PRESS CONFERENCES

BOOK 16:

OCT. 14 - DEC. 30, 1940
Advisory Commission on National Defense

**Airplane Engines**

**SEE War Conditions, Purchasing Mission - 10/14/40...** 
**SEE Airplanes - 10/24/40...** 
**SEE Airplanes - 10/28/40...** 

**Airplanes**

**SEE War Conditions, Purchasing Mission - 10/14/40...**

Group of Army and Navy personnel made inspection of engine plants and plane factories having US and British orders; in most every instance manufacturers are ahead or on time in filling orders - 10/24/40.

a) Curtiss-Wright advises E&W that they are running ahead of their schedule (of 6 planes per day) by a number of days - 10/24/40......

b) British are very much pleased - 10/24/40.

New York Times of October 26 carried statement by Harry Cuggenheim, (Chairman, Aviation Division, Republican National Committee) charging that E&W was giving out "deliberately misleading and false" statements on plane production - 10/28/40.

a) E&W has transcript of October 24 conference (read to press) pointing out that he only gave information furnished him in letter from Burdette S. Curtiss, (Vice President, and General Manager, Curtiss Airplane Division, Buffalo, of Curtiss-Wright Corporation) saying they had completed the 203th P-40 airplane; last plane out was 5 days ahead of schedule - 10/28/40.

b) Also reads letter from Guy Vaughn (President, Curtiss-Wright Corporation) expressing appreciation of favorable publicity on completing contracts ahead of time - 10/28/40......

General George Brett, (Chief, Air Corps) writes letter to E&W, for publication, saying 5,500 plane program scheduled for completion July 1, 1941, will be organized and equipped by April 1, 1941, or 3 months ahead - 10/28/40.

Admiral J. H. Towner (Head, Naval Aviation) gave E&W statement, for publication, to effect that 3,000 plane program will be completed well ahead of ships and shore bases for which intended - 10/28/40.
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Financing, Government

First Defense bills will be sold November 8, 1940; necessary until Congress raises debt limit - 11/7/40. 

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g) Great deal of money must be raised so greatest number of people can contribute - 12/9/40

h) HJR hopes states and cities will follow
   Federal government in eliminating tax-exempt securities - 12/9/40
   $500 million taxable note issue sold as well as previous tax-exempt issue - 12/12/40 a) Rate about 1/16 higher than on tax-exempt notes - 12/12/40
   Conference of Mayors objects to changing tax-exemptions; Mayor La Guardia of New York City asked by HJR to review proposal and then come to Washington for discussion - 12/16/40

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State Department requests Treasury to release sufficient money, monthly, to maintain Embassies and Consulates of Vichy France in whole Western Hemisphere - 10/21/40

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Guggenheim, Harry, Chairman, Aviation Division, Republican National Committee
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Johnson Act

In view of spirit of Act, HJWr would not be party to loan to Great Britain or any other country, without being directed by Congress - 12/12/40

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Knox, Frank, Secretary of Navy

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La Guardia, Fiorello, Mayor of New York City

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Latin America

Argentina:

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SEE Lend-Lease Program

Since his visit to West Indies, HJWr tremendously impressed with value to National Defense program of leasing bases on islands - 11/26/40

a) Work being handled efficiently and progressing well - 11/26/40

Sir Frederick Phillips (Under Secretary, British Treasury) in US to exchange financial information with US - 12/9/40

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Britain has asked HJWr for "financial assistance"; must have formal approval from Congress - 12/16/40

President authorized HJWr to tell British to go ahead up to point of signing contracts to facilitate orders; then await approval from Congress - 12/19/40

a) Only exception is permission from President to buy 60 new merchant ships, for which $50 million cash has been earmarked - 12/19/40.

1. Ships are 410 feet long; 9,300 tons; speed 10-11 knots.

2. Ships to cost about $11½ million each.

3. Take about 1-1½ years to build.
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Arthur Purvis (Head, British Purchasing Mission) coming to see HWJr to discuss needs of Great Britain - 12/23/40

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Will spend several weeks in Puerto Rico, Virgin Islands and Jamaica, partly vacation and partly to see how defense money is being spent - 11/7/40
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War Conditions

Purchasing Mission:
President appointed informal committee of 4 to investigate plants having contracts for British and also for US Army and Navy, in effort to standardize designs and speed up production - 10/14/40.

a) Committee composed of H.Wr., Secretary of War Stimson, Secretary of Navy Knox and William S. Knudsen, Chairman, Advisory Commission on National Defense - 10/14/40. 

b) Consolidated Aircraft at San Diego, California, was first plant visited because they had contracts for Navy flying boat and one for British; Army 4-engine bombers and one for British; only one of each type will be made - 10/14/40.

c) Need for adequate housing for plant workers was developed; many houses will be built at war plants - 10/14/40.

d) Standardization of design includes guns, turrets, etc. - 10/14/40.

e) First standardization was done in Curtiss-Wright plant, Buffalo, New York; as result they are making six P-40 pursuit planes per day - 10/14/40.

f) Consolidated wants to triple number of employees but must have necessary housing facilities for them - 10/14/40.

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EWr issues statement refuting charges made by Willkie that Treasury has delayed defense program because it took 2½ years to dispose of amortization problem for Navy Department - 10/17/40 ........................................ Book 16: 11-14

a) Willkie has confused provisions of Vinson-Trammell Act governing limitation of profits and depreciation allowances with income tax amortization provisions - 10/17/40 ........................................ 11-12

b) Problem of computing costs under Vinson-Trammell Act disposed of in February 1939, one month after Navy requested ruling - 10/17/40 ........................................ 13-14

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EWr issues formal statement in reply to Willkie’s speech wherein he said, “Not even the most ardent New Dealers tried to defend (monetary policy) it.” - 10/24/40 ........................................ 31-33

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REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, OCTOBER 14, 1940:

Q. Mr. Secretary, Mr. Hanes seems to be in sharp disagreement with you on the statement you issued last night, and I wonder if you would make any comment.

H.M.Jr. No, I'm not going to make a comment.

Q. He infers that you are hamstringing this program, and I just wondered if you would make any other statement.

A. No.

Q. You mean you will call the controversy to a close, is that it?

A. No, I am not going to get in any controversy with Mr. Hanes.

Q. I know you both exchanged excellent letters of felicitation on his leaving the Treasury, and I couldn't understand the statement today.

A. Neither could I.

Q. Mr. Secretary, was there a story in the Wall Street Journal called to your attention today, saying that you were one of four appointed to a committee?

A. Yes.
Q. Do you have any comment on that?

A. The only comment I can have on it is that the President asked Mr. Stimson and Mr. Knox and Mr. Knudsen and myself to talk things over on a very informal basis to see where there are Army and Navy contracts and where the English have contracts in the same plant, whether steps couldn't be taken toward standardization of design and speed up of production.

Q. Have you taken any active steps yet?

A. Last week the ideal plant to try to improve production was the Consolidated Aircraft, because there the Navy has a flying boat on order and the English have one, and the Army has a four-engine bomber on order and the English have one, so various representatives of the Army and Navy and Treasury went out, and I think as a result of that there will be both standardization of design - I mean, looking forward - that
if the English want a flying boat, it will be one flying boat, not two. One for the Navy and one for the English. If they want a four-engine bomber, it will be one four-engine bomber, not two different ones, the result being that we will get more production. Both from the standpoint of the manufacturer and from the standpoint of the Army and Navy and the English, it will be very useful, and also in connection with that, there was a matter of housing, for instance. They need a great many houses, both the Navy and the civilian workers, and out of this has grown - they brought in Mr. Palmer, who was the coordinator for Housing, I believe, for National Defense. He sat down with representatives of the Navy and the Treasury and he has several people out there now. I think very shortly both the Navy and Mr. Carmody will begin to build a great many houses. As I say, it was an ideal lay-out for the various
departments to get together, and I think as a result of that, we can look forward within a reasonable time to increased production from Consolidated.

Where is the plant?

San Diego, which happens to be more or less of a Navy city. About half of it is Navy.

Well, Mr. Secretary —

But it was purely informal, and if there is another situation which arises, we will meet again. As a matter of fact, those gentlemen and myself will meet at least once a week and sometimes two and three times a week on different problems. I mean, there is no committee. We just get together and talk things over. I don't like committees.

Mr. Secretary, that leads up to this question in my mind. Perhaps it is premature. The standardization of fighting aircraft probably would lead to the standardization of the calibration of the guns, which is in many quarters — military quarters — may be considered a military alliance in all these standardizations.
It is going all down the line. For instance, as a result of that, the Army and Navy have asked for an additional ten technicians for the English, to be furnished by the English; I mean, ten different additional technicians who are specialists in just one thing, looking toward standardization. Now, you mentioned about guns. In these flying boats or flying bombers, I mean, they look forward to having the same type of guns, same type of turret, the whole thing.

Q. Both the English and the American planes will be of the same design?

A. Looking toward that.

Q. Both as to plane and calibration of the gun?

A. Everything. I mean, so that as we get this thing going, and in the big way which it is going, it is more difficult to have more than one type of gun or one type of bomb. I mean, naturally the Army and Navy listen to the experience that the English have had and we gain by it.
Q. May I ask you this? Is this the first time that this standardization program has gone so far ahead?

A. No, we had a similar thing in Buffalo in connection with the Curtiss P-40.

Q. It is an extension, rather?

A. I mean, that is the first time we did it, that the Army, Defense Commission, English Purchasing Commission got together. They got together in connection with the Curtiss pursuit ship at Buffalo.

Q. Does that also go as far as Navy construction?

A. Well, it is where the English --

Q. Where it is possible?

A. Where the English want to purchase something, wherever the English want to purchase something. I mean, they will have to come to our standard, but our people are listening to the experience which they are getting every day.

Q. Mr. Secretary, in connection with those same conferences --

A. Excuse me. And in connection with the Curtiss,
I mean it has been most productive. It is no secret that they are now turning out six a day.

Q. Those are the P-40 fighters?
A. Yes. They are turning out six a day.

Q. Mr. Secretary, in connection with that same series of conferences, is there any likelihood that the English priorities will be improved? I believe Mr. Purvis said they would like to have them if they could.

A. Well, that is another subject again, but it certainly, by bringing these armaments on a standardized basis - I mean, it makes it much easier for our manufacturers to produce, and I say it has been demonstrated at the Curtiss plant in Buffalo that it can be done, and I think it is in the process of being done at the Consolidated plant at San Diego, and in that case administration - I mean, whether it was the housing or the water supply or sewage disposal plant, the whole question of standardization, they went into the whole thing, the whole needs of Consolidated as to
what they need, so that he could - he wants to triple the number of men that are working there, and before he can do it, he needs certain facilities. The whole administration got together, each one taking his particular responsibility, and out of that I think will come something, and they are going to continue the thing this week. I mean, I think before they get through, all of these plants will be visited, but it is on a very informal basis. Somebody just calls somebody up on the telephone and says, "Which one will we do next?"

Q. You said that the priorities was another question, but is that entering the conferences as to whether you can increase the share that goes to Great Britain?

A. Well, naturally the English are pushing for that every day, so I would say it was a constant question.

Q. I mean, are we making any move that --

A. Well, I am not ready to talk about it, but naturally they want something --

Q. Yes, I knew they did.
A. They want something as of yesterday every day, and that is their business.

Q. Mr. Secretary, I wasn't certain that I heard you right. Did you say it was no secret that Curtiss was turning out six a day?

A. I don't think it is a secret that they are turning out these - what shall I say - one plane for the Army and Navy, that they are turning them out at six a day.

Q. Are the British getting some of those, too?

A. Oh, yes.

Q. Anything on financing, Mr. Secretary?

A. Not a thing.

Q. Mr. Secretary, are you making any election guesses, sealed until after November?

A. No. Anything else?

Q. There have been several dispatches of a possible ten million dollar loan to Mexico for a purchase of armament here.

A. You know we don't lend money. We just print it.

Q. But one of your representatives is on the Board of the Export-Import Bank.
A. Sure, I know.

Q. Well, have you got any scheduled conferences with --

A. Mexico? No.

Q. How about any increase in the loan to China?

A. Not that I know of.

Q. Mr. Secretary, we got a query last week from New York on that Mexican loan, that they were seeking the loan, but the Treasury was opposed to it. Will you comment on that?

A. It can't be true, because no one has asked me. Nobody has asked me.
I have a statement here which Schwarz can give you and I would like to read it out loud:

"Mr. Willkie in his Buffalo speech of October 15 has again charged that the Treasury Department has delayed the defense program.

"What Mr. Willkie has done is to confuse the facts and to withhold part of the record. I prefer to believe that it is pure ignorance that has led him to make a series of utterly false statements. He has mixed up the Act which limited profits on Navy contracts with the income tax amortization problem which was raised in discussions between the Advisory Commission on National Defense and representatives of the Treasury Department in June, 1940.

"Let's examine Mr. Willkie's charges:

"1. Mr. Willkie asserts that Admiral Furlong, head of the Bureau of Ordnance of the Navy Department, asked, on April 13, 1938, for the income tax amortization provisions enacted by the Second Revenue Act of 1940."
That is not the fact. On April 13, 1938, the Admiral addressed a memorandum to the Judge Advocate General of the Navy, suggesting that representatives of the Navy Department confer informally with the Treasury with a view to the formulation of a method to be followed in handling depreciation allowances under the Vinson-Trammell Act. That suggestion, of course, was quite a different matter from the income tax amortization provisions with which Mr. Willkie confuses it. The entire story, including the correspondence referred to by Mr. Willkie, is set forth as a matter of public record in hearings before the Subcommittee of the Committee on Appropriations, United States Senate, 76th Congress, First Session, on H. R. 6149, Navy Department Appropriation Bill for 1940, p. 106 et seq.

"Mr. Willkie's assertion that two and one half years elapsed before the amortization problem was disposed of is 100% wrong. The problem of computing costs under the Vinson-Trammell Act, which he confuses with the tax
amortization problem, was disposed of in February, 1939. That was just one month after the Treasury Department received the Navy's formal request for consideration of this problem."

Are there any questions you want to ask on that; I am here and Mr. Foley is here. Take your time.

Mr. Secretary, in this last paragraph --

Please.

You say the problem of computing costs under the Vinson-Trammell Act was disposed of in February, 1939. As I recall, weren't there several rulings under the Vinson-Trammell Act subsequent to February, 1939, some of which were fairly important, about what can be counted as costs; for example, interest on borrowed money? I think there was a ruling on that a few weeks or a few months ago.

Well, I will answer that in a minute, but what we gave here is an exchange of letters. It is all in the public records. I will lend this to you if you want to take it downstairs. In this
exchange of letters which took place during January and February, '39, between Navy and the Treasury Department, we evidently took care at that time of what was bothering the Navy and to their entire satisfaction. Let Foley answer your question.

Foley:
Well, there were a number of rulings. He is absolutely correct about that. But Mr. Willkie referred to a memorandum of Admiral Furlong and the problem that was raised in that memorandum and that was settled by this exchange of correspondence in February, 1939.

H.M. Jr:
Well, the correspondence took place in January and February. I mean, there was just a month, approximately, between the two departments, not two and a half years, but in the months of January and February, '39.

Q.
I understand the situation as set forth in the first part. I wasn't questioning that in the slightest, but this one sentence seemed to me fairly broad. You say the problem of computing costs under the Vinson-Trammell Act was disposed
of. That would give the impression that after February, 1939, there was no problem, and yet --

Foley: Well, the particular problem that was raised by Admiral Furlong in that memorandum referred to by Mr. Willkie was disposed of in that exchange of letters.

Q. And not the total problem?

Foley: Well, if you consider the Vinson-Trammell Act to be a running problem, I suppose --

Q. Well, the question of interest is the one I had in mind particularly. It was a very important problem to a great many manufacturers who had to go out and borrow money to finance the Government work.

Foley: Yes.

Q. I mean, that was, to them, at least, a very acute problem. I don't suppose the Navy worried about it, because the Navy - but it was a very acute problem to the manufacturers, and I hardly --

M.M.Jr: Well, each of these problems as they are brought up in connection - any business man has a problem. We try to take care of them just as promptly as possible, and just as long as there are tax
laws, there will always be problems of interpretation, but I don't know of any instance where there was two and a half years' delay or anything like it, but there will always be questions of interpretation of any statute. It never fails.

All right on this one? What have you gentlemen got?

Q. Mr. Secretary, I was wondering how your discussions were going with Mr. Purvis?

A. Very satisfactorily.

Q. Mr. Secretary, can you give us any background as to the origin of this statement and the previous statement you have issued, answering Mr. Willkie? Is this done on your own initiative or have you advised with members of the Democratic National Committee or any other Democratic persons?

A. I will answer you on the record, first. This is entirely on my own initiative. Off the record - I will answer it this time, but it so happens I have not been in contact with anybody in the Democratic National Committee.
Q. Or anyone else?
A. Well, that goes a long way. I am not going to answer that, but the answer on the record, correctly, is that this is done on my own initiative. This is Mr. Willkie's criticism of me, and I am answering Mr. Willkie, which I think is perfectly proper, and if I didn't do it, I would think I was neglectful of my duty as a citizen.

Q. Anything new on the foreign situation, Mr. Secretary, in connection with credits or any further extension of the program?
A. Not that I can talk about.

Q. Any visiting commercial financial missions here now that you are dealing with?
A. Well, the Cuban one called on me this week and paid their respects, the Cuban delegation. That is the only new one that is in town that I know of.

Q. Yea, and they want 50 million dollars.
A. Well, I don't know --

Q. Public works.
A. All they came in - they were introduced by the Ambassador. There were five or six of them and Mr. Duggan brought them in. They didn’t get down to just - it was one of these "How do you do?" things.

C. They had no word from the State Department in regard to credits?

A. No.

C. No loosening up there?

A. None. In connection with the Embassy and Consul here, they are on a month to month basis. We are going to give them their second allowance now.

C. There are some others trying to get some money, too.

A. But other than giving them an allowance on a monthly basis to run their Embassies and Consulates, the United States has nothing to do with the rest of it.

C. May I ask just one little question on this again?

A. Sure.
Q. What was it that happened in February, 1939?
   My memory has failed me at this point.
A. You don't want me to believe that, but I would be glad to help you out.
Q. Well, it really has.
A. Well, I don't blame you.
Q. I may recall the incident, but don't associate it with the date.
A. If you want to do it, I think the easiest thing to do is to go down in the press room and read this thing, which gives these letters. Don't you think that is the best?
Foley: I think that is the best thing to do, and if you want to take the ruling, that is the important part of the ruling.
Q. This is the one in February, 1939?
Foley: Yes.
H.M. Jr: Are you giving him what I have got in my hand?
Foley: I am giving him the actual ruling. The correspondence settled the question.
H.M. Jr: Here is the Furlong letter and here is the succession of letters between the Treasury
and the Navy. You can just follow that. The whole thing is there, and if, after reading that, you are not satisfied, Foley will tell you. That goes for all of you. It is an exchange of letters between the Navy and the Treasury. If you want anything more, Foley is on service. That goes for everybody.

Okay, gentlemen?
Secretary Morgenthau today issued the following statement:

Mr. Willkie in his Buffalo speech of October 15 has again charged that the Treasury Department has delayed the defense program.

What Mr. Willkie has done is to confuse the facts and to withhold part of the record. I prefer to believe that it is pure ignorance that has led him to make a series of utterly false statements. He has mixed up the Act which limited profits on Navy contracts with the income tax amortization problem which was raised in discussions between the Advisory Commission on National Defense and representatives of the Treasury Department in June, 1940.

Let's examine Mr. Willkie's charges:

1. Mr. Willkie asserts that Admiral Furlong, head of the Bureau of Ordnance of the Navy Department, asked, on April 13, 1930, for the income tax amortization provisions enacted by the Second Revenue Act of 1940. That is not the fact. On April 13, 1930, the Admiral addressed a memorandum to the Judge Advocate General of the Navy, suggesting that representatives of the Navy Department confer informally with the Treasury with a view to the formulation of a method to be followed in handling depreciation allowances under the
Vinson-Trammell Act. That suggestion, of course, was quite a different matter from the income tax amortization provisions with which Mr. Willkie confuses it. The entire story, including the correspondence referred to by Mr. Willkie, is set forth as a matter of public record in hearings before the Subcommittee of the Committee on Appropriations, United States Senate, 76th Congress, First Session, on H. R. 6149, Navy Department Appropriation Bill for 1940, p. 106 et seq.

Mr. Willkie's assertion that two and one half years elapsed before the amortization problem was disposed of is 100% wrong. The problem of computing costs under the Vinson-Trammell Act, which he confuses with the tax amortization problem, was disposed of in February, 1939. That was just one month after the Treasury Department received the Navy's first formal request for consideration of this problem.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, OCTOBER 21, 1940:

Q. What is the news, Mr. Secretary?

H.M.Jr: I have none to volunteer. Maybe you can tell me something.

Q. Think hard.

It is too late to volunteer, sir.

Q. Mr. Taylor seems to be back in the news.

A. I think that is very nice.

Q. This is the appointment as Under Secretary of Commerce.

A. Yes. I am delighted that he is back in the Government.

Q. Have any foreign visitors brought you any news in the last day or two?

A. No. We have been advised by the State Department that they would like to see us release sufficient money on a monthly basis for the Embassies and Consulates of France for Central and South America, and we are proceeding to do so.

