Q. In connection with that coordination committee, have the British communicated with you in line with the statement made in London yesterday that they were very much interested in Mr. Ford's assertion of making a thousand planes a day?
A. All of that now would be Army and Navy and Mr. Knudsen.
Q. If Mr. Purvis were asked to look into that wouldn't he go to you?
A. Yes.
Q. Has he?
A. No.
Q. Does Mead still retain his title as Assistant to the Secretary?
A. This is off the record. (Here the Secretary went off the record)
Q. Does that mean under your jurisdiction, even the standardization of engine, design, etc.?
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A. Yes.
Q. Has he?
A. No.
Q. Does Mead still retain his title as Assistant to the Secretary?
A. This is off the record. (Here the Secretary went off the record)
Q. Have you heard that Mr. Knudsen is so preoccupied
with his work he never looks up? Bob Horton
went in the other day and he said, 'Can you make
a tank?' (Laughter) And Bob said, 'No,' and
tiptoed out. (Much laughter!)
Mr. Secretary, do you know anything about the
legal aspects of selling war-time surplus equip-
ment to the belligerents? They are speaking now
of rifles and other obsolete stuff.
A. If I did, so what!
Q. I am trying to find out something about it. Could
you enlighten me?
A. I think that is entirely a matter within the
jurisdiction of the Secretary of War.
Q. I wondered in your role as liaison man between
the Allied Purchasing Mission, the War Department
and the President—you might be able to throw
some light on it.
A. I could.
Q. There was a story in this morning's papers, as
a matter of fact, about a ruling of the Attorney
General.
A. Yes. But I think that it is up to Mr. Woodring
to do the talking; the law distinctly .......
Q. Have you recommended to Mr. Woodring the sale of
those surpluses?
A. Well, it is purely a matter for him to decide.

Q. I know it is but it is your recommendation which is very important. Is it all right with you, Mr. Secretary?

A. Sure.

Q. You did recommend it?

A. No, I didn't say that. He asked is it all right with me and I said yes.

Q. You started to say "the law distinctly" and then you were interrupted.

A. Yes. As I understand the law, I mean, it is a matter within the jurisdiction of the Secretary of War, so it seems to me that—I understood that Mr. Woodring was going to make a statement; maybe he has changed his mind.

Q. Mr. Secretary, as the coordinator here in these purchases your recommendation, of course, would have some weight and you would make a recommendation to the Secretary of War; did you recommend the sale of this surplus materials? Undoubtedly the British asked for it.

A. I am not going to get in on this conversation.

Q. It isn't conversation, sir, it is a question.

A. I don't want to bite.
Q. Did the Allied Purchasing Mission ask you for the surplus stocks of the Army?
A. I am not going to say.
Q. Why would it be necessary for the Attorney General to give a legal opinion on the subject?
A. Why don't you find out who asked for it.
Q. Did you ask for it?
A. I still say this is a matter purely within the jurisdiction of the Secretary of War. He has a press section over there, hasn't he?
Q. Not as good as yours.
A. Granted, granted. We don't call ours a section; it is just a personal individual.
Q. Who asked for that Attorney General opinion?
A. Let's put it this way. The law says there are certain things that come within the jurisdiction of the Secretary of the Treasury and I have some doubts. Well, if I have some doubts I ask the Attorney General to advise me on Secretary of the Treasury business. I suppose the same would apply to other cabinet officers. I don't know how they work but that is the way I work.
Q. Did you work on that line in this case?
A. It is War Department business; what would I be doing?
Q. You are the coordinator of all this.
A. (Here the Secretary went off the record)
Q. But you are coordinating purchases by the Allies.
A. I am just the go-between, that's all. They have certain things that they need and we put them in touch with the proper officials—that's all.
Q. Did you do that in this case, as far as Army Enfield rifles are concerned?
A. Yes.
Q. You mean you passed on the request?
A. Now, that is enough. He did a good job on me—that's enough. Do you want a little news? Where is Gregory? He's here. As to financing, I am going to take all the time that I can which gives me up until the time I see you good people again on Monday at three o'clock and between now and Monday at three o'clock I will try and make up my mind whether we offer these bondholders who hold these June maturities, whether we will offer them another government obligation or we will pay them off in cash, but I want all the time I can get and therefore I am going to give myself until three o'clock on Monday.
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Q. Is it the $353 million?
A. That's right.
Q. Is it a good guess that you are going to offer notes, Mr. Secretary?
A. I don't know. The thing I've got to decide is whether we are going to do anything and we won't decide that until between now and three o'clock Monday.
Q. Is it definite then that the financing will not go beyond the refunding operation if it is at all undertaken?
A. It can be simply a refunding or pay them off in cash. I will not ask for any new money but that doesn't include bills. I want to be free; naturally, if I pay off in cash I might increase my bill offerings.
Q. You might borrow more by bills?
A. I might through bills.
Q. If you pay them off in cash?
A. If I pay them off in cash. Is that clear?
Q. But you are not going to ask for any new money at all?
A. Not in connection with the June 15th but I don't want to be misunderstood or leave any of you men out on the limb. If I pay off those June maturities with cash then I will increase
my bill offerings.

Q. That will run the balance down if you do pay in cash, for a while.

A. Until the 15th of June when some more money comes in. That is why I have been carrying this large balance, for an occasion like this; that's why I've been doing it.

Q. Mr. Secretary, how much of this French and British gold has come over here? There are reports from New York that $350,000,000 has arrived in the last few days.

A. I am not going to comment; don't ask me, please.

Q. Is Fort Knox large enough to handle all that gold? Personally I feel that they shouldn't even disclose where the gold is coming from and I don't know why the Federal Reserve does it.

A. As far as the United States Treasury is concerned, we never have and never will discuss other people's money. That's okay with you?

Q. Yes.

A. By the way, how are you going to write this thing on the rifle business? What is on the record?

Q. Simply that when the allied people asked you where to go on it you sent them to the right place.
A. Okay. Everybody right on that?

Q. The Allies have requested and you steered them right.

A. And how?

Q. That was as to rifles, Enfield Rifles specifically. It is surplus war stock.

A. Yes. I am going to get one of these white caps like these fellows across the street to steer you around.

Q. On these national defense bonds which you will issue if Congress passes the legislation, is there any thought of issuing at least part of those in possibly some very small denominations, like Baby Bonds?

A. It wouldn't be necessary. I hadn't thought along that line. I was thinking more of doing it in large denominations like a thousand dollars.

Certainly, for the moment, after all the thing is moving pretty fast but for the moment the Baby Bond thing takes care of the people who wish to buy from $18.75 up.

Q. There is no necessity for a Liberty Loan?

A. Not at this time.

Q. Mr. Secretary, are you in favor of hiking up the debt limit another billion dollars, as proposed the other day?
A. Well, those gentlemen again did me the courtesy of coming down here. It didn't take quite so long this time—we met for a couple of hours—and again we were in complete agreement.

Q. Both on taxes and debt limit?

A. The whole thing, a complete agreement was made here in this room. The whole thing, just as the program is now, in toto.

Q. As to the change of the debt limit?

A. Everything, a billion up and taxes—the whole thing.

Q. When was that? Yesterday?

Schwarz: Tuesday.

H.M., Jr.: Tuesday, yes, because they were saying they had been down just a week before.

Q. Are excise taxes affected at all, Mr. Secretary?

A. I don't think so. As I understand it, I don't think they are changing it. I frankly don't know how much they have given out on the Hill so I am a little bit loath to talk.

Q. Mr. Secretary, why is it you can't make up your mind at this time about these notes—this $53 million maturity? Is it a question, Mr. Secretary, of the debt limit?

A. Do you want me to answer? Look at the map—that is the answer.
Q. Mr. Secretary, in connection with your work on aviation problems, a few days ago you talked about conferences with the automobile people in relation to plane engine production. Have you had any further conferences?

A. No, I have stopped everything and everybody goes to Mr. Knudsen and Dr. Mead.

Q. Have they left this office?

A. They will, as soon as McReynolds can find them rooms.

Q. Mr. Secretary, have you had any requests from the allied purchasing board for a new aircraft purchasing program or have they completed the original one?

A. I can't answer that.

Q. They have completed the original one.

A. They now tell me the original one both as to engines and planes is finished.

Q. That is the one started January 6.

A. That is right. They tell me now as to engines and planes that is finished.

Q. Can you say whether you have discussed extension of purchases?

A. Have we discussed a new program? Yes.

Q. That is all you can say?

A. That's all.
Q. Mr. Secretary, in connection with your aviation work did you take up the fueling of these ships at all or did you reach that stage?
A. Fueling?
Q. Aviation gas.
A. No. I never discussed that.
Q. Mr. Secretary, this program that was completed was the $650,000,000 program.
A. I don't know; you had better find out. I don't know what it amounts to in dollars, but you all know Arthur Ballantyne over there. I would ask him; he has the figure now.
Q. Have the new discussions been about the same size program?
A. If you don't mind, I would like to leave it at this: They have discussed with me another new program, but I can't go beyond that.
Q. Could you indicate when you might be able to say?
A. No.
Q. Mr. Secretary, before we leave that particular thing, the old program was for deliveries up to September, 1941; in discussing a new program would it be beyond that date or at the same time?
A. I can't go into it.

Q. Is it your recollection that the orders under the old program and the one before that totaled about $1,200,000,000?

A. No, you had better get that figure from them. It is their money; they may be very glad to give it to you.

Q. What has been the performance of American ships in France? Have they told you?

A. I can't answer that.

Q. Thank you, Mr. Secretary.
Q. Does Mead still retain his title as Assistant to the Secretary?

A. This is off the record. I told Mr. Knudsen I am delighted he is taking him over but I said how about paying for him. He said okay and he turned that over to McReynolds, so just as soon as McReynolds gets around to it he is going to take over the payroll.

*** ***

Q. You are the coordinator of all this?

A. I am not coordinating the War Department, yet, off the record, although they accuse me of it.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 10, 1940.
(Mr. D. W. Bell also present)

H.M., Jr.: Well, we are going to have a little financing. A
2 1/4-year note. We are offering the present holders
of the bonds an opportunity to refund into a 3 3/8-year
note, which is September, 1943, and the coupon is
1 per cent.

Q. Is that September 15?
A. September 15, 1943.

Q. Dated when?
A. June 15. And this is for immediate announcement. I
mean, we won't hold it for tomorrow morning; it will
go right out—spot news.

Q. 3 3/8 per cent?
A. No. 3 3/8-year is the bond which is maturing.
This is a 3 3/8 per cent bond which is maturing.

Q. How long did they run?
A. Dan?

Mr. Bell: July 16, 1928, they were issued, partly in exchange
for the third 1/2 Liberty Bonds.

Q. July 16?

Mr. Bell: '28.

Q. Partly in refunding of Liberty Bonds—they ran for
eleven years and eleven months?
Bell: Almost twelve years.

Q: There is no other financing, except this $20,000,000 note issue falling due on the 15th?

H.M., Jr.: That we will pay off in cash. That's the tail end of another one. That's what is left over of another issue that people didn't convert.

Q: What is happening on that?

A: We pay them off in cash when they present their certificates.

Bell: $20,000,000 in all—that was the one we refunded in March and all the holders didn't refund their notes.

Q: Yes, but what was it?

A: 1½ per cent note issued in June, 1935.

Q: Is there twenty million of them that didn't turn them in or twenty million the total amount of the issue?

Bell: Oh, no, the issue was $436,000,000.

H.M., Jr.: $20,000,000 residue, left over, you know.

Q: No other financing?

A: No, nothing from now until the 15th of June anyway.

Q: What!

A: He asked if I had any other financing.

Q: I asked if you had cleared it.

A: From now until the 15th of June.

Q: The international events you were waiting for have happened.
A. Right, and the market took it right in its stride—
the market behaved beautifully today.
Q. The bond market?
A. Bond market, and, I think, the stock market.
Q. What are you doing with those points (on desk)?
Bell: There were originally $738,000,000 of those June
notes outstanding.
H.M.Jr.: They were off when the announcement came out and
then everything came back a little bit.
Q. As a matter of fact, the market went up on Italy's
entrance into the war. It was off one to six
points before Mussolini made his speech and then
the market turned very strong.
A. Have it your way.
Bell: He's talking about the stock market.
H.M.Jr.: I know. When they heard it was coming (Mussolini
statement) the market went off and after the
announcement it went up again.
Q. Was this financing decided upon today?
A. Decided upon today, at quarter of three.
Q. I wonder if you can tell us whether the decision
was reached after the Italian news came out.
A. No, I had my own people this morning, plus Mr. Eccles,
Mr. Ronald Ransom and Mr. Jesse Jones. We all met
this morning and again at 2:30 we talked once
more and I checked with the Federal Reserve at
New York and we decided it was all right to go ahead.

Q. I was wondering if you had made your final decision
after you had noticed the effect of this Italian
decision.

A. We only decided at quarter of three.

Q. Then the reaction to the Italian decision was taken
into account?

A. Yes, we met at eleven, Mussolini made his speech
declaring war and we decided at 2:30 it was all right
to go ahead. Very nice of Mussolini. He timed it
beautifully—he gave me a chance to evaluate. You
are not writing that down, are you?

Q. Sure, it's good stuff.

A. Well, don't get me started. I'll give you some real
good stuff.

Q. In other words, boiled down, the market reaction was
such as to give you assurance that you could go
ahead with the financing?

A. That's right.

Q. Mr. Secretary, could you tell us what your General
Counsel and Mr. Cochran were doing at the State
Department this morning and afternoon?
A. Well, I mean --.
Q. And the SEC people?
A. I am not ready to say.
Q. The Ways and Means Committee, Mr. Secretary, has asked for some Treasury experts to study the possibility of some new tax legislation at the next session to reduce any war profits that might result and make it even retroactive to 1940. Is there anything you can say about that?
A. You mean this resolution?
Q. I think it is in the resolution, as a matter of fact.
A. You mean, this one that Doughton got out?
Q. Yes. It is something that is going to be studied over the interim?
A. I would have been disappointed if you hadn't asked me. On that resolution on excess profits or whatever they call it, the study that they made are you gentlemen familiar with that resolution?
Q. No. Doughton of the House?
A. Can you get them a copy of it? I had a copy of it.
Q. Can you summarize it?
Schwarz: The resolution is simply the sense of the Ways and Means Committee that their experts and Treasury experts between now and the next session would study the subject of excess profits and enrichment from war taxes.
E.M., Jr.: In conjunction with amortization.

Schwarz: In conjunction with amortization for defense purposes.

E.M., Jr.: You had better get it for them. It is very important. You had better get the resolution because really it was quite an important resolution and I would like to say, on the record, that the resolution is entirely acceptable and most pleasing to the President and myself and I think if you will see the resolution I think you will realize it is very important.

Q. No war millionaires.

A. That's the one. It is a follow-up of the President's speech on May 16th.

Q. In which he said there would be no war millionaires.

A. Yes, it is a follow-up.

Q. Hasn't Senator Pat Harrison indicated to you he would like to see that done this session before they adjourn?

A. I understand that what you say is correct.

Q. But he didn't speak to you of it, did he?

A. Well, to be absolutely technically correct, he talked to Sullivan about it and sent me the message—to be one hundred per cent accurate—that Harrison is in favor of this as well—that he is in favor of doing it the way it was done by Ways and Means.
Q. In other words, that’s okay with Harrison?
A. You had better get that from him. I understand that is correct.
Q. That means just the study—is that the idea?
A. What they said they would do, but this resolution said they would immediately go to work on it, introduce it as soon as Congress meets and it also said these taxes could be retroactive on 1940 income. It is really a very important resolution and I understand, through Mr. Sullivan, as I say, that it is entirely acceptable to Senator Harrison, but he is perfectly able to talk for himself and I think he should talk for himself. I don’t want to talk for him but I am authorized to make the statement for the President and myself.
Q. We can say that Senator Harrison indicated to the Treasury he would be in favor of this procedure?
A. Yes.
Q. Boiled down, the procedure outlined in the resolution is acceptable to the Administration and to Harrison, as well as Ways and Means?
A. You had better get your own statement from Senator Harrison, but, after all, the Ways and Means, as I understand, unanimously passed this resolution
and I discussed it with the President and he said
I could make this statement. I have not discussed
it with Senator Harrison and I think you gentlemen
had better get it direct. After all, it is
Harrison to Sullivan to me, so you'd better get it.

Q. Quarterback?
A. Sometimes they fumble.

Q. In view of this desire for economy to divert funds
for defense expenditures, a suggestion has been
made that this time the Treasury should cease the
purchase of silver and divert those funds into the
defense program. Are you in favor of such a thing?
A. I have been invited to appear at ten o'clock
Wednesday morning before the Finance Committee of
the Senate.

Q. Is that on silver?
A. No, on this tax bill.

Q. He asked about silver.
A. I know, I know, and I answered that I would be there
at ten o'clock before the committee. He can give
his favorite question to his favorite Senator.

Q. I was wondering if you were going to talk on silver
before the Senate Finance Committee.
A. No, on the bill pending before the Finance Committee,
Harrison and Doughton, the $4,000,000,000 National
Defense Tax Bill.
Q. We would rather ask you now.
A. I know.
Q. Are you, incidentally, going to mention silver or the suggestion that they stop buying silver?
A. Not if I can help it—that's off the record. Dan, did I cover the whole financing?
Bell: I think so.
H.M., Jr.: Do you want to say something on silver, Dan?
Bell: Not me.
H.M., Jr.: It's a good chance.
Bell: I think I had better keep still.
Q. What was this $738,000,000 you mumbled about a minute ago?
Bell: You asked the amount of the notes originally outstanding—it was $738 million—$718 million was refunded in March.
Q. Mr. Secretary, you are the only one cheerful around town today.
A. Well, I think you will find as things gets worse I get more cheerful—somebody has to. Don't come and see me the day there is really good news, though.
Q. Is it correct to assume your discussions with the State Department and with Ways and Means are to find means......
A. It is premature. I can't talk about it now, please.
Q. May I ask you this: Italy is a belligerent—she is a debtor; if she puts cash on the line will you sell her strategic materials?
A. It is a good idea; I will think about it.
Q. What's a good idea?
A. For me to think about it.
Q. Any news on the allied aid? Are you still in the picture?
A. Still in the picture.
Q. How's the picture today?
A. No different from how various newspapers have carried it.
Q. The last that was carried was about fifty Navy planes. The War Department has some planes they could turn over and I understand they have around a hundred, ready, or about ready to turn over. Do you know anything about that phase of it?
A. Don't they have a press section over in the War Department?
Q. Yes, but they don't seem to want to answer questions.
A. Mr. Woodring and Mr. Johnson do see the press, don't they?
Q. Not regularly. Mr. Johnson is out of town at the present moment.
A. Is Mr. Woodring in town?
Q. He probably wouldn't know about it.
A. You are wrong. You don't do him justice.

Q. They refer a question like that over to you because you are the man who is the go-between.

A. Okay. Well, I refer it back again.

Q. No, really, I would like to find out if it is at all possible.

A. If you want me to be serious I am not going to comment on it.

Q. Couldn't say the number of planes?

A. I am not going to discuss it.

Q. Mr. Secretary, getting back to the State Department business, have you anything to say about the Inter-American bank plan at this point? It is just about ready to go.

A. Do you know anything about it, Dan?

Bell: No, I don't.

H.M., Jr.: There you are! Do you know anything about it, Mrs. Klotz? All right?

Q. Goodbye, Mr. Secretary.
H.M. Jr.: Hello, sorry I kept you all waiting. Here I be.

Q. Got anything to announce yourself, Mr. Secretary?

A. Not a thing.

Q. How's the exchange going?

A. Pretty well.

Q. Can you give us any figures?

A. No, they won't have—I don't think they will have any before tomorrow. It's going fine.

Q. Mr. Secretary, you had a bunch of high Army and Navy officials in here yesterday; what were your discussions about?

A. You all made your guesses yesterday.

Q. Surplus materials?

A. I don't want to throw you down.

Q. I talked to a member of the Allied Purchasing Mission last night and asked him if they had any success in getting from you a list of the surplus materials which it was indicated would be made available by the President and he said yes, they got such a list and had authority to cable it to Paris and London and his understanding was the War and Navy Department would
...make it public, but they were both very reticent on the subject last night.

A. Good.

Q. So, possibly you would know more about the arrangements.

A. No, I don't know any more about it than they do, but I am not going to talk about it.

Q. Well, if it might be made public in London and Paris?

A. I doubt it.

Q. You doubt it?

A. Yes. No, I won't ....

Q. Well, don't you think that the American public is entitled to know what is being sold from its own supplies here?

A. Sure, but the person that does the business......

Q. Well, it is the United States Government involved and you are certainly acting as the go between on this whole proposition, Mr. Secretary.

A. Yes, but there is nothing sticking.

Q. There may be nothing up your sleeve but the American public is wondering what the situation is; don't you think they are entitled to know.

A. Yes, and I think the War and Navy Department—it's their materiel and they are doing the business, so it's entirely up to them.
Q. Well, they refer all inquiries to you.
A. Well, it is a very nice out for them. I can't do anything with the material belonging to either the Army and Navy and you gentlemen know it.

Q. Except you are the official coordinating officer dealing with the Allies.
A. Granted, but I still say this material belongs to the Army and Navy and they certainly know how to hand out the story—they usually do.

Q. They know how.
A. They certainly do, and they certainly have done it, when it's...... Well anyway, if the American public wants to know, I believe it is up to the Army and Navy.

Q. You believe they ought to know?
A. That's a matter for the Army and Navy to decide.

Q. What is your opinion as coordinator? At the beginning of this you said you were going to see that the public was kept informed, not on this particular deal, but on this whole question of allied and airplane purchases.

A. Wait a minute! In the first place, I never could have said Sandy, with all due respect, that I said I could keep them informed about Army and Navy. What I have said consistently
was when the Allies purchased something they
were the buyers; it was their money and it was up
to them to do the talking. Right?

Q.
A.

Yes.

Q.
A.

When the Army and Navy disposes of some materiel
it is up to them to say so. I am very sorry.

Q.
A.

Isn't it a fact that at last Thursday's press
conference you referred us to the Allied Purchasing
Mission for something and then I went up and asked
them and found somebody here had advised them not
to speak to the press for twenty-four hours?

A.

Enh-enh. (Negative)

Q.
A.

You say there is no truth to that?

Not as far as I can remember, not to my knowledge--
I have never done that to you. If that's what you
are angry about, forget it.

Schwarz:

We can't help what people say.

H.M.Jr.:

Cheer up, Sandy; I never did that to you and never
will.

Q.
A.

Did you say a detailed list was given to them?

I didn't say that; I didn't say anything. I am
not going to say anything. I didn't say that--
I haven't said a thing.

Q.

Regarding the appropriateness of making public
such a list, I understand the Allies are interested
in showing their people over there evidence of the fact that Mr. Roosevelt meant business in his speech the other night.

A. As a matter of fact, off the record, there has been some stuff given to them that they have never received.

Q. I imagine so.

A. And the information given out by some of the departments on stuff which they are supposed to get.

Q. That would seem to be all the more reason for straightening it out; people are guessing.

A. I don't blame them for guessing. I am very sorry, gentlemen. I've got my own idea on this thing; I've thought about it a lot and I realize you want the news, but there are three sources to get it and this is not one of the three... I am very sorry.

Q. What is your role on this thing, Mr. Secretary? They seem to be meeting up here in a big way and I understand you are the go-between.

A. That's right, but I am not going to be the go-between.

Q. It is true, Mr. Secretary, the day before yesterday, following the President's speech, the Purchasing Mission came in here and asked for a bill of
particulars, so to speak, and you were reported to have said you didn't have it and would you come back the next day and yesterday you had the Army and Navy people in here who ought to know what is available and it is a pretty good guess you did get it?

A. I am sorry; I am not going to help you.

Q. Is there any truth, Mr. Secretary, in the story that the Allied Purchasing came in here and said, 'We've got to have the planes in a big hurry, right now and you went over to the President and said.....

