

PRESS CONFERENCES

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MAY 1, - SEPT. 29, 1941

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Defense Program, National

HWR cites following expenditures for defense program and states that if something is not done to ration manufacture of civilian goods, factories cannot produce essential war materials:

1. April expenditures \$761 million
2. May expenditures \$837 million
3. June expenditures \$806 million
4. Last half July expenditures \$461 million - 7/14/41.....

(See Statement p. 256)

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|--|---|--------|
| a) Leon Henderson of OPA working on plan to ration production of certain civilian goods; if allowed to enforce plan, will speed up war production - 7/17/41..... | " | 249-50 |
| b) HWR mentions automobile industry as one of glaring examples, but says there are many others - 7/17/41..... | " | 250-51 |

Defense Savings Bonds and Stamps, U. S.

HWR distributes National Defense Stamps to members of Treasury Correspondents' Association - 5/1/41..	"	1-2
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HWR going to Detroit, unannounced, in order to ascertain how shop stewards in Detroit react to local man advocating participation in payroll deductions for Defense Savings Bonds - 9/18/41.....	"	359-61
Detroit		
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Domestic Employees		
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Dubinsky, David, President, International Ladies' Garment Workers' Union		
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Federal Reserve System		
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7/21/41.....	"	257-58
Financing, Government		
HWR feels if Congress would follow his suggestion and study non-defense expenditures (in view of defense		

Financing, Government (Continued)

spending, increased national income, etc.,) at least \$1 billion could be saved off January Budget figures for fiscal year 1942 - 5/12/41.....	Book 18:	36-44
a) With Bureau of Budget removed from Treasury, RWJr no longer has mechanism for complete analysis, but President complimented him on recommendations - 5/12/41.....	"	38-39
b) RWJr does not wish to point out places where savings can be effected, but feels Congress should easily determine them - 5/12/41.....	"	40-44
RWJr contemplates refunding \$634 million August 3-3/4%, bonds issued in 1933, as well as asking for at least \$500 million new money, if nothing happens outside US to upset our financial market - 5/15/41.....	"	50-51
\$211 million coming due July 20, will be refunded and in addition \$300 million cash will be borrowed for Reconstruction Finance Corporation - 6/29/41..	"	154
\$511 million financing to be done for RFC; \$211 million refunding; \$300 million cash - 1% securities maturing 4/15/44 - 6/23/41.....	"	177-78
\$403 million financing to be done for Commodity Credit Corporation; \$203 million maturing August 1; \$200 million cash - all in notes - 7/3/41.....	"	203-04
With aid of Federal Reserve System, Treasury has formulated plan to offer tax-payers two series of notes each year, for purpose of saving toward payment of succeeding years' Federal taxes - 7/3/41..	"	204-11
a) Will make it easier for tax-payers and also to check upon spending for non-defense items and resulting inflation - 7/3/41.....	"	205-11
1. See Press Service No. 26-30 - 7/3/41.....	"	218-21
Tax notes going very well; President bought \$1200 worth and one corporation has already bought \$17 million worth - 8/4/41.....	"	270-72
Corporation mentioned in August 4, conference has now purchased \$150 million tax notes - almost half of total bought to date - 8/14/41.....	"	309

Financing, Government

Defense Savings Bonds and Stamps:

30 million stamp books originally ordered; number has been increased to 50 million - 5/5/41.....	"	11
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Financing, Government (Continued)

Defense Savings Bonds and Stamps:

\$25 and \$50 denomination bonds ran out; Bureau of Engraving and Printing worked two shifts on week-end to supply more - 5/5/41..... Book 1E: 11

Bonds of 3 top labor organizations (William Green, American Federation of Labor); Philip Murray (Congress of Industrial Organizations); J. A. Phillips (Railroad Brotherhoods) advised EWJr they were investing their funds in Defense Bonds and urging members to do so - 5/5/41..... " 11-12

Post Office in U. S. Capitol under control of some committee which prevented putting bonds and stamps on sale in Capitol for convenience of Congress; Harold Graves remedying situation at once - 5/5/41..... " 12-13

a) EWJr also proposed that purchasing facilities be put in each State Capitol - 5/5/41..... " 13