Q. I thought in some cases you had been paying already.
A. Just the United States.
Q. Just the United States?
A. Just the United States.
Q. And possessions, I presume, too?
A. I take it so, yes.
Q. Of course, that will be for all the Western Hemisphere.
A. Western Hemisphere.
Q. That is for all the frozen nations?
A. No, the Vichy Government, just for the Vichy Government on a month-to-month basis.
Q. Can you give us any idea, sir, of how much that monthly amount is?
A. I haven't heard. I don't know.
Q. That is enough to take care of all their running expenses and their salaries?
A. Well, what we did in connection with the United States, they gave us a figure and I think we gave them five or ten percent more than what they asked for. I imagine we will handle it in the same way. They stated what they needed and we gave it to them, and a little extra besides. I suppose we will do
the same on Central and South America. When the State Department notified me, I just told the boys to go ahead and do it. That was Friday, and I suppose they are in the process of doing it.

Q. Mr. Secretary, do you know, or have you heard of any official talking with any of the South American countries about giving them credit to buy ammunition?

A. I haven't, no. It hasn't come my way.

Q. Any plans, sir, to issue any National Defense bonds?

A. No, nothing for this week, anyway.

Q. No other financing?

A. I wouldn't say that. No regular Treasury financing. There might be some of the other organizations - I mean, I don't know, but I am just giving myself an out.

Q. You don't know of anything definite?

A. Well, the United States Housing, I imagine, will come next.

Q. How much will that be, Mr. Secretary?
A. You will have to check. I think it is 150.
     Let's say between 100 and 150.
Q. Could we expect that soon?
A. Fairly imminent, yes, but give Chick a chance
to --
Q. What is this financing in connection with --
A. Just a turnover of their funds. They borrow,
you know, on short term and then they borrow
for a little longer term.
Q. In other words, this would be a refunding on
their short term issues.
A. That is right, but I want Schwarz to check it
with Bell.
Q. Can you give us any indication of the term of
the bond?
A. No, it is just - Bell has brought it up each
week and we have decided to postpone it each
week, but my guess is that that will be the
next one.
Q. Mr. Secretary, will you make any campaign
speeches?
A. It is possible.
Q. Do you have any definite plans?
A. No.
Q. You say it is possible?
A. Perfectly possible.
Q. For which candidate?

What are you betting on the election, Mr. Secretary? Are two-to-one odds pretty good?
A. I don't bet on a sure thing.
Q. Can I quote you on that?
A. Sure.
Q. What has been your reaction to the Gallup Poll's findings recently?
A. I don't want to get into that.
Q. It is getting to be a regular round-robin.
A. What?
Q. Arguing about the Gallup Poll.
A. Oh. It is too technical for me.
Q. Can we revert back to foreign stuff? Does this freezing order tie up Carol's funds, too?
A. Carol?
Q. Yes, you know, the former king.
The lady king.

Q. I was just wondering if he would have to come in and borrow some money.

A. You never know.

Q. Mr. Secretary --

A. This fellow had a beautiful laprobe. Somebody was saying if they really got hard up, they could hock that. I don't know about Carol. I don't know what his finances are. I haven't heard.

Q. Quite a long time ago, I believe, someone in Treasury asked the State Department to ascertain whether the Vichy Government was a representative Government of France and therefore we should be able to free funds to them. I don't think we have ever heard of any reply from them. Have you ever received any?

A. Well, the only reply I have is the advice of the State Department asking me to release funds to the representatives of the so-called Vichy Government.
Q. Inasmuch, sir, as that request for the release of funds was a very partial thing, would that kind of indicate that the State Department hasn't made up its mind?

A. I wouldn't want to interpret that.

Q. Funds have been released on a more restricted basis, though.

A. Well, it is on a month-to-month basis.

Q. But prior to this decision, funds - is it not true that funds have been released on a more restricted week-to-week basis?

A. No, funds of the United States are on a monthly basis.

Q. Well then, this broadening of the French release - the release of French funds here would not indicate in any way that the Vichy Government was recognized any more than it has been up to this point?

A. That is the State Department's business. I wouldn't want to interpret it for you.

Q. Mr. Secretary, I thought you had the Ambassador stand in line here on the 16th and the 30th.
A. No. We send it up to him by messenger in one of the trucks.

Q. Does he get paid twice a month? You said the 15th and the 30th.

Isn't that when they get paid here?

A. That is when I get paid.

Q. That is what I thought.

A. We only pay once a month for Ambassadors. Us working fellows get it twice a month.

All right?
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, OCTOBER 24, 1940:

Q. How are you, sir?

H. M., Jr.: I am all right.

In looking over Mr. Willkie's speech, he said - I am quoting from an article here.

"Not even the most ardent New Dealers tried to defend it," referring to our monetary policy. Well, this ardent New Dealer cheerfully defends it, and I just wrote out something here. You may want copies of it. I will read it to you. I would like to read it.

"Mr. Willkie in a speech in Chicago Tuesday night criticized a phase of this Administration's monetary policy -- the steps taken to arrest the deflation in 1933.

"These steps were a part of monetary action that has resulted in our possessing a currency whose value is unquestioned anywhere in the world, one that is the standard of international trade. The United States dollar is the soundest currency in the world."
"The Administration's monetary measures stopped a disastrous deflation and have not resulted in inflation. The buying power of the dollar has remained extraordinarily stable. Mr. Willkie seems to have a memory conveniently short. He has apparently forgotten what was happening in 1932 and 1933 -- prices collapsing, profits disappearing, banks closing, gold being hoarded, capital fleeing the country, homes and farms being put on the auction block.

"Does Mr. Willkie mean that, like President Hoover, he would have done nothing to stop that cruel spiral of deflation and would have permitted all American property and production to 'go through the wringer'?

"Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from his friends in Wall Street and again placed in the hands of the people of the United States?"

That is my answer.

Q.
Pretty good.

A.
I like it.
Q. Willkie got hit with an egg again yesterday.
A. Well, that is unfortunate.
Q. You and Mr. Willkie ought to be about at the quarter finals now.

Mr. Secretary, do you believe in hitting him with everything but an egg?
A. Well, I don't want to get into that.
Q. Hit him with hard facts but not soft eggs?
A. Well, this is it.
Q. Anything new on the foreign situation today?
A. If you people want that quote, it is right here.
Q. I think you gave it.
A. I gave it. He says here in the thing, "Not even the most ardent New Dealer tries to defend it."

No, there is nothing particularly new.
Q. Any changes in any of the foreign credit business, any of the new countries --
A. No.
Q. Anything being made now available for a special situation?
A. There is nothing I have got to volunteer.

Q. Any concrete development in your defense production step-up program?

A. No, I think that is going along very satisfactorily.

Q. The British, Mr. Secretary, seem to - more or less confirm all reports that they are trying and apparently are making some progress in getting a somewhat larger share of our production than they had been getting. Is there any light you could throw on that?

A. No.

Q. They said they needed it specifically in the next two months for what they hopefully called a spring offensive.

A. No.

Q. Has there been any further effort to standardize the models of the British --

A. Well, there is a sort of informal committee which is working on it.

Q. You haven't had any further meetings?
A. No, they took another swing around last week.
C. Is that the one you reported Monday, a week ago?
A. That is the one that Mr. Forrestal headed up. He went up to visit some of the engine plants and some of the airplane companies last week.
C. Mr. Forrestal is heading a subcommittee of your --
A. There is no committee. Last week Mr. Forrestal and I don't know who all went from the Army and Navy, but there was a group went and they visited some of the engine plants and some of the airplane factories where the Army and Navy and the English have orders.
C. Have the English technicians arrived?
A. No, they have not. They are on the way, I understand.
C. Mr. Secretary, when we try to get any figures at all specific or even rough on actual production, we run into the natural barriers there. I wonder if you could get what you think could be released to us sometime and let us have -- you are getting a number of -- oh, I suppose
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people that are criticizing, at least, and asserting that production is not coming along, and in either trying to refute that or just write the straight news, we run into the fact that, for instance, airplane production is not a public figure.

Well, of course, I think that is up to the Army and Navy. The figure I can give you — for instance, we just got word today from the Curtiss plant in Buffalo that they are ahead of production schedules on their P-40. They are running ahead of their schedules.

Q. What was their schedule, six a day up to the present?

A. Well, that is the figure that I had, but the figure that came in from the factory this morning was that they were — they are now delivering ahead of their schedule, that they have passed their original schedule.

Q. They didn’t say how much ahead?

A. Well, a number of days ahead.
Q. Have you any comment to make on the proposal of the Automobile Manufacturers Association to enter some kind of arrangements?

A. No, I think Mr. Knudsen is handling that very ably and I had better leave it alone. It is his baby, so we will let him explain it. What I know of it sounds like a very comprehensive and very intelligent plan.

Q. Have you had any similar reports from any other organizations?

A. No, but all of the - naturally, the ones that I get are the ones that the English have on order, and in most every instance the companies are ahead or on time on their deliveries. I know the English are very much pleased.

Q. I wonder if you would care to comment on the likelihood of the War Department prohibiting the publication of export figures, aeronautical export figures?

A. I didn't know about it, but I wouldn't want to comment on it if I did know about it. We got a whole flock of figures this morning out of Commerce.
H. M. Jr: I don't know whether you have got anything, but I have got something I want to get off my chest. I read in the New York Times of October 28, much to my surprise, that Harry Guggenheim said that I had been giving out false and misleading statements on planes. Well, I didn't think that Harry Guggenheim was the kind of citizen who would lend himself to making those kind of statements in behalf of the --

Q. Mr. Secretary, will you excuse me, and go just a little slower, please? Would you have your Stenotype man read that statement?

(The last statement was read back to the press)

(Continuing) ... Republican National Committee. I looked up what I did say at my press conference, and I am going to read you what I did say.

"Mr. Secretary, when we try to get any figures at all specific or even rough on actual production, we run into the natural barriers there.
I wonder if you could get what you think could be released to us sometime and let us have - you are getting a number of - oh, I suppose, people that are criticizing, at least, and asserting that production is not coming along, and in either trying to refute that or just write the straight news, we run into the fact that, for instance, airplane production is not a public figure.

"A. Well, of course, I think that is up to the Army and Navy. The figure I can give you - for instance, we just got word today from the Curtiss plant in Buffalo that they are ahead of production schedules on their P-40's. They are running ahead of their schedules."

Well, I got out the letter in question. This is the letter which I got. It is dated October 21.

"My dear Mr. Young --" (Assistant to the Secretary of the Treasury) -- "You and possibly the Secretary might be interested in knowing that we have just completed the 20th P-40 airplane. The last airplane going out of here was five
days ahead of contract schedule. It is always good to be able to report a completion of contracts ahead of schedule. Best regards. Sincerely, Burdette S. Wright."

Now, just of interest --

Q. What is Mr. Wright's title?
A. Burdette Wright is Vice President and General Manager of the Curtiss Airplane Division, Buffalo.

Q. Is Burdette spelled with two "t's"?
A. B-u-r-d-e-t-t-e. It is the Curtiss Airplane Division, Curtiss-Wright Corporation, Buffalo.

Now, to show you that when an airplane manufacturer deserves praise, and most of them do, that they appreciate it, this letter came in October 25th from Guy Vaughn. He is President of Curtiss-Wright Corporation.

"Dear Secretary Morgenthau: I note with a great deal of interest your complimentary remarks in the New York Times this morning about the Curtiss-Wright Buffalo Division. It
is seldom that we are complimented, but I can assure you that a little pat on the back once in a while goes a long way toward encouraging our personnel, and it is greatly appreciated by me."

Now, where was I?

"Q. What was their schedule, six a day up to the present?

"A. Well, that is the figure I had, but the figure that came in from the factory this morning was that they were - they are now delivering ahead of their schedule, that they have passed their original schedule.

"Q. They didn't say how much ahead?

"A. Well, a number of days ahead."

Well, certainly up to this point I don't think that I have made any false statements or mis-statements. I think you gentlemen will agree to that.

"Q. Have you any comment to make on the proposal of the Automobile Manufacturers Association
to enter some kind of arrangements?

"A. No, I think Mr. Knudsen is handling that very ably and I had better leave it alone. It is his baby, so we will let him explain it. What I know of it sounds like a very comprehensive and very intelligent plan.

"Q. Have you had any similar reports from any other organizations?

"A. No, but all of the — naturally, the ones that I get are the ones that the English have on order, and in most every instance the companies are ahead or on time on their deliveries. I know the English are very much pleased."

Let me again refer you to what the Times carried in regard to it.

"The recent statement of the Secretary of the Treasury that the production of war planes for United States defense —"

I didn’t say anything about U. S. planes for defense.

"...and for British requirements —" which I didn’t talk about — "...has been speeded
to enter some kind of arrangements?
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"....and for British requirements --" which I didn't talk about -- "....has been speeded
up and in most instances is ahead of schedule --" I didn't say anything about U. S. planes. "... was deliberately misleading and false."

All I can say is, I don't know where he got his misinformation, but as I say again, for a man like Harry Guggenheim to come out and say in these times when everybody is breaking his back to get the airplane program going, and to twist the statement around, I think it is just shameful.

Mr. Secretary, I have been away and I missed out on most of this controversy. Just what did he say that you said that wasn't so?

What he said was this: "The recent statement of the Secretary of the Treasury that production of war planes for United States defense --" I didn't say anything about United States defense. I was talking about British. And when you gentlemen asked me about airplane production, I said, "Well, of course, I think
that is up to the Army and Navy," and I very carefully refrained from saying anything about the Army and Navy.

Q. Do you leave the implication, sir, that production for the United States is not up to schedule or --

A. I am going to comment on that. What I am trying to say is, as best I know how - and again, I have only got - I wasn't there, I only can read it from the New York Times, that when he said I discussed production of war planes for United States defense and for British orders, the thing that he accused me of making false and misleading statements was what he was doing because the record here shows that I very carefully avoided talking about U. S. defense, and I referred you gentlemen to the Army and Navy. Now --

"Q. Have you had any similar reports from any other organizations?

"A. No, but all of the - naturally, the ones that I get are the ones that the English have-
on order, and in most every instance the companies are ahead or on time on their deliveries. I know the English are very much pleased."

Then they go on about the War Department prohibiting, which I don't comment on. Do I make plain the part that I object to strenuously?

Q. Well, did Mr. Guggenheim, according to those reports, accuse you flatly of making false and misleading statements?

A. Yes, he did.

Q. Was that his quote, "false and misleading"?

A. Quote, "deliberately misleading and false."

Q. We will have copies of that clipping.

Schwarz: Does he specify in what respect he thought you were false?

A. Well, in regard to U. S. defense.

Q. In other words, you confined your remarks entirely to the British?

A. Entirely, and when you gentlemen asked me about it, I very carefully said I wouldn't
on order, and in most every instance the companies are ahead or on time on their deliveries. I know the English are very much pleased."

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Q. In other words, you confined your remarks entirely to the British?

A. Entirely, and when you gentlemen asked me about it, I very carefully said I wouldn't
discuss it, and I referred you to the Army and Navy. I very, very carefully refrained from commenting on the Army and Navy, and re-referred you to them.

Mr. Secretary, was it following that or before that that you did say that the production - I believe you used that word abstractly - production was increasing on P-40's, that Curtiss-Wright had - was the distinction between British and American deliveries made in the discussion of the P-40's?

Let me look. I simply quoted - I simply said the Curtiss plant in Buffalo were ahead of their production schedule on their P-40's. I didn't say whether it was British or English. What I had in mind - I am not entirely sure, but I think at present anyway, most of their production is going to the English. I just got in this letter where Curtiss-Wright is doing such a swell job. I wanted to say something nice about them, that it showed they were appreciated. I mean, all of these airplane companies - I say all of them - the
biggest majority of them have been moving heaven and earth to get this thing going and I think they have done a perfectly grand job and I think they deserve a lot of credit and I wanted to go out of my way to say something nice, and this shows Guy Vaughn, the President, appreciates it. He says it is nice to get a pat on the back.

The Republican National Committee, using Harry Guggenheim, picked me up and said that I made false and misleading statements, which is just one hundred percent untrue.

Mr. Secretary, I am probably very ignorant about this, but who is Harry Guggenheim? Copper mining.

What is his connection with the Republican Committee?

I don't know. They say, "Chairman of the Aviation Division of the Republican National Committee."

He also contributes, doesn't he?
A. I don't know. What does the Republican National Committee want an Aviation Committee for?

Q. Well, just for that statement, I imagine.

A. Well, I think in these times it is pretty wicked, where everybody is doing everything that they can. I think it is pretty wicked. All of this is available. Now, naturally I was curious, and I take second place to no one in wanting to see this airplane program go ahead. I asked General Brett, new Chief of the Air Corps, whether he would give me a statement. He has just been appointed head of the Air Corps.

Q. What is his first name?

A. George.

Q. Brigadier General George Brett?

A. I think that is it, and he has authorized me to make this statement on behalf of the War Department. I will read slowly.
"The 25 combat groups scheduled in the 5,500 airplane program which was authorized by the Congress early in 1939 and expected for completion July 1 --"

Q.
By July 1?
A.
"July 1, 1941, will now be substantially organized and equipped by April 1, 1941, or three months in advance of the original scheduled date."

Q.
Was that "for three months"?
A.
"Or three months in advance of the original scheduled date."

Q.
Mr. Secretary, is this right, authorized in 1939?
A.
I will read back.
"The 25 combat groups scheduled in the 5,500 airplane program which was authorized by the Congress early in 1939 and expected for completion July 1, 1941, will now be substantially organized and equipped by April 1, 1941, or three months in advance of the original scheduled date."
"This is due to the accelerated deliveries manufacturers are willing to guarantee as a result of increased production."

I will read it back to you.

"The 25 combat groups scheduled in the 5,500 airplane program which was authorized by the Congress early in 1939 and expected for completion July 1, 1941, will now be substantially organized and equipped by April 1, 1941, or three months in advance of the original scheduled date.

"This is due to the accelerated deliveries manufacturers are willing to guarantee as a result of increased production."

Now, that is that.

Does that mean, Mr. Secretary, that by April 1, General Brett expects 5,500 planes?

Well now, any explanations of that I am going to have to refer you to General Brett for. He gave me this statement and I am authorized to make it, and it is cleared with all the
"higher-ups", but any explanations of it, I am going to have to ask you if you want an explanation to see General Brett for.

Q. Mr. Secretary, could you check that again for us on the initials? Was it Brigadier General George Brett?

A. I really don't know. He has just been promoted.

Q. Major General, I think it is.

A. I asked Admiral J. H. Towers, in charge of the aviation for the Navy, if he would give me a statement which I could be authorized to make in behalf of the Navy, and he has done so. The statement is as follows:

"In response to your inquiry as to whether or not the Navy 3,000-plane program will be completed on schedule, I can say definitely that it will be completed well ahead of schedule."

I will read you this paragraph again. There are two paragraphs.

Q. Pardon me. When is it scheduled for completion?
A. Well, he gives it here. I think he explains it as he goes along. I will just read this paragraph again.

"In response to your inquiry as to whether or not the Navy 3,000-plane program will be completed on schedule, I can say definitely that it will be completed well ahead of schedule."

Okay?

Q. Yes.

A. The second one is longer.

"The 3,000-plane program was a part of the Naval Expansion Act approved 17, May, 1938 --"

That is Navy for you. I would say May 17, 1938.

"...17, May, 1938. It provided for the planes to be carried on the ships of the expanded Navy."

Q. An expanded Navy?

A. "...of the expanded Navy, and in addition certain seaplanes to be operated from shore
bases to be constructed later. It also included planes for Marine aviation. The schedule of procurement was drawn up to fit the anticipated completion dates of ships and shore bases, and although these ships and shore bases are being accelerated, there is no question but what the planes will be on hand well ahead of them."

I will read this back.

"The 3,000-plane program was a part of the Naval Expansion Act approved 17 May, 1938. It provided for the planes to be carried on the ships of the expanded Navy, and in addition certain seaplanes to be operated from shore bases to be constructed later. It also included planes for Marine aviation. The schedule of procurement was drawn up to fit the anticipated completion dates of ships and shore bases, and although these ships and shore bases are being accelerated, there is no question but what the planes will be on hand well ahead of them."
I am leaving all of this with Chick.

Mr. Secretary, I assume this thing is directed at the present state of aviation production. I notice in the case of the Army letter, they are talking about the 1938 letter; and the Navy letter, about the 1936 letter. There have been a lot of 1940 appropriations and authorizations. Can you tell us what bearing there is on that situation?

A. No. On anything other than these two statements, I have got to refer you to either General Brett or Admiral Towers.

Q. This is only a small part of the whole, isn't it, Mr. Secretary?

A. Any discussion on the - they are both available and ready to answer any questions.

Q. In your opinion, Mr. Secretary, would these two also refute Mr. Guggenheim?

A. I believe so, firmly and emphatically.
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Q. In your opinion, Mr. Secretary, would these two also refute Mr. Guggenheim?

A. I believe so, firmly and emphatically.
Q. To broaden that a bit, Mr. Secretary, do you - in your opinion, do these two letters refute the Republicans' earlier charges that the defense program is going slowly and bogging down?

A. Well, as far as airplanes are concerned, yes.

Q. It does?

A. I am satisfied with the statement of General Brett and Admiral Towers that the programs which are, so to speak, in the works, are going ahead well, and I think that both the Army and the Navy airplane engine manufacturers deserve a tremendous amount of credit.

Q. Mr. Secretary, is the contemplated increase in the airplane program which is reported under discussion involving any additional deliveries to the British?

A. I am not ready to answer that.

Q. Mr. Secretary, in connection with these foreign deliveries, they were - what shall I call them - optimistic reports of the number of planes that the British have been...
getting since the outbreak of the war. The Department of Commerce last week issued a study of exports to Great Britain in which they listed that between September 1, 1939, and September 30, 1940, only 743 American-make fighting planes were delivered to Great Britain, which rather puts a damper on all these optimistic reports of the number of planes which the British have been receiving. Has production picked up since then?

A. Well, I am only giving you people actual facts and figures that I have gotten, and I am not prepared to discuss anything else.