A. Now Sandy!

Q. On the level, there was a story printed like that.

A. I didn't see it. Sorry.

Q. All these men who came out of here yesterday said this was your show, let you do all the talking.

A. I have done all the talking, all I'm going to do.

Q. I was very surprised that these people over here had that misconception yesterday.

A. I am amazed—anything else?

Q. I have another inquiry: Whenever these automobile companies, or any other companies, turn over part of their plants for construction of war materials, engines, etc., is there any definite limitation going to be put on the profit they can make or are they going to just charge the government the actual cost of production?
A. All I am familiar with is the Vinson-Trammell Act and that is the only thing I know governing any contract on government work for the government. Any contract let by the government will have to come within that—the ten-and-twelve—no change that I know.

Q. Is it true that counsel in the Treasury are working on re-adjustment of depreciation allowance system on new plants?

A. I can't comment on it.

Q. What is meant by amortization in the Doughton Resolution, Mr. Secretary? Does that mean amortization...?

A. What happened on that was there was a suggestion made for twenty per cent allowance—that there should be twenty per cent allowed for depreciation, and, after all, when it was pointed out by the Treasury that if you permitted any such thing, naturally the profits would go up and then they decided to hook the two things together—the question of are they going to allow additional amortization because a man is manufacturing war material and on the other hand they've got to have something for excess war profits.
Q. So you will get a formula which takes care of both?
   Is that the idea?
A. Under that Resolution they will immediately go ahead and study the thing but they couldn't, on the one hand, allow a man to take twenty per cent in one year and not have a tax to take care of the excess-profits—by the time they get through they decided the one washes out the other so why do it for depreciation.

Q. Has the Senate Committee, or the House Committee for that matter, intimated they want your data and studies on general tax revision at this session of Congress?
A. They haven't up to this morning.
Q. Have you spoken to the President since you appeared on the Hill yesterday?
A. I can't answer that.
Q. Let's put it this way: There seems to be a greatly changed position up there now and every one seems to be leaning toward the opinion that Congress should remain in session to draft that revised tax program. Now how do you feel about that?
A. Can I tell you a little story to help cheer up Sandy?
Q. I'm cheered up; go ahead. (Klein)
Off the record? This question you asked, which is a very intelligent question—Sullivan asked me the same thing—had something happened over the week end that he didn’t know about because some of them thought up on the Hill I was now taking the position that I wanted them to go ahead now and have an excess profits tax, and I said, "John, when you have been around Washington as long as I have, you will realize they are playing poker with me. If they want to stay I will stay, but I’ll bet you three packages of Camels to one that they will finish next week." Sullivan said, "What do you want me to do? Go up there and work myself to death so you can win a pack of Camels?" It is just that a little poker playing was going on there and, after all, it would be very nice if they could say the Treasury or the Administration wasn’t ready for an excess profits tax, but the Senators were. I can’t be any more frank with you than that. If they want to stay here, we will stay here, but I wasn’t going to let them bluff me, but I am sincere—I wasn’t going to let them put me on the spot by saying I wasn’t ready for the excess tax. Does that answer you? I am giving you the same answer as I gave Mr. Sullivan. But
Off the record? This question you asked, which is a very intelligent question—Sullivan asked me the same thing—had something happened over the week and that he didn't know about because some of them thought up on the Hill I was now taking the position that I wanted them to go ahead now and have an excess profits tax, and I said, "John, when you have been around Washington as long as I have, you will realize they are playing poker with me. If they want to stay I will stay, but I'll bet you three packages of Camels to one that they will finish next week." Sullivan said, "What do you want me to do? Go up there and work myself to death so you can win a pack of Camels?" It is just that a little poker playing was going on there and, after all, it would be very nice if they could say the Treasury or the Administration wasn't ready for an excess profits tax, but the Senators were. I can't be any more frank with you than that. If they want to stay here, we will stay here, but I wasn't going to let them bluff me, but I am sincere—I wasn't going to let them put me on the spot by saying I wasn't ready for the excess tax. Does that answer you? I am giving you the same answer as I gave Mr. Sullivan. But
if they really want to stay I will stay. I will stay just as long as they will and I will sit in the game just as long as they will, but they were just plain bluffing. That's the whole thing. I am telling you just what happened, but Sullivan was confused. That's for your information.

Q. In view of the stories printed this morning can we print that little bit for background?

A. If you will use it in this way, that if they mean business and really want to stay we will stay—sure, we will sit this thing out just as long as they will, but there has been no change from the understanding I had with the White House, with Mr. Harrison and Mr. Doughton and Mr. Cooper—it's just the same. This bill was supposed to go through as is.

Q. Adjournment by June 21?

A. As far as I know, but they were doing a little bluffing yesterday and wanted me to say, "Sorry, I am not ready to do this until next Fall." But if they want to stay this Summer I will stay but I just called their bluff. Now if you want to use it, protect me, because I've got to appear before those fellows again.
Q. Against, did you say? (Laughter)
A. So if you will protect me on that, okay.
Q. All I want to say, adjournment is okay—there has been no change.
A. There is no change in what we agreed on in this room last Tuesday, between Harrison, Doughton, Cooper, the President and myself. The only change is yesterday somebody tried to pull a fast one and I wouldn’t let them get away with it. But use it, please, with discretion and understanding and protect me.
Q. No poker terms and no bets?
A. And also that I thought they were bluffing.
Q. In other words, on the record, you are willing to say there is no change in plans—however, if Congress is willing to stay, all right.
A. You’ve got it exactly—that’s the story.
Q. Mr. Secretary, I just want to make sure I understood that correctly. I get the impression you are opposed to any increase in the rate of depreciation allowance unless it is accompanied by some other tax to reduce the excess profits—is that correct?
A. Yes, the two go together and that is what this Resolution says—if you are going to allow a fellow to write off twenty per cent depreciation a year on his plant that means he can make that much more money and the two things should go hand in hand.
Q.
Where did you get the twenty per cent?
A.
This was something that was suggested by Treadway.
Again you can't use this. That was suggested by Treadway and we said, okay, if that is what Republicans want, realizing we are all Democrats here, then we've got to have the other thing. Then when Treadway heard that he withdrew his suggestion, but that is exactly what happened. I am not supposed to tell what happened up there but that is what happened.

Q.
There is no objection to reducing depreciation rates on plants built for war industries as long as it is accompanied by excess profits taxes?
A.
I haven't crossed that bridge yet.

Q.
Could you say anything about legislation or executive action to embargo exports of essential materials which industry needs in the manufacture of war materials?
A.
I am not handling that, but the last I heard about it was such a Resolution was going to be introduced and I also understood it was being handled by Justice. I have not heard for a week.

Q.
I understood it was too, I haven't seen anything.
A.
Neither have I, but I understand Justice was given the responsibility of having the Resolution introduced, maybe two weeks ago.
Q. Wasn't that in the May Bill just passed? Yes, it has passed the Senate, going back to the House. That thing changes every day or two. Did Archie Lochhead tell you his experience?

A. No.

Q. Apparently, they tried to cut off the Japanese from machine tools but the boomerang hit the Chinese.

A. Did they get the Japanese and Chinese mixed? Well, anything can happen in Washington.

Q. Could you tell me what way the Government has bought up a lot of these machine tool exports?

A. Again, it isn't in this department.

Q. The buying ordinarily would seem to clear through here.

A. No.

Q. It involves money and purchasing.

A. No.

Q. Mr. Secretary, didn't all those foreign orders placed for machine tools include clauses giving this government priority, if they chose to?

A. That's right.

Q. Isn't that method in all probability....?

A. As a matter of fact, the people doing it are the Navy. And I don't mind saying, off the record, I begged them to do it three or four months ago and now they are suddenly doing it after most of the stuff has left the country.
Q. Could you give any idea of the extent of those exports?

A. Run into pretty big money, but I begged them to do it three or four months ago.

Q. Since you own the patents on the Rolls Royce engines, have you given Ford a contract to produce them?

A. It is quite right that the British Government has given the United States Government the patents on the Rolls Royce and they happen to have done it through me. Now I am not doing the negotiating with Mr. Ford—Mr. Knudsen is, but it is up to Mr. Knudsen to say what progress he is making with Mr. Ford, and the only part where we will come in is the licensing and, after all, Mr. Knudsen and I are in touch with each other constantly and when he is ready to close the contract with Ford or anybody else for the Rolls Royce he will simply ask what it will cost for the license and we will advise him. That is the only place we come in—what is the license fee?

Q. Have you so advised him, Mr. Secretary?

A. Yes.

Q. So advised who on this thing?

A. What's that? Have I advised Mr. Knudsen? The answer is yes.
Q. Advised him what, sir?
A. As to what the license fee will be to anybody on the Rolls Royce engine.
Q. You told us when you first announced that the British hadn't asked anything about licensing. Subsequently, I take it, you discussed that and decided what the fee should be.
A. I will tell you the whole story and we will decide what to do. All right? It seems back in 1917, in the last war, the Rolls Royce placed an order here—there was a lot of trouble later and lot of litigation and the British Government doesn't want to get into that again. So they just short-circuited the Rolls Royce so they gave it to me and said you name the price, whatever you set is agreeable to us, so whatever the money is to be paid may be worked out. The Government of the United States may pay a lump sum to the Rolls Royce for blanket license and we, in turn, may say to Mr. A. and Mr. B "you can manufacture this engine" and the chances are he is manufacturing it for us, and we won't charge anything, but they have left it entirely in my hands as to what to charge.
but they don't want the Rolls Royce to deal with
the manufacturers on account of all the troubles
they got into in 1917. Lord Beaverbrook wants
action and he gave it to me through Ambassador
Kennedy and he said give it to Morgenthau and
let him decide what it's worth.

Q. Chances are you will deal on a lump-sum basis.
A. Deal on a lump-sum basis; say to the American
manufacturer, "here is a Rolls Royce and the
Army and Navy wants so many engines; go ahead
and manufacture them."

Q. The manufacturer won't have to pay you any
licensing?
A. No, because it would be like taking it out of
the left pocket to put it in the right pocket.

Q. Supposing he is manufacturing for Allied powers?
A. The engine belongs to them—it's their engine.

Q. But you would be paying on a lump-sum basis.
A. For the engines we use for ourselves.

Q. Suppose some of these engines go back to
Great Britain.

A. Well, we are working on it. I have tried to get
them to give me a figure rather than leaving it
to me, but it is a pretty hard thing to decide.
We are trying to work it out so that is the
situation so I don't think you had better use it—it's kind of inter-governmental. But you can use it for your own guidance, but I would rather you wouldn't go out on the end of a limb.

Q. When Mr. Ford said two days ago he was developing an engine along the type of Rolls Royce, does it mean he's taking advantage of these engines?

A. Again when he said that, what he is working on he is considering the Rolls Royce engine, any type of Rolls Royce, but actually a Rolls Royce.

Q. He is considering it?

A. Sure, I don't think there is any secret about it.

Q. He said that the other day.

A. Sure! But the stuff between governments; I don't think the trouble the Rolls Royce had over here reflects too well on our own people; its water over the dam so if you get a story on Rolls Royce you've got the inside story from me.

Q. At the time this thing broke you were running the whole thing and the defense commission hadn't been formed then. Were you ever satisfied completely in your own mind, that Henry Ford could produce a thousand planes a day?

A. I am not going to answer that—sorry.
Q. Have you ever obtained license rights to the Allison engine?
A. Yes, we've got that.
Q. It's all in a pool.
A. Yes. As I understand it, we actually signed contracts with Allison and Wright in this office here. That was before Mr. Knudsen came to town.
Mr. Foley handled that.
Q. That was recently.
A. No.
Q. It was Curtiss and Pratt & Whitney.
A. That's right. I am sorry. That was before Mr. Knudsen came to town.
Q. Foley came to town!
When it left your hands there was no contract with Allison.
A. No. I misspoke myself.
Q. We assume Mr. Knudsen will give himself a license.
A. He may have a little argument about it.
Q. Were they the only two?
A. The only two, I was working. I worked on Rolls Royce. I was successful with that. Worked on Pratt & Whitney and Curtiss-Wright—successful with all of them.
Q. You have talked with Lycoming?
A. No.
Q. You got the best of them.
A. What we did was finished, signed and all turned over to Mr. Knudsen.
Q. We can use that Rolls Royce stuff for background, saying it was learned that negotiations are directly between governments, to handle it more expeditiously, as long as we don't indicate the source of the information?
A. What do you think, Chick?
Schwarz: I think that is all right but not to go into the history back in 1917.
H.M.Jr.: No, it was a mess back in 1917 but I don't know just what it was.
Q. Incidentally that story is very succinctly reported in the National Defense Committee's report to the country. All kinds of French and British matters that happened over here, giving figures on how to make them in American plants. They had a terrible time, all these French and English motors over here and they took the carburetor out of one and made the Liberty Motor which is sort of a bastard child (pardon me). I mean it was a mongrel type of engine.
A. And then wouldn't pay license fees.
Q. That's it.

Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 17, 1940:
(Mr. Bell also present.)

H.W. Jr.: All right, gentlemen, what's on your mind?

Q. Mr. Secretary, in connection with the freezing order with regard to France, can you give us any rough estimate of how much assets that covers?

A. No.

Q. Can you tell us whether there are any unusual conditions, that is, distinguished from the other orders?

A. Just the same, isn't it?

Bell: Just the same. A recent Treasury Bulletin, I think, carried some figures on the holdings in this country, didn't it, Chick?

Schwarz: Part of it.

Q. Part of it? We figured there were well over a billion in this country, plus American securities.

Bell: I don't know how much but I think Treasury Bulletin, probably December, had some figures.

Q. It shows cash balances but how about gold?

A. We don't tell.

Q. Did they get their gold out of there before the occupation?

A. I can't answer.
Q. But it is assumed that they did.
A. I can't assume anything.
Q. Mr. Secretary, does this tie up such things as the Liner Normandie which has been here since the war?
A. I wouldn't say it unloosens it.
Q. It does place it in your custody temporarily, doesn't it?
A. I haven't even thought of it. We need office space--everybody is crowded. That's a wonderful idea, isn't it?
Q. You can take us on a cruise. What's the answer? Doesn't the order say evidences of ownership?
Bell: It doesn't apply to property but to evidences of ownership of property only.
H.M. Jr.: So you can't use the Normandie.
Q. Has anything been done about French contracts for airplanes?
A. Mr. Purvis informed me this morning that he would undertake to take over all French contracts.
Q. Did he give you an estimate of what they were?
A. No. The manufacturers being willing. But he felt that he would take them over.

Q. That is, at their present face value?

A. They have sort of a working agreement with the Allied Purchasing Mission and they would exchange, as inside the mission. They have been doing that right along—one wanted something of one thing more than another and they had that exchange and they had that privilege under that working agreement and under that working agreement I understood they would take them all over, wherever it was legally possible to do so, which I should think would be good news for the American manufacturers.

Q. Was that by telephone?

A. By telephone, by word-of-mouth, telephone.

Q. He's in New York?

A. He was when he talked to me this morning.

Q. He hasn't been here, has he?

A. No, he telephoned me from New York.

Q. That covers everything, not merely airplanes?

A. I understood him to say wherever it was possible they would take over all outstanding French contracts in this country for the mission.
Q. That's possible on all orders covered by this working agreement you referred to, isn't it, sir?
A. I can't expand it beyond that phase and he said he'd been working full-draft on that basis and that is what is in his mind.
Q. Have you talked with the officials of the Bank of France at all on this question of the quotation of the franc?
A. No, I haven't, but that doesn't mean either Bell or Mr. Cochran hasn't.
Q. I wonder...
Bell: No, I haven't.
H.M.Jr.: We did notify, through the State Department, after leaving the White House, I asked the State Department to notify the French Embassy that this freezing order was coming.
Q. Does that cover direct investments by the French in the United States?
Bell: Yes, all investments in this country.
Q. What is the procedure now on the Finnish payment on the war debt?
A. Bell was here Saturday—he was acting.
Bell: Well, the Finnish Minister made the payment of $159,000; of course, at the time he made the payment the resolution had not been approved by the President. We will notify the Finnish Minister of the approval of that resolution and ask him if he wants to take advantage of the option given him therein. It will take two or three days.

Q. Did the French Government ask that this freezing order be issued?

A. I can't answer that.

Q. If the French surrender will that still hold it?

A. I think so.

Q. If they surrender?

A. If they surrender.

Q. I am not talking about a negotiated peace but outright capitulation; it would, wouldn't it, temporarily?

A. As far as I know.

Q. Well, if the French surrender and they want to draw down their balances here to turn over to Germany would they be able to do so under the freezing order?
Well, we will cross that bridge when we come to it.

Q. Mr. Secretary, can you say anything in advance about the plan you are going to discuss this afternoon at the conference? The White House announced you were having a conference with the Secretary of State, Commerce and Agriculture on South America.

A. That's Mr. Hull's show—it isn't mine. I was invited but I begged off so I could meet with you gentlemen. Mr. Gaston and Dr. White are over there representing the Treasury. Mr. Bell and I are here meeting you gentlemen. That's what we think of you.

Q. Is the Treasury working on that?

A. They are over there. Off the record, Mr. Welles called me up at 11:15 and told me—on the record, off the record, any old way, for your information—I got the notice at 11:15 today about the meeting, that is, I heard about it for the first time—that's how much preparation I could have.
Mr. Secretary, as I understand the thing they are talking about is whether it is wise to spend some money on an economic basis in Latin America and save something on our armaments. I wonder if you as Secretary of the Treasury...

A.

You know more about it than I do. I got a telephone call about it at 1:15—that's the first I knew about it. That is of no interest, except to you gentlemen.

Q.
The White House announced it this morning.

A.

But I didn't read the ticker and the first I heard of it was when Mr. Welles called up.

Q.

I was afraid for a minute you were going to say, 'That's what I think of the ticker.' (Laughter)

Mr. Secretary, has any consideration been given by the Treasury as to what possible steps could be taken if Germany wins the war over there in connection with our huge holdings of gold?

A.

Well, I am afraid if I answered your question I would take up too much of your time so I think I will skip it.

Q.

We haven't anything to do this afternoon.

A.

But I have.
Q. I understand you are going to buy the Canary Islands and Azores with some of that gold, as a defense measure.
A. I don't know.
Q. Do you know of any negotiations with the British Government to take over some of their possessions here in return for their war debts?
A. If I did I wouldn't talk about it.
Q. I mean, that's been kicking around now for years.
A. I can answer you straight—I don't know anything about it.
Q. That's what I want to know.
A. Good!
Q. Mr. Secretary, I have been asked to ask you about the effect on the Tripartite Agreement of the French situation.
A. And I am asking you to ask who asked you to ask me. You going to say no comment?
Q. I don't come here to represent myself—I'm not asking you personally.
A. Do you say no comment to my question?
Q. You know what I come here for; I ask questions
for the New York Times. I wouldn't ask you
that personally but they wanted me to ask that.
A. Oh, you distinguish between yourself and the
New York Times?
Q. I wouldn't want the New York Times to get in some
of my personal predicaments.
A. You can tell the New York Times—I don't know
whether it is a he, she or it—
Q. I wonder myself sometimes.
A. That they can answer that question better for you
than I can.
Q. How about the rest of us?
A. I think this—to be serious—let me think it over.
I don't want to give a flip answer. I'd better
think it over. After I have an answer I will let
everybody know.
Q. All right. That will be satisfactory to the New
York Times, I am sure.
A. That's the first time you have pulled that one on
me—give my best regards.
Q. Mr. Secretary, the English authorities today banned
the trading of American stocks in the London stock
exchange; have you any comment and were you informed
of the step before it was taken?
Bell: No, I don't think we got it until this morning.

H. W. Jr.: Things are happening so fast.

Q. How about the drop in the British pound sterling?

A. I have nothing to say.

Q. Were you informed of that?

A. I don't know, really; I have been at it pretty steady since very early this morning and somebody had it—Mr. Cochran or somebody—and I had asked Mr. Bell to come in and sit with me because he and I haven't had a chance to talk privately today.

Q. Were you at the office last night, Mr. Secretary?

A. No.

Q. Mr. Secretary, harking back to those contracts for a moment, in all of those contracts for allied supplies, is there a clause granting this government priority if it chooses to exact it? There have been in machine tool contracts, as you told us last week, I believe.

A. I don't know, but I believe that if the President invokes this national defense—state of emergency, that's what it is—under state of emergency I believe under that authority he can take about anything he wants but I think he would have to declare a state of national emergency.
Q. That's imminent war.

A. Well, somewhere in that he has the power to take anything within the limits of the United States for our own national defense purposes, under authority given by Congress.

Q. 1916 law, isn't it?

A. I am not sure but I am sure of the fact.

Q. But he asked whether there was a clause in the contract.

A. That I don't know.

Q. Do you anticipate such a declaration soon?

A. I am not going to answer that question.

Q. Mr. Secretary, in connection with the Tripartite Agreement can you say as much as this at the moment? The matter is under consideration as to what will be done, that you are making a study of the situation?

A. I would rather consult on that and if the people here in the Treasury and myself—we will put it if the Treasury—if the New York Times thinks that the Treasury should make a statement, then the Treasury may have something to say, but I first have to consult the Treasury.
Q. That's pretty good.
A. I first have to consult the Treasury, and the New York Times.
Q. Mr. Secretary, we are embarking on quite a bit of armament ourselves. Apparently the capacity of the country at this particular minute isn't large enough to handle some of these things very fast. In view of that, isn't there the possibility we might take over some of these French contracts - I mean, by negotiation?
A. That suggestion hasn't been made, and I should think under the President's public statements that he's made that he would be very glad to see the English take these contracts over.
Q. But assuming that there are some contracts the British didn't want to take over or couldn't take over, would we consider taking them over ourselves if they fit into our defense program?
A. If you don't mind, I would call that a double-if and I would just skip it. All right?
Q. Would you like to say anything about the possibility of more taxes and greater expenditures now, due to the changed situation abroad?
A. There is nothing to say.

Q. You have all you need now?

A. I don't say that, but I think I have all I am going to get. I don't know just what the status is—the tax bill is on the floor right now, isn't it? I believe the chances are it will pass and I doubt that there will be any unless Congress should take it on itself, but at this end and certainly, as of today, there is nothing pending.

Q. Would you like to see a greater debt limit raise and more taxes raised now?

A. Not unless they should increase the appropriations for the Army and Navy but if they leave them as is we are all right, as far as the rest of this year is concerned—I am talking calendar year. I mean, I am talking calendar year.

Q. I think Mr. Vinson has already introduced a new naval expansion bill.

A. That's something else. Again I am making the point that if the appropriations stay as is, certainly the present tax bill and debt limit bill takes care of the situation for the rest of the calendar year.
Q. Apparently they won't stay as is. Would you feel then Congress should make provision for taxes and debt limit raise for every increase they put on? I would want to study that.

A. How soon after the bill passes do you contemplate issuing these national defense bonds?

A. I can't answer that. You see, we have got roughly around $1,200,000,000 working capital and certainly we won't do any financing at least for the Treasury for the rest of this month. Is that right, Dan?

Mr. Bell: Yes.

H.M.Jr.: At least I can give you that assurance.

Q. Mr. Secretary, was it your idea to sell a big batch of them soon or to issue them as needed?

A. Well, this is just a guess. I haven't discussed it, but I think we will simply sell them as we need the money or as they spend it, as the money is spent.

Q. Mr. Secretary, there is a ship, I believe, in New York harbor or one of the American ports, that has been loading French 75's or Army 75's--it's a French ship.
A. The FASCER.

Q. Any effort going to be made to hold that up?

A. According to the newspapers that I read she was under contract to the British Admiralty.

Q. And that still goes?

A. If that statement is correct there wouldn't be any change.

Q. Thank you, Mr. Secretary.
Q. New President. (Perlmarine, newly-elected president of Treasury Correspondents' Association)

H.R. Jr.: (Shakes hands with Perlmarine) I hear this is straight machine politics.

Q. That's right, Mr. Secretary, thank you. If Mr. Roosevelt wants a few tips tell him to call me up. Steamroller.

A. Steamroller? I see.

Q. He made a lot of promises he can't keep.

A. Did he have a platform?

Q. Yes.

A. That's something anyway. Is this a strictly male organization?

Q. Oh, absolutely.

A. Let's me out. (Celeste Page)

Q. Don't even have an auxiliary?

A. That's an idea, though.

Q. I see, all right. At your service.

Q. Mr. Secretary, why do you want the Hispano-Suiza?

A. Well, just for this reason, that I think we ought to have at the disposal of this government every proven liquid-cooled motor and the Hispano-Suiza, we were informed, was the best that the French had, so I asked Ambassador Bullitt if he could get me a couple of them so that we could turn them over to
the Army at Dayton and let them try it out and see whether we could learn something.

Q. If it turns out to be a very nice engine that you like is there any thought of immediately trying to get into production on it?

A. This was all done while I was doing engines for the President. I am no longer doing engines for the President, and, therefore, the matter will be handled by the Army and Navy and Mr. Imadsen and Mr. Head, but if and when the engine comes—I don't know to whom it is addressed with everything so upset—but if it is addressed to me I will turn it over to the Secretary of War and send it out to Dayton.

Q. Any comment on Mr. Ford's statement that he will not accept the British order for six thousand motors?

A. No.

Q. Could you order them from Mr. Ford and turn them over to the British?

A. I am out of that business.

Q. Aren't you coordinating those foreign purchases any more?

A. Sure.

Q. That's a foreign order.
A. Yes, but all I do is as I say an intermediary between these people, and if they want to place an order, the actual buying, etc., I have never had anything to do with it and never will have anything to do with it.

Q. You drop it before it reaches the contract stage?

A. Oh, absolutely, absolutely.

Q. You made a statement that you wanted to get all liquid-cooled engines, the good ones, over here. Is that a reflection on the difficulties that have been had in getting our own Allison engines in production?

A. I don't want to comment.

Q. I assume, talking about liquid-cooled, as far as air-cooled is concerned we have already got the best. We've got two, which I think are as good or better than anybody has got. We have one liquid-cooled in the Allison and I think it is just good common sense that we ought to have at least two.

Q. Could you straighten us out then on this point?

A. I mean, it is too much to have all your eggs in one liquid-cooled basket. Did you pull that yesterday?

Schwarz: No, sir.

H.L. Jr.: All right, I just wanted to know whether he stole it from me.
Q. How about liquid-cooled bond issue.
A. Oh no! Our issues are all hot.
Q. Have you any comment on George Harrison's letter to the Defense Committee saying that the large New York banks should provide capital?
A. No.
Q. Is that "All your liquid eggs in one basket or all your eggs in one liquid-cooled basket?"
Schwarz: It was all right the first time.
H.M. Jr.: You write it any way you want.
Q. It was good anyway, Mr. Secretary.
A. I thought so.
Q. Try it both ways. Mr. Secretary, a lot of words have been written on this cartel arrangement which is being worked up around here and discussed. Anything you can say about that?
A. No, I think that is being nursed by the State Department. Aren't all the stories being given out over there? Should be anyway.
Q. None of the stories are being given out there or anywhere else.
A. I am surprised!
Q. Are you discussing a billion-dollar corporation or a billion dollars a year?
A. You mean with you?
Q. No, with the State Department.
No, I am not talking on that. Somebody has got to give it out and inasmuch as the meetings are held in Mr. Hill's office I should think he ought to do the talking.

Q. Mr. Secretary, I understand that the Germans have seized a lot of silver over in Belgium and Holland and Norway and that part of their plan has been to ship that silver to Mexico via Spain and that there is some evidence a lot of that silver has reached Mexico. Is there anything the Treasury is going to do about that?

A. It is the first I've heard about it.

Q. Well, it sounds pretty workable, doesn't it, on its face?

A. Yes, except that I didn't know Belgium and Holland had any silver.

Q. There must have been some silver—they certainly had a lot of silverware in the houses.

A. Thanks for the tip; I will look into it.

Q. I would appreciate it.

A. That's all right.

Q. Mr. Secretary, has anybody been approached yet on the possibility of manufacturing this Hispano-Suiza engine?

A. Not that I know of. All of this was done while I was still active on the thing and those things keep cropping up.
Q. While you were still active, sir, I think the Chrysler Company had a crack at the Rolls-Royce engine and turned it down.

A. That's right.

Q. Can you tell us why—any of the circumstances?

A. No, the reason that they gave was that they did not think that it was subject to mass production—that's the reason they gave.

Q. In their own plant?

A. In their own plant. Didn't lend itself to mass production—that was the reason, Mr. Keller gave.

Q. What happened to that bill up in Congress to stop foreign buying of silver?

A. Any prospect of its passage?

Q. It was defeated the other day. It was defeated the day before yesterday. They put it on in connection with the tax bill and they defeated it.

Q. But you have discretionary power to entirely stop silver purchases from any country?

A. When it's in the public interest.

Q. Or to limit it to a certain amount?

A. Yes.

Q. For example, you could limit imports from Mexico to what their annual silver production is, or some-like that.

A. I could.
Q. Mr. Secretary, while we are on Mexico, there is a new dispatch just come in from Mexico City to the effect that a new large armament program is about to be undertaken, the first phase of which will be accomplished by a $10,000,000 loan from this country. Do you know anything about that?
A. It is news to me. You fellows give me a lot of news.

Q. Does the tax bill as passed by the Senate last night meet with your complete approval?
A. Golly, they passed it so late.....

Q. Well, they made two important changes.
A. I haven't had a chance or neither has Sullivan—I read in the papers, late edition, this Connally Amendment was 327 pages.

Q. Where did he get all that? Out of here?
A. No, I asked that same question; they tell me the subcommittee has been working on that on the Hill.

Q. But they did not consult the Treasury on the excess profits tax?
A. I believe I am correct that that came as a complete surprise.

Schwarz: That's right.

Q. Hasn't Connally been working on that sort of thing for years?
A. That is correct, but I did not know—I didn't know anything about it. Sullivan didn't know anything about it.

Q. How about the economy amendment which was deleted from the bill?

A. Well, in my formal statement I said I was for it.

Q. You must officially regret then; you said you were for economy.

A. Well, yes, I can't just remember the way I said it, but I worked on that paragraph kind of long so I refer you to that paragraph. I stand on the paragraph whatever it is.

Q. One more question. Do you feel that these changes in the Senate Bill will slow up the passage of the bill and its presentation to the President for his signature because of the fact that the House and Senate versions now differ widely?

A. I don't know; I haven't talked with either Doughton or Harrison this morning.

Q. Mr. Secretary, George Harrison sent out a letter to the Advisory Council asking that the banks be brought in on armament financing. Have you any opinion as to whether private capital should be preferred in any case where they can be used rather than have the Government do all the financing?
A. Oh, as a general principle, we always give private capital the first chance, always. Sure, that's easy.

Q. What do you mean by the first chance?

A. I mean here in the Government we have never competed with private capital; if private capital wants to do the job, swell!

Q. You say the Government has never competed with private capital?

A. I mean where it is on a non-Federal project.

Q. To hear Mr. Harrison talk you would think they had competed.

A. Well, that's an honest difference of opinion, but if we go ahead and we are building a government dam, it is Government finance, but if it is a question of lending money because Mr. Smith wants to have a plant expansion or something else I think Mr. Jesse Jones always fixes his interest rates so that they are higher than what private banks or rather private capital charges, to drive them to private capital first; I mean I think he's always worked on that principle.

Q. I think what Mr. Harrison had in mind was that maybe the government would work out some scheme whereby the RFC would handle a lot of this stuff and the banks would be left out.
That may be possible too and that is in the process now also.

As a case in point, wouldn't the cartel arrangement we are speaking of now....

Excuse me. You take, for instance, where we want a plant to expand beyond their present capacity, take an engine plant, for example, we want them to double their capacity somewhere in the central part of the United States, purely for military purposes. It has no direct connection with the normal operations of the company?

No, I believe that so-called venture money should be put up by the Government in that case and that we, the Government, should be willing to take the risk, because it isn't fair to ask a company to double its capacity purely for military purposes and then expect private capital to invest its money in that plant. Now I make that distinction but if, on the other hand, a business feels that it wants to expand and wants to take the risk and feels that the capacity will have use for military and non-military purposes, the decision is purely with the owner of the business or the stockholders, but in the case which I am citing I think it is up to the Government to supply the venture money and take the risk. The two things are quite different.
I mean, I draw a difference and I know that that
is the basis on which we are going ahead now and
I think that is the only basis on which we are
going ahead and I think that's the only basis on
which we can get those plants to enlarge their
capacity, purely for military purposes. We are
right in the middle of one of those now. When I
say "we" I mean the Government, because it takes
a lot of people to put—a lot of people interested
in the sense that Mr. Knudsen, the Army and Navy,
and Mr. Jones, and the Treasury comes in one to
the Vinson-Trammell.

Q. Could you tell us what industry that is?
A. No, I think you'd better wait.

Q. Then you favor the diversification for military
reasons in expansion of airplane and munitions
plants in various parts of the country?
A. Yes. When I was handling that thing we worked
on it with Pratt & Whitney and bright, this idea
of expanding their plants in the central part of
the United States.

Q. I saw a little paragraph in Time this morning that
bright plant had bought additional property around
its present Paterson plant; that would seem to
indicate they are still going to keep on growing
in Paterson. Do you know of their plans for building?

A. I do but it is a little premature. The distinction I make, is that clear?

Q. Yes, very clear.

A. I didn't read the Harrison letter so I don't know whether he makes that distinction, but I believe the business men are more than pleased with this distinction we are making and I think that they should be.

Q. I'll show you the letter.

A. I think that they should be.

Q. Under this cartel arrangement, isn't it a fact that the Government funds would replace present banking functions in the export and import field?

A. I don't know.

Q. Well, if that is the case, wouldn't that be a point?

A. I don't know. Again it gets down to the risk involved. In all these things, I go back again to my example of the engine, which I happen to be familiar with. You say to a man, "I want you to duplicate your plant in the Middle West." If he wants to go to Mr. George Harrison and his bankers and they want to put up the money, swell. And if they can borrow at a lesser rate of interest than Mr. Jones
will lend it to him, fine, they don't have to go
to the Government. But, on the other hand, if
they sit back and say our bankers won't lend us
the money and we don't think it is fair for you
to ask us to duplicate, then they can come to us.
We have worked out a formula.

Q.
Isn't it true that bankers are afraid of Latin
American investments?

A.
We are getting mixed up. I am talking about
military preparedness in this country. This cartel
thing is something else again.

Q.
The cartel plan involves Latin America.

A.
Yes.

Q.
Mr. Secretary, in connection with these plant ex-
pansions, is anything being done to work out the
procedure for closing agreements or do they seem
to be satisfied with the way it is now?

A.
Well, I think you had better wait and let... I mean,
after all, Mr. Knudsen is handling these negotia-
tions and I think I have said plenty.

Q.
Mr. Knudsen doesn't have many press conferences.

A.
I have said plenty.

Q.
You did say, Mr. Secretary, however, that a formula
under which expansion for purely military purposes
with government capital...
A. .... has been worked out and I am sure it is satisfactory to business interests involved.
Q. You are not prepared to give us any details on that formula?
A. No.
Q. If you force any plant to expand, say, and build another plant in the Middle West somewhere....
A. May I interrupt—we don't force anybody to do anything.
Q. If you ask them to.
A. That is quite different—he can say no.
Q. If you insist on it wouldn't you have to supply the money?
A. Yes, but we are not going to insist.
Q. Mr. Secretary, won't there be many instances that will not fall into these two clear-cut categories? Won't there be cases of desired expanded production of a commercial item for which that plant might not be used later?
A. And I am sure Mr. Knudsen will be able to cope with it; I am sure he will.
Q. Mr. Secretary, is there anything new on the possibility of cancellation of French contracts and their assumption by the British?
A. Nothing new, except that I know they are going ahead and taking them over as rapidly as possible.
Q. They have already; they are in the process of taking them over? Have the French actually cancelled?
A. They won't cancel.
Q. The British will just...
A. ...take them over.
Q. A lot of them are joint contracts anyway, Mr. Secretary.
A. So I understand. There will be no cancellations.
Q. I would like to ask you one more question, Mr. Secretary. A few days ago you linked the questions of an excess profits tax and amortization policy. We've got an excess profits tax amendment in the tax bill. Now does that mean that you are ready to reach an amortization agreement or is the amortization question an informal matter that is tied up in this formula you mentioned for national defense?
A. Well, right now this amortization thing is taken care of in that formula for the satisfaction of everybody.
Q. No legislation necessary?
A. I don't think so, no.
Q. Thank you, Mr. Secretary.
H.L. Jr.: Good afternoon. All set?

Q. Mr. Secretary, what will be done about the French funds on deposit here now that the government has capitulated?

A. I am not prepared to answer.

Q. Well, who do they belong to now, Mr. Secretary? To the Pétain Government or the Provisional Government that's going to be set up? What about the Tripartite Agreement?

A. Let's answer this question first. Nothing at all you can say about the funds?

Q. Excuse me. What were you asking?

A. I was wondering about the status of these funds if a Provisional Government is formed. Will you recognize and turn them over to the Provisional Government or the Pétain Government?

A. I think that is something I will wait until the State Department advises me, as they have in the past.

Q. In other words, Mr. Secretary, you must wait until it is decided what French Government you recognize before you take any action?

A. In all of these matters I wait until the State Department makes up its mind as to what the situation is, regarding representing governments or not
representing governments, and then I simply enforce the law accordingly.

Q. Since hostilities between Germany and France have ceased, we are wondering what will be determined if and when you will release these funds which government you will recognize.

A. That is purely a matter for the State Department.

Q. Does the freezing order still apply?

A. No changes.

Q. That means no transactions until the State Department decides?

A. No domestic transactions we will clear today.

Q. Domestic transactions—what are they?

A. Domestic transactions—if somebody has an outstanding commitment of payment to an American manufacturer with French funds and he puts in an application for license that he owes the XYZ manufacturing company $100,000 and he applies for a license he will get it for American domestic creditors.

Q. In other words, Mr. Secretary, this week, as far as you know, you will license only the same sort of thing you licensed last week?

A. I would put it this way: Until further notice, until we are advised differently by the State Department.
Q. Is this transaction you described the same sort of transaction you would have licensed last week, if it had been asked for?

A. Please say that again.

Q. Are the transactions that, as of today, you are prepared to license the same as you would have licensed last week?

A. Yes.

Q. I was just going to ask about the status of the Tripartite Agreement.

A. Well, it is kind of hard to answer; I have been ducking it right along.

Q. I was hoping you wouldn't duck it this time.

A. I am afraid I will have to.

Q. Mr. Secretary, it came to the attention of a New York bank, and the story was told to me by an official of the government, that when the Germans got into Amsterdam, one of the old banking firm's members were stopped by the Gestapo and were questioned, and when they discovered that the securities had been removed and the bullion, etc., they lined up the partners and shot them and the question has come up in connection with the seizure of such securities whether this government will permit the payment of dividends on American securities obtained in that way.
A. I couldn't answer that.

Q. Have you made a survey of the total holdings abroad?

A. They are doing that constantly. We are fairly up-to-date on that. I mean, we have got every bit of information we could get both through our own diplomatic representations and also what the French and English are willing to tell us.

Q. But you have no trace of securities not registered?

A. No.

Q. For example, here is Surfino, a Belgian firm which controls large holdings in the Middle West; will they continue to pay dividends on securities?

A. You are asking me a lot of questions I wouldn't want to attempt to give answers to, but, as of today, we will continue as we have and that is every transaction will be very carefully scrutinized and if we feel that the money is going to the rightful owner and is not going to them under duress, some owner under duress, we will continue to pass those transactions for the time being. But practically all of those transactions are to Americans who had outstanding commitments due them from the other nationals.

Q. The Dutch Investment Trust had large holdings of Pennsylvania Railroad and B. & O.

A. As far as I know those things haven't come up.
Q. What did you say about duress—you would not pay under duress?

A. No, and that is the reason—you gentlemen know about the incoming mail; it's taken to the Federal Reserve and if there are securities transactions there—they make the owners identify themselves and give the history of the securities to make sure they are the rightful owners—every precaution. And I think the best answer is, so far as I know, I don't think we have received any complaints. Have you heard of any complaints?

Q. No, that was a story told me by those banks.

A. I don't happen to be familiar with it but I, personally, have not received any complaints either of paying dividends or paying out any money that has gone out. There have been some, certainly we are human, but so far, I haven't received any.

Q. The White House announced this morning that the State Department was studying proposals to take over the French fleet and holdings in this hemisphere as partial payment of the French debt; could you say that similar studies are going on here with regard to other French balances here?

A. I don't care to comment.

Q. Mr. Secretary, you said some time ago that this wealth might be held against any loss of American
investments in those countries. I just wondered whether you could say now whether that would be a steadfast and continuing policy of the government.

A. Of studying it?

Q. Of holding the wealth in this country against loss to American investors.

A. We have never had such a policy—there hasn't been such a policy. I said that was under consideration; excuse me for contradicting you—under consideration. If you don't mind—there's quite a difference.

Q. Mr. Secretary, in accordance with that study, can't we assume that before you do release the French funds you will want some survey of what, if any, loss there has been to Americans in France?

A. Well, that study, not only in France but all of these countries, has been going on, where they have sold dollar bonds and all of that thing; I imagine the boys are pretty much up-to-date now. Now on this major policy certainly I wouldn't want to decide it without consulting first with the President and, second, with Mr. Hull.

Q. Mr. Secretary, the Chinese Finance Minister is en route to this country; could you tell us whether he's coming to see you about another loan?
I really don’t know.

Has there been any decision made, Mr. Secretary, regarding silver?

Incidentally, he is not Finance Minister—I think he’s head of the Central Bank of China.

Doesn’t that amount to practically the same thing?

Dr. Kung wouldn’t say so and I am sure Mr. Eccles wouldn’t either.

I understand these two men are brothers or some relatives and share the same office.

Brothers-in-law.

They have to be in that family to hold office.

Absolutely, you are not on the in-in if you are not.

Any decision regarding action on silver to prevent looted silver from getting into this country?

No, but thanks to you we are making a very careful study of it.

That’s the second time they had it, Mr. Secretary.

The second time the (New York) Times had it?

You received the same tip last Thursday.

Did I? From the Tribune?

No, the New York Times.

Terribly funny—I talked to Bell Saturday and he said, 'What about this investigation you are making on silver?' And I said, 'That’s just between the
New York Times and myself. And he said, 'Can I get in on it?' and I said, 'Sure, you are in.'

Q.

Mr. Secretary, how about loot in the form of gold coming into this country to be sold?

A.

That would be under the same thing; we are doing the best we can. We've got a competent staff and they work day and night on this thing and the Federal Reserve in New York, our fiscal agents, are most helpful and they've got a very big staff on this thing and they pass on these things first.

Mr. Knoke, in charge, works day and night on this thing and between Mr. Knoke, his staff and our staff we are doing the best we can, and so far I don't think they have fooled us but I am sure before we get through they will fool us, occasionally, but not all of the time.

Q.

Any plans for issue of defense bonds?

A.

No.

Q.

Nothing else on financing? No increase in bill issues?

A.

No, everything quiet.

Q.

Did I understand you to say, Mr. Secretary, that you were studying the possibility of holding these French assets in this country against any loss of American investors?
When they first went into Denmark I think I made
the statement that we were studying the question
of offsets. That has been going on but no deci-
sion has been made.

That applies simply to private investors, not to
the government?

I would say both. All right?

Thank you, Mr. Secretary.
Good morning! Did Chick tell you how happy we were?

No, have you had a celebration and launched the typewriters?

May we have an icebox down there, Mr. Secretary?

You may. My golly, I had the whole building air-conditioned! I don’t want to go into competition with the department store across the street.

Mr. Secretary, the cruise of the Vincennes seems to have aroused a little interest; can you tell us a little more about its cargo?

You’ve got the joint announcement made by Treasury and Navy.

The amount of gold is conspicuously missing.

Well, it was entered in our statement the way all gold is; we never published our gold figures.

How do you distinguish between Vincennes gold and other gold in the Daily Statement?

We don’t.

That’s what worries us.

It’s all in the Daily Statement.
Q. Can you tell us without reference to the Vincennes approximately how much gold we bought from France in the last six months?
A. No. I am not going to be helpful at all.
Q. Do we need to buy that gold? Couldn't you have bought gold and earmarked it?
A. Well, we did it anyway. I think it was a good transaction.
Q. $35 an ounce or a discount, Mr. Secretary?
A. This is a one-price house. (laughter)
Q. We can quote you on that?
A. Sure, why not?
Q. Mr. Secretary, can you say anything about that meeting at the State Department yesterday?
A. I was surprised that somebody did; I don't know who did say what we did, somebody, evidently.
Q. State Department said it was about, quote, shipping and other matters, unquote.
A. Sounds like State Department language.
Q. I understood it was a shipping matter, that's what Secretary Hull said.
A. Is that what he said?
Q. That's what I understand, on shipping matters.
A. I told you Mr. Jackson and I wouldn't talk and we didn't.
Q. The Secretary afterwards said it was shipping.
A. Well, who am I to contradict him?
Q. I thought you might elaborate as to the particular phase.
A. Sorry.
Q. You might complete the diplomatic language and say you discussed major phases and minor phases of shipping and other related matters.
A. Thank you.
Q. He said further that no decision had been reached and there would be other conferences.
A. I concur in all that. (laughter)
Q. Was there a question of possible recognition of another French Government considered there?
A. I can't be helpful. I really can't, sorry.
Q. Do you think it is just, Mr. Secretary, if the United States applied, in the event Germany asked for reparations from France, do you think it just that the United States apply some of these funds for the reduction of the war debt of France and Germany combined?
A. It's a good question. I wish I could answer it.

Q. What is your personal view on that situation?

A. I never have one.

Q. What is your public view then?

A. The public view, I am not prepared to answer.

Q. Don't you think we have been placed in an embarrassing position through these freezing processes and rescue of French gold?

A. Time will tell.

Q. Mr. Secretary, under these various freezing orders, you have been conducting various inventories of the stuff that was frozen, haven't you? Could you give us any figure of how much stuff is covered now for any one or all countries?

A. I don't think we ever have, except in the quarterly bulletin, have we?

Q. That shows just a certain type of asset, but didn't each freezing order contain a provision requiring reports of stuff in the country?

A. Well, yes, sure, we get reports from the banks and people and we have to know what we have frozen and what the amount is.
Q. Couldn't you give us an approximate figure?
A. Sorry, no. I wish you would ask me something I could answer, like financing or something like that.

Q. Was it your understanding, Mr. Secretary, that Henry Ford understood that the British were to get some of these Rolls Royce motors during the negotiations?
A. All of my information comes from Mr. Knudsen.

Q. I am going back of that, when you started talking to Edsel Ford—wasn't it made clear?
A. My information comes entirely from Mr. Knudsen.
I mean, I think he covered it fully in his statement.

Q. What is your personal reaction to this, if it is quotable?
A. I don't have personal reactions.

Q. Or official reactions, impersonal?
A. No.

Q. Mr. Secretary, was there any condition imposed by the British when they turned over the Rolls Royce engine patents, etc. to this government that would require the delivery to them of engines produced? Does that seem to be a possibility since we threw down the order for this government because he wouldn't supply the British?
Well, all I can say is this: That, after all, this transaction on the Rolls Royce engine was intergovernmental and I just can't imagine, whether it is an engine or anything else which belongs to a particular government and which they are giving us the license to manufacture, that they in turn should be shut out. I mean, the rights to the engine belong to the British Government—it is their engine and it doesn't belong to the Rolls Royce Company—it belongs to the British Government. It is the property of the British Government and I just don't see how they can be shut out on their own property.

Well, we don't shut them out when we sell them some of our equipment. It seems to me just an open exchange of engine patents.