Q. Mr. Secretary, before you get away, can you say anything about the situation with regard to freezing Greek credits?

A. You saw what Mr. Hull said?

Q. No, I didn't.

A. He didn't say anything.

Q. Well, didn't he say, "Nothing doing today," wasn't that the gist of it?
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wasn't that the gist of it?
No, sir.

Yes sir, as far as neutrality is concerned. He implied it wasn't ready yet, but we got the impression you might say something this afternoon. It is up to you.

A.

Well, what we do here, we don't freeze any assets until we get a letter from the Secretary of State, and we haven't received any. Somebody has got to catch up with Steve Early. He froze them this morning. He did, and he said the papers were being flown to the President to sign.

A.

Well, maybe it is cold up there.

Q.

Mr. Secretary, one more thing. About a week or ten days ago, you said - I asked you what you thought about the election and you said you didn't bet on a sure thing.

A.

That sounds terrible. Strike that off, please, what I said about Steve. Will you please? That sounds terrible.

Q.

I asked you what you thought about the election and you said you didn't bet on
a sure thing. I was up in New York and I got an 8 to 5 bet. I got the short odds on Roosevelt. They are betting 8 to 5 on Willkie. Have you any comment on it?

A. Lucky man.

Q. You still think it is a sure bet?

A. I still think it is a sure bet.

Q. All right.

You don't think Mr. John Lewis has tipped the scale?

A. No.

Q. Mr. Secretary, may I ask one question?

A. Please.

Q. Are these bases that are now under construction going to take advantage of such new theories and practices as they have in Europe of camouflage, and so forth, or are they going to be the old kind of base?

A. I would have to ask the Secretaries of War and Navy. I couldn't answer that.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, OCTOBER 31, 1940:

H.M. Jr: Before you gentlemen ask me any questions, I just want to tell the Treasury men that I most likely won't be here Monday. I will be up in the country, and I just want to take the chance to tell you that I appreciate the very fair way that you have treated me during the campaign. Nobody could be treated fairer, and I appreciate it.

Q. These guys are growing soft, Mr. Secretary.

A. They are just growing smart.

Q. We are just jumping on the bandwagon, Mr. Secretary.

Mr. Secretary, can you tell us where these 12,000 additional planes for the British are coming from?

A. No.

Q. How many planes will be necessary and what types will be built?

A. I am not going to - all those questions will have to be answered by the Army, Navy, National Defense Commission, or the British Purchasing Commission.
Q. Could you tell us whether that was the subject of the conference which you had the other afternoon?

A. It was.

Q. Mr. Secretary, in connection with this program and possibly other programs there has been a lot of talk in the newspapers lately using the word "priorities" in connection with the British purchases. Can you tell us about them?

A. Well, again, as I understand it, the Advisory Commission has appointed Mr. Nelson - what do they call him, General Manager on these priorities?

Q. Administrator.

A. Administrator. So I think he had better define that word for you. That is his job, his responsibility.

Q. Is it proper to speak of priorities in connection with British purchases?

A. I am sorry. I am not going to try to interpret that. I am just going to let the Army
and Navy and Defense Commission and British Purchasing Commission answer that.

Q. Would you care to discuss the coordination of British and American purchases through Mr. Forrestal?

A. No.

Q. In the Treasury? Those activities you wouldn't discuss, either.

A. Not today.

Q. Has the coordination work been taken out of your hands now, Mr. Secretary, or have you passed it on?

A. There is no change.

Q. Well, you are referring us to the Army and Navy, Defense Commission, and the British Purchasing Commission, and yet the meeting was held here in your office. Couldn't you tell us something about it?

A. No, I received from the British Purchasing Commission I received the request as to their meetings and I passed it over to the proper authorities. I mean, that is the function
that I serve.

Q. Well, could you tell us this, Mr. Secretary. Have they indicated that they would finance their own plant expansion?

A. I am not going to get in on it.

Q. It has something to do with the economic end, too, Mr. Secretary.

A. That is all right.

Q. The Secretary of Commerce and the Federal Loan Administrator were at that conference.

A. How many people is that?

Q. Well, at the moment, it is just one.

A. Yes, that is right.

Q. We thought maybe the RFC was in this financing group.

A. Well, everybody was here that would in any possible way have anything to do with it, so that they could advise the President whether it was or was not feasible. Naturally the President wouldn't make a statement like that without consulting the various people involved. Being advised that it was feasible, he went
ahead and made that statement.

Q. I noticed, too, sir, that Sir Walter Layton was here, which would mean what?
A. Well, he is part of the British Purchasing Mission.

Q. Is he a member of it now?
A. Well, he is here on a special mission in connection with purchasing.

Q. Is he arranging the financing, end of it?
A. You had better get that through Sir Walter Layton.

Q. Mr. Secretary, we understand you have an appointment with Mr. Howe, from Canada, today. Does that have any connection with it?
A. No. As a matter of fact, he is having lunch with me today.

Q. Is there any special purpose of his visit?
A. I don't - I was told that he was in town, and being a friend of mine, I asked him if he wouldn't have lunch with me. He and Mr. Purvis both are having lunch with me.
Q. Are you going to take them to the Occidental, Mr. Secretary?
A. Would that help?
Q. It might.
A. I give them my own little cafeteria service downstairs.
Q. Mr. Secretary, have the British requested—made any request or—
A. Pork and beans.
Q. ...or said anything, sir, about building some ship construction facilities here?
A. Well, there is a special mission here on that.
Q. Have they consulted with you at all?
A. It hasn't been necessary, other than in the first instance I was advised that they were here and suggested that they get in touch with Admiral Land, which I believe they have, and they are getting along very well. As long as they haven't any troubles, there is no reason for me to see them. I directed them to Admiral Land.
Q. That proposal, Mr. Secretary, was to build a shipyard in this country?

A. Well, that was not - it may be so; that may have happened. They have been here, as I understand it, for several weeks.

Q. Buying up ships?

A. Ordering.

Q. Ordering ships?

A. As I understand it, they had a definite number of ships they wanted to contract for.

Q. New ships?

A. New ships, as I understood it, but I didn't know they had to build any yards. Now, the fact that I don't know it - I am not throwing the story down. I don't know it. The last I heard was that they could get the ships that they wanted.

Q. What were they, freight ships, Mr. Secretary, or naval ships?

A. Freight.

Q. How many did they want, sir?
A. I guess they had better tell you that. It was a large number of standardized one model ships.

Q. Well, the reason I asked that, we were --

A. It is for freight purposes.

Q. We were over at the British Purchasing Commission this morning and the Secretary said that he certainly had no objection to details of this entire thing being made public, but that his situation was that he just didn't know. He said he had talked to them and he had told them to a certain extent - told me to a certain extent just what you just have.

A. That is lucky for me.

Q. And I just wondered if you could give us the number.

A. I will ask Purvis tonight when I see him at lunch whether he won't tell you. I don't see any reason why he shouldn't tell you just what he is doing. It is a good story.

Q. Mr. Secretary, as I understand it, they are in Canada now.
A. But Purvis knows what they are doing. I will ask him.

Q. Are they working under Purvis?

A. Yes. He is what they call Director General of this British Purchasing Board. After all, he is both for Great Britain and for Canada. He does the buying for both. All of these people work through him.

Q. Well, who is the shipping expert?

A. I don't know. He told me there were these people here and where should they start, and I said first they would start with Admiral Land, and he said they are getting along swimmingly, and as long as that is true there is no need of bothering me.

Q. Mr. Secretary, have the British made any request of you, sir, for any of our existing military equipment, such as bombing planes, pending production for themselves here.

A. I am not going to comment on that.

Sandy is good this morning. He got up early and had a good breakfast.
Q. I took my day off just to come into this conference, Mr. Secretary. Is there anything in connection with any of the foreign credits?

A. No.

Q. On Greece?

A. No.

Q. Nothing doing on Greece yet?

A. No. I guess that is about all I have got.

Q. You are waiting to hear from the State Department on any matters now that they have over there?

A. Nothing special.

Q. Couldn't you just break down just to give us a little top on this story, Mr. Secretary? Have the British indicated they would finance these plant expansions? Can't you tell us that much?

A. I don't want to give a top. I am afraid I would blow out the bottom.

Q. I don't think you would. The President has announced that he has asked for this, and he
has asked the Priorities Board to give it consideration. Are they going to pay for the facilities or are we going to?

A.

Sandy, if you would come around regularly, I would treat you like a regular boy, but you only come around on your day off.

Q.

One of these other boys will ask you, if it is all right with you.

I think that is a perfectly legitimate question in the light of what was said last night.

A.

It is perfectly legitimate for me to kid you, too.

Q.

I am not kidding. I am serious. If you could answer that one question, that would put out a story and bear out what you said last night.

A.

I am not going to help you out.

Q.

Not going to help the President, either?

A.

He doesn't need any help.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, NOVEMBER 7, 1940:

Q. Did you save that piece of paper on those bets? I am just curious.

H.M. Jr: I told you I wouldn't bet on a sure thing, didn't I?

Q. Well, I won on my bets.

A. You gentlemen are familiar with this offering that the Treasury is making tomorrow of the defense bills, which is the first of our defense financing. One of the reasons that we are doing it now is, we have practically reached our debt limit and until Congress increases the debt limit - I mean, we find ourselves in a rather difficult position and we have to let these regular bills run off and replace them with these defense bills. If and when Congress increases the debt limit, which I sincerely hope they will do just as soon as possible, chances are that we would not continue to sell bills but we would most likely then go in and sell notes, and when we reach the note stage, it is optional
with me whether the notes will or will not be tax exempt. When I appeared before Congress I said if the option was mine I would make them taxable. In other words, these notes - under the law which we sell the bills, they have to be totally tax exempt; I have no option. But when we sell them as notes, the discretion is mine and we will have the notes pay all the taxes, which leads me to - we inquired how many totally tax-exempts will mature next year in the states and municipalities. It is about two billion dollars. I sincerely hope Congress will take steps that all Government securities, Federal, state, and municipal, will pay taxes. It is this tremendous volume of money which escapes paying taxes, and I think the time has come where we need the money for National Defense from the people who invest in that type of security, and they should pay taxes.
Q. Will this be a draft from the Treasury Department to remove the tax-exempts?
A. Yes.

Q. Have you made any arrangements up on the Hill to give it consideration?
A. No, but just as soon as the proper committees will meet and receive Mr. Bell or myself or Mr. Sullivan, whoever will appear, we are anxious to appear and until we do get that chance, we are going to use every opportunity through the press and other means of publicity to bring it to the attention of the public that we need an increase in the debt limit, and from now on all forms of securities that are sold should pay taxes.

Q. How much do you want to increase the debt limit?
A. Well --

Bell: You really wouldn't know until the budget is submitted for 1942.

H.N. Jr: I see.
Q. Well, is an increase in the debt limit which you are going to advocate going to be just above what the apparent requirements are for that fiscal year or way beyond it.

A. Oh, I think if they are going to give it they certainly ought to make it possible for the Treasury to borrow all of the money which Congress has appropriated.

Bell: At least up until '42, I should think.

H.N. Jr: Through '42.

Q. That is 16 billion six hundred million.

A. Well, then they ought to increase the debt limit, I would say, by 20 billion.

Bell: Or increase taxes.

H.N. Jr: Both. I mean, it is - the way it is now, I mean it is very difficult. We have got to do a lot of maneuvering, and Congress, I think, should give the Treasury the opportunity to borrow the money at the most reasonable rate and for the number
of years which are most advantageous, but both the debt limit and taxes, we will need more taxes.

Q. But you still won't bring up a "pay as you go" basis?

A. I don't think that is possible. As this tremendous volume of production gets under way, I feel that the revenue is bound to increase, which leads me to another step in connection with this whole financing and taxes, this whole question of the cost of living and inflation, which we have been free from so far, and the Treasury will be the first governmental agency to get the impact.

Q. You are not fearing that now?

A. Not with Mr. Roosevelt back for another four years.

Q. You don't fear inflation?

A. I do not fear it, because wherever any
particular commodity gets out of line through an abnormal price rise, I feel that with Mr. Roosevelt here we can take the necessary steps to adjust it, but it has to be watched every single minute, and if a particular commodity should have an abnormal price rise, I feel that we certainly have the will and the means to stop it so that with the increased pay there isn’t a comparable increase in the cost of living so that the working man wouldn’t get any advantage of it, and so far we have been able to keep the cost of living very, very stable, and I am sure with Mr. Roosevelt here we will be able to continue it, because I know how vitally interested in it he is, but I say that here in the Treasury - I mean, this whole question of raising the money and the taxes and all that brings us into prices, the general price level, which is very, very vital even to every one of you gentlemen who have a home and the rent
and the food to buy.

Q. Well, if you are not going to be ready to make your request for an increase in the debt limit until you know the 1942 budget figures, you could hardly go before Congress with a request until January.

A. I think that is right.

Q. Mr. Secretary, is there any estimate on how much revenue will be available or how much additional revenue would be coming in if the securities that are not tax exempt were made taxable?

A. Can you (Bell) answer that?

Bell: I can't, no, but it would be rather small in the first year because we have never advocated making it retroactive, as I understand.

H.M. Jr.: That is right.

Bell: It would be just on the new issues.

Q. Just future issues?

Bell: That is right, but it would gradually increase as the years went on.
H. M. Jr.: But for next year, non-federal, that is, state and municipal obligations, is about two billion dollars, which would mature within '41.

Q. Mr. Secretary, while you said that you haven't got any estimates of this increased limit which you think we need, you also said, I believe, that it should run as high as 20 billion.

A. It might.

Q. Well, then you said that it should run as high enough to take care of our borrowing for all of the appropriations through '42, and then I believe that Mr. Gregory said that that is 18.6, and then you said it should be above 20 billion at a minimum.

A. And then somebody else said, "How about more taxes?"

Bell: You only need borrowing to the extent that your taxes don't meet those things.

H. M. Jr.: He wants the figure. What figure should we give him?
Bell: I don't think we can give him a figure until the '42 budget is out. The figure we need now to be straightened out is the four billion dollars in special obligations which is non-flexible to you. You want it under the general limitation where you can get some flexibility out of it.

H.M. Jr: But it could perfectly well run, if you were going to take care of it - when Mr. Bell talks '42, he is talking fiscal year, aren't you?

Bell: That is right.

H.M. Jr: Which would be July 1, '42.

C. July 1, '41?

Bell: That is the beginning of the fiscal year, but the end of it is July 1, '42.

H.M. Jr: But didn't you mean until June 30, '42?

Bell: Yes, sir.

H.M. Jr: If you are talking to June 30, '42, we are not going to go up more than once a year.

Bell: That is right. Well, what should happen,
it seems to me, in this next session is the straightening out of the four billion special by adding it to the general limitation and then adding whatever is necessary to the 40 billion to take care of the fiscal year '42.

Q. But Mr. Bell --

Bell: Which would be whatever amount the deficit will be in that year.

Q. As a matter of fact, we will need a much greater bond issuing authority than the difference between the taxes and the appropriation by Congress, because of the fact you have got to get the money out first and then repay yourself later.

Bell: No, I don't --

Q. I mean, you would have to issue the bonds and notes, or whatever they are, to the extent of the appropriations, and then as your taxes came in afterward, meet those against payments which have gone out.

Bell: Well, you are speaking, I take it, of the lag in taxes.
Q. Yes.
Bell: Well, your deficit will reflect that. What you want by borrowing authority is enough authority to meet your deficit, and your deficit reflects the lag in taxes always.

M.M. Jr: The figure — if we use the figure to date, June 30, '42, it will run — certainly we will have to increase the debt somewhere between 15 and 20 billion dollars.

Q. One other question, Mr. Secretary. Will you — do you plan to ask —

A. I didn't vote the money, but it will run between 15 and 20 billion.

Q. Do you plan to ask that your four billion National Defense now, or during the next session of Congress, be blanketed in in the increase?

A. Mr. Bell and I are working together on that.

Q. The idea would be that you renew your restrictions on the short term?
Q. I am not sure if I understand.

A. Well, under Section 21(b) you can only issue the short term bills and notes, whereas if they knocked out the partition and moved the 45 to run up to 49, then you would be able to issue long term?

Q. That is right.

A. And your 15 to 20, as I gather, counts in that four billion.

Bell: That is part of the Defense program.

H.M. Jr.: Yes. The 15 to 20 would include the four.

Q. Include the 45, then?

A. To the 49 or the 45?

Q. On top of the 45 would be 10 to 20.

A. Then it would be an additional fifteen, really?

Q. No, because the way you want to figure it, it is 45 now. Do you call it 45 or 49?

Q. That is what confused me.

A. All right, I am selling a 45, plus four, plus fifteen, so it is 64. From 64 to 69.
Q. From 64 to 69?
A. Yes.
Q. I see.
Bell: 64 to 69, or 49 to 64?
H.M.Jr: From 49 to 64, and then possibly it might have to be 89.
Bell: In the end, but I shouldn't think in the next two years.
H.M.Jr: In the end? We are here for four years, Dan. I would much rather have the public know the top figure and not have to use it than have them say, "Well, why didn't they tell us?" I would rather be on the high side than on the low side, and I think my original figure of 20 - we will stick to 15 to 20 on top of the 45. 15 to 20 includes the four. Include the four in the 15 to 20 and use the 45 as a base.
Schwarz: 60 to 65, then.
Q. 60 to 65 billion?
A. Is that what it would make it? Anyway, I
am thinking of the 45. I said 15 to 20, of which the four is part. Where does that leave us?

Q. 60 to 65? You think that would be the maximum during the four years?

A. No, sir, until June 30, '42. We have just begun to rearm.

Q. Mr. Secretary, what about the international financial picture and our relation to the foreign situation?

A. I mean, I will repeat. I say we have just begun to rearm.

Q. Have you given any consideration at all to the international relation in our financing and the financing picture?

A. Oh, yes, every day.

Q. Have you anything new at all, or are you having any conferences with representatives of any --

A. Not on the financial thing. I will as soon as I come back.
Q. No news word from the State Department on any matters that are pending?

A. No. The only thing which I - there is this delegation from the Treasury of the Argentine coming up here any day now. There is a delegation from the Treasury of the Argentine Government coming here. Mr. Bell will receive them. Has the State Department announced that?

Q. I am not sure, I haven't heard.

A. You had better ask them over there.

Q. They are on the way, are they?

A. I believe so. I think they will get here today or tomorrow.

Bell: The 12th, I think.

Schwarz: Do you want that off-the-record and let them check with the State Department?

M.M. Jr: That is right. That is what you call a hot tip.

Q. Mr. Secretary, while talking about the international situation, don't you think you ought
to freeze Albanian funds, in view of the Greek invasion?

A. Well, we don't do those things except on the advice of the State Department.

Q. Mr. Secretary, I know you have been doing it with Greece.

A. No.

Q. No word from the State Department in regard to Greece?

A. No.

Q. You said something about that you would possibly have some conferences after you return. I thought you were back now, or are you going away again?

A. Sure, I am going away this afternoon.

Q. You are going on a cruise, aren't you?

A. No, just going down to Puerto Rico and the Virgin Islands.

Q. Oh, a vacation?

A. Well, it is going to be partly vacation, but I am very much interested to look
at the defense work down there.

Q. Have you a specific problem or mission down there, Mr. Secretary?
A. No, it is part holiday and part that I want to - I will have Governor Leahy take me around and show me how the money I raised is being spent.

Q. Any plans to stop at Martinique?
A. No. I mean, after all, we have got to raise the money and I would like to see how it is being spent.

Q. How long will you be gone, Mr. Secretary?
A. Several weeks.

Q. Mr. Secretary, one more question. Do you plan to issue bonds which are not tax exempt or notes which are not tax exempt if the authority rests with you to do that? Now, do you expect that that will result in still cheaper money, net to the Treasury? Of course, you will have to pay a little more for your --
A. I know. That argument goes on here all the time, and until we actually offer it and see what we can do with it, no one here is ready to say whether it will or won't.

Q. But you don't expect it will be any more expensive anyway?

A. It might be.

Q. Mr. Secretary, are you going any place else besides Puerto Rico and the Virgin Islands.

A. Jamaica.

Q. Mr. Secretary, is there any possibility that you will ask the present session of Congress to knock out that partition between 45 and 49 before you come up with --

A. -- We might if we thought they would do it.

Bell: Yes, I see in the paper last night where they are talking about adjourning as soon as they come back.
H.M. Jr.: We don't know. We might. It would be very helpful to us if Congress would do it.

Q.: Mr. Secretary, could you tell us what you have in mind as steps that could be taken in connection with your watching the price movements, the financial question?

A.: Well, we have got a committee set here and then we are in touch with all the other departments, and if we see a particular run-up in any commodities, we get in touch with these other departments, National Defense, Agriculture, and I feel the responsibility so greatly here, that I mean if adequate - I mean, if action isn't taken - after all, I always have access to the President to bring it to his attention, but we are doing our own work here. Mr. Bell has a committee here which is watching it every day, and we are in touch with Mr. Henderson and the other people who are always working
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on this thing very closely.

Q. What I mean is, what could the Treasury do?

A. Well, we can't do anything other than bring it forcefully to the attention of the various agencies.

Q. That is what I mean. You have no particular credit control.

A. We have nothing we can do, other than bring it forcefully to the attention of those people and the public, shout from the house-tops, "Danger," if we see it, and I am prepared to do so, because repercussions will come on us as a governmental agency and I am certainly not going to sit here, and if I see that something has got out of line, I will raise my voice very loudly.

Q. Mr. Secretary, you made a statement that we have just begun to rearm in relation to the national debt figure. Do you have in mind, or could you presage, any figure at which the national debt might be at the
end of say, the fiscal year 1944?