Mr. Secretary, isn't it true that while there were no legal conditions imposed, there was a moral agreement or commitment to the effect that we would give the British all the motors that they needed at the present time?
A. Well, I just go back to what I said. Here is something belonging to the British Government and they say we will let you have the license but we will let you buy some yourselves and then we turn around and use it for ourselves and don't let them participate. I don't see how you can shut them out on something which is their own property.

Q. Did Ford know about that?

A. The conversations with Ford on this thing, as to getting down to a contract and all that, are entirely between Mr. Knudsen and Mr. Ford. I didn't have any part in them. I mean, what Mr. Knudsen said to Mr. Ford is between them and I don't know any more than you do. I just know what Mr. Knudsen told me. I have had no contacts with them except that first day. All I know is Mr. Knudsen said that to Mr. Ford....and Mr. Ford said that to him. I don't know any more than you do. These conversations are Mr. Knudsen's.

Q. I just want to finish that question. Could we make Mr. Ford manufacture Rolls Royce engines if the government invoked the Defense Act of 1916?

A. I don't know; I am not familiar with it.
Q. Under a law awaiting the President's signature

I think he will then have authority to commandeer any plants he wants. Early said at the White House yesterday he could, in an emergency, require....

A. I don't think so and knowing Mr. Roosevelt as well as I do—you can use this for background—I don't believe he would force anybody to do anything. I have never seen him force anybody to do anything and I don't think he would start now.

Q. Mr. Secretary, are you participating in the negotiations to find somebody else to manufacture them, or is that all Mr. Knudsen's?

A. All Mr. Knudsen's. I've got absolutely nothing to do with it.

Q. What do you hear from him?

A. I mean, the matter is being handled by him and I think very ably handled.

Q. Mr. Secretary, the question I wanted to ask was, rewording Crider's question, you said it wasn't fair to shut out the British on their own motor, his question was whether it was a question of fairness or a question of an actual condition.
A. It's a matter of fairness.

Q. No legal agreement on giving them engines, was there?

A. No.

Q. But you said when you announced the acquisition of the two Rolls Royce motors that the licensee didn't demand any license fee; that the remuneration would be settled in the future and I wondered if, under that contractual obligation, you had any British demand for motors.

A. To answer your question, it is a matter of fairness, not a matter of contractual relationship, which has governed Mr. Knudsen in his actions.

Q. And policy?

A. And policy. It is his matter; he's been handling it; I have had nothing to do with it.

Q. In connection with the turning over of the license rights to us, Mr. Secretary, are we permitted to manufacture them for our own use without also manufacturing some for Britain?

A. That is just a question—it is a matter of policy and the policy is being handled by Mr. Knudsen.
Q. Isn't it true, Mr. Secretary, that the British were unable to get any liquid-cooled engines for their planes over here because we haven't any in production for ourselves; they gave us that primarily so they could get them in this country?

A. No.

Q. That is not true?

A. No, the story goes back when I was handling, helping on this engine situation, and it goes back a considerable time. I have said this once before. I was impressed with the fact that we have got two as good air-cooled engines as there are in the world. We have an Allison liquid-cooled engine which is about to come into production and in looking over the field the army, months and months ago, General Arnold had desperately tried to get some Rolls Royce engines and been unable to do it and I said I thought I could help through the Allied Purchasing Mission and I asked Mr. Purvis whether he couldn't get for the government two Rolls Royce engines, which he proceeded to do, and he got those and after the Army had tried, it was at General Arnold's request that I made the effort and got, through Mr. Purvis and finally the help
of Kennedy came afterwards, but the engine came over and then the question of how the licensing would be handled and the rest of that I handled through Ambassador Kennedy, but the original requests for these two engines were from General Arnold. He felt that he wanted these engines and that is where the thing started. That must be six months ago, at least.

Q. I don't know whether this is true or not, but I heard one story purporting to be a correct version that the British wanted to buy a liquid-cooled engine over here and they couldn't because we only have the Allison engine and couldn't sell them any.

A. But that is wrong. They have a big order with Allison.

Q. But they can't get delivery.

A. But that's something else again. They have a big plant expansion program, the Allison, financed by the French and English, a big one. I saw it up there, and there is a big order with them, with Allison, placed by the Allied Purchasing Mission.

Q. That is an old story.

A. Yes, but that isn't the story Crider had, that they couldn't get them.
Q. As I understand, they still aren't producing them in quantity so the Allies haven't been able to get them.

A. I don't know when their delivery starts; you'd better check; I don't think that the delivery schedule for the Allies has yet begun—it isn't time for it. The time that the Allies expect delivery has not yet been reached and what they are working on is orders for the United States Army; do I make myself clear?

Q. But another thing bearing out my theory, it is very unlike the Air Corps to order three thousand engines, sight unseen, and, as far as I know, they had no assurances from Ford that these Ford Rolls Royce engines would be in every respect identical to the British Rolls Royce.

A. That's different. Since the 2nd of June it has been out of my hands. Dr. Mead left me and we had parts of the Rolls Royce engine downstairs and parts of the Allison Engine laying side by side and while he was here I followed it with the greatest of interest, spending a great deal of time, but since somewhere around the 1st, 2nd or 3rd of June I haven't followed it so I really
don't know and I want to make it very clear that all of these talks as to the actual orders, I have had no contact with Ford or the Ford Motor Company, of any kind since the 1st or 2nd of June, or with any other engine company.

Q. I want to ask this one other question that might keep it straight, sir.

A. I didn't know it was straight.

Q. This government, our Air Corps, would not have any use for as many Rolls Royce engines as would have to be ordered in order to justify a mass production schedule in the Ford plant.

A. I don't want to get in on that. Mr. Knudsen has got a plan, also the Air Corps has got a plan and when you are out three or four weeks, or even three days, you are cold on it. I am absolutely cold on it. The thing changes all the time and once Dr. Mead and his staff left here I dropped it, and I felt that Mr. Knudsen would handle it and he's handled it very well. I am absolutely cold. I don't know what they've done.

Q. I wanted to ask, Mr. Secretary, if the new profit limitations under the Vinson-Trammell Act, as revised in that new bill that passed, meet with your approval?
A. Well, let me say I had nothing to do with the change, but now that it has been changed to eight per cent I think that is plenty. In other words, the answer is yes, I mean the Treasury did not instigate that but now that it has passed....

Q. Was the advice of the Treasury asked by the Senate Committee?

A. I don't believe so.

Q. I don't think it was but I just wanted you to say.

A. No, I don't think that we were asked.

Q. You had two men appear up there.

A. But not on the percentage question.

Q. In connection with the limitation of profits.

A. I think it was a question of the supervision of the Vinson-Trammell Act, where it should be ledged, but I am quite sure because I asked Mr. Sullivan before he left whether he did or did not have anything to do or whether he would and he told me he did not and he would be the person. I asked his pointblank, he did not have anything to do with it, but now it has passed some of these people are offering their services to their government and their plant and waving the flag, well, eight per cent is a very nice profit.

Q. If you really get eight per cent.
A. Well, why won't they?

Q. Because, for instance, you don't allow Federal income taxes considered as a part of the cost of performing the contract.

A. No, we can't make a double reduction. Some of these people are so patriotic let them go to work and turn out their stuff for national defense and I think eight per cent is plenty. Let's see how patriotic they are. This is a very good test.

Q. Mr. Secretary, am I correct in my understanding that the Treasury regulations for the administration of the Vinson-Trammell law and also for the new arrangement as to closing agreements are just about ready now?

A. Yes, I understand they will be brought to me today.

Q. Do you expect to make those public?

A. I want to look at them first. I should think we would.

Q. Were they worked out exclusively by the Treasury or in cooperation with Mr. Knudsen, or how were they devised?

A. I think they are purely Treasury.

Q. Would that be sort of a blanket agreement to cover Allison aircraft expansion?

A. I haven't seen it yet but I take it what the General Counsel's office are bringing to me are rules and regulations with regard to the Vinson-Trammell and there is no reason, once I have seen them and approved them, why they shouldn't be made public.
Q. If that the formula you referred to?
A. No.

Q. The formula works in conjunction with this one depreciation allowances, etc.
A. It's all in there and I suggested and recommended that when they sign that first contract that the formula immediately be made public, the contract; I recommended just as soon as they definitely signed one contract that the contract in full be given to the press.

Q. Under this new law?
A. The new law doesn't make any difference. The contract has been written and I understand agreed to by the attorneys for this company. I don't know where the hitch is but just as soon as they sign with one company I have recommended that the contract be made public.

Q. And it has to do with the depreciation in conjunction with the Vinson-Trammell?
A. It is the method of financing.

Q. That Wright Aeronautical?
A. It is up to whoever is negotiating.

Q. Mr. Secretary, I have a query from the New York office. We understand German interests have
confiscated documents giving title to rubber which they are now peddling in New York and my office wants to know if you are contemplating wider regulations to govern such confiscations. I understand the rubber is afloat and on its way over here.

A. Frankly, I haven't heard about it and I will be glad to look into it. If we know anything about it Schwarz will let you know. It is like the New York Times' tip on silver in Mexico. We will be glad to look into it for you.

Q. Didn't the President's order cover evidences of ownership?

A. Yes, but rubber is something new. I am not familiar with it but we will look into it and if we get anything, give it to you.

Q. Anything on financing?

A. No.

Q. Mr. Secretary, referring to these closing agreements, do you expect they will be much different from the Consolidated's in December?

A. I don't think they will be any different.

Q. When do you expect that first contract to be signed?
A. I don't know. I don't know why it hasn't been signed. Our work has been done, and, as far as I know, the Treasury's end of it is acceptable to all parties involved.

Q. Won't this closing agreement have to be different in view of the fact that under the present law the government will make contributions towards plant expansion and that will have to be worked into the general picture?

A. This isn't a closing agreement in the sense of the tax, it is a financing agreement. It's a contract between the manufacturer and the lender providing the money and the method of paying back the money is in the thing, but as far as taxes, depreciation, obsolescence and all the rest of it it is just the same, we haven't changed our position. We can't, under the law. We have no discretion in the matter. We finally convinced everybody involved that the law is what it is and we have to do what Congress prescribes. We can't change the law.

Q. You mean this contract will be the same as the Consolidated contract, as far as taxes are concerned?
A. Yes. Or any other contract. If a man had a contract to make some typewriters or electric shavers or guns, the point I have made, and I have said it now consistently, we cannot, under the law, make any difference between a munitions contract and one for a lawnmower, and we are unable to and we haven't, and finally after weeks and weeks we have convinced everybody that that is the law.

Q. But this new contract will be different as regards financing?

A. Yes, it will be an entirely new method but there will be no change regarding depreciation and all the rest of it.

Q. But you have some latitude in making regulations.

A. Based on engineering experience.

Q. I am confused now between the closing agreement and the formula referred to last week. I thought you said the formula included a method of financing.

A. It does.

Q. Well now, will the formula be embodied in the contract you have just been speaking about?

A. The contract is the formula.

Q. Yes, but doesn't that contract also include the closing agreement you were speaking of just now?

A. No, it does not.
Q. It could be in the closing agreement then that we have covered the amortization of the loan, depreciation.

A. In the closing agreement, if the contracting party wishes a statement from us as to the question of depreciation, etc. and so on, we have, as I understand it, entered into a closing agreement with them and when we have, starting with the Colt Firearms, which was the first one, we have made every one public. And they are all the same?

Q. Yes, there has been no change.

A. In that case there would be no change in the formula embodied in this contract?

Q. This contract that I talked about last week is a contract between a manufacturer and, I take it, the Army and the RFC. I suppose those are the contractual parties to get this man to build a factory and to lend him the money and the question comes in, the new wrinkle, how does he pay that money back—that is the new wrinkle, but as far as the tax question or depreciation on buildings or anything else, there is nothing new involved.

Q. Is it the regulations on this new financing contract that you expect today?

A. No. What Mr. Foley is going to bring in to me, as I understand it, are rules and regulations under the new law covering the Vinson-Trammell Act.
Q. And that also includes rules and regulations in reference to a situation where the Secretary of War or Navy, as the case may be, may certify to the Bureau of Internal Revenue that a certain part of the cost of special facilities shall be considered, too?

That's right.

Q. That is one of the important things.

A. And you had better wait until you see it, if you don't mind. If you don't mind, just wait; just as soon as I have had a chance to study and go over it it will be released. I don't know what is in it. As soon as I have signed my name you will get it and I will arrange for Mr. Foley to see you gentlemen and answer your specific questions but if you don't mind I would wait on that.

Q. Mr. Secretary, who is going to be the new Assistant Deputy Commissioner in charge of the Alcohol Tax Unit's section, the old FAA section. Is Captain Alexander going down there?

A. I'll have to find out.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JULY 1, 1940:

H.M.Jr.: With Mr. Nelson's resignation on June 30 as
Assistant to the Secretary and Acting Director
of Procurement I am putting in a Civil Service
man, permanent appointment, Clifton Mack.

Q. Was he in the Procurement?

A. He's been handling the reorganization in there;
he's been doing the work there now for months.

Q. On the reorganization?

A. On the reorganization.

Q. He wasn't the acting head of it, though, the
administrative head in the interim?

A. Sort of, yes, he really was running the show
and he made an outstanding success of it, so
much so I thought he had earned it and he is a
Civil Service man.

Q. What is Mr. Nelson doing?

A. Well, the President announced that Friday.

Q. I thought he would handle both jobs.

A. No, he severed all connections with the Treasury--
the President announced that at his press
conference Friday.
Q. Well, then what about the buying of strategic materials? Does that go with Nelson or stay here?
A. It stays with Procurement, by law.
Q. Mr. Mack will be the Procurement Director?
A. He is, as of today, the Director of Procurement of the Treasury, effective July 1.
Q. He's from Boston?
A. He's from Boston.
Q. What is the relation between Mr. Mack's buying job and Mr. Nelson's coordinating?
A. As I understand it, Mr. Nelson will be coordinating not only Treasury but also Army and Navy, in an advisory capacity.
Q. He will be working with Mr. Mack?
A. Yes, just as he works with the Paymaster General and the Quartermaster General. He will be working with all three; there is a Paymaster General, a Quartermaster General and a Director of Procurement, and he will be working with all three, as I understand it. And then, heretofore, the Director of Procurement was a member of this committee which the President set up to contact foreign purchasers, foreigners who wanted to buy munitions here. Well, instead of having the
Director of Procurement continue in that
capacity the President has appointed Philip Young,
who is assistant to me, who has been acting in
that capacity now for some time.

Q.
Do you call that the Defense Coordinating
Committee?

A.
You will have to get that from Norman Thompson;
I don't know just what they call it.

Schwarz:
We call that the Liaison Committee on Foreign
Purchases.

H.M.Jr.:
Liaison Committee, Colonel Burns, Admiral Speer
and the Director of Procurement, but it took so
much time of the Director of Procurement that
the President separated it and put in
Philip Young.

Q.
He coordinates foreign and American domestic
purchases?

A.
The three of them.

Q.
And Phil Young is Assistant to the Secretary?

A.
Yes.

Q.
While on this subject of new jobs, has
Captain Alexander got his new job yet?

H.M.Jr.:
How about it?

Schwarz:
He's announced it but he hasn't taken over yet.

H.M.Jr.:
What did he announce?
Schwars: That he will be District Supervisor of the Alcohol Tax Unit at Boston.

H.M.Jr.: Is that correct, Mr. Schwars?

Schwars: Yes.

H.M.Jr.: Off the record, has the President approved it?

Schwars: I don't know that he has, but Mr. Alexander has announced it.

H.M.Jr.: I think you had better go kind of slow, unless the President approved it; all joking aside, Alexander announced something else a couple of months ago on the steps of the White House which proved to be not so, so in fairness to everybody I think you had better go slow because the President has not yet given me his approval. These other two appointments I cleared with the President at lunch so they are official but the President, so far as I know, has not yet approved Alexander's appointment and you know the last time Alexander went out on the end of the list he got it sawed off.

Q. What can you tell us about the conference on the program for an excess profits tax?

A. You saw the President's message and whenever Mr. Doughton is ready, Ways and Means Committee, we will be ready to go on up and give them what we've got. We have been working on this a
long time now and when they are ready to hear us they can have whatever we have.

Q. You have a definite program worked out if they want to follow your suggestions?
A. I will say that we have a number of programs.

Q. They can take their choice?
A. As always.

Q. Do you favor the Connally and LaFollette proposals?
A. I am going to wait until either Mr. Sullivan or I testify, if they ask us to.

Q. Mr. Secretary, up on the Hill today some of the members said it might be one or two or even three months before you might have a plan worked out. What do they mean by that?
A. I don't know.

Q. They said it might be October 1st.
A. That Resolution—what I think they are referring to, is a resolution which said on or before October 1—the Finance Committee said not later than October 1st.

Q. What is the date of the Record?
A. June 22. I will read it to you. Page 13548. I will give this to you. Where is the president of this organization? (Reads Resolution)
Q. Mr. Secretary, in connection with this type of excess profits tax what would happen to the existing profits tax which is a different kind of tax but has the same name?

A. Well, as far as I know, I don't think they have got any relation to each other.

Q. Well, you can't have two taxes with the same name. Will you just change the name or abolish the other?

A. We will call the new one Junior. (Laughter)

How's that. In this case, Junior may look Senior.

Q. He wanted to get rid of that old one before.

A. Well, we will see. Junior may grow very fast.

Q. Is that a foundling, Mr. Secretary? Senator Harrison told the Senate that it would take the Treasury sixty days to prepare what it had to offer on the excess profits tax. That was two weeks ago.

A. You remember they asked me on the Hill and I said if it took that long somebody would get fired and I hoped it wouldn't be me.

Q. You said you would be ready at any time.

A. Still am. We've been working on this thing for months, please.
Q. Didn't some of your folks tell the conferees that you had a great many problems to be ironed out?
A. Those are the boys that have got to do the work; I only supervise. They'll be ready.
Q. Aren't there some bugs and particular problems in excess profits taxes that have delayed it?
A. I never could see what they were talking about—never could see, why it would take sixty days; I never could understand it.
Q. You said previously that excess profits taxes should be dealt with in conjunction with amortization, etc. Are you still of that opinion or is the formula going to take care of that without specific legislation?
A. I don't know.
Q. How is that formula coming, Mr. Secretary?
A. Well, as far as I know, it hasn't killed the patient yet but I don't think anybody has signed it. As soon as anybody signs it, I recommended that they release it, but whether they take my recommendation or not, I don't know, but as soon as a manufacturer has signed it I recommended that they release it. Did they get out the rules and regulations?
They will be ready after this meeting.

There you are; that's service!

Under the new shipping regulations have you detained any ships yet?

Not that I know of. Do you know of any?

A Norwegian was held up by the Collector of Customs at the Port of New York one day last week.

Was that before or after? These things only happened Friday. These regulations were out Friday night.

It was after the Proclamation was issued.

How long did they hold them up? Officially, I don't know of any that we held up.

There was a Norwegian held up and the Collector of Customs said he had not yet received orders from Washington as to what to do in his case.

I am not familiar with it.

Well, the ship operator or owner called over long-distance telephone to Washington.

Did he get clearance?

I don't know; I didn't follow it through.

Mr. Secretary, I understand Mr. Soong was here to see you.
A. Friday, wasn’t he? I think it was Friday.

Q. Did you discuss any loan to China?

A. Purely a courtesy call.

Q. There is no question about the increased sale of silver to the Treasury by the Chinese Government?

A. He came in and said How do you do and I said How do you do and that’s all that happened, believe it or not. That happens to be the fact.

Q. Have you any idea of how much financing the RFC is going to undertake in the near future?

Mr. Jones, in describing the organization, said the rubber reserve would do some financing to buy strategic materials.

A. I don’t know.

Q. Could you tell us, Mr. Secretary, what the Treasury has done along that line?

A. Here, if you can make this out you are good, but this is the way it was handed to me. If you don’t understand it, ask Chick.

Q. Could we get back to the subject of taxes for a minute? You said you didn’t know whether an excess profits tax would be worked out in conjunction with an amortization provision. However, the House Ways and Means said when they concluded their work that the two were inseparable.
A. The reason I don't know—it is entirely their responsibility and we go up there and give them what they want and they make up their minds.

Q. Do you have something to offer?

A. Not just this moment.

Q. Does this mean, Mr. Secretary, that you want to go ahead at this session with the excess profits tax?

A. I think, in view of the President's message, that is the interpretation.

Q. He didn't say anything about this session. You think that is what he intended?

A. That would be my interpretation—this session.

Q. Mr. Secretary, there was a lot of talk of some new amortization plan to speed up the defense program. Is such legislation necessary?

A. They can't change it unless they get legislation and we are not working on any legislation, but they can't change amortization without legislation.

Q. Mr. Secretary, the German Government today invited United States branches of banks in France to reopen as soon as possible to carry on the normal business functions there and the United States banks replied, I believe, that they would like
to reopen but it would hinge upon what their
proper supervisory agencies thought of it. Has
there been any discussion?

A.
I haven't heard from the Comptroller of the
Currency; I don't know what he has in mind.

Q.
Have you heard about that German invitation?

A.
Chick Schwarz told me about it before you came
in and nobody has brought it to my attention
except Chick and he couldn't tell me what to do
about it.

Q.
What does Mr. Delano have to do about it?

A.
Well, if it's a National Bank.

Q.
I know but you are the one that has been issuing
the freezing orders.

A.
It would still come under him. I think I am
right.

Q.
Don't you confer with Mr. Delano or the Comptroller's
Office before you or the Comptroller's Office act
on anything as far-reaching as a policy of that
sort.

A.
I imagine he would talk to me or Dan Bell, one
or the other, about it.

Q.
But he hasn't said anything.

A.
Not a word.

Q.
Thank you, Mr. Secretary.
I think we may do a little financing this week--
I think, in terms of a bond issue.
Q. Defense bonds, sir?
A. No, regular. Somewhere, I am thinking in terms
of between $500,000,000 and $700,000,000. I
am going to meet tomorrow afternoon with the--
I think I've got it straight--somebody correct
me--Executive Committee...........
Q. Of the Federal Reserve Open Market Committee of
the Board of Governors of the Federal Reserve
System.
A. Amen! Whatever it is, see somebody to give it
to you straight--I never can remember.
Q. Executive Open Market Committee.
A. Whatever it is. Representatives of the Federal
Reserve System will confer with me.
Q. And final details will be worked out at that time?
A. That's right.
Q. Mr. Secretary, are you still against any renewal
of any sort of a Liberty Loan drive to give
greater public participation in these national
defense obligations? There are some people in
the Treasury, I understand, who favor at least
a portion of that borrowing authority.

As long as we are getting along as nicely as
we are and as long as we have United States
Savings Bonds to offer people I don't think
there is any call just now for anything else.
As a matter of fact, I wouldn't know what to
do with the money. We increased the limitations--
I mean, made it more difficult for people to
buy United States Savings Bonds just because
they were going too well.

Mr. Secretary, since these are going to be
regular bonds when are you going to start
selling the defense bonds or notes?

My idea on that is in view of my testimony
before Congress we won't sell those until we
have created obligations or the debt is created
through either the War Department or the Navy
Department. In other words, until they have
begun to spend that money.

Isn't this the first out-of-season financing,
borrowing, that you have had in a number of
years?

I wouldn't call it out-of-season. It's
perfectly legal.
Q. I mean borrowing in the regular quarterly period.
A. Out-of-season, I always say, is a poacher.
Q. What's the reason?
A. I need some money.
Q. This is all new money?
A. All new money. The working balance is below a billion; as you gentlemen know, and lady, I like to keep it above a billion.
Q. Simply to build up a working balance?
A. That's right.
Q. Have you any idea what kind of security it will be?
A. A bond.
Q. What kind?
A. We may give you a little more information tomorrow night.
Q. Mr. Secretary, this is the first new money borrowing for some time, isn't it?
A. It is the first since December 8, when we did $571,000,000.
Q. '39?
A. Yes, that is a bond.
Q. This is the first new money offering of any kind since December?
A. You've got me on that. I asked when we did a bond last. We did a bond December 5th—$571 million, 2 per cent, and on December 22 we did a 2% '51-'53. I asked when we did the last bond. I never asked when we raised new money last.

Q. What was the second one?

A. December 8 was new money—$571 million, 2 per cent, due in '45-'50. And I was told that was the last time we did a bond and I think it was the last time we asked for new money.

Q. What was this December 22?

A. December 22 was a 2% per cent, due in '51-'53.

Q. A refunding?

A. That was a refunding.

Q. Mr. Secretary, you hinted a few weeks ago that you might resort to new financing through the medium of bills. Are you abandoning that?

A. No bills.

Q. You said you might increase the offering.

A. Well, I have changed the program and we are going to raise our money through bonds now and we may even let some of our bills run off, temporarily.

Q. You have decided then not to replenish the working balance through larger bill sales?

A. That's right.
Q. You say you might even let some of the bills run off?
A. Yes.
Q. How much?
A. Depending on how much new money we raise.
Q. Are you going to keep this offering open for more than a day?
A. We never do on new money. On new money it is never open more than a day.
Q. This will date from July 15, Mr. Secretary?
A. They are working on that. On July 15 they have to put up the cash. You see they think it would be a little bit easier possibly to date it December 15 but Bell is working on that thing and it is a question of adjustment.
Q. You say this issue to be sold may be dated December 15?
A. Possibly.
Q. July 15?
A. They say if you did it, supposing you made it July 15 you would have to put up the money; you would be getting a six months' coupon but you would have held it less than six months and would have to deposit the cash difference because
it has been earning money for you; therefore, you would have to pay for your bond plus the amount of interest you owe.

Q. You said December 15?
A. Back. But that hasn't been decided—don't write that. Bell is working on it. Whichever way it works the smoothest. I was for July 15, but he ruled me down.

Q. We can say it is uncertain.
A. As to date.

Q. Are you going to offer these on Wednesday?
A. We don't know yet.

Q. It will be one day this week?
A. I said we were considering doing it this week.
I can't be more positive.

Q. Mr. Secretary, I don't think you have answered my question how long ago was it you borrowed outside of the regular quarterly financing date? I don't remember that you have in the last five or six years.

A. I don't think so either; we can look it up for you.

Q. How soon will you have to ask for another raise in the debt limit?
A. To the best of my knowledge, I would say not the rest of this calendar year.

Q. It isn't to be coupled with this excess profits tax?

A. I haven't been thinking of it, no. I think we are all right for the rest of this year.

Q. Are amortizations going to be coupled with the excess profits?

A. Be a little patient.

Q. You say the debt limit will not have to be raised this year?

A. We haven't been considering it. We consider, from all the estimates we get from the Bureau of the Budget, we are all right the rest of this calendar year.

Q. You've got four billion more for defense items.

A. Sure, it's a question of how fast they can spend it. I don't think they will spend it, certainly, between now and the 1st of January, or between now and the 1st of February, so we are all right.

Q. Mr. Secretary, you say this is for this calendar year; are you talking about the 45 or 49 billion?

A. I think he was talking about the 45.
Q. I was talking about raising the 49.
A. I am not considering either the 45 or 49 because it seems we are all right as of today, as far as I know.
Q. There was some talk about a possible new increase in the debt limit.
A. I read that; that was one of those weekend stories.
Q. It was written on a week-day. I wrote it. (Gregory)
A. I still say it happened over a weekend. I don't know when you wrote it.
Q. Anything you can say about how the excess profits tax is shaping up?
A. I can report progress.
Q. Is that all you can report from the conference at the White House today?
A. I think that is a lot.
Q. It is rather abstract.
A. I think it is a lot and I expect to confer tomorrow with the Chairman of the Finance and Chairman of the Ways and Means, at their convenience.
Q. Here?
A. It's apt to be here.
Q. Doughton won't be here, will he?
A.

Well, that is what we are trying to find out. Also trying to find Mr. Cooper; I think Cooper is here. We located Harrison.

Q.

There is nothing you can say about any new developments in tax plans since your conference this morning at the White House?

A.

I just said I can report progress.

Q.

You did report that last week. On this bond issue does your survey on the bond market indicate that you will probably have to pay a little more for money this time?

A.

My survey shows I will have to pay a little less than I did in December. How do you do? (To Sandy Klein entering)

Q.

How-do! Sorry to be late but I was over seeing the man who wants to be your boss, Mr. Willkie.

A.

Who let you in? He'll never be my boss—put that down in your book.

Q.

It is a good line. Okay?

A.

Okay. On the record.

Q.

Mr. Secretary, to counteract that, who do you bet on in Chicago?

A.

Well, I only lost $1 on the Philadelphia Convention.
Q. Would you throw some light on the third-term question?
A. I wouldn't have to; I refer you to Mr. Farley.
Q. Do you know the answer?
A. I refer you to Mr. Farley.
Q. We are looking for the two guys who are supposed to know.
A. Well?
Q. Have you received the secret?
A. Well, my business is raising money.
Q. Talking about raising money, are you going to do it by other taxes than the excess profits tax at this time? In other words, are there any other taxes in sight?
A. The only thing we are studying here are the so-called excess profits taxes.
Q. You are not studying a general revision of the whole tax structure?
A. They always do that in the Treasury but the thing we worked on over the weekend was excess profits.
Q. Have you gotten down to such details as a base for the excess profits?
A. We are making progress.
Q. Will it be invested capital or average earnings?
A. I can't discuss it.

Q. Did you say, Mr. Secretary, the question of a further increase in the debt limit is totally out?

A. Oh, no, nothing is out these days. All I can tell you I am just working on the excess profits and I am personally not considering anything in connection with the debt, that is, today, the 8th of July; tomorrow is another day. We start all over again.

Q. Mr. Secretary, are you ready with new plans to present to Congress in connection with this plan for new methods to take care of depreciation in connection with industrial plant expansion?

A. We are studying that.

Q. You stated that, under the present law, you can not handle it except as it is now being handled.

A. We would need legislation.

Q. You do need legislation?

A. To change it we would need legislation.

Q. You inferred you needed it.

A. In order to change it. I have said consistently we can't change the interpretation of the law, which the Treasury goes on at present, without legislation.
Q. Are you prepared to ask Congress to change it?
A. I am not prepared to answer that.
Q. Didn't you hold a conference today with the members of the National Defense Commission?
A. Yes.
Q. Concerning that problem?
A. Yes.
Q. That is, on depreciation?
A. Yes.
Q. Is the stabilization fund going to be used to finance the cartel?
A. It is still intact. Oh, boy, do they lie awake nights trying to nick that, too! But she's still there; the flag is still flying.
Q. Could you tell us anything about that conference with the National Commission members?
A. No, sir.
Q. Who was here, Mr. Secretary?
A. I refer you to Mr. Willkie.
Q. He's not the President.
A. You're telling me!
Q. Will you answer the question now?
A. No, sir.
Q. Mr. Secretary, in connection with this new $5,000,000,000 request that is supposed to go up this week, will that necessitate new taxes?
A. I can only answer that the only thing we have been working on are excess profits taxes.

Q. Wouldn’t a $5,000,000,000 appropriation of that sort necessitate a further increase in the debt limit, too?

A. I can only report what I said before; we are only working here for immediate delivery.

Q. Does that mean you are waiting for a cue from the Hill before you work on additional taxes?

A. That’s where it ought to come from.

Q. Do you hope they will ask you to?

A. I don’t know; I have had my hands full the last week on excess profits.

Q. Does this discussion on depreciation today concern new legislation?

A. You know they were here and I always truthfully answer, they were here and ’Did you discuss depreciation?’ The answer is yes. And that is as far as I can go.

Q. Mr. Secretary, has the new Board of Shipping Control you set up under Mr. Gaston seized or held any ships yet?
A. I don't think so, but it is working beautifully
downstairs, if you gentlemen want to see it.
They are doing a beautiful job, if you are
interested.

Q. How about the Normandie?

A. She's still there. I am thinking of taking you
all for a weekend cruise.

Q. There are a few of us who have been trying to
get a recapitulation of all these freezing orders
and countermanding orders to find out just where
the thing stood as at the present time; that is,
what is included and what isn't, and Mr. Bell,
I understand, says he will have to get clearance
from you before he can permit such information
to be imparted.

A. In the absence of Mr. Bell, he is perfectly free
to ask me but he hasn't done it yet. In the
Treasury before we can act we always have to have
twelve initials on the letter, you know.

Q. You're lucky; it used to be seventeen.

A. Well, I admire Mr. Bell's choice of a messenger
and I will ask him afterwards.

Q. Thank you, Mr. Secretary.
Good morning, Mr. Secretary.

All very exclusive this morning. (Referring to small number present)

The cream is here.

Cream and water mixed?

To whom are you referring, Mr. Secretary?

I am the water.

What are your early reports on the bond sales, Mr. Secretary?

Well, the market priced them at just what we approximately priced them. No? Am I wrong?

Right, as far as I know.

I thought you shook your head. So I would say the reception was good—the fact is that the market each day since Monday seemed to like the idea better.

Are you going to maintain these orthodox methods of financing when you need money? You are not going to resort to any trick method like pilfering the Stabilization Fund?

I am surprised!

We need a story.

I am for pilfering. Does that make a story? You wouldn't write it. (Laughter) All right?
Q. Mr. Secretary, this amortization-depreciation business, etc. has got some of our good people with their heads spinning around. Would you like to attempt, in words of one syllable, an explanation of what it's all about?

A. No, I thought that statement Mr. Earley gave out was in words of one syllable.

Q. Amortization itself has more than one syllable, Mr. Secretary.

A. I think we will let it ride on its own momentum for a day or two. I think we ought to let it ride.

Q. Mr. Secretary, there are reports out of London this morning that the British Government is making some attempt to work out a deal with the United States on this surplus commodities business, a cartel idea which your committee has been working on. I wonder whether that subject had come up at any of your meetings.

A. I think you will have to get that from the State Department—foreign affairs.

Q. Who is going from the Treasury to that conference?

A. Harry White.

Q. What was the question?

A. Who is going to Cuba.

Q. Harry Dexter.
A. Is his middle name Dexter? Director of Monetary Research. Things are very quiet here today.

Q. Anything on excess profits, Mr. Secretary?

A. No, I talked to Mr. Sullivan this morning and he told me he would be ready when the boys came back from Chicago and I take it he is working with Stearn and these other experts on the Hill.

Q. I take it there will be no further discussions between Treasury and Congressional leaders until that time.

A. They are working full-steam now with the experts of the joint committees and I take it with the bill drafting people. We are working full-steam now and until they come back from Chicago I don't think there will be any news.

Q. Are you going to Chicago?

A. No, the family decided they wouldn't go.

Q. Mr. Secretary, about ten days ago or two weeks ago Chairman Eccles suggested before a Senate Banking Committee an amendment to a law for a five-year period which would make possible the use of government contracts to secure cash in advance. He said it came under the Treasury and that he had had preliminary discussions with the Treasury but he hadn't gone very far with it.
A. I don't understand it; I don't even understand the proposal; I never heard of it before.

Q. I understand it is basic law now and he merely wanted to make it operative so the small businessman could secure money on government contracts.

A. By borrowing?

Q. Yes.

A. I never heard about it. Okay?

Q. Thank you, Mr. Secretary.
Q. We are all very much interested in the case of the missing hat.

E.M., Jr.: Well, thanks to the Gene Duffield windows, we can protect ourselves.

Q. That wasn't Sir Frederick Phillips sneaking out, was it?

A. No, the hat was about three sizes too small.

Q. When is he coming?

A. He was here this morning.

Q. Sir Frederick?

A. Sure, openly and above board.

Q. Not in the Treasury.

A. Yes, sir. Sir Frederick.

Q. What did he say, Mr. Secretary?

A. Oh, he says, 'Awfully foggy in London, don't you know!'

Q. And what did you say?

A. Cheerio.

Q. You are not very happy.

A. No?

Q. Did you serve a breakfast tea or a plain tea?

A. At eleven? Just highballs at eleven.
Q. How much money does he want to borrow.
Mr. Secretary?
A. Well, to be serious for a minute, we will have a number of conversations.
Incidentally, Mr. Bewley is with him also, Kenneth Bewley—he was here for five years as financial attache.
Q. What is his title now? Counsel, isn’t he?
A. I don’t know. He is in the British Treasury.
Q. He was financial attache?
A. Yes, for five years.
Q. What are the objects of these conferences, Mr. Secretary?
A. Just what we announce.
Q. You didn’t announce.
A. Whatever Chick said it was.
Q. He didn’t say; I never asked him.
He said questions concerning the two Treasuries and other matters.
A. Anyway, if and when we have something to say it will be a formal statement, and as of today I have nothing to say.
Q. Can you say definitely that it isn’t a loan?
A. I am not going to say anything.
Q. Well, there is some sort of an agenda that you probably could say something about; just that you are discussing things of interest to the two Treasuries, that is quite obvious. Naturally, everything is of interest to the Treasury. Could you tell us, Mr. Secretary, if he is calling on Secretary Hull also?

A. I don't know.

Q. Or the White House?

A. I don't know.

Q. You did much better in 1937; I went through the clippings and found out. You used to say something after these conferences. Why all the secrecy now?

A. I just haven't got anything to say.

Q. It wasn't about any hot money questions; might it be the tripartite agreement?

A. Well, the difference between '37 and '40 is they happen to be at war.

Q. You discussed the question of gold?

A. I am not going to say anything on the record; I am not ready to say anything, even if the president of your association scowls at me.

Q. Let's ask one more question.
A. I haven't said anything about it except that he was here, he and Kenneth Bewley.

Q. Was this conference within the department? Did department officials have anything to do with Phillips' visit?

A. No, Mr. Bell came in here to tell me about the financing.

Q. I am not talking about Mr. Bell but the others. May we interpose a minute to ask who was with you when Sir Frederick visited you? Was Mr. Cochran here at the meeting?

A. This morning?

Q. Yes, did he attend the meeting?

A. Yes.

Q. Did Mr. White?

A. Yes.

Q. Who else?

A. Mr. Bell, Mr. Walter Stewart, Mr. Jacob Viner.

Q. Any SEC people here?

A. No. You've got the list.

Q. What is Walter Stewart's job over there?

A. He's adviser to me.

Q. I thought he was at the State Department.
A. His name is on the door downstairs—
Walter Stewart.

Q. With Case and Pomeroy?
A. He hasn't been with Case and Pomeroy for
a year and a half. He's with the Institute
for Advanced Study at Princeton for a year
and a half. There is no secret, because
there are three names downstairs, Stewart
and Viner and Riefle, and they have been on
the door there since September.

Q. Did you see the announcement from the New
York Foreign Exchange Committee about the
instructions they received from the British
authorities on pegging the pound between
$4.02\frac{1}{2}$ and $4.03\frac{1}{2}$?

A. I saw it in the paper.

Q. Were you advised about that?
A. I really don't know; Mr. Bell is handling it.

Q. What do you think of that?
A. All I saw was the headlines, I can't comment
on it—that's right.

How may I announce my successful financing?

We have got over $6,700,000,000 applied, which
is over eleven times, of which $37,000,000 represents the individual subscriptions for ninety days.

Q. Five thousand or less?
A. Five thousand or less.

Q. Are you gratified with the thirty-seven million?
A. Yes, I am. The last time it was twenty or twenty-one.

Q. Which issue was that?
A. The one before, the December one.

Q. How much are you selling?
A. $600,000,000.

Q. The allotment is usually a little bit more, the allotment—some odd money.
A. I don't follow you.

Q. Usually you sell ten or twenty million.
A. Oh, yes, but Bell isn't ready to make any allotment yet; he said he won't be until tomorrow; they are going through all of these application, policing, as they call it, but I call this a very successful financing.

Q. What did you say about last Fall?
A. December. We got around twenty or twenty-one million on the five thousand or less and this
time it is thirty-seven million; the people are beginning to catch on to it. The last time there was no advance publicity and they didn't know about it.

Q. Are you ready to sell any defense bonds?
A. No, the next financing will be for Commodity Credit, this month.

Q. What do they need it for?
A. They have a big payment coming due on the 31st of July.

Q. Do you know how much?
A. Somewhere, you'd better check, somewhere between $200,000,000 and $250,000,000, but you'd better check it.

Q. And will the financing be around that amount?
A. Roughly that amount.

Q. Payment to whom, Mr. Secretary?
A. To these various noteholders in connection with their cotton marketed with the banks, you see.

Q. And they take over the notes from the banks?
A. So I understand. I suppose it ought to come from them but they asked us to do the financing.
Q. Mr. Secretary, what was the conference this morning with the big-wigs from the Defense Commission?
A. Not here.
Q. I understood that Mr. Stettinius was over to see you.
A. No.
Q. Didn't you have a conference today? He was wandering around the building down here—he must have been lost.
A. He must have thought it was the State Department.
Q. Didn't you have a conference today with Army and Navy people, etc., regarding amortization?
A. No. He may have been here and seen somebody else but I haven't seen anybody from the Defense Council today nor have I talked to anybody.
Q. If you didn't have a conference on amortization, have you decided definitely how contracts are going to be awarded until such time as the bill is passed? For example, if Packard signed a contract today are the terms going to be the same as those which will be in the bill?
A. Well, you will have to get that from whoever is signing the contract for the government.

Q. I mean, as a matter of policy. I am not asking the specific terms.

A. I still think whoever is signing for the government they ought to explain.

Q. For example, the law says now, or you say the law says, you can't give them any spedup on depreciation but you plan legislation to make that possible. Well, in contracts signed today will that spedup be allowed?

A. For the guidance and to be a little helpful to you gentlemen but not to be accredited to the Treasury, I don't know what you call that...

Schwars: Not for attribution.

H.M.,Jr.: But to be helpful, as I understand, I think they are going to give them what they call a letter of intent from the Government to the manufacturer so that when the legislation does pass the manufacturer will get the benefit of whatever legislation will pass, both as regards to depreciation and, I believe, as regards to Vinson-Trapnell; they have worked
out and call it a letter of intent but you'd better get that; I am just being helpful.

Q. It would not hold up all these contracts?
A. No, as I understand, everybody is satisfied on that method of proceeding; they call it a letter of intent, but whoever gives that letter, I take it it would be the Secretary of War or Secretary of the Navy—you'd better get it from them—the story—hang it on them.

Q. When is your next conference with the British Under Secretary?
A. For tomorrow.
Q. Tomorrow morning?
A. Just tomorrow.
Q. Same time, same place?
A. The Treasury, this office.
Q. We didn't want to hang around the halls all day.
A. No.
Q. Just have us in at the same time; it would be nice to meet the gentleman, Mr. Secretary.
A. Well, I will try.
Q. You are going to have a cocktail party for them? The Federal Reserve Bank in New York,
they always used to bring Sir Montagu Norman around.

A. For cocktails?
Q. No.
A. Cocktails are easy; don’t like them? We will have a drink. What do you like?
Q. Cocktails.
A. Are you going to Chicago, Mr. Secretary?
Q. Not at all?
A. No.
Q. Who is going to be nominated? What do you plan to do after January 1st? Who is going to be your new boss next year, Mr. Secretary?
A. You said you would never let Willkie be your boss and I just wondered.
Q. Well?
A. Some of the Democrats are trying to nominate Willkie out in Chicago.
Q. I have only had one boss in eleven and one-half years, Franklin D. Roosevelt; he’s good enough for me.
A. Mr. Secretary, have you spoken to Mr. Bell about that matter of licensing and getting a recapitulation?
A. Licensing?

Q. You remember at the last conference I asked for clearance on the matter of getting a recapitulation on what licenses have been issued.

A. Chick, what did you do?

Schwarz: There's the fellow who is supposed to handle you. We will take you in and see Bell again.

Q. Apropos of this boss business I just wondered whether you Dutchess County farmers might have some horticultural problems.

A. You never can tell.

Q. Has the basis for excess profits tax been determined?

A. You mean as to rates? I don't think so, no.

Q. What are the Treasury recommendations in that regard, do you know?

A. Yes, sure, I know.

Q. Then there has been a decision?

A. No, no.

Q. Not from the Treasury?

A. We always make recommendations and then whistle.
Q. Has the Treasury decided on what it will offer?
A. No, we just have an open mind.
Q. Nothing will be said about that until after the convention?
A. Well, we are supposed to be ready; I think Mr. Doughton said, didn't he, nine o'clock, the morning of the 22nd, standard time.
Q. Are you going to be at your desk all through the summer or are you going to be on vacation?
A. I am not planning a vacation; I may get away for a long weekend. All right?
Q. Thank you, Mr. Secretary.
H.M.Jr: Good morning, gentlemen; how is everything?

Q. Were you awfully surprised? (At nomination)

A. I listened to the radio last night.

Q. Apparently, Wilkie is not going to be your boss.

Mr. Secretary.

A. Huh, huh, huh. How many times is that.

Q. If the President is elected would you continue in office?

A. Well, I am not going to comment on that; I am here at his pleasure; it isn't up to me. I am here at his pleasure. Excuse me?

Q. I was just going to suggest to you a phrase in the Army and Navy Commissions that might fit--"At the pleasure of the President, for the time being."

A. I am just here at the pleasure of the President so it isn't up to me to say whether I will or won't stay on; it is up to him to say.

Q. How are you getting along with Sir Frederick, Mr. Secretary?

A. Very well.

Q. What can you say about it?

A. That is about all. I reminded him this morning when he left here that I promised you gentlemen a formal statement when he gets ready to go.

Q. Have you got one today?
A. No, but I think he is leaving town some time tomorrow and before he goes I will see that you get the statement.

Q. Some time tomorrow then?

A. Yes.

Q. The conversations are concluded then?

A. No, but I think they will be tomorrow and I think it has been distinctly worthwhile having him here.

Q. What was the nature of the visit to the White House?

Mr. Secretary?

A. Well, I just...the same nature as it was here.

Q. In other words, it was to apprise the President of the discussions?

A. Yes.

Q. And what tentative conclusions had been reached at that time?

A. Well, I think the first half of your sentence was correct.

Q. Did you take him over there this morning?

A. No, no, he was here this morning.

Q. Did he go to the White House?

A. Yesterday afternoon.

Q. With you?

A. Yes, that's all in the papers.

Q. Mr. Secretary, why all the secrecy about the agenda?

A. I don't think there is any more secrecy than there
has been about any other.

Q.

Everybody has been guessing, in view of these discus-
sions; there is an announcement from London stating
that the British will not use anything but the official
rate on the pound and they have notified the Federal
Reserve banks here and I imagine they have notified the
Treasury; would you throw some light on that?

A.

Well, he's going tomorrow.

A.

I know. We will have something.

Q.

Can you say anything about Mr. Purvis' visit?

A.

Nothing new; I mean, I think—doesn't he usually come
here at least once a week?

Q.

I think yesterday was the first time for several weeks,
ever since your torpedo boats blew up.

A.

I think you will find he will be here every week, most
likely, from now on. As their orders increase in this
country they will have to more and more dovetail their
orders in with our orders and Mr. Young who works with
me works as sort of a liaison with the various people
over at the Army and Navy and National Defense Council.
Q. Are you satisfied with last night's results, Mr Secretary?
A. Am I?
Q. Yes.
A. 100 per cent.
Q. You weren't surprised, were you, Mr. Secretary?
A. He just asked me was I surprised—I am not going to answer that.
Q. Mr. Secretary, some one was telling me that the Army has been complaining that they have only gotten three combat planes last month, that all the American plants are so filled up with priority orders for the British that the Army is beginning to complain about getting their own quota filled. Have you heard anything to that effect?
A. Well, you'd better get that from the Army; I don't know what they are complaining about. They had better give you some facts and figures.
Q. I thought you might refute that in view of the fact that you handled much of this purchasing.
A. I have got nothing; it is just a general statement; I don't know what they are complaining about.
Q. That they only received three combat planes last month; you never heard any such complaints?
A. The only complaints I know about is I have seen some stories in the papers.
Q. The War Department has not complained to you?
A. No, they have not. I have had nothing official from them or the Navy.

Q. Since the War and Navy Departments have gotten new secretaries have they conferred with you about the problems of procurement in supplying the British, etc?