A. No.

Q. Mr. Secretary, to get on to a new subject --

A. I thought you fellows were going to say goodbye.

Q. No. You had some conferences yesterday with some representatives of the aircraft companies, did you not?

A. One. There was just one in here.

Q. That was in connection with the British purchasing? Can you tell us any more about it?

A. No, sir.

Q. Mr. Secretary--

A. This was just one man.

Q. If you serve out your four years of office, that would make you -- you would be the first Secretary of the Treasury to have three successive terms in office, wouldn't you?

A. I really haven't thought about it. I thought you were going to say I would have no hair left, unless you know some good restorer that would work.
Q. You can get some down in Jamaica. (Laughter)
   Mr. Secretary, would you care to comment on
   the reports that the British are asking that
   the hours of labor be increased in aircraft
   factories?
A. No.
Q. You wouldn't care to comment?
A. No.
Q. Have they made such a request?
A. Not to me.
Q. Have you heard it?
A. I read it in the papers.
Q. Thank you, Mr. Secretary.
H.M.Jr: Well, I only saw you boys because Mr. Schwarz said I should.

Q. Don't you like us, Mr. Secretary?

A. I like you very much, but I am afraid I am going to have to say no in ten different ways, because I haven't been back long enough to know what it is all about.

Q. We may give you some chances.

A. I am sure you will.

Q. Mr. Secretary, the primary subject on our minds is something that developed long before you went away.

A. Is that so?

Q. Which is the subject of loans or other financial aid to Great Britain.

A. Yes.

Q. And you have had a great deal of contact with them, particularly with their Purchasing Commission. We would like very much to know your views on the subject.

A. I am sure you would, but I am not ready to give them.
REPORT OF SECRETARY MORGENTHAU’S PRESS CONFERENCE, NOVEMBER 28, 1940:

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Q. When do you think you will be, sir?
A. I don’t know.

Q. Some of the Senators talked about asking you for information on the extent of British resources in this country. Are you prepared to give that information or are you preparing?
A. I am not prepared to answer your question.

Q. I think there has been a resolution introduced to call on him to do so.

Senator Nye did it.

Nye’s resolution has been on the table, but I think it is Senator Wagner who said he was going to ask Commerce, State, and others, for information.

A. I haven’t got it yet.

Q. Mr. Secretary, here is another question that has been kicking around since before you left. In this program of replacing the regular bills with defense bills, are you going to carry that through to the full extent of the 833 million dollars which you spend for defense?
A. I can't answer that, but what I can tell you is this, that we are starting next week our conversations for a December financing. We are going to have a December financing.

Q. Going to have a December financing?

Will that include, in addition to those notes that are being called the - any new money?

A. That I don't know. I don't know how extensive it will be, but we will definitely have a financing, or possibly a financing and refinancing, but we will begin talking about it - well, I already began last night with Mr. Bell.

Q. These first talks are with your own staff?

A. Yes, and I have asked the Federal if they would want to talk about it.

Q. Any possible new money, of course, would come out of that new four billion dollar thing?

A. There are three things we might do. We
might ask for new money; we might refund those notes coming due on the fifteenth of March; and we might refund the bonds that were called--

Q.
Oh, yes.

A.
...while I was away.

Q.
What were those, three and a quarter?

A.
Three and a quarter, I believe. If you want the exact amounts, you can get them. You (Schwarz) get it for them right afterward.

But any one of those three things, all three, or one of the three, or two of the three.

Q.
Well, would the new money be under a defense bond issue?

A.
I am not prepared to answer that. We have just started to talk about it. We will definitely do something in the forepart of December.

Q.
In the early part of December?
A. Yes. We have to. We need the money. Does that take care of that question?

Q. Yes. Thank you very much. When are you going to hold an Open Market Committee meeting?

A. I asked Mr. Bell to get in touch with them and suggest some time in the middle of next week, at their convenience. I don't know just what day it will be. It will be Tuesday or Wednesday or Thursday, whichever is convenient.

Q. What is the reason for the recalling of this money?

A. For what?

Q. Asking the Federal Reserve Banks --

A. Our balance is running low.

Q. That is the first call you have had in a long time and one of the largest calls.

A. We need the money they are spending.

Q. You mean you aren't satisfied with the bond market, so you have to --
A. No, no, it is just - this money has been borrowed and it is there, and we call on the banks now to give us the money which was borrowed some time ago. I don't know just how long ago, but we have left it there and now we need it, and we call on them to transfer the money to our account.

Q. Is the working balance under a billion?

A. Yes, for the first time in a long time.

Q. Were you completely satisfied with the reception your announcement of the increase in the debt received?

A. Say that again.

Q. Are you completely satisfied with the reception that your announcement of the proposed increase in the debt received, generally?

A. Using the word "generally", yes, with one exception. They seemed to either overlook or not place the same emphasis on it that I did of my remarks that now that President
Roosevelt will be here for four more years, we would not have inflation.

Q. I see.

A. That is approximately what I said. It was along those lines, wasn't it?

Q. I didn't quite get that, Mr. Secretary.

A. In my remarks I said now that Mr. Roosevelt would be here - I had better look it up - now that Mr. Roosevelt would be here for four years more, that I felt confident that he would take the necessary steps to see that we would not have inflation, and the thing that - that part of my statement was either overlooked or played down, or whatever you would have. At least it wasn't given the place I thought it deserved.

Q. What question occasioned that?

A. He asked me was I entirely satisfied with the reception my remarks had.

Q. Yes.
A. And I said my answer was that I thought that part of my statement wasn't given the emphasis which I felt it deserved. That is all right.

Q. But in that same press conference, Mr. Secretary, I recall you also mentioned the fact that we were going to increase the public debt limit by about 20 billion --

A. Well, nobody was more surprised than I as to the seeming furor it created, because after all, I wasn't giving you any news. I was just telling you facts. The fact that the people seemed so excited about it - the newspapers were - no one was more surprised than I was, because I didn't think there was any news in it. It wasn't a carefully prepared statement. I was just telling you Congress voted this money now, and I have got to raise it. I didn't think it was anything new.

On second thought, if there was anybody
looked back, there was nothing particularly startling in what I said. Somebody made a good story out of it.

Q. Mr. Secretary, in that statement about Mr. Roosevelt being here another four years and there being no inflation, you leave the inference --

A. I said he would take all the necessary steps.

Q. ...that any other Administration besides Mr. Roosevelt's might have created inflation. Do you want to correct that impression?

A. I will let you do that. I think you are very good at that sort of thing. That isn't the interpretation I give it, but if Nick wants to write it, why --

Q. Do you feel that the inflationary angle of the story is unwarranted, in the light of the facts of the situation?

A. Do I?

Q. Yes.
A. Yes, definitely.

Q. You feel the inflationary angle is unwarranted?

A. Unwarranted.

Q. Mr. Secretary, we came in asking about the Argentine.

A. Well, I haven't - that is something I haven't caught up with yet.

Q. You will be in on it, of course.

A. Well, Mr. Bell has been in on it.

Q. Has he?

A. He has been sitting on it, but I am not ready to say anything.

Q. Mr. Secretary, have you seen the British Merchant Shipping Mission? Did you see them before you left? I believe Cyril Thompson was --

A. I didn't, but Mr. Purvis told me about it, and I knew what they were after, but I think that I told you gentlemen they were getting along perfectly all right and
there was no particular reason for my seeing them. But I knew what they wanted. Well, some time after you left they told us that while they started out with a ten million pound allocation to buy 60 ships, that they pretty soon saw that the situation was going to call for more boats than that, and they placed before Winston Churchill and got his approval to a twenty million pound allocation for these ships, and they now want 120 instead of 60. Well, they have gotten priority approval, I understand, for the 60, and are now looking for priority approval for 120. Would that come before you?

A. It might; I don’t know.

Q. It hasn’t yet?

A. It hasn’t - that is correct.

Q. You don’t seem very certain about that.

A. My statement is correct.
Q. Is it 120 they are looking for now?
A. I don't know.
Q. Mr. Secretary, has the new tax program been worked out in here as to the suggestions and recommendations you will make to the House Committee in the next session of Congress?
A. No.
Q. Has it boiled down enough to the point where you can tell us anything at all about what the program will be, broadly, whether it will be general scaling up of taxes?
A. No. I wouldn't talk ahead of tomorrow night's meeting.
Q. Are you attending tomorrow night's meeting?
A. Mr. Sullivan and I are both invited.
Q. What meeting is that? Oh, across the street. The White House.
Mr. Secretary, do you expect to see the Argentine Mission today?
A. No.
Q. Are you satisfied with the progress being made on the Naval bases?

A. Well, I don't want to comment - let me just see. The answer to that question is yes. I do want to say this, that after having been in the West Indies for several weeks, I am tremendously impressed with the deal that the President put across for these bases, and I think that as time goes on the American public will realize that the leasing of these bases by the President is really one of the most important steps for National Defense that has been taken in my time. I think it is the most important thing that has happened since - of that nature since the - well, the leasing of the Panama Canal.

Q. Did you go to Martinique?

A. No.

Q. Mr. Secretary, could you tell us in sort of an informal way a little more about
that general subject? You said that when you left here you just planned to look the situation over, and I thought maybe you could give us something.

A. What I saw, and I saw a lot of what the Army and Navy are doing in Puerto Rico and St. Thomas - and I think the work is being done very well. I think the money is being spent efficiently, and I came back with a very wholesome regard for the engineers of both the Army and the Navy.

Q. Mr. Secretary, did you visit any of the new base sites that were released?

A. Well, they flew me over the one on the island of Jamaica and I had a very good look at it, and I saw Port Royal, where they are going to rebuild that base.

Q. The harbor?

A. It is sort of a dock. It is the entrance to Kingston, and sort of the home of Nelson when he was there at St. Thomas, but the location that we have in Jamaica is a wonderful location.
There is anchorage there almost --

What is the tonnage?

A. A perfectly huge bay there where we could take our home fleet, our whole fleet, to the base at Jamaica. Not Port Royal, but the new base.

Q. You are going to rebuild Port Royal?

A. The United States Government is also going to rebuild Port Royal for the joint use of the British and the United States.

Q. Did you fly over Kingston Harbor?

A. There are two different places. You see, there is Kingston Harbor, and there is this piece of land that comes out, and at the end of this sort of a peninsula that looks something like Cape Cod, is Port Royal. That is being rebuilt. We are rebuilding that for the joint use of the Navy - the English Navy and ours. Then about 20 miles in the opposite direction is the place where they are leasing a new base for the
Navy, and that is the place where there is this magnificent anchorage for our fleet.

Q. Did you go to the Leeward Islands?
A. No.

Q. Mr. Secretary, how do the British in Jamaica feel about this?
A. Oh, they are enthusiastic and they liked particularly the survey people who came down there, because their attitude toward labor and their method of approach were good, and the survey ship was there, and they feel it is going to help them very much on their own economic situation and of course they are delighted to have the United States develop that additional facility, harbor, airport.

Q. Mr. Secretary, do you have anything at all about precautions against sabotage down there, as to whether they are having much trouble?
A. They are not having much trouble.
Q. Mr. Secretary --
A. Anybody that they are suspicious of, they put them in a concentration camp. They are not having any trouble.

Q. Have they got a concentration camp down there?
A. Well, they have got German prisoners down there. Anybody that they are at all worried about, they just put in a concentration camp behind barbed wire.

Q. And they can't swim on the Island. There are too many sharks there.
A. That is Puerto Rico where the sharks are. The swimming is good down there.

Q. With a net in front of you.
A. Well....

Q. Mr. Secretary, in the past few days there have been some --
A. It is all right, once you get over the bar.

Q. There has been some mention coming out of London about the possibility of working out
some kind of a deal which would involve
the outright transfer of the British
West Indies to this country in exchange
for needed war materials.
A. Well, I think we had better take a look
at some of their liquid assets first.
Q. You didn't get over to Nassau to see the
Duke and Duchess, did you?
A. No.
Q. You were referring to their assets in this
country, or wherever they are?
A. Wherever they are liquid.
Q. They have plenty. I understand their chief
export to the United States now is whiskey.
A. Well, that wasn’t what I was thinking of.
Q. In your absence, Mr. Secretary, Jesse Jones,
as Federal Loan Administrator, made a blanket
offer to all defense industries that the
RFC would lend them money on guaranteed
defense loans at an interest rate not to
exceed --
A. You can change the word "liquid", if you want, to "cash."

Q. Cash?

A. Yes.

Q. I say Mr. Jones, as Federal Loan Administrator, made a blanket offer to all defense industries that he would lend money to them to finance plant expansion at an interest rate not to exceed one and a half percent on this guaranteed stuff. I was wondering whether - what your views on it were, whether you felt that would --

A. I don't want to get in on it.

Q. Have you been apprised of the letter?

A. Only through - well, Bell may have been, but I don't know.

Q. All right, gentlemen?

A. Thank you, Mr. Secretary.
Q. Mr. Secretary, before we get down to business, I have an official matter to take up. You don't have to read this (presenting memorandum to the Secretary) right now. It has been on McKay's desk since Friday, but you have been too busy. All it adds up to is that the Press Room is in dire need of a very quick and complete transcript of the press conference after each time so we won't make these alleged mistakes that we have been accused of in the past.

H.M.Jr: By whom?

Q. I won't mention names.

By official quarters.

Heretofore, at least we could see copies upstairs in Schwarz's office once in a while, and now we can't even get those, except several hours later, and there is one copy to go around.

A. What do you want—a mimeographed copy in a nice frame?
Q.

Well, no, a workable copy.

Schwarz:

I think they would like more copies. We only get one now.

Q.

If we could get one or more copies down in the Press Room as soon as possible after the conference, it would help us greatly in our work and if possible, make us slightly more accurate. There is a lot of room for improvement.

A.

Okay, you win. Just say how many you want.

Q.

Ten. I personally need one.

A.

Want it financed out of the stabilization fund?

Q.

Say one downstairs and three or four upstairs.

A total of five.

A.

Well, work it out with Schwarz. How many good copies can you make? Whatever can be done with one typing. Is that all right?

Q.

If we could get a couple immediately, and then the rest later on.

A.

What do they do in the other departments?

Q.

At the State Department, within 30 minutes after Mr. Hull's press conference, which is held daily, there are four or five copies
which are sent to the press room.

Schwarz: Of course, his conferences are usually shorter.

Q. But they are daily.

H.M.Jr: But much more interesting.

Q. We didn't say that, Mr. Secretary.

Schwarz: Well, we will work it out later.

H.M.Jr: Okay.

Q. Mr. Secretary, is there anything at all you can tell us about these financial operations, anything new at all?

A. Which ones?

Q. Domestic.

A. No. We go to work, I think it is on Wednesday. Wednesday I think we meet with the Federal Reserve crowd.

Q. One question that wasn't asked last week, are you going to issue, or do you contemplate issuing, taxable notes or bonds of any sort in this new financing? Are you going to consider that at all.

A. We will consider the whole business, but I have been fairly busy and I just haven't had
time to do anything other than decide that we
had to do something. How we are going to do it,
and what we are going to do, we really haven't
got down to that.

Q. Can you actually issue taxable securities with-
out - rather, taxable securities without per-
mission from Congress?

A. Oh, yes. What I said was, on those defense
notes, that if left to decide whether they
should or should not be taxable, I would decide
that they would be taxable, so if we get - let's
say we got out - issued a five-year defense
note. It would be taxable.

Q. As to all taxes?

A. As to all taxes.

Q. Well, Mr. Secretary, you are referring to the
possibility of defense notes being incorporated
in the next financing operation?

A. Yes. If we issue a five-year defense note,
the holder of the note would have to pay taxes
on the interest received.
Q. Would that be both Federal and State?
A. It certainly would be Federal.
Q. I don't think you could say whether it would be exempt from State taxes, could you?
A. No. I don't think that I have any authority.
Q. Another thing, Mr. Secretary, in reference to these first remarks about trying to get things accurate, there was a little --
A. Remember, I didn't bring that up.
Q. But just to show you how it works out and then to pose a new question, in one of your recent press conferences you were talking about - you know when you were telling about these first defense bills that you put out, you let the regular bills run off and then you followed them with defense bills and then you mentioned about the possibility of defense notes and some people got the idea from your remarks then that you had said in effect that when the new defense bills mature that they will be replaced in turn by notes.
A. Well, I really don't remember it.

Q. Did you intend to make that statement?

A. I don't know. It is a month old. I couldn't remember.

Q. Well, but I mean - then let's make the question brand new. Do you intend to replace the current national defense bills with notes when they mature?

A. Well, I will go back over it again. On Wednesday will be the first time that the Treasury gets down to the business of studying what the next financing will be. I just don't know. I have got a lot of things to do between now and Wednesday and I won't get around to it until Wednesday and I have got plenty of time between now and the 15th. I can't answer your question because I haven't thought about it.

Q. That would indicate that the people who had said or inferred that you had said that once before, had been a little premature.

A. Have you got a little bet on this?
Q. I am interested in it because I took the opposite view. And I am of the opposite view.

A. How much is up? I refuse to settle anything unless I am a stakeholder.

Q. One other question in that regard. You had approximately one billion three hundred million Treasury bills outstanding and they are being replaced to some extent by defense bills.

A. Well, they are being — each week, as they come due, the so-called old bills are being replaced with new defense bills.

Q. Well now, at the conclusion of that operation, are you going to let the remainder of the Treasury bills run off and replace them with taxable notes?

A. I can't answer that. It is part of the whole picture. I don't know.

Q. Mr. Secretary, can you tell us anything about your visit with the committees of Congress today?
A. Well, I don't think I can tell you anything that you don't know. We went up there, told them what we proposed to do. I felt I had the obligation to do that, in view of the statements I had made.

Q. Will you tell us how that is going to work, Mr. Secretary?

A. No, I can't tell it to you other than - because we just now will go to work and do the negotiating with Mr. T. V. Soong, but I waited until I got the blessing of Congress, which I feel I got this morning, and now we will go ahead and negotiate with him to make available to him up to 50 million dollars in stabilization --

Q. That would be transferred to their stabilization fund, wouldn't it?

A. We just haven't - just how that thing will work, and all the rest of it, frankly, I have asked now that we have got clearance - we will sit down and negotiate with them.

Q. They do have a stabilization fund, don't they?
A. They do have a stabilization fund.
Q. Do they think this will do the trick so far as --
A. They think it will be very, very helpful.
Q. Well, don't they complain of some specific sabotage of their currency by the Japanese operations in certain commodities; for instance, buying or trafficking in them?
A. Well, that is up to them.
Q. Well, have they convinced you of that?
A. Well, they simply convinced the Administration as to the whole picture, of which their currency is one part, that they need help. We are convinced of that.
Q. And you didn't feel like letting them have the 50 million dollar loan unless they had some way to stabilize their currency --
A. Well, I wouldn't say that. I mean, the whole thing is part and parcel of the picture. They have to buy certain supplies which they can only get in this country and they also are
very anxious to keep their currency from falling any further; and in passing, their currency for the last several months has been very stable. It has reached a price and stayed there, but their cost of living has gone up greatly, and so as to help their internal economy and also to help them purchase what they need, it was decided that providing the Congress were willing to do both transactions - they supplement each other. I mean, the one helps them in the internal economy and their own currency --

Of course, you don't need any new authority from Congress at all.

No, it is just a moral obligation that I did that before I did something which approached this - and I didn't want to quibble with them about whether China was or was not at war, but the statement that I originally made was, a loan - stabilization loan to a country at war, and if you go back, the thing that they had in mind at that time was the gossip that I was secretly financing France through the
stabilization fund - and I gave them my word that I wasn't, and I wouldn't, and I could have stood on the letter of the law that China wasn't at war, because we haven't invoked the Neutrality Act. But I didn't want to, because I thought it was much better to do just what I did, and I am very glad I did, and everybody on the Hill seemed very glad that I came up. Of course, Mr. Hull being there was very helpful.

Q. Well, Mr. Secretary, I understand that this has been described as a defense move. I wonder if you could elaborate on that.

A. I think I have said enough.

Q. Mr. Secretary, is this 50 million dollar credit for currency stabilization purposes similar to that one you granted in the fall of 1938 where the Chinese deposited gold and yuan against dollar credits?

A. To make it easier for me, you gentlemen who
have followed the Treasury for some time know
that when we do one of these financial trans-
actions for another country, I insist that
the news must come from our customer.

Q. But the last time you announced it yourself, and
the terms.

A. Well, I must have done it with the consent of
whatever country it was. Now, we will just
sit down with Mr. Soong, who is the head of
the Central Bank of China, and negotiate with
him for the details. When we have concluded
that arrangement, only with his consent will
we will make the public announcement as to
any part of the transaction.

Q. Mr. Secretary, can you say whether you are
considering similar steps with respect to any
of the Latin American countries?

A. I would rather not.

Q. Could you say, sir, if this is the inauguration
of a new policy with regard to use of stabiliza-
tion funds?
A. The answer is yes.
Q. It is a new policy?
A. Oh, yes.
Q. Will the policy be extended if it is found to our general interest to do so?
A. Well, that is --
Q. Didn't you contemplate something like this, not this specifically, but this in general, when the stabilization fund was set up?
A. No.
Q. You didn't? Mr. Secretary, could you tell us how much we have loaned to China so far from the Export-Import Bank and their - the status of the loan? They speak in terms up at the Hill, for instance, of 120 million dollars. Mr. Jones, I believe, speaks in terms of 65 million dollars.
A. There have been three loans, as I understand it, one of - two of 25 each and one of 20. That is 70.
Q. And there have been some repayments?
A.- And there have been some repayments, but as I understand, there is 70. And in this letter which he wrote to the President he mentions another 50. I think that is correct. The last one is for 25.

Q. Well, is it - these figures do not include the 50 million dollar stabilization credit of '38, so it is actually 120 then?

A. No, the Export-Import Bank has loaned them 70. I think I am correct. In the letter that Mr. Jones wrote, he said that he was prepared to loan them another 50, so that would make 120.

Q. But there is nothing like that outstanding, is there? There is not 70 million outstanding now? Some of it has been paid back.