A. Yes, we have been in touch with each other, with both Mr. Stimson and Mr. Knox. As a matter of fact, we furnished them a memorandum of so-called unfinished business, to Mr. Stimson and Mr. Knox, to bring them up to date.

Q. That memorandum applies, Mr. Secretary, to surplus things?

A. Yes.

Q. Mr. Purvis told me yesterday that he was afraid they had about reached the bottom of the barrel on surpluses.

A. I think that is correct.

Q. Surplus airplanes, guns, etc.

A. I don’t think they can expect much more; they will have to look to newly manufactured products now; there may be a few crumbs here and there but nothing of any importance.

Q. We had a story today saying the Wright Aeronautical Corporation is going to open a plant near Cincinnati for strategic purposes. Have they gotten in touch with you on that?
A. You have the story?
Q. Yes.
A. The thing that I have been talking about right along, referring to a plant—that is the one we had in mind and I started that back in May with Mr. Vaughan and we also discussed it with Mr. Wilson, the President of Pratt & Whitney at that time.
Q. This was Wright Aeronautical, wasn't it?
A. Yes, but we discussed it with both and when the Defense Council came to town they took the matter over, but we started that. I had at least two meetings with both Mr. Vaughan and Mr. Wilson, respectively of Curtiss-Wright and Pratt Whitney, about starting another plant.
Q. Are you going to finance that?
A. For your guidance but not quotation, that has been the contract they had so much difficulty in working out with RFC but we have done a lot of work on it for Mr. Knudsen—again, not for quotation—but General Counsel's Office has done a lot of work on it.
Q. What do you mean by difficulties with RFC?
A. Difficulties in working out the details—that is not for quotation.
Q. Can you give us any idea what this plant will cost out there?
A. No, but I think, after all, we started it here and it went over to RFC and to Mr. Knudsen. I think any
official announcement should come either from RFC or
Mr. Kandlon. I am just giving you this to help you
but not credited to the Treasury or me. I didn't know
the story was ready but if it is it should come from
one of those two sources.

Q.
Mr. Secretary, have you made any plans for releasing
the frozen accounts to the new French Government?

A.
No.

Q.
Have you conferred on that?

A.
Oh, every day. I mean, we here, the problem is before
us constantly but I don't know—you say the new French
Government?

Q.
I used the word new.

A.
I don't know what the status is and I haven't yet been
advised by the State Department what is the status of
the present—for a better name—Pétain Government.

Q.
It is apparently functioning.

A.
Yes, but I don't know—I may be wrong—that the State
Department has recognized it.

Q.
They never have ceased to recognize the French Govern-
ment, have they?

A.
Also correct, but I also don't think that they have
recognized the Pétain Government.

Q.
Who is the present regime representing now?

A.
That is what I don't know; that is one of our troubles
here. That is why we are sitting tight but don't write
that as coming from me, please. I've got to live with
Mr. Hull and the rest of the people. But that is my trouble.

Q. It is a fact, however, that you are interested in the legal question of what is the French Government and to whom you must turn over these French funds, is that correct?

A. Oh, yes, and in order to have the best advice possible Professor Chamberlain comes down here several days a week.

Q. Of Columbia?
A. Columbia?

Q. What is his name?

Schwarz: J. P. Chamberlain.

H.M.Jr.: This is the third week. He will be here to advise me on this matter; he is supposed to be as good as there is on international law.

Q. He is a very fine man.

Mr. Secretary, he is advising you on the French situation?

A. All situations.

Q. All frozen funds?

A. On all frozen fund matters. I mean, he confers with me and with the General Counsel's Office and with Mr. Bell, but we wanted to get the best we could and we think he is as good as they come.

Q. Mr. Secretary, supposing Mr. Hull recognizes the Petain Government in the final peace rather there is this
General de Gaulle in London who says the French Government does not represent the people and on the other hand comes in Germany who wants reparations paid. Are you going to turn over these funds to the Petain Government to be paid to Germany when France owes us a war debt?

A. I don't know the answer.

Q. If the Petain Government is the legal French government is there any way you can avoid that?

A. I don't know the answer.

Q. Are you looking into that?

A. As I say, we are studying it from every possible angle. What the answer is to this intelligent question I don't know.

Q. Under your licensing system are you now honoring drafts of the French Government on accounts in this country?

A. As I understand it, the only money we are paying out is to Americans who had outstanding contracts; we pay in the United States.

Q. You are not letting any of it get back?

A. Not as yet.

Q. That applies to France or all of them?

A. That applies to everybody who has been invaded—all invaded countries.

Q. I suppose there will come a time when the French Ambassador will borrow a hundred dollars to get along during the week. Has he made any requests?
A. He’s been down here.
Q. Have you given it to him?
A. Well, we have given him an allowance. We make an allowance to run his embassy and his consulates.
Q. Is that a weekly allowance?
A. Monthly.
Q. Does that apply to the Belgian Government, Norwegian and all the rest?
A. I think so, and being a very good father we give him a little bit more than they ask for.
Q. I wonder if we could photograph one of those drafts?
A. What for?
Q. To be published; it would be very interesting. You are talking about the French Embassy staff over here?
A. And the consulates in this country. They put in a request that they need so much money per month and I think we give them a little over what they ask for.
Q. For champagne?
A. Etc.
Q. Mr. Secretary, these licenses you are granting, you said, for payments to Americans for use in this country; aren’t they also for Americans doing business abroad?
A. Yes, but the money stays in the United States.
Q. The reason I asked is I happen to know my outfit (AP) is getting license to send money to its reporters over there.
A. That is because you’ve got influence.

Q. Thank you.

A. But talking in a general way the money which passes—oh, there may be cases where American Express or somebody wants to bring somebody home where we could do it, but those are the rare cases—or the Associated Press and United Press—but the general thing, the run of the thing, is people who have business contracts and they want to close out the contracts with Belgians or French, we let that money go. My guess is that is 99 per cent of the cases.

Q. But the general question of releasing the funds on demand of the French Government for use on the other side awaits decision as to what is the French Government.

A. Yes. And the general policy of the whole Administration for all these frozen funds, it isn’t only a Treasury decision—it is a major policy which the Administration has to make.

Q. These conferences you are having are part of a general process for reaching a conclusion for the whole Administration?

A. Which conferences?

Q. The conferences with Professor Chamberlain.

A. Oh, yes, so I can do my stuff as intelligently and fairly as is humanly possible.

Q. Mr. Secretary, did you discuss that with Sir Frederick?
A. That is what I was afraid you would ask and I don't want to walk into that, if you don't mind.

Q. Mr. Secretary, at the time of the first freezing order you told us one of the things you wanted to consider was the possibility of using these frozen funds to offset American losses abroad but you didn't want to talk then. Do you want to talk now about the question of war debts?

A. I like to talk less.

Q. Is there a possibility you may set up a corporation for example like after the last war for war claims to pool all these resources together for the possible settlement of the whole question or is it going to be kept in the Treasury?

A. I don't know.

Q. Mr. Secretary, what are the latest advices on the attempts to form another French Government than the Pétain Government?

A. I don't know; if I knew I wouldn't say.

Q. They are still making efforts in London?

A. I don't know. It is a diplomatic matter.

Q. Mr. Secretary, just so we are all together on what is on or off the record, as far as this question of the French, as I understand, you said on the record that one of the questions that has to be determined before you decide on the disposal of these funds is what is the French Government but anything beyond that you don't want to say.
A. That's right, or that I am waiting on the State Department to advise me.

Q. What do you mean by what is the French Government? Petain has set up a cabinet, drawn up a constitution sent it to the people and has done everything to make himself the legitimate head of the French.

A. That's all right, but I am still waiting, off the record, for Mr. Hull to tell me who he is doing business with. We have no Ambassador there now.

Q. You have none there now!

A. All Ambassadors are out of all those countries.

Q. Biddle is also gone.

A. The man from Denmark is gone, the lady from Norway is gone.

Q. Nobody there at all.

A. The consuls are just there. That's all. I think that is pretty clear; thanks for clarifying it.

Q. Thank you, Mr. Secretary.
Q. Good afternoon, Mr. Secretary. (Release given out re elimination of duplicate income tax returns)

Eliminating green tape?

H.M. Jr.: Green tape has been eliminated. That speaks for itself.

Q. It is going to be easier to pay more taxes, is that the idea?

A. That's the idea.

Q. Do you still have to report your income?

A. I think so.

Q. It doesn't make much difference in our case.

Now that the Latin American countries are meeting down in Cuba, is there anything you care to say on the cartel plan at all?

A. No, I think it would be particularly inappropriate if I said anything.

Q. Is there a cartel plan?

A. Well, Mr. Hull is down there representing the Administration; he is pretty well able to answer all questions.

Q. In connection with the President's message asking $500,000,000 for the Export-Import bank and the purposes for which that is to be used, is there anything you can say on that?
A. Part of the picture.
Q. Can you tell us anything, Mr. Secretary, on the progress of purchases of strategic materials?
A. Only those in the Treasury; outside of that, I don't know, I am not up.
Q. Can you tell us how much the Treasury has bought?
A. No, but Schwarcz can get it for you.
Q. It wouldn't be much different from the last time.
A. I would be surprised if it were.
Schwarcz: They are not.
Q. To return to Cuba, does Mr. White carry the Treasury's views to the conference?
A. Yes, he's the authorized agent for me.
Q. Care to say what his duties are?
A. He knows how I feel about it any way.
Q. Did he carry any gold?
A. I don't think so; he may have.
Q. Does he have a little memo on what not to do with the stabilization fund?
A. Well, after all of these years he is well acquainted with my views on it.
Q. The stable door is locked, isn't it?
A. The fund is still there anyway; a number of people have tried to pick the lock but they haven't been successful.
Q. Can you say anything about new excess profits taxes?
A. No, the gentlemen are up on the Hill meeting now and I understand that is known; Mr. Sullivan is representing the Treasury.

Q. Mr. Sullivan is taking on all comers.
A. Doughton, Harrison, Cooper, King, George.

Q. Is Mr. Sullivan supposed to give them a bill?
A. We just go up to get their ideas.

Q. The Treasury never recommends taxes.
A. Never recommends! I don't know--Sullivan put this (roll of papers) on my desk today, like that.

Q. Why is it tied with a blue ribbon?
A. You will have to ask him that, but that is what he gave me before he went up on the Hill.

Q. Have you received any advice from Secretary Hull yet as to the status of the Petain Government?
A. No.

Q. What about this statement by Ambassador Bullitt in New York that the Petain Government is not a Fascist state?
A. I don't know; we wait until we get something in writing from Mr. Hull on the situation, the status; they have not advised us.

Q. Do you expect to be advised any time soon?
A. I should think they would; they have got to make up their own minds.

Q. Have you received any request from the Petain Government or any other Governments of invaded countries for withdrawal of funds?

A. I am not going to answer that.

Q. I will confine it to the Petain Government.

A. I don't think I will answer it.

Q. You requested the State Department for some expression of opinion?

A. I am not sure; I wouldn't want to say I haven't - I don't know; I am not sure.

Q. Mr. Secretary, when Sir Frederick Phillips left your office last week he told us, quite surprisingly, that his Government was interested in keeping frozen funds out of the effective control of Germany.

A. Surprisingly? Where is your tongue when you say that?

Q. He was so frank. How do you feel about that?

A. Well, I guess I will have to keep that to myself.

Q. You won't subscribe to the King's English? He put it very nicely. That is what you are doing now, Mr. Secretary; that is what the freezing amounts to.
A. That's right, but he asked an expression of opinion and I say I will let my action speak for itself.

Q. Is there any development in connection with any of the frozen funds?

A. No, the last thing we did was Latvia, Lithuania and Estonia. As one of my children said to me, "Daddy, isn't the icebox getting pretty full?"

Q. Just how full is it, in dollars?

A. Well, it is plenty; we could all have a good time.

Q. You wouldn't wish to guess, five billion, six billion?

A. No.

Q. You wouldn't give away any individual country's, name the total?

A. No.

Q. More than two billion?

A. I am not saying.

Q. About two billion, two?

A. I never play twenty questions on Monday.

Q. Well, Mr. Secretary, the statement that you and Sir Frederick issued at the conclusion of your conference said you had consulted about these different subjects; does that mean these Governments are going to consult regularly about the handling of the frozen funds?
A. Well, put it this way - isn't this a good use for the tripartite, this consultation?

Q. Well, consultation implies something more than conversation.

A. Seriously, for a minute I want to say I think you men gave him, and incidentally me, a very good press, for which I may say thank you without being misunderstood.

Q. Can you say anything, Mr. Secretary, about your talk with Secretary Knox?

A. When was that?

Q. Didn't you see him today?

A. Golly! He was hungry so I gave him something to eat; he and I had lunch together.

Q. Did you and Sir Frederick work out a more efficient way of transferring balances getting around some of the banking problems which arise incident to the British purchase of war materials here?

A. I think that was a pretty good statement; I didn't write it but I initialed it.

Q. It was too brief.

A. It was all right; you fellows all got a good story out of it.

Q. Isn't it a question of whether or not you would continue what you are now doing?
A. We study the thing every day very, very carefully and I have nothing to add to what was in that statement; I think it was all right.

Q. They indicate over at the State Department that they are studying the thing very hard, but don't say anything.

A. Well, we are studying it very hard every day.

Q. Any change in the situation as a result of those three Baltic States joining the Soviet Union?

A. No, but I see they were officially taken into the Soviet Union today, weren't they?

Q. They applied for admission formally, I think, that is Wednesday.

A. That is the last thing that has happened on it.

Q. Did you see this Berlin story about how they are going to take that metal out of Fort Knox and pave streets with it?

A. No.

Q. It won't be good for anything else according to the Berlin....

A. How are they going to get hold of it?

Q. You are going to do it because you won't be able to use it for anything else; all the little babies will have gold drinking cups.
Any evidence that Berlin has refused to take any gold off your hands?

A.

If there is, I haven't seen any evidence.

All right?

Q.

Thank you, Mr. Secretary.
Q. Hello, Mr. Secretary. Where have you been?
H.N. Jr.: I was up in the Adirondacks for a week, fishing.
Q. Anything new besides fishing?
A. Nothing much; what do you know?
Q. Can't you tell us something about these tax negotiations or discussions?
A. Well, we are going to have a little meeting here this afternoon at four—the representatives of both Finance in the Senate and Ways and Means in the House—and I have invited Secretary Stimson and Mr. Knudsen to sit in; if they can tell me what they need in order to get the contracts signed I will be glad to give it a friendly push.
Q. Do you have in mind, Mr. Secretary, some legislation on amortization before an excess profits tax?
A. No, I am going to listen; I want to listen to what Senator Harrison and Congressman Doughton and the rest of them have to say; I want to hear what Mr. Stimson and Mr. Knudsen have to say.
Q. You are aware of the National Association of Manufacturers' request that the thing is so urgent, this amortization, that it ought to be handled separately in advance.
A. Well, I want to hear what these gentlemen have to say; let them all make up their minds as to what
they think what the first thing is, first, but as far as I am concerned certainly they will find a willing ally.

Q. Would you be opposed to splitting up the tax bill?

A. I am going to listen; I want to listen this afternoon and see what the leaders from the Hill want and what the Secretary of War wants and what Mr. Knudsen, in charge of production, wants.

Q. There are a great many conflicting statements about this amortization thing here, one place where it has all been cleared up, there isn’t any delay as a result of it; some of the people interested in aircraft manufacture say it is holding up expansion of additions to aircraft factories.

A. Well, I don’t know; I mean, I am not in contact with them directly so these gentlemen ask to see me and to use this room as a meeting place and see if they can’t work out a program which would be acceptable.

Q. They asked to see you?

A. Well, I mean, I don’t want to be too—some of them called me.

Q. They want to get together?

A. I don’t know just how, but certainly over 75 per cent of them called me—I will put it that way.
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Q. They want to get together?

A. I don't know just how, but certainly over 75 per cent of them called me—I will put it that way.
Q. Three out of four?
A. I think that is right; that may be technically correct. As a matter of fact, two of them have been here already.

Q. Will the Treasury be willing to modify its stand then on the basis of the tax?
A. Oh, as you gentlemen who have been with me quite a long time know, we never made a firm recommendation; I have never made a recommendation to Congress. You and I have had an argument about that.

Q. Well, according to the papers, Mr. Secretary....
A. Every rule has to have an exception; three out of four times I haven't made it—how's that. Will you go along with that? (laughter)

Q. Okay.
A. Three out of four times I don't make a recommendation and this will be one of the times I don't.

Q. This isn't the exception?
A. This is not the exception.

Q. Because I see by the paper that the Treasury wants to do this profits tax just so and so and one of the committees on the Hill wants to do it another way and there have been voluminous reports printed to the effect that the Treasury recommendations are such and such; would you deny that there has been any formal recommendation made by the Treasury to the Ways and Means Committee?
A. I don't want to throw down a lot of good stories.

Q. Mr. Secretary, will this discussion this afternoon be on amortization primarily or the whole business?

A. The whole business—the ceiling is the limit. If it isn't high enough we will go up another floor.

Q. Mr. Secretary, amortization and allied subjects have been on the fire a long time; I wonder if holding a meeting at this late date doesn't suggest some sort of snag has come up.

A. If you hit a snag in fishing you roll back and undo the snag.

Q. Mr. Secretary, what worries me is what the President said very recently that he is in favor of a bill with the three things, amortization, excess profits tax and Vinson-Trammell; could we expect some change in that policy?

A. I had a long chat with the President on his back porch of his cottage yesterday, in a couple of rocking chairs, and what I am doing today is a result of my meeting with him yesterday afternoon.

Q. Do you expect to have some announcement to make after this powwow this afternoon?

A. Well, after all, I am only an appointed officer and I think it is up to Senator Harrison and Congress- man Doughton.

Q. Whenever they come out they always refer us to you.
A. Well, I will do the best I can to get you something; at least you know what is going to happen and I will make it as easy as I can for you; I mean, I will try to do the best I can.

Q. On this question of excess profits taxation, which approach do you favor, invested capital or past earnings?

A. Well, I am just going to listen.

Q. Well, the Treasury has made some recommendations.

A. I know.

Q. They have made some recommendations?

A. Not recommendations; they have given them some facts.

Q. Submitted a proposal.

A. The boys here for years, Roswell Agill, I think it was three years ago, went over to England for the Treasury to study excess profits and I believe there are either eleven or twelve countries that have various forms of war profits taxes; we studied them all and I had them translated into English so I could read them.

Q. Is this the snag in the line you are going to untangle this afternoon?

A. Do you want to put it that way?

Q. Will the Treasury press for the tax on individuals which Congress seems inclined......
A. That recommendation was withdrawn almost simultaneously with having been made; that was withdrawn almost at once, almost at once.

Q. It might even be considered a slip of the pen, in other words.

A. Well, now, have a heart!

Q. On Mr. Bryant's question on the approach of earnings versus invested capital, isn't it true that you favor both of them?

A. I would rather not get into that discussion; I am in a very receptive mood; I have been away, no telephone, no radio; I have relied entirely on the daily newspapers; came back philosophically, kindly towards everybody.

Q. Your mind is open to compromise, in other words.

A. It is open to suggestions.

Q. Did you take the President a report on the status of this amortization situation, sir?

A. I didn't have to; he was fully up on it and I wasn't, so it wasn't a question of bringing him up.

Q. His new administrative assistants are working then? He gave you a report on it then?

A. Well, I had mine from Mr. Bell and Mr. Sullivan and he had his I don't know from which administrative assistant; his you mean?
Q. Yes.
A. He was up to date, fully up to date, and I was as far as the Treasury is concerned.

Q. Mr. Secretary, in view of the help which you rendered both the French and British purchasing missions, I wonder if you would give us your views on the current discussions about selling destroyers to Great Britain?
A. No, but I might say this as to giving help to the allied purchasing mission: The assistance that the Treasury gave them, we got them over all of these hurdles that they are talking about and they were able to place their orders successfully with munitions makers, powder makers and everybody else, and American manufacturers and they had the additional difficulty of overcoming prejudices of certain people and they got their orders all placed with the advice and cooperation of the Treasury and if they could do it certainly our own government ought to be able to do it ten times as easily.

Q. Have you told them yet how much it is going to cost them to build plants for three thousand planes a month?
A. No, I don't know myself.

Q. Was that to be made through you or Mr. Knudsen?
A. Mr. Knudsen made the survey and he may have communicated with Mr. Purvis during my absence; he may—I don't know.
Q. Which were these conferees you saw this morning?
A. Oh, Mr. Harrison and Mr. Doughton were down here this morning but on another matter— it wasn't this.
Q. But you haven't answered my question, Mr. Secretary, in view of your policy in the past.
A. Well, I don't think that that is up to me; I refer you to William Allen White.
Q. I remember a year ago when you let that Frenchman ride on that Douglass bomber.
A. I refer you to William Allen White; what do you expect me to do— fall out of a destroyer? I was in a rowboat; I don't go fishing for trout from a destroyer.
Q. Anything new on the matter of impounded funds?
A. No, I asked this morning; nothing new, as far as I know.
Q. Is it logical to assume, Mr. Secretary, that these impounded funds wouldn't be returned, to France for instance, until there is a final treaty of peace signed?
A. I don't know; I asked Professor Chamberlain this morning if there was anything new and he said there wasn't but that there might be in a couple of days and I gather everything is as I left it but I asked him this morning.
Q. Anything big in a couple of days? Anything important, I mean.

A. No, if we get an agreement this afternoon I would think that was pretty big.

Q. I mean on impounded funds.

A. No, I don't know of anything.

Q. Haven't the officials of the War and Navy Departments or the members of the Defense Commission ever made direct representations before to the Treasury as to just what they thought should be done?

A. They had many meetings over here with Sullivan—he went over there—I might almost say constant meetings.

Q. What is the snag, Mr. Secretary?

A. 'I don't know. I'd love to ask you to sit in this afternoon.

Q. You mean after all this time has elapsed they still don't know whether they want to put amortization ahead or hold it up?

A. I didn't say that.

Q. You said there had been many meetings here and you didn't know what the snag was.

A. Let's go back over the ground. I said there had been many meetings with them but just what has happened this past week, just what they would like to have, I really don't know, but it is ten days since I talked to them about what has happened.
Q. Declare the thing once and for all and get it straightened out?

A. Give me a chance, this afternoon at least, with these people and see what happens.

Q. Didn't the defense people in the first instance ask that the amortization be handled separately?

A. I really don't know; the thing has switched from time to time, so often, I really don't know what their first position was.

Q. You will know this afternoon?

A. I will know this afternoon.

Q. There were reports about a travel dollar to South America; anything to that?

A. No, except you and I might try it out; what do you say?

Q. I would like to try a travel dollar.

A. A magic carpet.

Q. When this agreement is reached, as you hope, this afternoon, do you expect that you can go right ahead and sign up contracts for aircraft—that the Army and Navy can go right ahead after that?

A. I should hope that out of this agreement will come the kind that Mr. Stimson and Mr. Knudsen say, "If Congress will do so and so and so and so and so we can sign everybody up for every dollar we have got." That is what I am hoping. If Stimson and Knudsen say, "If
Congress will do so and so within a week or two
(or however long it takes to get a bill through),
we can get every manufacturer to sign on the dotted line."

Q. In other words, if they do that it has your okay, the separation?

A. I didn’t say that because I don’t know that they are asking for separation.

Q. If they ask for it and the Congressional leaders agree to it, you are not going to object.

A. No, if these people get together and agree so they can say, "If we can get this through Congress we can sign every American manufacturer up for every dollar on the dotted line," it will get my blessing.

Q. If the two groups represented here this afternoon agree it is all right with you?

A. Yes.

Q. Thank you, Mr. Secretary.
Q. Good morning, Mr. Secretary.
A. How are you? At your service.
Q. Strictly confidential?
A. Strictly confidential.
Q. Would you explain the presence of the fortifications out in the hall?
A. You and me both! Norman Thompson told me that they wanted to put a man at that (northwest) end of the hall and at that (southeast) end and now I understand they are sitting outside of my door, which is the first I heard of it when Chick told me.
Q. Any report of threats?
A. They said, for some reason, Thompson wanted a man at that end and at that end and they ended up in front of my door, which is ridiculous.
Q. They didn't frisk us when we came in.
A. They're not on the job.
Q. Are they guarding the public from you or you from the public?
A. You can have a joke at my expense; for some reason Thompson wanted two men on this floor, but the joke is on me.
Q. Are they going to stay there?
A. No. It's silly. I don't want anybody outside my door; I never have in seven and a half years—I don't want them now.
Q. I was up at the New York Times' waiting room last week—for the first time in seven and a half years—and I found they had guards; it's getting very popular.

A. This is a mistake.

Q. The INS has guards, too, Mr. Secretary.

A. If you want to have some fun, that's your privilege, but it's a mistake.

Q. It isn't part of the armament program?

A. As I say, somebody—I will have to pay and pay and pay.

Q. I asked them if they were out there to prevent your kidnapping and they said they didn't know.

A. Chick just told me about it and it is the first I knew of it.

Q. Maybe hard to get rid of.

A. Maybe a pair of roller skates will do it. Thompson said we ought to have guards on this floor—we have none on this floor—and I think he is right. We will keep two guards on this floor but not outside my door. I think he is absolutely right—I approve that.

Q. Is there any specific new reason for that, Mr. Secretary?

A. No, it's just, well, I mean, here you've got a whole floor and people wander in and out and there is just as much reason to have two guards on the second floor as there is to have six or seven or whatever there is on the first floor. Have I settled this important thing?

Q. Very much. Mr. Secretary, can you say anything about the visit yesterday of Mr. Purvis and his friends?
A. No, Purvis comes down once a week and then you interview
him when he leaves my office. He is here at least once a
week and those gentlemen are here now and he wanted me to
introduce them to him.

Q. He seems to have a new program every week, too.

A. Well, maybe.

Q. Mr. Secretary, would you care to comment on whether there
was any aircraft in recent orders which he was speaking of?
I know there were tanks, etc.; do you known of any aircraft?

A. Nothing especially new, nothing. There is nothing
particularly new that I know of.

Q. Nothing especially for you to take any action on?

A. No, they have stuff every week—they give me at least one
or many memorandums of what their needs are and I pass
them along to the proper departments.

Q. Mr. Purvis told us this so-called new program was taking in
some additional items they had bought here formerly—tanks
and field artillery.

A. Through our office they are sent to the various and
different departments. I understand yesterday they had
a big tank meeting, all the manufacturing people sat in
with them—a big tank meeting.

Q. Have you any idea of how extensively they plan to order
tanks over here?
A. I do, but I think it is up to them to say so.

Q. Does he feel things are moving along satisfactorily?

A. Yes, I think so.

Q. Are they really going to buy any artillery over here, Mr. Secretary? General Marshall has asked about that.

A. I don't know.

Q. And he said he understood artillery was made in the arsenals; do you know anything about that?

A. Well, a tank without a gun isn't very useful—just like a baby carriage without a baby.

Q. They are certainly going to build guns outside of arsenals under this expanded program.

A. I imagine they will have to, just common sense.

Q. In that same connection, Mr. Secretary, I was just wondering whether there is a tie-up between the fact that we are throwing six big arsenals into three-shift production with a view to giving more time for private manufacturers to build guns for the British.

A. I really don't know.

Q. No connection between your office and that order yesterday then?

A. No.

Q. Are these technical advisors that Mr. Purvis brought with him going to confer with the American technicians as well as with the British?
A. Oh, yes, they already have; they had this big meeting yesterday on tanks and these gentlemen have been here for a week in touch with the Army officers.

Q. Will these gentlemen assist our Army people and give them the benefit of their experience?

A. You see here is the thing: The present program, if they want to buy a tank they have got to get one which is acceptable to the United States Army. Therefore, this General whatever—his-name—was who was in charge of a battalion of tanks in Flanders—he gives our people the benefit of his experience; as I understand it, the Army has accepted a number of suggestions from experiences which he learned under war conditions, but in the final analysis they are going to have to take what the Army wants; in other words, there is not going to be a two-tank program in the country; there is going to be one, but these people, they are here with that experience—it is very useful to us.

Q. Well, they are still designing a large-size tank; I understand the Army has not yet completed its designs of a heavy tank; they only have a small and a medium-sized one so this fellow may contribute a lot.

A. I am sure he will.

Q. You say he has already contributed some modifications?
A. So I understand. He was in charge of a hundred
   tanks, I think they call it a battalion, in Flanders.
Q. That was General Pratt?
A. General Pratt.
Q. He was one of the fellows evacuated at Dunkirk, I
   suppose.
A. Yes, he came out through Dunkirk.
Q. Mr. Dewar is not an army officer, I take it.
A. I understand he is a manufacturer.
Q. Scotch?
A. Either a brother or something of—he's got the same
   name as Lord Dewar, but I didn't get any and if I
   do we will go fifty-fifty.
Q. What's the significance—that he is a tank expert?
(Laughter) Mr. Secretary, perhaps you were asked
before I came in, was there any development in
connection with the frozen credits?
A. No, the whole discussion was on my armament program,
   my guard outside the door.
Q. There is nothing new on frozen credits?
A. No.
Q. Mr. Secretary, what is your estimate of the revenue, if
   any, that will be raised by the tax program?
A. Well, I am going to appear tomorrow, am I not?
Mrs. Klots: Yes.
H.W. Jr.: Can you wait twenty-four hours?
Q. I could, if I have to.
A. I am afraid you will have to.
Q. Was that before the House subcommittee?
A. Joint.
Q. Finance and Ways and Means?
A. Yes.
Q. Is the Budget Bureau going to give you a new estimate on defense expenditures for this fiscal year?
A. They have.
Q. Will that be made public before you appear there?
A. It is part of my statement.
Q. I understand part of your statement will be a discussion of that $5,000,000,000 bond or note issue that was approved in the last session, that you had changed your plan.
A. Is that so! Want to bet on it? That wouldn't be fair, would it, because I could put it in or leave it out, depending... (Laughter) You tell me which side you want.
Q. Mr. Secretary, will your statement be available first on the Hill or here? The last time, as I recall, there was some minor confusion as to where they were going to be and at that time I was working on the other end of it.
A. Which end are you at now and I will fix it up.
Q. For a while I will be at this end.
A. Professor Schwarz will take care of it.
Q. Is there any financial news besides war orders, Mr. Secretary?
A. Not today.

Q. Mr. Secretary, have you been following the domestic plan procurement program enough to say whether or not, in your opinion, it is proceeding at ample speed?
A. I wouldn’t want to comment on it.

Q. Do you think we could produce those 3,000 planes the British say they are going to start buying in January, per month?
A. Could they be produced?

Q. Yes.
A. Well, I made my statement on that and I haven’t changed my opinion.

Q. Well, there have been published reports that certain people are not cooperating, apparently in organized effort, and that I think is a result of the fact that there have been very few statistics available on actual plane production, contracts signed, etc., and there have not been great armadas of planes flying over citizens’ houses so they think nothing is being done.
A. No, but that isn’t up to me any more.

Q. No, but you might say a word. Somebody made a comment the other day to ask what the airplane production is and said you can get the best statistics over at the German Embassy.
A. Maybe.
Q. Where do you get them from?
   Isn't this a little superfluous? The President has set
   aside a day of prayer for peace this Fall.
A. Where did you see that?
Q. From Hyde Park this morning.
I've got one question: We are trying to get some money
   over to some correspondents on the other side and
   somebody in New York asked why all the red tape and I
   explained the Treasury was very zealous lest United
   States dollars got in the hands of the wrong people on
   the other side, which brought the reply, "If that is the
   case, why isn't there some kind of provisions to keep
   dollars from going to Germany?" What is the answer?
A. We are at peace with them.
Q. There is no restriction whatsoever?
A. No, we are at peace.
Q. You could send millions and millions of dollars over to
   Germany?
A. Absolutely.
Q. In the last war did they prohibit the sending of dollars
   while we were at war?
A. I suppose so; certainly I can't imagine otherwise.
Q. We are at peace with France, aren't we, Mr. Secretary?
   The distinction is rather difficult to make. You
   remember the old discussion about the number of angels
   on the end of a pinpoint. Half of France is occupied
   and half unoccupied.
A. I know there isn't a day passes we don't talk about it
but in the meantime we can send them the money.
Q. I wish you would do what you wanted to, Mr. Secretary,
and then figure out a way to do it afterwards.
A. No, not quite like that.
Q. Could you say, Mr. Secretary, whether there is a large
amount of money going over to Germany?
A. I really don't know. After all, there is nothing we can
do about it.
Q. Supposing a French National living in the occupied part
of France has a hundred shares of American Telephone &
Telegraph; A. T. & T. declares a dividend; does the
Treasury permit a remittance to that individual?
A. No, not at present.
Q. What happens to that money? Is it held in trust for the
actual individual?
A. The dividend check, I suppose, stays in the office of
T. & T.
Q. The same thing would be true of a German National?
A. In occupied France, or an American citizen in occupied
France.
Q. But a German National having a hundred shares of A. T. & T.,
living in Germany.....
A. He would get his money. I know it doesn't make sense.
Q. Supposing a man living in Paris, which is occupied, and
the situation Nick mentioned, knew his check was due
and he hops on a train and rides over to Berlin and establishes a residence—then he can collect?

A. But he can't get on the train.

Q. But if the Germans knew he had some American dollars coming to him they would probably ride him over free. The whole question is one of duress—that is the legal reason why you can intervene in the question of invaded countries.

A. It is a question of duress and also we want to see what is going to happen to American investments in these countries. We don't know what is going to happen to American investments and we don't know what is going to happen to these debts they owe us.

Q. That is the first time you brought up the question of debts.

A. Then I will bring it up now. Until we know what is going to happen, certainly it is in the interests of the American people that I sit on this money and do nothing. No American citizen is losing by it—they are gaining by it, but until we can see more daylight, until the State Department can advise us more clearly on the status of these countries, I am sitting.

Q. Have you had any word from the State Department?

A. None, and I think that by doing what I am doing I am acting in the interests of our own people, and I will continue to sit until I see more daylight. But I admit it is difficult. All right?

Q. Thank you very much, Mr. Secretary.
Q. Before we get down to serious business, Mr. Secretary, could I inquire why it is necessary for General Counsel's office to hold all license rulings on foreign exchange things until seven, eight, nine or ten o'clock at night?

A. I am sure there isn't any reason.

Q. That has been my impression; they usually lay around all day long and then put them out.

A. You mean the General Counsel lays around all day long?

Q. Probably that, too, but I was referring to the rulings. That's only hearsay.

A. We went into that once before. I did, didn't I, Chick?

Schwartz: Yes, sir.

A. They kind of slow down again? There's no excuse for it.

Q. Either they ought to speed it up and put it out in the middle of the day or hold it until the next day.

A. I will be glad to look into it.

Schwartz: I checked this morning, Mr. Secretary; they promised to get them early again.

A. Take the president of the organization down there himself and let him see Foley, or would you rather have me do it?
Q. I would rather have you; you are his boss.
A. Okay, I will do it. What else have you got?
Q. I have no complaint. (laughter)
A. Neither have I.
Q. Aren't you even interested in financing today?
Mr. Secretary, a certain distinguished Senator
said the excess profits tax was a sugar-coating
for amortization, etc. Could you comment on that?
A. It sounds as though it was a bitter pill.
Q. No, sugar.
A. Yes, but you only sugar-coat a bitter pill. Don't
take this down. We haven't started yet.
Q. That was all right.
A. No, I don't even know which Senator you are
referring to.
Q. Clark, of Missouri.
A. I am not going to get into any argument.
Q. You don't want to be quoted on that, on any
comment on what Clark said?
A. No, haven't done anything yet. I wish I had some-
thing exciting for you gentlemen, but I haven't.
Q. How are you getting along with your liaison activities
for the British Purchasing Mission? Are you getting
assurances from the Defense Commission that they are
going to get all the tanks they want?
A. I tell you they've gotten so now—they brought a lot of people over here—this mission has generals and admirals and a lot of excellent people and they are put in touch with these people and I can't keep track of it any more. I will get Bob down here.

Q. Don't they do all the talking to the defense people through your office?

A. They are introduced and in many cases they take Phil Young over with them.

Q. You are not directly in it all the time?

A. Couldn't be—spend a little time in the Treasury.

The principal answer, I think, as far as I can tell, I think Mr. Purvis was here twelve days and as I can gather everything is going along very nicely.

Q. In that connection, Mr. Secretary, a report came to me this morning from an unofficial source, but a pretty reliable source, and had its information from pretty high quarters....

A. You scare me.

Q. That in spite of the reported losses the British are inflicting on the Germans, no matter what number it has been, 40 or 50 planes a day, there hasn't been a day since they started that the Germans don't turn out more planes than they lost—they're turning out 2,500 a month.
A. I wouldn't know.

Q. And unless they get more help the Germans can keep on losing and still win.

A. Off the record, I understand the Press Club has invited Col. Donovan to speak and if he speaks I suggest everybody go and hear him because I understand he has a swell story. I understand he is going to give an off-the-record talk and I have seen him talk and he has a swell story, very interesting.

Q. Mr. Secretary, would you be in favor of the exchange of English possessions in this hemisphere for some of our wartime destroyers?

A. I am not going to give an official.....

Q. Is there anything you can say for background?

A. No.

Q. How about a high administration official?

A. No, I don't rate it, no. I wish I could tell you something—give you a drink or smoke or something.

Q. What about the proposition to lend them or rent them to the British the same as we did a few years ago to Brazil? We tried to rent them some destroyers there—the opposition came from Argentina on account of the relation between those two countries. May I ask you this: Has the British Purchasing Mission
A. I wouldn't know.

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Q. What about the proposition to lend them or rent them to the British the same as we did a few years ago to Brazil? We tried to rent them some destroyers there—the opposition came from Argentina on account of the relation between those two countries. May I ask you this: Has the British Purchasing Mission
brought that subject to you—the question of the sale of destroyers or the sale of island possessions for destroyers?

A. They brought up the question of destroyers—I think the first time must have been a couple of months ago.

Q. Did they discuss it with you?

A. Yes.

Q. Did they bring up the question of islands in connection with the destroyers?

A. I don't want to go into the thing but the destroyers—they mentioned the need of destroyers—it must be at least several months ago, the first time they mentioned it.

Q. I wondered if they didn't bring up the island question.

A. I heard you.

Q. And you brought it to the attention of the President?

A. When they first brought it to me.

Q. That was the Purvis Mission?

A. Through Mr. Purvis, it must have been at least a couple of months ago.

Q. Is that subject still a live one in your recent conferences?

A. Yes.

Q. It has been reiterated, in other words?

A. Oh, yes, every week; every week they ask for it.
Q. In that same connection, after Mr. Purvis was up here the other day he said Mr. Knudsen, I believe, had offered as a counter to this three to four thousand planes a proposition that we might be able to deliver between 1400 and 1500 beginning the last of next year; we know, of course, it will be accepted, if that is the best that can be done, but he said he still had to give you word if they would accept this counter-proposition.

A. Who would give us word?

Q. The British Purchasing Mission.

A. I would say the thing was still in the state of negotiation.

Q. You haven't heard anything that would indicate the British Government has given its answer? I understood from Mr. Purvis that the information Mr. Knudsen gave him would be transmitted to England. I wonder whether or not the answer has come back to Mr. Purvis.

A. I don't know.

Q. Mr. Secretary, there are so many conflicting figures on this whole question of the sale of airplanes to Great Britain—the quantity I am talking about—Mr. Knudsen says one thing one day and changes his mind the next. Can't you say something?

A. No, I think—No I mean, after all, I have always said I think it is up to Mr. Purvis or whoever it is
they've got on the purchasing mission to say how many planes they have bought or will buy. I think it is up to him. He has given you a pretty straight story every time, hasn't he?

Q. I have only spoken to him a few times.

Mr. Secretary, in these requests of Great Britain, that is, consistent and continued requests for destroyers, is there a number mentioned or would it be truthful to write they want all they can get?

A. On your own authority, of course, you could write it any way, but I don't want to mention the figure.

Q. But on our own authority we could?

A. I would say it was a safe bet to write that, on your own authority.

Q. Mr. Secretary, have you any indication now as to when you might begin to issue defense bonds?

A. No, there will be no more straight Treasury financing the rest of this month. See if I am right (looks at papers); no, I don't know, because I haven't got it and there might be some of these other agencies, but certainly, as far as the Treasury itself is concerned, we will not be in the market for the rest of this month.

Q. Well, beyond that, could you...
Q. Has the Treasury made any studies at all?
A. Oh, sure. I get a report every week. I sit
down and go over it with Danny Bell once a week
but certainly for the rest of the month there
will be no more straight Treasury financing. You
know what I mean by that. I don't know of any
RFC or Commodity Credit...

Q. The next agency to go on the market will be RFC?
A. I don't know.

Q. Any other agency?
A. There is nothing I know about; I am not 100 per cent
sure so I am leaving myself a loophole.

Q. Have you heard anything from Agriculture about
buying up surplus commodities in South America,
such as coffee?
A. There has been a coffee deal on for weeks, hasn't
there?

Q. I have seen reports about it but Jesse Jones says
he knows nothing about it.
A. The Treasury isn't in on it, but I know a coffee
deal is supposed to be going on.

Q. There is stuff coming from Santos and Rio de Janeiro.
A. There is nobody in the Treasury in on it.
Q. You don't know how it will be financed? Surplus 
commodities—it will be a new field.
A. I don't know; we are not in on it.
Q. Have you any idea what the Export-Import Bank is 
going to do with the new $500,000,000 they are 
supposed to get?
A. No.
Q. How would they get it? Would that be a loan from 
the RFC and subscription to its capital or its 
own securities sold in the open market?
A. I don't know.
Q. Mr. Secretary, we have been advised by the Defense 
Commission that Chrysler is building a big tank 
factory out in Detroit and that several orders are 
contemplated. Those are based, as we understand, 
on not only American but heavy British orders. I 
wonder if there was any combination of financing 
between Great Britain and this government of those 
plants.
A. You will have to get that from the Defense Council; 
they haven't released it yet; I don't want to get in 
on it.
Q. Are the various plants doing everything now, you 
think, in the way of cooperation and trying to speed 
up on defense plans?
A. I wouldn't want to comment.
Q. There are some reports they are still holding back.

A. You see War, Navy and Defense Council all expressed their opinions last week; I don't know if there is anything new since then other than I see they signed up with North American for some planes yesterday—it's in the papers.

Q. Thank you, Mr. Secretary.
Hello, Mr. Secretary. Did you bring back any fish?

I caught a lot of fish but couldn't bring them back; we were hungry and ate them up there.

Didn't catch any Bull Moose?

No.

Shoot any bear?

No, it was out of season.

I wonder whether you caught any financial fish up there, too?

No.

No business?

Well, no real business, no.

You talked to a few people.

Once or twice; it was really a vacation.

Mr. Secretary, could you tell us a little something about Mr. Purvis' most recent visit over here?

No, he is here so often I can't keep track of all the reasons; he's here every week.

It was the same day the destroyer deal was announced. What is he after now?
A. Oh, they've got a bigger and a bigger purchasing program and he has got to be down here and see these various departments and we are still acting as liaison for him.

Q. Anything a little bit more specific that you might elaborate on that last sentence of yours, that they are having a bigger and bigger purchasing program--tanks, airplanes?

A. No, it just keeps on growing.

Q. Mr. Secretary, I know these people will be dealing with the lending agencies rather than the Treasury, but I wonder if there is anything you can tell us about Mr. Soong’s apparent negotiations to borrow more dough for China?

A. All I know is what I saw in the paper last night; that's all I know about it.

Q. You have seen Mr. Soong.

A. Several times.

Q. Were there any discussions of a loan of that proportion during the time Mr. Soong was here?

A. I am not going to get in on the thing. As I say, all I know is what I saw in the papers.
and that is all I know about it. I don't know
where he would get such a loan from.

Q. His visits to you, Mr. Secretary, were on a
social basis? He was just visiting when he
came to see you?

A. No, he was talking business.

Q. You say you don't know where he would get such
a loan?

A. No, I mean no government agency would be authorized
to make such a loan.

Q. There seemed to be some conflict yesterday; he
said he got it and the RFC said he didn't.

A. I think the RFC ought to know. I am sure Mr.
Jones would have told me. I didn't know that
Mr. Soong made the statement; I thought it came
out of Shanghai.

Q. It did come out of Shanghai but according to the
stories, it was carried by so many people, it
was given out there as a result of messages from
Mr. Soong and they apparently jumped the gun and
while it was in the negotiation stage they gave
it as pretty much completed.

A. I don't know anything about it.

Q. Can you say anything, sir, about financing plans
either for Treasury account or for the RFC account?
A. No, I mean, I have nothing to say, yet.
Q. Would you care to make any comment about Mr. Jones' prospective entrance into the Cabinet?
A. I am delighted to see him come into the Cabinet.
Q. Mr. Secretary, without regard to your vacation, can you say anything about the prospects of closer financial relationships between this country and Canada?
A. Nothing particular.
Q. Some people have wondered in connection with the defense, etc., whether or not there might not be a monetary stabilization agreement or something of that sort.
A. Well, I wouldn't know how to answer your question.
Q. Did you take the opportunity, Mr. Secretary, to talk to any officials or meet any officials while you were there, informally?
A. Informally, yes I met a number of officials. I spent one day in Ottawa and met everybody who was there. It was purely on a sort of summertime basis.
Q. They seem to be pretty optimistic about the war, even now?
A. I wouldn't want to comment on that. I would rather talk about the fish.
Q. What was that basis you said you saw them on, Mr. Secretary?
A. I said a summertime, vacation basis.
Q. Maybe you have been asked, Mr. Secretary, about this reported Chinese loan?
A. I told the boys all I knew was what I saw in the paper; I had no information other than what I had read. If there is such a loan I said I wouldn't know where they were getting it.
Q. Didn't Dr. Soong see you?
A. Several times.
Q. Didn't he bring that up?
A. I am just saying, as I told the gentlemen before you came in, I don't know anything about the loan. Well, you all look very happy—all right?
Q. How about State Department? Have you had any word from the State Department in regard to any of the countries that we have assets frozen?
A. Oh, there is lots going on all the time, every day, but there is nothing particular to announce.
Q. Let's go boys! Thank you, Mr. Secretary.
Good morning, Mr. Secretary.

How are you? It's a nice day. I wish I had a couple of snappy stories for you.

Thought maybe you heard some at the Senate yesterday. Maybe you told a few up there, too.

I walked up the hill and walked down again.

Break anything?

I think it's all there.

Are you going to say anything about it?

No, it's all right—the stories are okay.

Is the tax bill okay?

Well, I suggest you read the papers.

Could you give your comment on the tax bill at all, Mr. Secretary?

I am not going to, if you don't mind. It's all right, just the way it stands. I am satisfied.

I think that the stories in this morning's papers, as far as I am concerned, were all right.

Accurate stories?

I am satisfied. I thought the Treasury got a good break.

Mr. Secretary, speaking of the accuracy of this morning's stories, .......
I didn't answer on that.

...none of them suggested that perhaps if the Senate passes the bill in its present form you will try to get the House conferences to exert their influence to the contrary.

Well, each day we take these things up. We will see; now how do I know what kind of a bill will come out of the Senate? Wait and see; maybe I will like it.

Mr. Secretary, rumors drift down from Canada to Boston and thence down here that while you were up there you discussed with some Canadian officials the possibility of floating a Canadian loan in the United States.

That is absolutely incorrect.

Did you discuss the St. Lawrence waterway at all up there, informally or otherwise? I see it popped into the picture again yesterday.

No.

How about Treasury financing? Is there anything on that?

Nothing this week.

Does that mean there will be something next week?