A. Yes.

Q. Not very much.

A. I don't know how much. Some has been paid back, but there have been three commitments totalling 70 million.
Q. Mr. Secretary, weren't all three of those loans in effect advance payments on tungsten, tin and tung oil?

A. I think so, but there may have been something else mentioned, but to the best of my knowledge they were.

Q. Can you tell us, sir, of the physical collateral on these loans which you contemplate making out of the stabilization fund, whether it will have to lie in this country or may it lie in the country of origin?

A. I told you, I am not going to say what the deal is because no deal has been made and I won't describe the deal unless Mr. Soong is willing. If you don't mind, you will have to wait.

Q. Could it be vastly different from the 50 million dollar credit of 1938, Mr. Secretary? I mean, isn't it pretty much --

A. Look, old man, I repeat. No deal has been made. After the deal has been made, Mr. Soong being willing, I will tell you as much as he will
let me tell you, or let him tell you.

You said it was a new policy and I just wondered, since the other credit is part of the stabilization fund.

Mr. Secretary, could you tell us this? Did you tell the Congressional committee that this was - did you call it a credit or a loan in describing it?

A. Stabilization operation. It is not a loan.

Q. Mr. Secretary --

A. I mean --

Q. It is just earmarking so much money?

A. What we actually do is, we buy yuan, which is their currency, and give them dollars for that.

Q. The only thing is, then, you stay out of the market, of course, with those for whatever time is considered --

A. ....necessary, and at the proper time they will buy them back from us, we hope.
Q. Mr. Secretary, you said --
Mr. Secretary, do you fix a special rate on
the yuans?
A. Oh, yes, we will fix the rate. That will be
part of the negotiations.
Q. Mr. Secretary, when you said this was a new
policy, did you mean with respect to any
countries?
A. Well, we have never - the kind of loan we have
in mind we have never made. I don't use the
word "loan." The kind of stabilization opera-
tion we are proposing, we have never entered
into that kind of an operation before.
Q. What I am getting at, Mr. Secretary --
A. I keep using the word "loan." It isn't a loan,
it is a stabilization operation.
Q. Mr. Secretary, under that proposition if you
were to do a similar job for another country,
would you again be obligated to go to the
Hill?
Not if this country was actually at peace.
Do you see what I mean? The statement that I made was - I mean, the thing they cross-examined me so closely on was about lending - going into a stabilization operation with a country which is at war. Well now, if some country is at peace, I don't feel under any obligation to go to the Hill again.

Mr. Secretary, could you tell me - there have been considerable discussions with representatives of an Argentine financial mission and in that connection it was understood that you were to decide whether the Treasury was going to continue to participate. Have you made that decision yet?

Well, being perfectly frank, each thing has had to take its turn for the last three or four days. If you read the papers, I have been at the White House most of the time. I am just trying to catch my breath and I have asked the Argentinians please to be a little patient. So I hope in a day or two to go
to work on that, but I haven't. I couldn't; the days weren't long enough.

Q. Another matter of unfinished business, I understand that there has been a recurrence of the problem regarding the freezing of credits of other nations and that was something else on which you might --

A. I don't want to get into that discussion.

Q. Mr. Secretary, leaving out your application of that specifically to Argentine, do you --

A. Excuse me. Whoa! Whoa! I didn't apply it to the Argentine.

Q. No, sir, I said leaving that out. Do you have any further operations of that sort in Latin America?

A. Well, let's wait and see. I went up there and saw the United Press ticker and some fellow had read these stickers on my book here. Now I have got to go just like this (covering papers on his desk).

Q. Listen to the guilty laugh, Mr. Secretary.

A. Is that it?
Q. Mr. Secretary, could you tell us what the label said?
A. Well, I refer you to the United Press ticker.
Q. Mr. Secretary, have there been any discussions at all about using stabilization funds in any manner to extend credits of any kind to any Latin American country?
A. I am not going to answer that.
Q. The question kind of wrapped it all up.
A. Yes. It is a perfectly good question, but I don't have to answer it.
Q. Mr. Secretary, the Chinese - on the loan we are making to China against metals, can you say if holding the Burma Road open is definitely a part of that loan?
A. That is a highway I don't wish to tread.
Q. Mr. Secretary, speaking of your White House affairs, what can you say about the new tax bill?
A. Nothing.
Q. Mr. Secretary, was that supposed to be news that there wouldn't be any new levies on 1940 incomes?
A. Yes.

Q. I thought that was generally understood, that the next tax bill would be on '41 incomes. Well, that is the best news.

A. No; our tax people here felt that there had been so much talk about taxes that they wanted to reassure the business man that whatever taxes might be levied by the Congress that meets in 1941, that there was an agreement between the President and the Legislative leaders and the Treasury that there would be no recommendations that any of these should be placed on 1940 incomes. Therefore, the business man, in considering his surpluses, his dividend policy, would know how to conduct himself, and we thought we were doing him a service. Our tax people have so-called Section 102 very much in mind and they felt that if the business man knew where he stood, that this would be rendering him a service, so that if he was holding any extra surpluses
in his treasury against possible levies on his 1940 income, he would know how to conduct himself. So we felt it was --

But there hadn't been any consideration actually on that stuff, had there?

There was a lot of talk, and as I say, they felt the businessman might perfectly well say that he had kept back this additional surplus against possible levies and then some time later the Bureau might come along and say, "Well, under Section 102 you withheld too much," and he might feel, justifiably, that he withheld this amount. Well now, he knows where he stands and it was in an effort to be cooperative that that news was given out. And if there are any evils in the present tax law, either in your estimation or in the minds of Congress, it would be corrected only and be applicable only to future taxable years?

That is right.
In other words, they can go ahead and close their books now for the end of the year and they know where they stand. We thought it would just remove one more doubt, and there were quite a few people who were worried.

But not in the Administration, or were there?

Q.

A. Well, we never were.

Q. Some of the corporation lawyers say that even after they read that tax bill they don't know where they stand.

A. Well, if it is easy to understand it, all the lawyers and accountants would go out of business.

Q. That is true, but business wouldn't.

A. No, it would be swell for business.

Q. On Saturday --

A. I hope some day they will write a tax bill and a tax that even you and I can make out.

Q. That is too much.

On Saturday, Mr. Secretary, Finland availed
itself of the right not to pay her December 15 war debt. Would you favor that such credit also should be given to Greece?

A. Thanks for the idea. I will think about it.

Q. Well, I thought you knew about it.

A. About the Greek one?

Q. No, I thought you probably, in view of the December 15 notes going out --

A. No, I mean about thinking about it in terms of Greece.

Q. Yes.

A. No, I haven't. I say thanks for the idea.

Q. Mr. Secretary, how is the Greek application for priorities for airplanes and defense materials coming along?

A. I don't know.

Q. Mr. Welles told us that they were talking to the Treasury people about it currently.

A. Well, I mean I am not trying to avoid it. I just don't know.
Mr. Secretary, back to the matter of taxes and the budget, taking all factors in consideration, including increased revenue yields, present taxes, probable economies in certain categories and also the possibility of new taxes next session, would you say there is a good likelihood of the regular budget being balanced in the next fiscal year?

A. I don't want to crawl out on that limb.

Q. You have got a lot of company.

A. Yes.

Q. Would you permit the Chinese to use this credit -- In other words, you have a fear that it won't be balanced?

A. I just don't want to crawl out on that limb.

Q. Would the Chinese be able to use the funds through the stabilization credit to buy airplanes or munitions in this country?

A. No.

Q. There is no hitch on that, is there?
A. No, but we buy yuan. Now, when it comes to buying supplies, the money that they will use for buying supplies will be Export-Import money and will not be stabilization fund money.

Q. Those purchases would be made over a long period of time, I presume.

A. I don't know what you call a long period of time.

Q. Well, if the Chinese felt their currency was under pressure --

A. The Chinese think in terms of 100 years, you know.

Q. That is the reason I said a long period.

A. The new Ming dynasty.

Q. Yes.

Q. If their currency was under pressure, you would step in and buy it?

A. I hope we would step in and buy it.

Q. Mr. Secretary, do you have any news today (facetiously)?

A. Not a thing.
Q. Mr. Secretary, can you tell us anything at all about any specific levies which will be in the new tax bill, any general outlines?
A. No.

Q. There are reports that Treasury is dissatisfied with the present excess profits tax law and they would like to knock all the alternatives on average earnings out. Could you say anything on that?
A. No one has even talked to me about it. Nobody has talked to me about it.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, DECEMBER 5, 1940:

Q. Have you got a lot of news today, Mr. Secretary?
H.M.Jr.: What is going on?
Q. There is a certain Sir Frederick that we are interested in. When is he coming?
A. I expect to have my first meeting with him tomorrow.
Q. Do you know what, in general, he is doing today?
A. No, I don't.
Q. I mean, is he resting or conferring with somebody?
A. I don't know. I think he is having breakfast, luncheon and supper. (Laughter)
Q. How about tea, Mr. Secretary?
A. Oh, I am sure, quite sure.
Q. Mr. Secretary, what is your reaction to the suggestion of various prominent members of Congress that they also have the benefit of Sir Frederick's information, in person?
A. This is the first I have heard of it.
Q. I don't suppose they could subpoena him? (Laughter)
A. I doubt it.
Q. Do you intend to transmit whatever you learn from Sir Frederick to the proper committees up on the Hill?
A. I haven't had a chance to think about it.
Q. Anything new on financing?
A. No. I have another meeting Monday with the same group.
Q. Can you tell us now, sir, if there is going to be any new money?
A. No. What I can tell you is, though, that at eleven o'clock we start talking with the representatives of the Argentine and we are contemplating entering into a stabilization arrangement with them, out of the Stabilization Fund.
Q. Eleven o'clock today?
A. Yes.
Q. How many days will this take?
A. With them?
Q. Yes, sir.
A. Oh, days? I don't know. It is a question of complicated contracts and so forth and so on, but the Export-Import Bank is seeing them and we are seeing them.
Q. Probably it will be a combination arrangement like the Chinese?
A. It will be more or less the same pattern.
Q.- In other words, in general you buy pesos and sell them dollars?

A. That is the idea. It is to help the Argentine stabilize their currency against the dollar, stabilize the dollar against the peso.

Q. At what rate, sir?

A. That I don't know.

Q. Is this similar to the Chinese transaction, Mr. Secretary?

A. It is along the same line, but I want to point out a fundamental difference, that the Argentine is at peace and therefore I don't feel under any moral obligation to consult Congress.

Q. To consult them?

A. I do not feel under the same obligation to consult Congress that I did in connection with the Chinese. I mean, I feel I have ample authority to go ahead and make this kind of a loan without consulting Congress. I mean as we go along, I will informally keep them advised but I don't feel that I am under the same moral obligation to consult them in advance that I did in connection with the loan to China. Not the loan, the stabilization operation.
Q. Aren't you departing from the original concepts of what the Stabilization Funds should be used for?

A. To a certain extent, yes.

Q. Is that --

A. This is an Administration policy.

Q. But there is no -- I don't want to use the word violation of the Act, but is this within the purview of the Act creating the Stabilization Fund?

A. We feel very definitely after all, that this is to help a friendly government stabilize its currency vis-a-vis the dollar. Now, what good does the American businessman get out of it? It helps us in our sales of our merchandise to the Argentine, if they can get enough dollars to pay us, and therefore we think it is good business. Now, they are in the position that they can't get enough dollars from which to buy our merchandise and through this operation that we are doing here, plus the operation of the Export-Import, we make dollars available to them so they can do business with them.

Q. Would there be any agreement in the Argentine
contract that none of these dollars flow back to Germany, either through debts with the Argentine government — or Argentine businessmen may have? That was the danger that was brought out before in connection with any wholesale scheme of currency stabilization in South America.

A. Well, let's be practical.

Q. It may not be in the contract, but without the Argentine Financial Mission that —

A. Well, you always give me good ideas, but I don't know.

Q. Mr. Secretary, —

A. I meant to be practical. If I asked you the question, "What can they buy from Germany and get it?" Nothing. The answer is nothing.

Q. Mr. Secretary, could you use a — I mean, —

A. What can they buy from them? Nothing.

Q. Well, they may have some debts which they want to liquidate in Germany.

A. Well, that gets down to the question of good faith, and I have complete confidence in the good faith of the Argentine government. They are not going to take money that the Export-Import or we loan them and turn around and use it other than to do business with us.
Q. Mr. Secretary --
A. It is a matter of good faith, and all of these things. You can write all the contracts in the world, and unless there is good faith and confidence, then you - the thing falls by the wayside before the ink gets dry.

Q. Is the figure still around a hundred million, sir?
A. For which?
Q. I mean in this Argentine transaction. That was the figure generally used at the outset of their visit here.
A. Well, I can only talk for the Treasury. We are thinking in terms of $50,000,000.

Q. Of the Stabilization Fund, that is?
A. Yes.

Q. Mr. Secretary, if we can get back to the British situation, what can you say about the statement of Mr. Jones yesterday that the British were a good risk for loans? Do you concur in that?
A. Yes.

Q. And do you think they need them now?
A. I don't want to say that now. If I answered that, Sir Frederick wouldn't have to come over here.

Q. Is that what he is coming over here for, to give you the answer?
A. No, just to give me the facts. He is coming over here to tell me what their situation is.

Q. Mr. Secretary, there have been so many stories and versions of rumors about this meeting that was held in your office a couple of days ago. It would be very helpful if you could tell us what actually happened.

A. I can't tell you what actually happened. Everybody has been very good about it, but there was only one definite misstatement of fact and that was that you slipped an Englishman in here. There was no Englishman here.

Q. Slipped an Englishman in?

A. All the stories write nine people plus an unknown Englishman.

Q. I didn't.

I didn't even mention it.

I didn't say that, sir.

I never saw that story.

I never read it.

A. Oh, one of the papers today again - you (Schwarz) get the story and take it down and whoever wrote it, rub his nose in it. There is no question about it. I don't want to take the time now to
go through it, but definitely - and the paper repeated it today - do you want me to take the time now?

Q. Yes.

Yes, I would like to find out.

Having sat for hours in your outside room, I know that I didn't see an Englishman and couldn't have written it.

How can you tell them?

Oh, you can tell them.

A. Here is one story. It says that those who participated in yesterday's Treasury conference included four Cabinet members and an unknown English financial expert.

Schwarz: Is that the Washington Post?

H.M. Jr: No, it is Frederick Barclay.

Q. That is the New York Times.

A. That is one, and I don't want to blame it only on the Times, but I have seen it. But there is one, and I am just - I didn't know what paper it was in, but there is one story and I just wanted to say that the unnamed British financial expert was not present.

Q. I know where he got confused. I think that they used Herbert Feis and who was described as a
British financial expert.

A. Well, anyway, whoever did it --

Q. Mr. Secretary --

A. You don't want me to go all through this again, but there is one, at least. That is enough, isn't it?

Q. Mr. Secretary --

A. Is that enough?

Q. Mr. Secretary, would it be accurate to say that at that meeting you and the other people who were here reviewed in a general way the production, purchasing situation?

A. No. I am not going to say anything other than that the unnamed British expert was not here.

Q. Are you and Mr. Eccles "feudin'", again, Mr. Secretary?

Perhaps the word is "still", Mr. Secretary.

What are your views of the Administration's easy money policy?

Let him answer the question.

It is the same question.

A. I am not going to have any comment on that.

Q. You know, though, don't you, Mr. Secretary, he says he didn't say it "this time."
A. I still say no comment. I am going to be good "this time."

Q. Mr. Secretary, when Mr. Perlmeter asked you if you thought the British needed this money now, was that question - that question was preceded by an inquiry as to whether you agreed with Mr. Jones that they were a good risk. Then you stated you didn't want to say that the British needed it now. Now, when they do need it, do you agree with Mr. Jones that they should get a loan?

A. Well, I will just go back to what I said. You asked me did I agree to what Mr. Jones said, that they were a good risk, and I answered yes, and that is all I would like to say.

Q. Well, Mr. Secretary, did you also imply that the question of when they needed it is one of the things that you are going to talk to Sir Frederick about?

A. No. All I am saying is that Sir Frederick - I think - I don't know whether this is his second or third. I guess it is the third time he has been here and he has come over here to give me the facts as to what their financial condition is, of the British treasury. That is what he comes over here for.
Q. He said in New York that their problem is dollar balances. That means that they are running short of dollar balances.

A. I still say I am not going to change my statement.

Q. When you say he comes over to give you facts, you mean that he doesn't come over to ask for facts?

A. Well, heretofore he never has asked for anything. I don't know what - I mean, as far as I am concerned if I can I would like to know what the condition of the British Treasury is, and he is coming over to tell me. Whatever else he has in his mind, I don't know.

Q. Well, they publish a weekly statement.

A. Well, my statement is still the same. It doesn't cast any doubt on their statement.

Q. Mr. Secretary, have you seen the story in the Baltimore Sun this morning?

A. No, what is it?

Q. It says that you are going to find 150 merchant vessels for the British.

A. I am, personally?

Q. Yes, the story --

A. Ship ahoy!

Q. Secretary Morgenthau is going to discover these ships, where they may be had, how, and at what
cost to Great Britain.

A. I am sorry to throw Fred down, but I have got nothing to do with it.

Q. The same story is in the London Daily Mail.

A. Well, I am not conducting any negotiations for any ships for anybody.

Q. Mr. Secretary, will you tell us what the shipping situation is?

A. No, I just say I am not doing anything on it. You would have to go and see Admiral Land. I mean, the matter is in his hands. I mean the matter is in the hands of the Maritime Commission, who are the proper agency to take care of that situation. Now, I know that Admiral Land knows what is going on, but I am not conducting any negotiations, for I have no authority. I mean, I think I told you gentlemen before I left, I knew the Mission was in town. I have never seen them, and I have referred them to Admiral Land. Didn't I say that? And I never met a single member of that Mission.

Q. You are usually pretty well up on that stuff, though.

A. I turned the Mission over to Admiral Land. Just what the status of the negotiations are, I do know, naturally, but you will have to get it from him.
Q. Mr. Secretary, in that connection, following that conference the other day, there were a great many stories which placed almost the entire emphasis on the shipping problem and I wondered if you could tell us whether that was the major subject under discussion?

A. No, everybody has been very good about that meeting and I won't be the first one to --

Q. You mean the press, or the people who attended?

A. The people who attended. You don't expect me to always say how good you are?

Q. No, but I was wondering. Might I say, Mr. Secretary, you haven't been completely informed on that subject?

A. Which subject, how good they were?

Q. Yes. I talked to some of them myself.

A. Have they talked freely?

Q. Not freely, but they talked.

A. All right. Well, I am not going to.

Q. Mr. Secretary, to get back to Marriner Eccles, in his more recent speech he advocated a turning away from the Administration's "easy money" policy and also the - he indicated at that time that it might be well for the internal economy if some
of the Treasury's powers were curtailed. How do you feel about easy money?

A. I still say I am going to be good. It is hard, but I am going to be good. Don't press me too much.

Q. Mr. Secretary, is the Treasury doing anything at all about this situation, which I don't know whether it is true or not, there have been so many stories in the paper that there are a great many of these German "going back marks" being purchased in this country, and that the dollars are filtering back to Germany.

A. I honestly don't know. If you are particularly interested in it, we will put you in touch with somebody in Treasury who does know. I don't. But I mean if you are interested, Schwarz will put you in contact with somebody who can talk.

Q. Mr. Secretary, we don't want to take unfair advantage of the visit of your father, but would you mind if we asked him a couple of questions?

A. I would love it.

They want to ask you (Mr. Morgenthau, Senior) a couple of questions, Pop.

Morgenthau
Senior

Me?

H.M. Jr:
Sure.
Mr. Morgenthalau: Well, you protect me.

Q. You had quite a bit of experience in the Grecian situation. Won't you tell us something about that, about the question of helping the Greeks?

Mr. Morgenthalau: Well, I think that the Greeks, standing up the way they did against the Italians, being a sort of a front against the Italians overrunning that part of the world, ought to be helped very promptly, in every possible way, because they are just by their actions — stop me if I go too far — by their actions, helping the British. And I think that if the Italian Army is no better than it was in the last war, they will be shown up this time by the Greeks and it will save a lot of trouble.

Q. Thank you, sir.

And what does Junior say?

How about skipping that December 15 war debt payment, Mr. Secretary?

A. What does Junior say? Well, you see, my father as an ex-ambassador, the sky is the limit and I am just a plain Secretary of the Treasury. I have hobbles on. All right, gentlemen?

Q. Thank you, sir. Thank you, Mr. Morgenthalau.
Q. Mr. Secretary, before we get down to the news questions, on behalf of the Photographic Service of the Associated Press, I would like to ask permission to photograph you and Sir Frederick at the time of your next visit.

A. Good strong lenses?

Q. Good ones.

A. Strong camera?

Q. How about the lamps?

A. I will ask Sir Frederick.

Q. Will you do that, please?

A. Sure. On behalf of what?

Q. Associated Press.

A. I will ask him anyway.

Q. Now that we have got that out of the way, Mr. Secretary, will you tell us something about the information Sir Frederick may have given you in the course of your conversations?