There might be.
Q. Meetings? Any special thing though—has he had any
A. I don't know. I haven't gone that far. I
will take another look at it Monday if you
are around, however.
Q. Has the new French Ambassador made any arrange-
ments to see you and talk over very delicate
questions with you?
A. Has he seen me? The answer is no.
Q. Has he tried to see you?
A. No.
Q. You say you will take a look at it—do you
mean the bond market, Mr. Secretary?
A. The whole picture, a general, I suppose at least.
Q. The general situation?
A. Yes.
Q. No, he hasn't asked us yet. Is he (Henri-Haye)
in town?
A. Yes, he got in some days ago.
Q. Has he been received by the President?
A. Not yet. He saw Secretary Hull yesterday.
Q. His first official visit.
A. I suppose the next move is to go and see the
President.
Q. Probably will, in a day or so.
A. No, it's a lovely day—everything is fine.
Q. It was a very unusual thing though—he had an hour and a half conference with Secretary Hull yesterday. Usually the first call is only about five minutes.

He was there an hour and a half.

It is the first time it ever happened.

A. Maybe he had some good stories.

Q. He had something.

Mr. Secretary, the June 9 announcement that you made on Capitol Hill regarding the revised budget estimate .......

A. Yes, August 9.

Q. August 9, I beg your pardon. I wonder if there has been any change since that date that could bring us up to date on just what the outlook is as to the fiscal year.

A. No, I doubt there would be anything more now.

Q. How about the Budget Bureau? They usually have a revised budget estimate after Congress adjourns.

A. That might be; I doubt if we've got anything more. The Budget might. I don't know what they would do.

Q. Their custom is to work up a summation after Congress adjourns, but Congress doesn't seem to adjourn. They are working on the new budget now.
I suppose so.

Mr. Secretary, are you going to take any part in the campaign?

I don't know.

You haven't gotten any speeches of that type lined up at present?

No, Mrs. Morgenthau is working at the National Democratic Committee in New York every day so one member of the family is in it.

Do you think that will suffice for the Morgenthau family?

For the moment.

I see you are doing your bit, you're advertising.

(Referring to FDR button in Secretary's lapel)

That's right.

Is she going to make any speeches?

She might, but I am ready any time they want me.

Do you think there is a need for a very active campaign by the New Dealers, Mr. Secretary?

This button attracted more attention than our statement up there; everybody was very much interested in it.

You mean they were amazed that you were for FDR?
A. No, they hadn't seen one and were all very much interested.

Q. Probably going to get the Hatch Act after you.

A. No, but I notice I didn't see any Willkie buttons on any Republicans up there.

Q. There are a lot of them around. I saw two or three of them.

A. All right, gentlemen?

Q. Thank you, Mr. Secretary.

A. No. Any help giving you stories all the time so that, don't forget, I must try to let people know you.

Q. That seems a bit vague, are regulations last night which I think you said you were starting to be more free.

A. Yes. We're trying to.

Secretary: I see you saw one of the lawyers to explain it to you, because I heard.

Q. Yes. Would like to ask, Mr. Secretary, with you not going to go over the French front?

A. I don't know.

Q. Secretary's and any word from the State Department on that front?

A. No.

Q. Has the French ambassador called on you yet?

A. No, yet.
H.M. Jr.: Hello, nice day. What's doing?
Q. That's what we would like to know. We are entirely mute. Anything on financing?
A. Nothing this week.
Q. Possibly next?
A. I wouldn't say so, but nothing this week. I have nothing to contribute.
Q. Anything on frozen credits?
A. No. They keep giving you stories all the time on that, don't they? I read them in the papers anyway.
Q. They issued some new regulation last night which I just saw a few moments ago; it sounds to me like it was very broad and affects all foreign exchange.
A. Are you familiar with it?
Schwarz: I can get one of the lawyers to explain it to you.
It isn't that broad.
Q. You haven't been able to say, Mr. Secretary, what you are going to do about the French funds?
A. I don't know.
Q. You haven't had any word from the State Department on that situation?
A. No.
Q. Has the French Ambassador called on you yet?
A. No.
Q. Do you expect him?

A. He hasn't asked to see me yet. I have seen the new French financial attaché.

Q. Did he bring the subject of the release of those funds up?

A. (No answer)

Q. He saw you?

A. Yes. He is new, you see, and he came in to get acquainted.

Q. When was that, yesterday?

A. No, it wasn't this week; it must have been last week.

Q. What's his name, Mr. Secretary?

Schwarz: Alphand.

Q. Do you know his first name, Chick?

Schwarz: No, I will get it though.

Q. I have got his full name.

A. There is nothing much I've got for you.

Q. His first name is Herve... Alphand. Did he bring you any interesting information in regard to what they are doing, etc. Did he ask for anything?

A. Nothing I can talk about.

Q. What was it? A courtesy call, new man?

A. I think so.

Q. Did you talk with any other officials?

A. No.
Q. Have you seen Mr. Purvis lately?
A. He was here yesterday; he is in town; he's here every week, you know.

Q. Have they decided to go ahead with that aircraft program of new plants that they had the Defense Commission approve?
A. They do a lot every week.

Q. Did he tell you, Mr. Secretary, whether they had lost anything in that Kenwil explosion?
A. Never mentioned it.

Q. Did he indicate when he is likely to have something new worked out?
A. Oh, they've got a lot of stuff.

Q. I know they've got a lot of stuff in the works.
A. A lot of stuff happening over there every day, placing new orders for this, that and the other thing, simply terrific, and I understand they've got a whole floor in the Willard Hotel now—did you know that?

Q. Ninth floor. I thought something big....
A. There is stuff every single day which comes up in regard to the British purchasing.

Q. Can you tell us how much the British are putting in that type of plant?
A. I can but I am not going to.
Q. I think that was announced in Detroit—I'm not sure.
A. Was it? I think Packard had better say that.
Q. How about title to the plant?
A. I think they ought to announce that; it's their deal. Are you Detroit?
Q. No.

Wasn't your Wright ruling the other day supposed to be the model for the British plants in this country where the Internal Revenue Bureau ruled about the leasing of plants?

A. I wouldn't say so. It seems to me they ask us for a new ruling every day almost on that—Curtiss-Wright. I wish they would make up their minds; by 'they' I mean some of the people here in Washington. I don't know how many different rulings we've given them.

Q. Who do you mean by the people in Washington? The Curtiss people in Washington or the Defense Commission?

A. The people doing the negotiating. Better skip that, I guess.

Q. You might be on somebody's toes.

A. I am afraid so. But off the record, I don't know how many rulings we have given on Curtiss-Wright, but we have given I think at least three and maybe more. Each one the boys stop everything, go through
a new ruling, then somebody changes his mind, but
I feel better now—it isn't for print.

Q. Are you doing anything right now in the Latin
American field? Any questions there in connection
with any of the....

A. There is a delegation here from Chile.

Q. Financial mission?

A. Yes, it has been here several weeks.

Q. I thought they went home disappointed, Mr. Secretary.

A. I don't think so.

Q. Maybe they are back again.

A. I don't think they left, did they?

Q. There was one here several months ago.

A. This man got here the last week of August.

Q. Have they called on you?

A. They did, but again I am sorry—you will have to
get it from them or the State Department.

Q. But there is a group here from Brazil—I suppose
ythey are still here in connection with....

A. A steel plant?

Q. Steel.

A. I am not in on that.

Q. They saw Mr. Jones?

A. Costa Rica is here.
Q. Wouldn't the Chilean mission be in regard to an Export-Import Bank?
A. They want a lot of things.
Q. Including some of your gold?
A. They need help badly and I hope we can work something out for them.
Q. Are they coming in to see you again?
A. I have no appointment, but there is a committee working with them—Treasury, RFC, State Department, Export-Import Bank.
Q. Mr. Secretary, it wasn't but about three years ago that the Secretary of the Treasury of Costa Rica escaped to Paris with the country's funds.
A. Are you giving me suggestions? (laughter)
Q. I was just wondering if that subject came up in the conversations?
A. We once printed the money for Cuba here—we just had it nicely printed with the new Secretary of the Treasury's name on it and he skipped with $100,000, and they had to print it all over again because they felt embarrassed with his name on the new money.
Q. That was a good old Latin American custom.
Don't they still?
Not Paris any more.
A. Rio.
Q. Have there been any talks with the Argentine Government relating to financing?
A. Not that I know of.

Q. How about Mexico?
A. I am not doing anything on it.

Q. Anything on their silver purchases?
A. Waiting for them to decide who is the new President.

Q. They haven’t decided yet?
A. No. All right?

Q. Is the Mexican President going to see you, by any chance?
A. I haven’t heard. I told you you hadn’t missed a thing (to latecomer).

Q. Thank you, Mr. Secretary.
The Treasury will do a refunding of the $737 million 1% notes which come due on the 15th of December, and we will offer the holders of these notes on Wednesday morning of this week an opportunity to exchange their note for a bond.

What kind?

Well, United States Government.

Anything on maturity and interest rate?

Well, we decided it would be a bond.

You will disclose the details on Wednesday morning?

No, we are having a meeting tomorrow with the Federal Reserve at 11 and right after that we will at least give you a part of the story, if not all of it, but the Government bond market is in very good shape and as the national defense program gets under way we are going to have to raise a lot of money, and, therefore, we thought we would take advantage of the excellent condition and credit of the United States Government at this time, and give them an opportunity to exchange.

In addition to this refunding operation, what else?
A.

That's all.

Q.

There will be no new money financing for defense?

A.

No.

Q.

Can you give us any indication when you might?

A.

Didn't you fellows put down what I said about the excellent condition of the credit of the United States? I want particularly the Tribune to have it. I will say this much for the Tribune, they run what you send out of Washington; much as it hurts them, they run what you write.

Mr. Secretary, any financing for the corporations at this time?

A.

Not this week. There is nobody needs any money right now so after Mr. Bell and I reviewed the whole situation we decided that this was the best thing to do at this time.

Approximately when, Mr. Secretary, do you expect to sell the first of your defense securities?

A.

Our balance, the last you told me (Bell), was around a billion, six, and we don't need any cash right now, but in the not too distant future they will begin to call on us for a lot of money and, therefore, we thought it would help us keep our house in order by getting this maturity back of us.
Q. May we use that—clearing the decks for defense financing?

A. You may; I originated it in connection with financing, and also keep us in a position that I have been in now for a couple of years—that we can always skip a couple of months if we have to and do nothing.

Q. Mr. Secretary, I understand that one or more of the embassies are asking for release of some money to help pay some of their embassy officials here or.....some of them have charge of legations in several South American or Central American countries also.

A. Well, they tell me—I've got to go down there—they tell me I have got 135 men and women working now in the so-called Foreign Funds Section, so they are kept busy all the time.

Q. Has that been referred to you, that question of how much they want, or what?

A. Well, I've got nothing—I mean, there is nothing today. There is something every day—every day somebody wants something.

Q. This is for the embassy—payment of their own people?

A. What embassy? You don't want to say it?
Q. The French Embassy. Some of their legations and embassies in Latin America, which they have to pay from here.

A. Well, off the record, and for your guidance, that matter is pending advice from the State Department to me—that's off the record and for your guidance—so whoever gave you the tip in the State Department you can tell them I am waiting to hear from them. I am not kidding either.

Q. There is nothing you can say?

A. Well, that is where it is hanging fire—right over there. That's just between us girls.

Q. Mr. Secretary, I want to thank you for the quick way they cleared some money for our Paris office.

A. It is a pleasure to be thanked for anything.

Q. There may be some other embassy also, but I know that one.

A. That one, and it is hanging fire over there, and when they advise me what they want me to do we will do it.

Q. You are waiting for them?

A. Yes, but I don't want you to write that, but that is a fact, and I am not letting them put any heat on me because I told this financial
attached, it is a political matter and that is being handled by the State Department.

Q. Can we use something?

A. No.

Q. Say that the Treasury is waiting for the State?

A. That is not news—that's just chronic.

Q. One word that struck my mind when you said that was the word 'political.' What do you mean by that, Mr. Secretary?

A. Well, it is a political decision, as opposed to a monetary....we don't pass on political matters. I mean it gets into the question of the Vichy Government, and all that, foreign affairs.

Q. I always think of a hangover every time I read about Vichy.

A. Do you think of it every morning? (Laughter)

Q. No.

A. Only every other morning.

Q. Is that RFC financing still pending or is this going to cover it?

A. Am I right, Dan? Mr. Jones doesn't need any money.

Bell: For the moment, that is right.

Q. In other words, those plans for the RFC are off for the present.

A. Well, for this week. Mr. Bell has been in touch with every agency and nobody wants any money. Is that right?
Bell: They don't need it right away.

Q. Isn't the chief thing for which they do or will need money their obligation to the Treasury which puts it rather on you than on them?

A. No, they have enough money or balances on hand that they don't have to borrow any more and don't have to come to us right away.

Bell: The only big one in the picture is the RFC and we will raise that money at the time we do the defense obligations—we will do both of them at the same time.

Q. Have you had any important foreign callers in the last few days? Any ambassadors? Has the French Ambassador been in yet?

A. No.

Q. Have you met this Brazilian head who is here in connection with the steel plants?

A. Export-Import Bank. I get that through the Treasury directly—Mr. White tells me what is going on. I don't lend money—we just raise it.

All right?

Q. Thank you, Mr. Secretary.
I thought you gentlemen might be interested in the terms of this financing. There is going to be a 2 percent bond. The last time we had a 2 percent bond it was a 9-11 years, the 1946-1950 issue, and this time, due to the good situation in the government bond market and government credit we are able to break all records and it is 12 3/4-14 3/4 years, '53-‘55. That is the longest 2 percent bond the government has ever sold—in the whole history of government finance we have never sold a 2 percent bond as long as this one.

In other words, Mr. Secretary, in consideration of both interest rate and the maturity, it is the most favorable bond from the Treasury's viewpoint ever issued.

I guess that is right, isn't it, Dan?

Yes, you say it is the longest?

I meant for 2 percent.

You meant for this kind of a bond. We put out the old 2 percent circulation bonds—they had privileges.

Can we put it this way? This is the cheapest money you have ever gotten from a bond offering.

That's right, the cheapest money, most favorable terms in the history of the Treasury.
Q.

When was that 9-11 years?

A.

A year ago, wasn't it?

Bell?

I'll look it up.

H.M.Jr.?

Just about a year.

Q.

Was that a 2 percent bond?

A.

Yes, and it is called in '48-'50.

Q.

That wasn't the interest?

A.

2 percent coupon.

Q.

Is this for immediate release, Mr. Secretary?

A.

For tomorrow morning.

Q.

Morning papers?

A.

This is for morning papers. We open it Wednesday, tomorrow morning. Okay?

Q.

Thank you, Mr. Secretary.

Q.

Any additional reason that you decided to make this a record-breaker in the length of the term?

A.

We don't decide that; the public does.

Q.

You make it what you think the market will bear?

A.

No, it is sold--the public evaluates what money is worth and the government credit and this is their stamp of approval of what they think a Treasury bond is worth. I am very glad it came at this time.

Q.

Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, SEPTEMBER 26, 1940:

H.M.Jr.: Good morning! Sorry I am a little late, but it
doesn't happen very often. Well, the bond issue
is going along beautifully; thank you all for the
very excellent publicity you gave it which, I think,
helped it.

Q. We will bill you the 1st of the month.

A. That's all right--make it November 6th. I may be
out of town but we are going to close it as of
tomorrow night.

Q. A little long, isn't it?

A. No, it always used to be three days; we are going
back to the old-fashioned way of financing.

Q. Is that tomorrow night?

A. Tomorrow night, as of midnight.

Q. Any indication now that they will be completely
exchanged?

A. I think we will get the usual conversion.

Q. What is the usual?

A. Anything over 90 percent will be good.

Q. Is there any estimate of what the conversions are
running so far, Mr. Secretary?

A. No, they are running true to form; they will be
at least as good as previous ones.

Q. And they have run in the 90's?
A. They have run in the 90's, yes.

Q. Can you tell us what the record has been?

A. I think we have had 96 or 97, something like that, but anything over 90, we will be satisfied. 

Q. Mr. Secretary, the Commerce Department reports on gold imports show that last week $11,000,000 of gold came in from Russia; can you tell us what that is about? 

A. No, I think it is just a usual transaction. 

Q. Usual? 

A. Of course. 

Q. About a year ago when they sent over $5,000,000 it was the first on record. 

A. Well, we stand ready to buy gold at $35 an ounce, less $ of 1 percent, until further notice, from anybody, whether it is Russia or anybody else. It is just in the day's work. 

Q. Do you know why they wanted to sell it to us? 

A. They wanted some dollars. 

Q. It wasn't for propaganda? 

A. I don't ask any questions—somebody wants to sell us some gold... 

Q. Well, it is Moscow gold—that is rather unusual. If it came from any other country why...
A. Well, I still say I don't ask any questions. To me 
gold is gold and until further notice we will buy 
anybody's gold.

Q. What about silver from Mexico? Are we still taking 
any Mexican silver?

A. I suppose so. I haven't seen it. I will ask.

Q. What has happened to all that silver stuff?

A. It goes along.

Q. How much do we buy from Canada, a million and a half 
or a million and a quarter?

A. The thing we do, our offer is a million, two.

Q. Commerce Department reports have also been showing 
an increasing number of charters authorized by the 
Maritime Commission, charters to carry wheat and 
other productions to Russia—it has been running 
pretty high, apparently indicating pretty much of 
a transshipment from Russia to Germany. They send 
it in one end and take it out the other.

A. I have no comment. Just for your own information, 
if you will look up I think you will find it is 
wheat from Seattle to Vladivostok.

Q. They wouldn't necessarily have to trans-ship that 
particular wheat; they could use their own.

A. I saw the thing on the ticker and it said wheat 
from Seattle to Vladivostok; now what happens to 
it I don't know.
Q. In view of these developments in the Far East, is the Treasury at this time making any studies for the White House in connection with essential raw materials, such as gasoline and scrap iron?
A. If I answered you would fall over backwards and I don't want you to hurt yourself.
Q. My back is pretty well padded. (Gregory)
A. I refuse to let you run yourself down.
Q. We would like to see him turn some handsprings.
A. I'll bet you he could, too.
Q. Would you make some comment?
A. No.
Q. Could we assume the Treasury is making...?
A. No, you can't assume.
Q. Is there anything new on Latin America, Mr. Secretary?
A. I don't know what you mean.
Q. This Argentine situation, for example, the blocked dollars—did you see the article?
A. Yes.
Q. What was that conversation about?
A. I can't say.
Q. Is that the Ambassador?
A. Espil.
Q. You saw him yesterday?
A. Today.
Q. Mr. Secretary, the House Banking Committee has reported a bill to the floor of the House which will divorce the Comptroller's Office and therefore the Treasury from any representation on the FDIC board. Have you heard of that?

A. No, I haven't.

Q. Any comment?

A. No.

Q. You had a Treasury man up there in those hearings or observing them?

A. I really don't know what we did; I didn't know it was taking that angle.

Q. Mr. Secretary, may I get back to Ambassador Espil? He was at the State Department several days ago. He saw Mr. Welles and he gave to the press an explanation of the embargo which he explained was only a temporary measure to give them some exchange. There was nothing intended in the way of a permanent matter at all or any discrimination or anything of that sort.

A. Well, this is for your guidance, but you had better get it from the State Department. I don't want you to quote me on it.

Q. Use it as background?

A. Well, you had better get it somewhere else; you can call on Espil. He tells me it's all a mis-
understanding, that there is no freezing of dollar exchange. I don't want it to come out of the Treasury, but you men can call him up and he would be tickled to death to give you a story on it. It's all a misunderstanding and there is no freezing of dollar exchange, but get it from him; he would be delighted to give it to you.

Q. Didn't that story originally come from down there?
A. He says so. He claims it was all wrong and that he got a bad break in the press here.

Q. Is there any development he thinks is responsible for that?
A. I don't know, but he says there is no freezing of dollar exchange; it is there, and if it is important to our people why not call him up.

Q. That wasn't in reprisal for Mr. Willkie's statement on Argentine beef?
A. He claims it never took place.

Q. Can we digress a moment? Did you see the result of the election at Atlantic City of the American Bankers Association, Mr. Secretary? I understand, rather I read in the press, that Mr. Giannini complained that perhaps Mr. Tom K. Smith might have scuttled his candidacy.
A. He attributed that to a publication.
Q. I saw a statement to the effect he called government interference by sycophantic satellites, apparently referring to something on Pennsylvania Avenue.

A. Yes, but he hung his story on the publication The American Banker, so why don't you ask them where they got the story, as long as they ran it. But as far as the election of the American Bankers, I, or anybody connected with me, had just as much to do with that as we did with the election of the officials of the American Legion in Boston. Can we quote you on that?

A. Yes. We had just as much to do with one as we had to do with the other, and nobody—I have checked up on it—nobody in the Treasury took any part one way or the other in either convention. I am not interested in the offices in either, I mean, to the extent of trying to take part. I am a member of the American Legion—I am not a member of the American Bankers—so I would have more reason to take part in the Boston Convention.

Q. You said you did not do it?

A. No, I did not take part in either, nor did anybody connected with the Treasury, in either convention.

Q. Have you seen any other Latin American officials in the last few days, Mr. Secretary, in connection with any missions, or the Brazilians?
Q. Or Chileans?

A. No. Okay?

Q. Thank you, Mr. Secretary.
H.M.J E.: What have you gentlemen got to tell me?

Q. We would like to be on the receiving end. Mr. Secretary, did you confer yesterday with some experts along with the British Purchasing Commission?

A. There were a lot of people here yesterday.

Q. Nothing particularly significant?

A. Nothing I could talk about anyway.

Q. What is the new pin, Mr. Secretary? (FDR on lapel)

A. I am collecting them; don't you like that one?

Q. Red, white and blue. What happened to your Willkie for President of the Commonwealth and Southern pin?

A. I can get them if you will wear them.

Q. If he keeps on dropping the way he is now I will wear one soon.

A. I think you would be safe.

Q. The Dunn Poll gave Mr. Willkie 321 electoral votes.

A. What poll?

Q. Dunn. He gave Landon 326 electoral votes in 1936.

(Laughter.)

A. I wish I had something for you boys but I haven't got a thing.

Q. How about foreign visitors, Mr. Secretary? Have you seen any foreign people in the last few days?

A. Just the run-of-the-mine—they come and go.
Q. Any developments in connection with any of their proposals?
A. I haven't got anything to volunteer—haven't got a thing.

Q. Have you any conferences scheduled relative to the issuance of defense bonds, defense financing of any sort?
A. No.

Q. Then it isn't imminent at all?
A. Not for this week anyway.

Q. Leaving your conference yesterday, several of its participants reluctantly admitted that it was concerned with production and production speed and shortly afterwards I believe Mr. Purvis came in to see you and I wonder if you could just throw any light on whether you have any plans to speed it up?
A. No, I just was acting as host.

Q. The Treasury, I believe, has received a questionnaire from the Wagner Monetary Committee and I believe it is in the process of answering it; can you tell me what progress has been made and how the questionnaire strikes you?
A. I really don't know.

Q. How are all the French credits?
A. Just as they were; there is nothing new on that.

Q. Haven't had any word from the State Department?
A. (Negative shake) I saw your picture interviewing
the Ambassador—it looked very good. (Ed Lockett)

Q. Yes and somebody stood in front of me with a head of
hair and in one of the pictures I had a fine head of
hair, which pleased me very much.

A. Maybe you could lead it to me.

Q. Not me; if I get it I am going to keep it.

A. No, there is nothing new on that, sorry. (French funds)

Q. Has the French Ambassador himself ever been in to see
you? The financial attaché has been.

A. The Ambassador has been—last week.

Q. You called off last Thursday morning's press conference,
I believe, to travel across the street to see the boss;
can you say anything of what was discussed then and
why the urgency?

A. Just had an opportunity to see him and I didn't want
to lose it; I knew I had nothing for you gentlemen.

Q. Are you going out to Pittsburgh? He (the President)
is leaving tonight.

A. No. I guess you'll have to get your news somewhere
else—there's lots around town.

Q. Thank you, Mr. Secretary.