A. Well, I haven't seen him but the once. You boys wrote that I saw him an hour and 13 minutes. I haven't seen him since. I expect to see him again, though, naturally. I can't tell you any more.
Q. When he left here, Mr. Secretary, he said he had some further studies to make and was preparing a balance sheet of, as he put it, "Our financial resources and the cost of supplies."
A. That is right.
Q. Was that some sort of a tabulation that you have requested?
A. Well, the story was all right the way he ran it.
Q. What was that?
A. Well, I refer you to Associated Press.
Q. Thank you.
Mr. Secretary, doesn't this Government have a fairly complete inventory of British assets in this country?
A. I don't care to answer that.
Q. Well, I hear you have a good study that was prepared --
A. Well, Sir Frederick said he was going to give it to us and that if we were satisfied — if we were satisfied with ours, there wouldn't have been any necessity for him to come over here.
Q. Mr. Secretary, is it proper to say that the conversations between you and Sir Frederick will be the basis, if it ever occurs, of any loans to the British?
A. No, that is not fair.
Q. What would be fair?
A. I don't know.
Q. What are the objectives of the conversations?
A. Exchange of information.
Q. With a view to anything beyond that?
A. Well, first we have got to get the information.
Q. Mr. Secretary --
A. And where we go from there is an Administration matter.
Q. Well, could you tell us this, sir, that any commitment that might come out of these conferences with the British, would you seek Congressional approval for those commitments prior to the time they become effective?
A. There will be no commitments come out of the conferences between us, but I just say it is an Administration matter. I am not authorized to make any commitments.
Q. Mr. Secretary, the other day I sat down and reread the announcement of the Tripartite monetary agreement.
A. Isn't that something!
Q. And would I be correct in assuming that under that
agreement you could render financial help to Great Britain without resorting to any inquiries up on Capitol Hill, because under that agreement the signatories are pledged to monetary co-operation and are opposed to competitive devaluation of currency. In the light of that agreement, you could render help to Great Britain, could you not?

A. Well, I tell you, Nick, it is so long since I read it I will read it, too.

Q. Now you are trying to kid me.

A. No, just stall you.

Q. Mr. Secretary, there has been some representation of your viewpoint on the subject of the British loans, the fact that you thought they ought to spend what they had before they asked for loans. Is that correct?

A. I am not going to answer that.

Q. Mr. Secretary, just now in answering a question you said, "Of course, we have got to get the information. Where we go from there would be an Administration matter." Do you mean the Administration as different from Congress?

A. Well, certainly the Administration has to make up its mind first.

Q. Yes, sir. They have to outline their own policy.
A. Yes, at least as to where we go from here would be an Administration matter, and all I am saying is that out of the conferences with Sir Frederick and myself we will exchange information but no commitments will be made by me. No commitments will be made by me of any kind without first taking the matter up not only with the President but the Secretary of State, War, Navy, and Commerce.

Q. Mr. Secretary, when you say that the Administration has to make up its own mind, do you imply that at this time the Administration hasn't made up its mind on the subject of financial aid to Great Britain?

A. I think that is correct.

Q. Mr. Secretary --

Does that go for the general policy, Mr. Secretary, or just for the method?

A. What would you mean as policy?

Q. The general policy as to whether aid will be given or not.

A. Well, I will answer you this way. They haven't asked for any aid.

Q. You mean financial?

A. Financial, yes. They haven't asked for any.

Q. That is, formally?

A. Or informally.
Q. Well, what would you say of Lord Lothian's statement to the press in New York?
A. I would hate to. (Laughter)
Q. What did you start to say?
A. "I would hate to."
Q. May we assume, then, that Sir Frederick Phillips' visit here is as much to correct an erroneous impression created by Lord Lothian's statement as to give you facts?
A. No, and I think if you looked it up you would find that Phillips left after Lothian's statement. Now, don't get me on those two points. I have troubles enough.
Q. Mr. Secretary, is there any doubt in your mind that they are going to ask for financial aid?
A. Well, that is something else again. All I can say is they haven't as of a quarter past four.
Q. Mr. Secretary, has any thought been given in discussions of the possibility that a liquidating or holding corporation might be created to either, (1) take a mortgage on British assets in this country that are not readily marketable, or, (2) buy them outright?
A. I am not going to answer that.
Q. Mr. Secretary, would you express an opinion as to whether this Administration would make any moves along the lines of credit to Great Britain without consulting Congress?

A. Well, inasmuch as it is an Administration matter, I can't at this time talk for the Administration because I haven't found it necessary to consult them yet, the other members.

Q. I asked that because the Loan Administration says that they would not move without consulting Congress, and I thought that the parallel might be true over here.

A. Well, as I say, that is like — you know, "When did you stop beating your wife?"

Q. Mr. Secretary, when you said last week that you thought Great Britain was a good risk, didn't you mean that when they do ask, that you would be in a receptive mood?

A. If you don't mind, you asked me did I agree with the statement made by Mr. Jones.

Q. That is right.

A. And I said yes. Now, what did Mr. Jones mean?

Q. He made it pretty plain what he meant.

A. All right. Well, all I said was "yes."
Q. Mr. Secretary, when you agree with what Mr. Jones said, you must understand what he said and what you agreed to, and therefore can you tell us what you agreed to? (Laughter)

A. I haven't agreed to anything.

Q. Mr. Secretary, Sir Frederick, upon arrival, said something about difficulties over dollar exchange. Are they having any difficulty getting dollar exchange here?

A. Not at the present.

Q. Do they anticipate any in the future?

A. Well, that is up to him.

Q. Well, you certainly don't want the pound sterling to fall very much out of line with the dollar, do you, Mr. Secretary?

A. Well, I have got to read my old Tripartite and see what it says.

Q. Mr. Secretary, just to clear up the record as to why Sir Frederick wasn't here today, can you tell us why it was postponed?

A. It wasn't postponed.

Q. When he left here Friday he told us that he had an appointment for Monday.

A. That is right, he still has.
Q. Is he coming in?
A. We are meeting.
Q. Today?
A. That was the appointment made. There has been no postponement.
Q. For today?
A. The appointment was made for today, and we are meeting today.
Q. In person or on the telephone?
A. In person. I haven't talked to him since he left.
Q. For our convenience, can you tell us what time?
A. No.
Q. But it is today?
A. It is today. We made an appointment on Friday for today and we are meeting.
Q. Will that be here?
A. If you don't mind, I would rather not.
Q. How about that picture?
A. Now, can I get on financing?
Q. Well, Mr. Secretary, could you tell us - could you give us some indication of why the secrecy about it?
A. Just personal convenience, that is all.
Q. Is he coming down here?

We will keep quiet out there.
A. It is just a matter of personal convenience, that is all. After we meet, I will have nothing to say, at least I won't, and I am just doing it for my own personal convenience. You are not missing anything by it, that I would talk about, anyway.

Q. Mr. Secretary, has anybody asked the British - has anybody in our Government, why it is that more than a billion dollars of Dutch securities, supposedly under control of the Dutch Government in London, have not been made available - Dutch investments, I will say, in this country, have not been made available to help finance British purchases?

A. I don't care to answer that.

Q. You don't think that has been asked?

A. I don't want to answer your question, if you don't mind.

Q. You mean that has come up then, is that it?

A. I just don't want to answer the question.

Q. Mr. Secretary, the other day when you and Sir Frederick met, there wasn't any of that secrecy and were you inconvenienced then?

A. No, but I don't want to make any unnecessary secret of it. The meeting is at my house.
Q. At what time?
A. Eight thirty tonight.
Q. Can you make it a little earlier? I have got -
   (Laughter).
A. I don't think it will last after midnight. I was
   just going to save you men all the job of having to -
Schwars:
   Wait outside.
Q. Shall I send my photographer around?
A. Well, you see, if I had, they would have said
   it was a great secret, a great mystery. So that
   is that. I hope you won't come.
Q. Anybody else invited?
   Who else is meeting with you, Mr. Secretary?
A. Just the Treasury people.
Q. Mr. Pinsent?
A. Well, I suppose Pinsent will come, and Playfair,
   that is the other fellow's name. Just the same
   people. I won't talk afterward, so I wish you
   would save yourselves the inconvenience.
Q. He might.
   Mr. Secretary, can you tell us anything about the
   report that 40 Curtiss P-40's have been made
   available to the Greek Government?
A. No. Didn't Philip Young answer that one?
Q. At what time?
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Q. Can you make it a little earlier? I have got —
(Laughter).
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Q. He might.
A. Mr. Secretary, can you tell us anything about the report that 40 Curtiss P-40’s have been made available to the Greek Government?
A. No. Didn't Philip Young answer that one?
Q. No, he didn’t.
A. I hear you all called him up last night.
Q. What is the answer, did they get it?
A. I don’t know. It was news to me.
Q. Mr. Young is keeping secrets from you?
A. No.
Q. You think it will be done, sir?
A. I don’t know.
Q. Mr. Secretary, can you enlighten us on the progress of the Argentine negotiations?
A. All I know is they are just going ahead. They are moving.
Q. They are moving?
A. Yes.
Q. Do you look for any announcement this week?
A. I wouldn’t want to say.
Q. How about the Chinese loan, Mr. Secretary?
A. It is moving.
Q. Do you suppose the contracts will be signed this week?
A. I don’t know.
Q. Archie Lochhead was out here.
A. That is right.
Q. After all the years he kept other people out of
the Stabilization Fund.

A. Well, he is down here helping us.

Q. Do you want to talk about your financing now?

A. I would love to.

Q. All right, sir, let's have it.

A. Well, on Wednesday we are going to do financing, and we are doing it a little bit differently than we would normally. Normally we would refund both the notes and the bonds which are maturing. We are not going to do that this time. After consultation with members of the Congress, we here in the Treasury feel that we can make a definite contribution toward national unity through our financing and what we are doing to lay before the appropriate committees - we are laying before them just as soon as they meet in January that they give us the authority - the discretionary authority that we have on notes now, which we don't have on bonds, as to what taxes they should pay.

Now, on notes, we can say whether they pay any taxes or no taxes. We feel here very strongly that in view of this national defense program we should draft all money. By that I mean to say if a man is going to lend his money to the United States Government, that he should pay taxes on it
and that the man who owns, let's say, a billion dollars worth of totally tax-free Government obligations, he can go down and spend the winter down at Palm Beach and make no contributions toward national — the paying of the national defense, and we just don't think that that helps toward national unity and we don't want to be a partner toward making possible the additional creation of what I call slacker money, and we would be doing that if we continued to issue either totally or partially tax-free obligations, and that goes also for Government guaranteed obligations. I am talking only about future issues, and those of us who went on the Hill were very much encouraged by the reception we got on the Hill. We are going to ask for an increase in the debt just as soon as Congress meets, and we are also going to ask that —

Q.

How much?

A.

Well, we will point out to them the amount of money that has been appropriated and I think that they ought to increase the debt by at least the amount which has been appropriated. And we are also going to ask that they remove all partitions. We feel that one kind of debt is much easier to
operate under and we are hopeful that they will
give us the discretionary power in United States
Government Savings Bonds, both as to taxes and
the size - I mean how many we can sell, so that we
can use that as a nucleus so that the man who wants
to feel that by buying, say, even a $5 United States
Government obligation, it will go toward helping
pay for a battleship or a gun or an airplane.
In other words, you are thinking of smaller rather
than larger baby bonds?

Q.

A.

Well, we want the discretion but we would like to
feel that a man - as I say, if he wants to buy a
$5 or a $10 Government obligation, that he is making
a definite contribution, he is helping rearm the
country and the soldier who is in camp working 8
and 12 hours a day at $30 a month shouldn't feel
that when it comes to the man who lends his money
that he can get certain privileges through tax
exemption.

Now, when these bonds are tax exempt, we have got
to go and tax somebody else to raise the money,
so all of this that I am talking about, we feel
that the Treasury is making its contribution,
definitely, toward a feeling of national unity
as everybody is doing to - working toward the same
thing, and that is to get this country rearmed.
As I say, if a man could buy a totally tax exempt
obligation, we wouldn't feel we were encouraging
what for a better name I call "slacker money."

Q. Are you going to make a drive for popular sale of
these bonds?
A. We expect to.
Q. Just as you did in the last war?
A. As they did, yes.
Q. It is just like the Liberty Loan Drive?
A. We hope to, providing that Congress will give us
this discretion.

Q. Do you have the organization?
A. We have the nucleus.
Q. What discretion, in size?
A. One, Congress gave me the discretion that I can
say whether a note will pay all existing Federal
taxes or not. I would like to have the same
authority on bonds, including United States
Savings Bonds. I would also like to have them
list all the partitions so there is only one
kind of debt. I don't want two kinds of debts
if I can help it.

Q. The only partition remaining is between the
national defense bonds and the general debt.

A. That is right.

Q. Mr. Secretary, then the securities that you will sell on Wednesday will -

A. Will be wholly taxable, national defense notes, $500,000,000, and how long it will be, one year, or two or three or four or five year, we will tell you Wednesday morning.

Q. And the interest rate?

A. And the interest rate.

Q. What about the refunding?

A. No refunding of any kind, and that is entirely agreeable to Congress and they understand it and they say, "Come on up and see us when we meet in January," and I have the feeling certainly from the Democratic members, who are in the majority, that we will get a good reception.

Q. Mr. Secretary, does that mean you will have to lay up a second fund to retire these bonds when they come due?

A. The way it is written now, we have these earmarked taxes and - it is discretionary to me how much I should retire of these notes within any one year. Also, if there isn't enough income from these earmarked taxes, I can go to the general fund and
take as much money from the general fund as I need to make up the difference, but it is very difficult, I mean, where you have to be borrowing additional money to say how much of these defense notes we should retire, but there is sufficient income from these earmarked taxes to retire a goodly amount and I can go to the general fund and get as much additional money as we here in the Treasury feel that we need. Well, Mr. Secretary, there is half a billion dollars that you are going to sell. Will they be sold in less than $100 principle amount?

No.

Q.

This is still a wholesale operation?

A.

Yes. It isn't the kind of operation I would like. I would like to get - we now have the four - approximately 2½ million people owning United States Savings Bonds. I would like to at least double or triple that number. This kind of operation is the only thing I can do under the existing law, but it will go out in blocks of one of ten million dollars. It isn't at all what I want, but I haven't got the authority to do anything else.

On the other hand, I don't, and Congress agrees with
me - at least the people that I saw up there -
I don't want to issue a 30 year bond and commit
the Government to having a special favorite class
in there for 30 years, so therefore we are not
going to issue any more partially tax-exempt bonds
until we can go to Congress and get the discretionary
power that will make it possible to make these
future issues both for direct obligation and
Government guaranteed wholly taxable.

Q.
Mr. Secretary, within your knowledge has the
Treasury ever issued wholly-taxable securities
before?

Bell: We had some partially-taxable notes in exchange for
the Thrids, I think, in '26. You remember they were
the 3½ 3-5 year notes that matured in '33.

H.W.Jr: When was that?

Bell: It was in '26. They matured in '33 and as I recall,
they were refunded in '31 and they were partially
taxable.

Q. Well, all the bonds are partially taxable. Has
there ever been a wholly-taxable issue before?

Bell: The first 3½'s were fully tax-exempt, yes.
No, I don't think we have ever had a completely
taxable security.

Q. In the history of the Treasury?

Bell: That is a long time, but to my recollection I don't think we have.

Q. Mr. Secretary, what you are going to ask Congress to do, then, is to have the Federal Government voluntarily give up tax-exempts on its own future issues, regardless of whether or not states take the same rap?

A. Well, I would have the same privilege because it is a privilege. I mean, we have got to all make our contributions, and the people that have got the money should be delighted to pay the taxes on it and the taxes go toward helping national defense and I consider it a privilege and I think that when this is generally understood, a lot of the states and the cities will come along.

Now, we are going to ask Congress for legislation on that. I know it is difficult, but I think that when it is understood that what we are asking for is a contribution to taxes, that the states and the cities may look at this thing in a different light and we have done a little sounding with some of the governors and some of the mayors and I am a little bit encouraged.
Q. Did I understand you to say, Mr. Secretary, that among the discretions you wanted was one as to whether or not any particular obligation would be designated as taxable or non-taxable? Why should there be any difference?

A. Well, I mean, I am asking for it, to make it as simple as possible. I have that discretion as far as notes are concerned. I haven't got it for bonds. I think the easiest way would be to say, "All right, we will give it to you as far as bonds," but if they wanted to make it mandatory, that is all right with me also.

Q. In other words, if this money is slacker money, why should you have the authority to make it remain slacker money?

A. I shouldn't, but we were thinking of the possibility that it might help us with the states and the municipalities, but as far as I am concerned, as far as everybody in the Treasury is concerned, I would be delighted to have it made mandatory, delighted, but we did think as far as the states and municipalities, it might be a little helpful to do a little trading, but as far as the intent is concerned, on this matter I can talk for the President and for myself, I mean in future issues.
We feel that in this very, very difficult job that we have of this whole defense program, and financing it, that everybody, and certainly the people that have the money, should set the example, should be glad to make their contribution and shouldn't ask for special privileges.

Q. Won't tax have to be reflected on the rate?
A. Yes, but we think we are going to be the gainer, net, and it is a state of mind also. It is a state of mind, and you can't ask one man to work 8 or 12 hours a day for a dollar a day unless he feels that everybody else is making his contribution.

Q. They make it in taxes, do they not?
A. How?

Q. Well, when you pay taxes, you are making a contribution.
A. Granted, but if you can buy — still buy a wholly tax-free obligation, that man can go and stay here in a hotel or some other place and as far as his income tax is concerned, he needn't pay a cent.

Q. Mr. Secretary, do you expect to pay a somewhat higher interest rate on these defense notes, on account of the tax situation?
A. We don't know. The chances are we may have to pay a little bit, but nobody knows. The chances are
we will have to pay a little bit more.

Q. Mr. Secretary, is it your intention if you get this discretionary authority to make these defense issues wholly taxable?

A. Right.

Q. They will be subject even to normal taxes?

A. All taxes, just the way the one on Wednesday is going to be subject to all taxes. The note that we issue on Wednesday will pay all Federal taxes.

Q. Will that apply to refunding issues of current debt?

A. Yes.

Q. In other words, from here on if you get the power, all debt --

A. May I point out that that the best estimate of state, and municipals, we figure, is something like $2,000,000,000 a year coming due. Is that right, Dan?

Bell: That is for '41. I didn't look beyond that '41.

There is about two billion dollars.

Q. Mr. Secretary, there is a bill now pending in Congress, the one that was laid aside. Wasn't some exception made for refunding issues as a sort of talking point?

A. I don't think so.
Bell: There was a breathing period, Mr. Secretary, of about three months after the act went into effect. They were afraid —

Q. Is that what you mean?

A. I lost my breath so — (Laughter)

Q. Mr. Secretary, the sale of defense securities to the population, is it not a tacit recognition of the dangers of financing this huge defense program through the sale of securities to the banks with your excess reserves at record levels?

A. The Federal Reserve Board, whom I have consulted twice, are in complete sympathy with what we are doing. As far as the excess reserves situation, they grant it will temporarily aggravate the situation but they feel that this tax thing is so important that they are very glad to go along with me on this thing.

Q. What do you mean by aggravate the situation?

A. Well, I mean these $500,000,000 worth of notes may very well go to the banks and they most likely will, increasing excess reserves and aggravating the excess reserves situation to the extent that they increase it.

Q. Mr. Secretary, if you keep on selling United States Savings Bonds, is it your intention, that is,
multiplying the number of buyers by as many as three times, is it your intention to keep this basic idea that they will be redeemed at any time for cash by the Treasury?

A. Well, if we get into this whole thing, I don't know, I can't answer it, but we are all studying this thing very hard.

Q. It might be possible that you will change them from a discount to a coupon basis?

A. We might, but we haven't crossed that bridge. I don't know. We will try to make it as attractive as possible, as I say, to the man who has five or ten or twenty-five dollars, that he would like to lend to his Government to help accomplish what we are all trying to accomplish, and that is what I mean by national unity as far as we are concerned.

Q. Are those tax-exempt totally tax-exempt or —

A. Partially.

Q. Normal taxes?

Boll: Same tax exemption provisions as the Treasury Bonds,

Q. On the savings bonds, Mr. Secretary, would you remove the $10,000 a year limit?

A. I don't know, but again if Congress would give me that discretion we could tell, as we got into this —
Q. You would like discretion on that, too?
A. If they would give it to me.
Q. Mr. Secretary, have you given any thought to the idea of a savings stamp plan such as they had in the last war for the small investors?
A. Well, I am thinking in terms of. I wouldn't turn down 25¢ if I had a way of getting it.
Q. He means what would be the form of a certificate?
A. That is a stamp. You bought your 25¢ stamps, and then when you had enough of them, you got a $5.00 stamp. You had a little book and you pasted them in. I used to do it. It is a good thing. You felt you were helping to that extent.
Q. You may do some of that later?
A. I think so.
Q. Do you also plan to have another national campaign like you did during the World War?
A. I don't know. We have got to raise an awful lot of money and I want to raise it in a way that we can say that the greatest number of people can contribute and take part.
Q. What total are you thinking of when you say you have got to raise an awful lot of money?
A. I remember when they used to sell kisses. You are not going to put on a drive like that, are you?
A. I am a little old for that. I don't think I could sell many. (laughter) Maybe 25 years ago, but you were a baby then.

Q. Mr. Secretary, you didn't have time to answer that question.

A. Don't kid yourself, Nick. We will put you on the steps here. I don't know how many we would sell kisses to.

Q. Mr. Secretary, this program is going to last about four years, and the revenues are going to run maybe eighteen billion dollars and the total expenditures to about 15 billion a year. Do you anticipate a public debt of about 75 billion dollars by '44 or '45?

A. I made the headlines last time when I talked about going to 60 or 65, and I was just talking about money that Congress had already appropriated.

Q. They are going to appropriate lots more in this Congress and the next Congress and the next Congress?

A. Well, I —

Q. The 75 billion is a pretty small figure after all, isn't it?

A. Well, I don't think I will get in on that today, thank you.
Q. Thank you, Mr. Secretary.
   I will give you just about 30 more days.
   One more question, Mr. Secretary. Do you plan any tying in any tax plan to amortize this increase as they were tied in that 4 billion dollar national defense note?

A. I don't know yet.

Q. This draft capital will not apply to the small loans, I mean you are not going to put pressure on the newspaper reporters to buy these small bonds, are you?

A. Oh, we will just have to hold you off because you will all want to subscribe.
H.M. Jr: At your service.

Q. Have you anything at all, sir, on the note offering?

A. Yes, the preliminary reports indicate that this issue has gone as well as the previous fully tax-exempt note issues which were offered on an exchange basis. That goes back to our March '40, when we offered a five year, 3/4 of a per cent for an exchange, and the preliminary reports look as though it went better than the last previous note we offered on a cash basis, which was in December, '38, at which time we offered a five year 1-1/8th.

Q. In December, '38, sir?

A. December, '38.

Q. Five year 1-1/8th?

A. Yes.

Q. Can you estimate, Mr. Secretary, how many times it was over-subscribed?

A. No.

Q. It was heavily over-subscribed, was it?

A. I just repeat, the preliminary reports indicate that it is going as well as the last note which we offered on an exchange basis, and it looks
as though it was going better than the last note we offered for cash.

Q.  
In other words, this is a completely satisfactory --

A.  
I am delighted.

Q.  
Mr. Secretary, can you tell us --

A.  
... so much that I sent a radio to the President this morning telling him.

Q.  
Can you tell us, sir, what portion of that three quarter per cent on the current issue was earmarked as being the increase because of the taxable features of the notes.

A.  
No. There has been a lot of argument about that and some think that if we had issued a taxable one we might have sold it for a little bit less.

Q.  
You mean a tax-exempt?

A.  
Tax-exempt, but it is just in that state there.

Now, we - it is so close that it is very hard to say.

Q.  
Well, could you give us, sir, any range at all? Would it be within a sixteenth or an eighth or a quarter?

A.  
Well, if it was anything, it would be within a sixteenth. It would be within a range of a sixteenth.
Q. Mr. Secretary, do you care to make any statement about the death of Lord Lothian?
A. I was deeply shocked and feel that Great Britain has lost a very able and sincere Ambassador.

Q. Mr. Secretary, are you going to say whether this will postpone or delay or in any way change the discussions with Sir Frederick?
A. I don't think so. The only possible delay would be time out that they would take and I would take at the time of his funeral.

Q. Mr. Secretary, in obtaining elimination of tax-exempt securities, do you favor a Congressional change of the law or a referendum of the subject?
A. I am not ready to talk on that.

Q. There has been some criticism of that, and I was curious about your views.
A. I am not ready yet. I think - the way I feel now, I think that is a matter that is largely up to Congress to decide how they will want to pursue it.

Q. The point has been brought up that if the law is changed to eliminate tax-exempt securities, the states are not given a right to express their
opinion, whereas in a referendum and a vote on the subject, they would have a better chance of expressing their views.

A. I am not prepared to talk on that.

Q. Well, there is one other point. Would you say that Congressional action would suffice and there is a large discussion as to whether the Federal Government has a right to tax the state.

A. I am not ready to get into that yet. We are not prepared.

Q. Mr. Secretary, can you tell us just what stage your conversations with Sir Frederick are in, when you are going to meet him again or whether you are waiting for the return of the President?

A. No, I have got nothing to say today about it.

Q. Have you received your balance sheet yet, sir?

A. I am not going to say.

Q. Is it your opinion, Mr. Secretary, that the Neutrality Act and the Johnson Act would legally bar loans to Great Britain by the United States Government? The Neutrality Act, as I recall, merely says that loans shall not be made by any person.
A. Well, I can answer that, talking for myself. Irrespective of any interpretation that any lawyer might give, in view of the spirit of the law, which is very clear in the Johnson Act, I certainly wouldn't be any party to any loan to Great Britain or to any other country which comes under the Johnson Act without being directed by Congress.

Q. In other words, do you feel, sir, you would require a positive Congressional action?

A. Oh, definitely. I have told Senator Johnson that several years ago, that unless Congress changed the law, as far as I was concerned, I don't want to be any party to it. I consider that the spirit of the law is very, very plain to me. Now, somebody may interpret it some other way, but what the law means I can understand without anybody interpreting it for me, and I - as I say, several years ago I told that to Senator Johnson.

Q. Mr. Secretary, is it correct to gather from what you have just said that you probably will go before Congress sometime during its next session with a request for action on a loan to Britain?
A. I am not prepared to say what I will or won't do. I repeat again what I said to you gentlemen before, nobody has asked me for a loan.

Q. Mr. Secretary --
   As of 10:45?

A. Well, I am a minute ahead of time.

Q. Shortly after the announcement of the credit to China for stabilization purposes, through the fund, Senator Vandenberg criticized the action, pointing out that in effect you had violated the spirit of the agreement under which the fund was set up. Now, the fund's life expires next June 30, 1941. Are you going to ask Congress to extend or rather revise the provisions under which the fund had been created so you can participate more extensively in such transactions as you have undertaken?

A. Nick, that doesn't expire until June.

Q. Yes, I know that.

A. And that is a couple of lifetimes away, at the speed we are living these days.

Q. Would you care to comment on Senator Vandenberg's
assertions that you had violated the trust placed in you?

A. It is self evident that I disagree with him 100%. I went up on the Hill and got a vote of confidence, as a result of which --

Q. Well, he is not on the Senate Banking and Currency Committee, I understand.

He also asserted that the Senate Banking and Currency Committee could not speak for the Senate.

A. Arthur Vandenberg will always be Arthur Vandenberg.

Q. I presume Senator Taft will also be Senator Taft?

A. Right. They, too, have to make the newspapers.

Q. Mr. Secretary, somebody pointed out in their statement of tax-exempts about this fellow who holds a million dollars worth of Government bonds, saying that the interest and the income on those bonds would only be $4,400 a year so he couldn't live in Palm Beach unless he lived in a trailer.

A. Well, never having lived in Palm Beach, I don't know how long a dollar lasts, but I hear that
Palm Beach is very, very put out at me.
They say, "Why pick on Palm Beach?" I don't know how long - what was it one person said, $24,000 - how long that will last. I don't know. Strangely enough, since I made the remark, nobody has invited me to come down to Palm Beach to try it out.

Q. I think Long-Term Government Bonds are shortly - more than 2½, so you couldn't spend a winter in Florida on that.

A. It is too rich for my blood, Nick.

Q. Mr. Secretary, can you tell us the progress of the Argentine negotiations?

A. No, except that Mr. Bell tells me that they are all working very hard at it.

Q. Has a definite figure been set, Mr. Secretary?
The 50 million you mentioned to us --

A. That still stands. There has been no change.

Q. Are there any others under negotiation, sir?

A. No. They are all worn down trying to get these two through.

Q. Any others in the offering?

A. Well, that is something else again.
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Q. Are there any others under negotiation, sir?
A. No. They are all worn down trying to get these two through.
Q. Any others in the offing?
A. Well, that is something else again.
Q. What is the status of the Spanish loan?
A. As far as we are concerned? Never heard of it and don't expect to.
Q. You don't expect to?
A. No one has talked to me about it. The last I heard was when General Franco sued me for 15 million dollars. That is the last time I heard about it.
Q. Are you worried about this?
A. And the case was thrown out of court. I had a good attorney, too. The man's name was Harry Stimson. The last I heard, the case was thrown out of superior court.
Q. That was on that gold, wasn't it?
A. Silver. That is the only news I have had from Spain.
Q. Would it be possible, sir, for you to make available to us figures of — well, up to the minute figures of your freezing section here?
A. I would love to.
Q. What they are doing.
A. But I won't. Got any other ideas?
Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, DECEMBER 16, 1940

H.M. Jr: I hope you men have got something. I haven't.
Q. You ought to have. You are the Secretary of
the Treasury.
A. Well, I haven't.
Q. Mrs. Roosevelt said today, Mr. Secretary, that
she thought any aid to Great Britain should be
in the form of gifts. Will you comment on
that?
A. No.
Q. Was that on giving British money?
A. I couldn't hear the question.
Q. I would like to hear the question so I will
know what to do with the answer.
Mrs. Roosevelt said today any aid to Britain,
she thought, should be in the form of gifts instead
of loans. I just asked the Secretary to comment.
A. I said I had no comment.
Q. Mr. Secretary, how are your negotiations with
Sir Frederick getting along?
A. All right.
Q. When are you seeing him again, sir?
A. I don't know.
Q. Are you going to take him over to see the President?
A. I really don't know.
Q. As of a certain time Thursday, they hadn't asked for a loan. How about four o'clock Monday?
A. My clock stopped.
Q. 4:05.
Wall, as of this minute, regardless of the time, sir?
A. My clock stopped.
Q. How much is it?
A. I don't know.
Q. I mean, how much is the amount they have asked?
A. I haven't said anything.
Q. You didn't need to. You said your clock stopped. Have they asked for a loan, sir?
A. I am not going to answer the question.
Q. What time did your clock stop? (Laughter)
A. That is a good one. I am not going to answer that.
Q. The story is going to be good, too, Mr. Secretary.
A. All right.
Q. Mr. Secretary, in your recent conferences with people concerned with the Defense Commission and other government agencies in the defense effort, has anything been done about putting industry on a 7 day week, have any plans been formulated?
A. Well, this is the wrong place to ask that question.
Q. Well, I thought you might have just heard it.
   (Laughter)
A. Oh, I see.
Q. Mr. Secretary, to avoid any -- Did you say anything has been done?
A. No, I said this isn't the right place to ask that question.
Q. But it was already asked.
A. I know. I just said that - I have no answer. I have no information to give.
Q. On Wednesday or Thursday you issued a statement
following this conference, in which you said that you had submitted to the various Cabinet officers and defense officials the information transmitted to you by Sir Frederick Phillips. Could you tell us the reaction of the group here? Was it favorable or unfavorable or how was it received?

**A.**
Ask them.

**Q.**
Well, I know --

**A.**
Nobody fainted.

**Q.**
Well, they all went out the back way.

**A.**
Are you going to run that? That nobody fainted?

**Q.**
Yes.

It was a good crack.

Going back to this clock business, it was pretty funny, but it was also pretty serious. Our inescapable conclusion is that they have now asked for a loan.

**A.**
Let me talk - some people don't like me to talk off the record. May I think out loud for a minute?

**Q.**
You mean not for quotation.
How about something for a background?

A.
Q.
A.
Q.
A.
Q.
A.
Q. Schwarz:
H.W.Jr: 
Q.

No.

It will just get out, Mr. Secretary. You may
tell us off the record, but it will be out
within two days. You have found that out, sir.
I don't care if it comes out. I would like to
leave it on that basis. I can't help you out.
I will just have to take my chances.
But you have no objection as to our drawing
what conclusions we see proper from that other
statement?

What conclusions would you draw, seriously?

Seriously, when you say your clock stopped, the
inference is that perhaps they have asked for
a loan.

Well, if you could use the word "assistance."

Financial assistance?

Financial assistance.

That is for background, too, you don't want that
word attributed to you.

No, I don't want it directly attributed to me.

You don't want those specific words attributed
to you, Mr. Secretary?
A. No, Perlemeter said he was going to write his own presentation. He was going to write that when I said the clock stopped, he is going to say that means they asked for a loan, and I took the liberty of suggesting when he writes this story instead of using the word "loan", he use the word "financial assistance."

Q. Thank you, Mr. Secretary.

A. Would you accept that suggestion?

Q. Gladly, sir.

A. There is a difference. That would not be attributed to me. It would be attributed to each man who wrote his story, is that right?

Q. That is right. The only thing we attribute to you is that when we asked you whether there had been a loan up to 4 o'clock, you said the clock had stopped.

A. That is right.

Q. But as background, we use it that the British have asked us for financial assistance?

A. No, you are going to write your own story, interpreting what that meant. One of you gentlemen
said you would interpret that as meaning they asked for a loan. I said I wouldn't write it that way. I would use the word, "financial assistance" rather than a loan.

Q. I mean, to make it a little bit more specific, you would see as a correct story a lead which started off that the British Government has asked the United States for financial assistance, without attributing it? Is that correct?

Schwarz: As your interpretation from what the Secretary had said earlier.

Q. Yes. Then the next paragraph would be this was learned today, without attributing it to you.

H.M.Jr: You mean that they have asked for financial assistance?

Q: Yes, sir.

However, at press conference, you said the clock stopped.

When we asked you about it, your statement --

You refused comment.

A. I think that is all right.

Q. Mr. Secretary --
Have any steps been taken preparatory to giving them such financial assistance?

A. No.

Q. When will that matter be laid before Congress?

A. That I can't answer.

Q. It will be laid before Congress?

A. Well, you know what I said the last time. It still stands.

Q. Could you tell us this, sir, for background? Would the nature of financial assistance still require Congressional approval or Congressional action?

A. Well, I made what I considered a perfectly straightforward answer, as far as I am concerned. I haven't changed since then.

Q. Well, I mean if the financial assistance were in one form, if it might conceivably not require any Congressional approval or Congressional action at all.

A. I don't know any way of giving it without Congressional approval.

Q. That would require an amendment to the Neutrality Act, I take it?
A. I know I am repeating myself. I don't know of any way of giving them financial assistance without formal approval by Congress.

Q. Mr. Secretary --
And once and for all -- in other words, you are killing once and for all any devious methods of circumventing any of the Acts. In your opinion, nothing but Congressional approval is necessary?

A. That is right.

Q. Mr. Secretary, have you --

A. Well, I mean I wouldn't -- the answer to your question is emphatically yes.

Q. Mr. Secretary, have you talked over this with any Congressional leaders yet? For instance, George?

A. No, I haven't talked it over with them. It hasn't reached that point.

Q. Is the President apprised of developments up to the present?

A. Now, you know, White House questions........
Q. Mr. Secretary—

A. The President and Mr. Early are both back and at your service.

Q. Mr. Secretary, would you consider approval of say the Senate Banking and Currency Committee, the equivalent of formal Congressional approval, which was what you secured in the case of a new Administration policy on the stabilization fund?

A. Oh, don't pin me down too much. I used the word "formal," didn't I?

Q. Yes.

A. I think that is self explanatory.

Q. Mr. Secretary, will there be any clock stopped when Princess Juliana comes here with regard to a financial discussion.

A. No, I don't think that that is very gallant.

Q. Please don't write that.

A. Will there be any financial discussions when she arrives?

Q. That is something else. But please don't write that, will you.

A. She has to get her mother's permission anyway.

Q. I think she is fairly independent.
A. I really don't know anything about it except what I have seen in the paper.

Q. Like Will Rogers. All you know is what you read in the papers.

A. About Juliana.

Q. Are you going to the White House this afternoon or this evening?

A. You will have to get all that from the White House.

Q. Mr. Secretary, can you give us any more details as to the type of financial assistance which the British apparently have asked for, again for background?

A. No.

Q. Mr. Secretary, the papers have been full of this idea of trading some islands for some cash. Is there anything you can say on that?

A. Didn't I make some statement when I first came back that I wanted to look at their - I used the word "liquid," and then somebody said to use the words "quick assets."

Q. That is right, yes, sir.

A. Well, I still feel that way.

Q. Mr. Secretary, I wonder if you could change now
from the foreign situation to the domestic--

What paper are you reading?

I think it is the Herald Tribune.

I just wanted to be sure.

It says here that the Conference of Mayors and other state officials are opposed to any removal of the tax exemption and that is the same body which I believe defeated previous moves on the part of the Administration to change the tax exemption and--

The same body?

Yes.

Twenty-two states.

Mayor LaGuardia is the head of this thing. Have you any comment? It says here they criticize your plan and the proposal is termed "unconstitutional."

Well, I will say this: I have been in touch with Mayor LaGuardia myself and I think - I mean, I have asked him to take a fresh look at it, the whole question.

Asked him or them?

Him.
Q. Has he replied to your request?
A. Well, it was a telephone conversation and I think he is taking a look at it.

Q. Well, he is the head of the Conference of Mayors--
A. I am not sure whether he is or isn't, but I was just talking to him as Mayor of New York.

Q. "The Conference on State Defense, the United States Conference of Mayors, led by Mayor LaGuardia of New York."

A. Is that a Washington date line?

Q. No, this is the whole story. It is today's Herald Tribune. It says here that this removal of the tax exemption will cost taxpayers a hundred million dollars annually, enough each year to build a new battleship or cruiser. Also that federal taxation of municipal securities would interfere with that vital cooperation of municipalities in the national defense effort.

A. How can it cost the taxpayers a hundred million dollars?

Q. Austin of Vermont made a statement that it would cost something like 10 million dollars annually.
Higher interest rate.
higher interest rates to the municipalities
which have no chance to gain taxes back by re-
ciprocal taxation of federal securities.
Smaller cities certainly wouldn't benefit
by it.
A. Well, I am not going to get into a debate at
this time. I will have plenty to say--
Q. You are not in the Florida Senate.
A. No. We will have time, but I don't want to do
it in a hurry.
Q. Can you give us the gist of Mr. LaGuardia's
conversation?
A. No, I just - it was on a personal basis, and I
invited him to come down to see me and talk the
matter over, and he said he would.
Q. When will he be here?
A. I am not quite sure, but I think he will be here
this week.
Q. This week?
A. Yes.
Q. Mr. Secretary, is there anything on the Argentine
situation today?
A.  No. They met on it this morning. They are making progress. These things take time.

Q.  Chinese?

A.  Same thing.

Q.  Mr. Secretary, I ask this question because you are so closely in touch with national defense. Would you favor at this time a proclamation of national emergency, full national emergency?

A.  No, I wouldn't want to answer that at this time.

Q.  Thank you, Mr. Secretary.

A.  Thank you.
A. No. They met on it this morning. They are making progress. These things take time.
Q. Chinese?
A. Same thing.
Q. Mr. Secretary, I ask this question because you are so closely in touch with national defense. Would you favor at this time a proclamation of national emergency, full national emergency?
A. No, I wouldn't want to answer that at this time.
Q. Thank you, Mr. Secretary.
A. Thank you.
Mr. Secretary, before we get down to business, I thought that you might like to know that this is the last press conference for the first of our members to go into Service, Mr. Royster. It will be Ensign Royster on the first. We will ask him to sing a chanty.

He ought to be able to do a Hornpipe. Well, I congratulate you.

The Wall Street Journal coverage of the Treasury Department will slip considerably.

I don't agree with you.

Mr. Secretary, there is a story out this morning that the Government, inferring you, have passed word to Great Britain that they can go ahead with three billion dollars worth of contracts without worry about --

No.

... How they will pay for it.

Well, here are the facts. The British have prepared a list, see, which I received this
morning and which I will not show you, of orders that have cleared Army and Navy and National Defense. I have been authorized by the President to tell them to go ahead up to the point of the signing of the contracts. Now, I am just talking about future orders, but naturally we would expect them to wait on future orders until the Congress has had a chance to study the whole matter and decide. They are not placing any contracts?

They are not placing any future contracts, with one exception, which I won't tell you about. As a matter of fact, no contracts have been placed since the return of the President. Oh, they may - they may have placed 25 or 50 or a hundred thousand that I don't know about, but talking about in general, you see. There may have been some little thing go through that I don't know about, but there has been no contracts, future contracts, and there will be no future contracts placed until Congress has ample opportunity to study it. Now, in view of the urgency of the
situation and in order to save time, we are advising the British Purchasing Commission that they should do everything possible up to the point of signing. Now, with one exception, and the President gave me the clearance on this morning, and this is cash, for cash, and that is the 60 merchant ships. Now, those 60 merchant ships which head the British list and which they had earmarked 50 million dollars cash for, set aside, there it is, the 50 million dollars cash is there, we are going to tell them this morning, - I am letting you in on it before I tell them - with the approval of the President they should go ahead and place the order for these 60 ships. They are 410 feet long and 9,300 tons, and will do between 10 and 11 knots.

Q. Would you repeat those figures you just gave?

A. They are 60 merchant ships, new, 410 feet long, 9,300 tons, and they will do between 10 and 11 knots.

Q. Those are ships yet to be constructed, are they not?
A. They are orders yet to be placed. They are brand new. The order has not been placed, but after a conference with the President this morning, I am authorized to tell the British Purchasing Mission to go ahead, inasmuch as they advised me that they had 50 million dollars earmarked for this purpose.

Q. I understand that the whole job is going to cost a hundred million, sir.

A. Well, I am only repeating what I know.

Q. Sixty ships at 50 million dollars sounds like awfully cheap ships.

A. As a matter of fact, I understand that these ships - this is a couple of weeks ago. I would want you to check up with the Maritime Commission. But as I understood it, they were to cost them around a million and a quarter apiece and they may have gotten that down, but that is what I was told. So in view of the length of time and everything, 50 million dollars certainly would take care of - well, what? It would come pretty near taking care of it. And they may
have made some other down deposit, but I am only telling you what I know. But they tell me they have got 50 million dollars set aside for this purpose, and certainly if these cost another ten they are good for that and many more tens. So that is where the situation stands as of this morning.

Q. That list, Mr. Secretary --

A. But I want to make it very clear that no contracts for future orders will be signed other than what I am telling you, subject to Congressional action or at least the President consulting with Congress. I think the President "consulting" with Congress would be the correct thing.

Q. Mr. Secretary, can you say approximately what that list aggregates in dollars?

A. No.

Q. The figure three billion has been written pretty generally this morning, Mr. Secretary.

A. Well, I am not going to get into that. I don't know where you fellows got it.
Q. When you say consult with Congress, about what?
A. About the placing of future orders for war materials of Great Britain in this country.
Q. Do you mean, Mr. Secretary, that Congress will be consulted by individual contracts or merely the general method?
A. Well, the President laid it out, didn't he?
Q. Was that Sir Frederick's first acquaintance with that plan?
A. Yes. How could it be otherwise? I mean, nobody knew it but the President.
Q. I assumed it, but I wanted to make sure.
A. Sure.
Q. What was his reaction?
A. Do you know Sir Frederick?
Q. We have talked to him.
A. Then why - did you ever get a reaction?
Q. Only when Merle Cochran prodded him a little in the back.
A. I would hate to play poker with him.
Q. I would hate to be prodded in the back by Merle Cochran.
A. We will not continue this any further. (Laughter)

Klotz: That is wonderful.

H.M.Jr: I want to make it very clear that from the time I left the White House until five o'clock, I didn't talk or breathe or see anybody until five o'clock, so these - the timing of these stories, somebody is drawing a little bit on his imagination.

Q. Do we pay for the plant facilities?

A. I don't want to get into detail. You heard the President. I hear it took him 55 minutes to do it. I certainly couldn't amplify what he said. It is what he said at his press conference; naturally he wants to get advice and consult with Congress on that proposal, and pending that, unless there are some special orders or they produce the cash --

Q. It would be very helpful, Mr. Secretary, if you would just give us some sort of a hint about whether three billion is a good figure or not.
A. No, I am not going to do it.

O. We are up against the proposition that some of us have used that figure and --

A. Well, you will have to consult the source. It wasn't here. But some of these stories, as to the timing of this thing - for example, knowing that the President was going to announce this at his press conference, I was very careful to see nobody, talk to nobody, and I didn't see Sir Frederick until five o'clock that afternoon, waiting until the President - that was a matter of courtesy - until he announced what he had done. After the press conference I saw Sir Frederick, and I wouldn't talk to anybody from lunch time until five o'clock just so that I couldn't by the batting or the wink of an eye let out what the President said, so I mean the story I am referring to is in the New York Times.
Q. Before we leave this particular subject, in that connection, Mr. Secretary, what can you say about a proposal mentioned in some papers this morning about requiring 30 Danish ships now in American ports - making them or equivalent vessels available to the British?

A. Let it go and see the Maritime Commission on that.

Q. Thirty-seven is the figure I got, Mr. Secretary.

A. Well, I am not going to -

Q. Mr. Secretary, when you use the phrase "consult with Congress," do you mean to imply, Sir, that legislation will not be necessary but rather a Congressional vote of confidence?

A. I don't know, so therefore I thought "consult" was a more accurate word to use. I don't know.

Q. I wasn't at the President's press conference. I read everything I could. I used the word "consult," and I am not intimating anything, but I just thought it was a safer word to use.

Q. Mr. Secretary, how long will it take to build these new ships?
A. You had better get that from the British or the Maritime Commission.

Q. Mr. Secretary, is there anything you could tell us about--

A. My guess is, but it is pure guess, I think about a year, but you had better check up on it. As I remember the - there is so much happens - my guess is that - once they are talking about - talking about one kind of ship and another, but my guess is that - I think they said about a year.

Q. Mr. Secretary, is there anything--

A. Between a year and a year and a half to build the lot, I think.

Q. Is there anything you could tell us about where they would be built, Mr. Secretary?

A. You had better get that from the Maritime Commission.

Q. They are right slow over there sometimes.

A. Well, sometimes I am too quick. All right, gents?

Q. Anything on Argentina, Mr. Secretary?

A. Not a thing.
Q. No appointments?
A. No.
Q. Mr. Secretary, is there going to be a tax conference up here before the end of the year between Mr. Harrison and Mr. Doughton and yourself and any of the other gentlemen, do you know?
A. You never know when it is going to rain or snow.
Q. Mr. Secretary, would you make any comment on this meeting you had with Mr. LaGuardia yesterday? He said a flat "No", and he said - he just got a word in edgewise about this.
A. Well, that is Fiorella. Did you ever know him not to hold up his end of the conversation? Some of you boys out there heard the laughter, and I wasn't telling all the jokes, either. Did you ever know him not to hold up his end of the conversation?
Q. No.
A. Mr. Secretary, does Mr. LaGuardia's position on this question of tax exemption change your program?
Q. No. What was the word you used?
A. Program.
A. No, but Mayor LaGuardia’s what?
Q. No, position.
A. No, but his attitude encourages me.
H.M. Jr: O.K., gents.
Q. Any further steps, Mr. Secretary, on aid to Greece? Further steps?
    Well, you said that the British might release - I wonder if the Army has released any equipment to the British which they might have released to Greece?
A. I don't remember that I ever said anything like that.
Q. Well, any aid to Greece?
A. You have got me mixed up with somebody else.
Q. Any aid to Greece?
A. Not that I can talk about.
Q. Not that you can talk about?
    Do you mean to imply, sir, that there has been some?
A. I just don't want to talk.
Q. Have you had any requests from any agents?
A. I think - I think I had better not get in on that.
Q. Do you think there will be an announcement shortly?
A. I don't know.

Q. Mr. Secretary, not to raise any personal questions --

A. A little Christmas present for Greece.

Q. Mr. Secretary, not to raise any personal questions, but just so we kind of know how the things work, under this new system of lending things to Great Britain, where will you, as the President's liaison, come in, or will they short circuit you under this new system?

A. I don't know. I have been so busy on it that I haven't had time to even give it a thought.

Q. Mr. Secretary, how early do you expect to get that plan up before Congress?

A. Me?

Q. I don't speak of you individually, but you have been working on it. I mean the Administration.

A. I don't know.

Q. Mr. Secretary, there is talk that there may be another Christmas present for Sir Frederick Phillips in the form of ships of belligerent and German
controlled governments. I wonder if you can say how that is coming along?

A. I can't help you out.

Q. Are there studies going along of the law involved, studies of the --

A. I don't want to get in on that discussion.

Q. I understand you worked here yesterday on the British plans.

A. I worked here?

Q. Yes.

A. On British plans?

Q. Yes.

A. I work every day on British plans.

Arthur Purvis got back today.

Q. Was he in this morning?

A. He will be in tomorrow morning.

Q. Tomorrow morning?

A. Yes.

Q. Who is that?

A. Arthur Purvis. He landed today.

Q. What time?

A. He is coming in early.
Q. Will he come in with a request?
   Tomorrow being a holiday, what is early?
A. Well, I think if you men got here by 9:30, you
   wouldn't miss him.
Q. Pretty early for a holiday.
A. He would still be here at a quarter of ten.
Q. Are you going to make him get up that early on
   Christmas Eve morning?
A. I mean you want to see him when he goes out.
Q. Well, we want to see him.
A. Well, tomorrow isn't Christmas. After all, you
   are not a Government worker. Where do you get
   this holiday stuff? The President didn't give
   you a holiday tomorrow.
Q. No. He didn't give us anything else, either.
   We are entitled to hope, though, Mr. Secretary.
A. Well, I just thought you men would like to know.
Q. Mr. Secretary, do you expect Sir Arthur to come
   in with more detailed list of the British
   requirements, more detailed than that balance sheet?
A. I can't answer your question.
Q. Mr. Secretary, could you give us any idea of what specifically Mr. Purvis wants to talk about tomorrow?
A. I suppose he wants to tell me about his trip. That is all I know.
Q. Well I mean, have you communicated with him to ask him for anything specific?
A. He called me up from the - I don't know what they call it, dock or wharf at LaGuardia Field.
Q. Today?
A. Today, yes, to say hello and could he come down to see me. The reason he wants to make it early is because he wants to get back to his family Christmas Eve. So I said, "Sure, come in the first thing."
Q. Mr. Secretary, have you had any discussion with Sir Frederick on the priorities concerning the British requests?
A. I am not free to discuss it.
Q. Mr. Secretary, how do you think production is getting along, as we approach the end of the year?
Q. Mr. Secretary, could you give us any idea of what specifically Mr. Purvis wants to talk about tomorrow?

A. I suppose he wants to tell me about his trip. That is all I know.

Q. Well I mean, have you communicated with him to ask him for anything specific?

A. He called me up from the - I don't know what they call it, dock or wharf at LaGuardia Field.

Q. Today?

A. Today, yes, to say hello and could he come down to see me. The reason he wants to make it early is because he wants to get back to his family Christmas Eve. So I said, "Sure, come in the first thing."

Q. Mr. Secretary, have you had any discussion with Sir Frederick on the priorities concerning the British requests?

A. I am not free to discuss it.

Q. Mr. Secretary, how do you think production is getting along, as we approach the end of the year?
A. Well, I guess there has been enough talk without me putting mine in.

Q. Thank you, Mr. Secretary. Merry Christmas.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, DECEMBER 26, 1940

H.M. Jr: All right, gentlemen. Everybody seems sober. (Laughter) I could also say you look bright. What is worrying you fellows today?

Q. Not a thing.

A. Just a hangover, Mr. Secretary.

Q. That is a pleasant worry.

A. Not a thing.

Q. What about the Argentine settlement?

A. I hope to get something this week. Let's say within a week. I think that is safer.

Q. Before New Year's, probably.

A. Oh, we will clean it up before New Year's.

Q. That is the final signature on the contract?

A. Well, I can't speak for them. They are waiting for something. We are making a serious effort to finish it before New Year's.
Q. Mr. Secretary, can you throw any additional light on Mr. Purvis' conference with you the other day?
A. No, the publicity that you fellows wrote, news story, whatever you call it, was excellent.
Q. You notice that we carefully skirted saying what was discussed in here.
A. Yes.
Q. Well, we didn't do that purposely.
A. I see. Well, I thought the story was excellent. I compliment you on it. I noticed one columnist wrote the next day it was the best story that came out of Washington.
Q. Well, it was the only one that day.
Mr. Secretary, in view of Mayor LaGuardia's stand, have you altered your plans to seek the revocation of tax exempt features?
A. I am encouraged.
Q. You were encouraged by his attitude but not by his statement, if I recall it correctly.
A. By his attitude. I was encouraged. We will go along.
Q. Thank you, Mr. Secretary.
A. You are welcome.
GOOD AFTERNOON, MR. SEC. Jan. 1. NEW YEAR.

Q. Happy New Year to you all.

H. M. Jr: You say it will be?

A. I say, "May it be."

All right ladies and gentlemen.

Q. Mr. Secretary, would you give us any indication why Mr. Eccles and Mr. Currie conferred with you a short while ago?

A. Well -

Q. Have a heart.

A. Well - no, I can't do it.

Q. Ah. Was it financing, Mr. Secretary?

A. No.

Q. I didn't hear you.

Well, it leaves us to draw conclusions, and we might draw the wrong ones.

Mr. Currie is the financial advisor to the President and Mr. Eccles also is chairman of the Federal Reserve Board, and conferring with the Secretary of the Treasury--

A. And so what?
Q. It also follows a conference between Mr. Eccles and the President.

Financial aid to Britain?

A. You will find out. Mr. Eccles is going to make some move, and we will wait until he does it.

Q. Will it be taking advantage of raising expense reserves to the full limit?

A. You will have to get it from Mr. Eccles, what he was over here for. It was his business.

Q. It concerns the Federal Reserve Board?

A. It is his business.

Q. Is it of a monetary or banking nature?

A. Mr. White was with you.

Q. It is his business. I mean, it is up to him to say what he was here for.

A. He wouldn't say. We asked him. He left it up to you, sir.

Q. Well, I am sorry. It was his business.

A. When is it that he will do something?

Q. I think this year.

A. Oh. 1940?

Q. I think so. But it is his business. That helps
you a little bit.

A. Yes, a lot of mystery. There is more mystery about this stuff going on here and when it breaks, oh, baby.

A. Well, anyway, it was his business.

Q. Well, he came over here to talk to you.

A. About his business.

Q. Would that be necessary, sir, if it concerned the Federal Reserve System solely?

A. I can't help you out, I am sorry.

Q. How long was he here, sir?

Fifteen minutes?

A. I don't know. I don't watch the clock.

Q. Had this conversation, Mr. Secretary, anything to do with the luncheon and conversation with Mr. Purvis?

A. Nothing to do with it.

Q. Well, now--

Can you tell us something about that luncheon, Sir?

A. I am sorry. I won't be very helpful, I am afraid--
Q. Could you tell us something about your meeting with Mr. Purvis prior to the luncheon? He was here, I believe, about an hour or an hour and a half.

A. Well, we have gone over his problems and after all, he has just come back from England and we didn't begin to cover 10 percent of the ground that he has. He will be back, I imagine, many more hours, informing me what he learned as to the needs of Great Britain. It will take considerable more time to go over the whole situation.

Q. Mr. Secretary, in recent discussions of both official and informal character, the phrase of this - this 90 day phrase of the British has been emphasized and re-emphasized. Is there anything you could tell us about what this country could actually do in 90 days?

A. I don't know, really, what you mean. You will have to help me out.

Q. Well, the phrase of 90 days has been applied to the discussion of Great Britain's very critical need at this time.
A. I am not trying to avoid the question. I really don't know what you mean.

Q. What I mean is that the discussions have created a very obvious impression that the British want something done in 90 days.

In other words, that Germany might make an invasion during the next 90 days or early spring.

A. I didn't understand it. No one has ever mentioned 90 days to me.

Q. It was brought up, Mr. Secretary, I think at the State Department conference where one of the boys asked Mr. Hull about - there was an impression in the papers that England must be given help by or before 90 days or else, and it was then that the cycle began.

Mr. Hull said that?

No--

Mr. Purvis himself said it the other day, as he left your conference, Mr. Secretary.

Has there been any mention of three months?

A. I can still say that nobody has mentioned a time factor to me.

Q. Now we have got something.
A. Nobody has given me a time factor.

Q. Mr. Secretary, what need do the British place on the top of their list?

A. I am not prepared to answer that.

Q. Is it ships?

A. I say I am not prepared to answer that.

Q. When you say "time factor", Mr. Secretary, you mean in terms of so many days or so many months?

A. They haven't mentioned time at all.

Q. Isn't it correct that they want to get material very quickly?

Isn't that in a sense a time factor?

A. Yes, but I meant nobody said whether it was 30 days or 90 days. I mean, naturally if they want to buy planes they would like to have them as of yesterday if they could get them, but I mean I am just not familiar with this term of 90 days or three months. It hasn't come up in the discussions I have had with them.

Schwarz: No deadline.

H.M.Jr: No, I mean it just doesn't - they place an order and they would like to get it just as quickly as
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Schwarz: No deadline.

H.M.Jr: No, I mean it just doesn't—they place an order and they would like to get it just as quickly as
it can be produced.

Q. Yes, and the whole talk is now to get it as quickly as possible.

A. Oh, it has always been. They have always wanted it just as fast.

Q. But hasn't there been an effort to speed up in the last few weeks? Other departments indicate so.

A. Well, I mean whenever I have talked to them there has always been the question of speed. They have always wanted it just as fast as they could get it with as little time lag as possible.

Q. Mr. Secretary, did you talk with the Chinese mission today about aid to China?

A. No, I haven't talked with them.

Q. Mr. Secretary--

Is there anything on that?

A. I read the story.

Q. Is there anything in the President's address--

A. I gathered somebody had been talking, but I don't think it was the Treasury. It was a good story, I mean an interesting story.

Q. Well, is it true, Mr. Secretary?

A. Is it true? Well, I guess you will have to ask
General Mao.

Q. You said it was a good story.

A. Well, I liked to read it. I read detective stories and the Saturday Evening Post and Time and the Ladies Home Journal.

Q. Doesn't their veracity interest you at all?

A. Well—

Q. We try to make them that way.

A. Well, I don't like to go into that.

Q. Mr. Secretary, the President in his fireside chat last night mentioned China and Greece. Does the lend-lease policy apply to those two countries also or to Great Britain alone? No one has ever made that clear. What is your understanding?

A. My understanding is that it would apply to anybody.

Q. I didn't quite get the question that preceded that. Was it whether it would apply to Greece and so forth?

A. I said it might apply to anybody.

Q. You said it might?

A. It might apply to anybody. It might apply to anybody.
Q. What do you mean by "might", Mr. Secretary?
A. Just that.
Q. Mr. Secretary, would that "might" be conditioned on the financial resources of that other party?
A. It depends upon what Congress does.
Q. Have plans been made to lay this issue before Congress immediately after it convenes?
A. I can't answer the question.
Q. The reason I asked that, sir, is in view of all this great haste and great need for immediate relief and we have to sort of speculate on what would happen. If you could throw any light on what will be brought out, we would appreciate it.
A. I am sure you would. I think you will have to wait until later, as far as I am concerned.
Q. Mr. Secretary, have you been having any three-cornered conversations with Phillips and Soong?
A. No.
Q. You haven't had them both in here at once?
A. I can say truthfully no.
Q. On the Chinese planes, Mr. Secretary, it is true,
isn't it, that recently or sometime in the past they have been negotiating with persons in your department in the acquisition of planes?

A. That is correct.

Q. You or your officials have told them that we couldn't let them have any planes for the present, is that right?

A. No, that is not correct.

Q. They haven't gotten any planes yet.

A. No.

Q. They have been trying some time.

A. That is true.

Q. What is the delay?

A. Well, there are just not enough planes to go around.

Q. Have you given them any indication when they might be able to get some?

A. I can't answer that.

Q. Will they get some?

A. I am not prepared to answer that.
Q. Mr. Secretary, you answered in the affirmative when Mr. Kenworthy said they haven't got any. That means, then, that - we have heard stories that they have gotten some.

A. They may have gotten 5 or 10 or 3 or 4, but I am thinking in terms of any quantity. I am talking also in the last 8 months. As far as I know, I doubt if they have gotten any that amounted to anything. There may have been 5 or 10 that got through, but I don't know.

Q. Does your statement, Mr. Secretary, apply to commitments as well as deliveries? You say they haven't gotten any. Do you mean that they haven't been promised any or haven't been delivered any?

A. As far as I know, my best guess is - I may be wrong - my best guess is in the last few months, as far as I know, there have been very few planes delivered to China. I may be wrong, but that is my best guess.
Q. That is delivered?
A. Delivered.

Q. Have they been promised any large numbers?
A. I don't want to answer that question.

Q. The situation is not closed yet, Mr. Secretary?
A. I refer you to General Mao.

Q. But the talks are not over yet, there is no final decision against it at least? It is still an open matter?
A. No, we are still talking with General Mao.

Q. Mr. Secretary, have you increased over the past several days, or do you contemplate increasing the American production percentage that is going to the British?
A. I can't answer that.

Q. What is that figure now, Mr. Secretary?
A. What figure?

Q. The percentage of aircraft going to Britain. Is it 60 or 40?
A. No, I am not going to answer that.

Q. Mr. Secretary, have you decided on how much debt increase you are going to ask Congress to give you?

A. Too close to the President's Budget message now. I think we will just have to sit back and wait.

Q. Have you sent it -- Would you consider --

A. We won't have to wait very long.

Q. Will the Budget message include the hiking in the --

A. If you don't mind, I am going to beg off on anything Budget or --

Q. I thought your question might infer the other.

A. I didn't mean to. If I did, I slipped.

Q. Mr. Secretary, there have been several stories written in regard to the future acquisition of Danish vessels in this country. I hear that the vessels have already been inspected by Coast Guard authorities and also that Mr. Jackson is
preparing an opinion to the effect that this
government could acquire these vessels. Would
you comment on that?

A. No. I would love to, but I can't.

Q. How about the --

Also there has been disagreement between the
Treasury Council and the State Department Council
as to whether this government has the power or
the right to seize these vessels.

A. If that is so, I don't know about it.

Q. Mr. Secretary, along that same line --

A. If that is true, it is news to me.

Q. How about the inspection by Coast Guard?

A. Well, that I never heard of.

Q. I hear that Isbrandtsen Moller's representative
did take Coast Guard men to Baltimore to examine
these vessels.

A. If Coast Guard did it, I don't know about it.

You ask Herbert Gaston.
Schwarz: I will check with Herbert.

H.M.Jr: I just don't know. They might perfectly well have done it, and I wasn't informed, which would be quite all right.

Q. Mr. Secretary, would you think it necessary to consult Congress in order to materially or to any extent increase the percentage of defense production that is diverted to Great Britain?

A. I couldn't answer that.

Q. It hasn't been done in the past, has it?

A. I don't want to answer it.

Q. Mr. Secretary, have you got a story you want to give us today?

A. I don't blame you for asking that one. I would love to give you a story, but I am sorry --

Q. Does this table on your desk mean anything?

A. This table? You can have that. It is just today's market sheet.

Q. You usually have a table like that when you want to say something.
A. I would love to give you a story to finish off the year, but I am sorry. It is one of those "no" days.

Q. Mr. Secretary, is any consideration being given to freezing the assets of the Germans?

A. You fellows read all these columnists. You shouldn't follow them so closely. You fellows shouldn't read them so closely.

Q. What is the answer?

Well, apparently you read the most of them.

A. Somebody just puts them here. My friend Gene Duffield has been writing something.

Q. Mr. Secretary, about this news Mr. Eccles is going to make --

A. I was trying to keep up with him and it keeps me going.

Q. About this news Mr. Eccles is going to make, would it possibly concern gold?

A. Well now, Eccles can talk when he wants to.

Q. Do you think he is going to resign?

Oh.

I think so.
A. I don't know.

Q. Do you think this move will come today, Mr. Secretary?

A. Well now, they are perfectly able to take care of themselves. They always have, and I am sure they can.

Q. They don't always take care of us.

A. That is something else again.

Q. He is going to have an awful lot of phone calls.

A. Who?

Q. Mr. Eccles.

A. Good.

Q. Can't you save him some of those?

A. No.

Q. Mr. Secretary, Mr. Hull implied this morning that you would probably give us a story. I gathered as much.

A. On what?

Q. Oh, financial matters.

A. Well --
Q. He said the heads of the different departments --
A. I don't know who has a press conference after me, but if there is anybody I would refer you to them.

Q. Mr. Secretary, you wound up last week your Argentine negotiations, didn't you? You are all through on that?
A. Except going through the very painful operation of having my picture taken.

Q. But the business is all wound up?
A. Finished.

Q. Is there going to be some with other Latin American countries soon?
A. Not this year.