Bond sales over US going very well but statistics too incomplete to publish first week's results; new reporting system being worked out to speed up reporting - 5/5/41..... " 14-15

a) Sales drive to be continuous but details not finished - 5/5/41..... " 17-19

From May 1-10 over \$159 million Defense Savings Bonds and Stamps sold - 5/12/41..... " 30

a) EWJr feels anything over \$300 million for May will meet expectations - 5/12/41..... " 31

b) U. S. Savings Bonds (baby bonds) sold around \$90 million per month - 5/12/41... " 31-33

c) Fact that stamp books and \$25 and \$50 bonds ran short would indicate that program was reaching small investors as hoped - 5/12/41..... " 34-35

d) Program being tried in 6 or 7 States to determine what sales effort is best to pursue - 5/12/41..... " 35-36

From May 1-14, \$214 million Defense Savings Bonds and over \$2 million Defense Savings Stamps have been sold - 5/15/41..... " 49

In refutation of statements that Defense Savings Bond and Stamp sales have not been successful, EWJr states that average of \$15 million per day is beyond original expectations; definitely opposes compulsory savings - 5/22/41..... " 74-80

Financing, Government (Continued)

Defense Savings Bonds and Stamps:

a) Does not want Market flooded with bond offerings, which would tend to lower their value, as occurred during Liberty Loan drives and people lost money - 5/22/41.....	Book 18: 76-77
b) If factory workers voluntarily want deductions made from salaries by employers, EWJr would be glad, but he definitely disapproves enforced savings - 5/22/41....	" 78-79
c) With voluntary investments and tax program (which will limit excess war profits) EWJr feels Treasury will have accomplished its share of responsibility for preventing inflation in proper democratic way - 5/22/41.....	" 79-80
SEE Speeches by EWJr - 6/2/41.....	" 93-96
SEE Speeches by EWJr - 6/5/41.....	" 110-115
Irving Berlin composes song to promote sales of Defense Savings Bonds and Stamps, "Any Bonds Today?", and presents copyright to EWJr as Secretary of Treasury - 6/12/41.....	" 123-24
EWJr reads statement that hundreds of companies in US have adopted salary allotment plans for purchase of Defense Savings Bonds and Stamps, at request of employees; gives press list of companies and asks it be publicized - 6/19/41..	" 155-56
a) Where unions operate, initiative taken by leaders and members - 6/19/41.....	" 155-56
EWJr gives Press representatives recording of Irving Berlin's two songs, "Any Bonds Today?" and "This Is The Army" - 6/19/41.....	" 156-58
a) Will be sung on radio by Barry Wood, Lucky Strike Hour, June 21 - 6/19/41.....	" 156-58
EWJr gives press list of companies which have indicated their willingness to install payroll allotment plans to aid employees in buying Defense Savings Bonds - 6/23/41.....	" 167-69
a) EWJr agrees to have future list released through State offices - 6/23/41.....	" 168-69
1. See list p. 160.	
Committee from Federal Reserve System called on EWJr to offer closer cooperation in sales of Defense Bonds and Stamps - 7/21/41.....	" 257-58

Financing, Government (Continued)

Defense Savings Bonds and Stamps:

<p>HMW pleased with sales of B Bonds; 4 times more sold than baby bonds year ago - 7/21/41.....</p> <p>a) Defense Bond sales helping absorb extra money and aid in preventing inflation - 7/21/41.....</p> <p>HMW issues figures for May, June, and July, showing rapid increase in Defense Savings Stamp sales since retailers opened outlets - 9/11/41..</p> <p>a) Figures for August sales dropped below July; record of sales for US Savings Bonds for last 2 years show same downward curve during vacation months, but increase in fall - 9/11/41.....</p> <p>(See Statement p. 343)</p> <p>b) Retailers feel, by September 15, there will be 250,000 retail outlets for selling Defense Savings Stamps - 9/11/41.....</p> <p>1. One food chain advised HMW it would cost them \$1/4 million to stock each store with stamps but are doing it gladly.</p> <p>2. First experiment in retail distribution, conducted in State of Michigan, with excellent results.</p>	<p>Book 18: 256-59</p> <p>" 259</p> <p>" 325-29</p> <p>" 326-27</p> <p>" 327-29</p>
<p>Finland</p> <p>SEE Foreign Funds Control - 6/16/41.....</p>	
<p>Foley, Edward H., Jr., General Counsel, Treasury Department</p> <p>SEE Foreign Funds Control - 6/16/41.....</p>	
<p>Foreign Funds Control</p> <p>President issued Executive Order 8389, as amended, June 14, 1941, freeing funds of Albania, Andorra, Austria, Czechoslovakia, Danzig, Finland, Germany, Liechtenstein, Italy, Poland, Portugal, San Marino, Spain, Sweden, Switzerland, and U.S.S.R. - 6/16/41</p> <p>a) Comptroller of Currency sent staff of 50-60 men to New York City to handle frozen funds - 6/16/41.....</p> <p>b) Neutral countries will be given general license to continue operations as long as they adhere to prescribed regulations - 6/16/41.....</p>	
	<p>" 137-52</p> <p>" 137-52</p> <p>" 137-52</p> <p>" 138-39</p> <p>" 144-45</p>

Foreign Funds Control (Continued)

- c) Dean Acheson of State Department; Francis Shea of Justice; and Ed Foley of Treasury will meet daily to advise on problems arising from freeze order, as presented by John Pahl, Director, Foreign Funds Control - 6/16/41..... Book 18: 148-51
- d) Foreign Funds Control unit will have to expand personnel to handle volume of work resulting - 6/16/41..... " 152
- On written request from GPM, license was issued to Cheney Silks to withdraw Japanese silk, frozen in bonded warehouses, with which to make parachutes for Army - 8/7/41..... " 287

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Germany

- SEE Foreign Funds Control - 6/16/41..... " 137-52
- SEE U.S.S.R. - 6/23/41..... " 169-73
- SEE Ships - 7/14/41..... " 240-42

Sold

- "Off the record", HWR explains why Treasury made straight advance of \$10 million dollars to USSR, against future deliveries of gold to be delivered within 90 days - 9/18/41..... " 348-58
- a) Dollars needed by Russia to meet commitments for goods purchased from US manufacturers by Amtorg for Russian Government - 9/18/41.. " 352-55
- b) Arrangements made with Russian Ambassador Oumansky, with approval of State Department - 9/18/41..... " 355-57
- c) Was not stabilization operation as USSR has no stabilization system - 9/18/41..... " 358
- Russia has already paid off more than \$5 million of the \$10 million advanced against gold deliveries - 9/22/41..... " 364-65

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Green, William, American Federation of Labor

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- SEE Speeches by HWR - 6/5/41..... " 110-15

Groves, Dr. Harold M., Professor of Economics,
University of Wisconsin
SEE Tax, Studies - 6/12/41..... Book 18: 124-36

Gulick, Dr. Luther, Director, Institute of Public
Administration
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Harrison, Pat, Senator (Miss.)
HWR will attend burial services in Mississippi on
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Heer, Dr. Clarence, Professor of Economics, University
of North Carolina
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Henderson, Leon, Administrator, Office of Price
Administration
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Latin America

Mexico:

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Land-Lease

British Investments in US:

Due to slump in stock market in last few months,

British, though willing to sell their investments, have been unable to get fair prices; to assist them to obtain dollars with which to meet obligations promptly, Congress has authorized EFC to make loan - 6/26/41.....

a) Sir Edward Peacock informed HWR he and his government were entirely satisfied with sale of Viscose Company - 6/26/41.....	" 186
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1. Viscose deal not basis for making loan to Britain.

b) As of December 31, 1940, British contracts in US were about \$1.5 billion, running into 1942 - 6/26/41.....	" 193-202
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c) When market is right and investments can be liquidated without sacrifice, these funds will be used to repay EFC - 6/26/41.....	" 200-02
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China:

Treasury placed order for 10 million yards of cotton goods for Chinese uniforms - 8/7/41.....	" 289-90
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Lichtenstein

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Lucky Strike Hour

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MacKenzie King, W. L., Prime Minister, Dominion of Canada

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Shea, Francis H., Assistant Attorney General		
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Ships		
On March 30, 1941, when Coast Guardsmen were placed on foreign vessels, there were about 70, of which about 26 were German and Italian owned; remainder belonged to invaded countries some of which are being purchased currently; others are tied up be- cause of legal problems; those sabotaged will be turned over to Maritime Commission after being taken over by Treasury through seizure and for- feiture - 7/14/41.....	"	240-42
Silk		
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Speeches by HBJr	
HBJr to make radio speech from Washington, D. C., at 9:45 PM, June 5, to report results of first month's (May) sales of Defense Savings Bonds and Stamps - 6/2/41.....	" 93-96
Announces that \$438.2 million bonds and \$3.5 million stamps bought in 22 States during May; labor, industry, banks, civic organizations - whole nation responding - 6/5/41.....	" 110-15
a) Organizing will continue until every community in US has been reached - 6/5/41..	" 110-15
b) See text of speech - 6/5/41.....	" 110-15
HBJr to address Boston Advertising Club September 9, on subject of "Inflation" - 9/4/41.....	" 327
HBJr pleased with newspaper reaction to Boston speech - 9/11/41.....	" 330
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Stabilization arrangement with China operating satisfactorily - 5/15/41.....	" 64-65
Treasury negotiating with Mexico on stabilization loan - 8/4/41.....	" 318-20
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Excess Profits:

Proposal submitted to Congress on excess profits tax would increase yield from corporations, including income tax, net of \$1.96 million - 5/19/41..... Book 18: 66-67

a) Net increase in corporation taxes is about \$303 million over previous recommendation of Treasury - 5/19/41..... " 66-67

Ways and Means Committee of House of Representatives rejected Treasury's recommendations, for increasing excess profit taxes on corporations - 6/5/41. " 99-101

a) HWR predicts that defense program is going to demand that corporations contribute liberal share of their profits to pay expense; is willing to bide his time until conditions prove his recommendations are warranted - 6/5/41..... " 99-101

SEE Tax, Profit Limitation - 9/25/41..... " 372-85

SEE Tax, Profit Limitation - 9/29/41..... " 365-403

Excise:

Treasury informs Congressional Committee it would be agreeable to increasing excise tax on durable goods, such as automobiles, refrigerators, cameras, clocks, etc., which in turn should offset the proposed reduction of excise tax on non-durable commodities - 5/19/41..... " 68-69

Income:

In response to Bishop Wm. T. Manning's (Bishop, Episcopal Church, Diocese of New York) statement that joint income tax returns make people live in sin, HWR feels if a man's wedded life depends on his tax returns, it hangs on a pretty thin thread" - 7/21/41..... " 64-65

HWR favors joint tax returns, with one proviso that either husband or wife can earn separate incomes - 8/4/41..... " 272-74

Municipal:

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Profit Limitation:

In hearing before Senate Banking and Currency Committee, HWR made statement proposing 5% limitation on war profits - 9/25/41..... " 372-85

a) His suggestion met with favorable newspaper stories; also endorsed by American Legion - 9/25/41..... " 372-75

Tax (Continued)

Profit Limitation:

- b) Since members of Army and Navy must make many sacrifices, businessmen, farmers, and workers should be willing to accept reasonable profits - 9/25/41..... Book 18: 377-78
 - 1. No one should have special advantage from national defense spending - especially from profit angle.
 - c) Means must be found to equalize effect of limitation on big and small business - 9/25/41..... " 379-85
 - d) Matter should be handled as separate bill by Ways and Means Committee and not as rider on Price Control Bill - 9/25/41..... " 380-81
- Treasury studying whole 6% profit limitation problems so as to make it most equitable - 9/29/41.. " 386-403
- a) Study will require several months to prepare bill; tax then will apply to 1942 business - 9/29/41..... " 387-94

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Studies:

- HWR asked Drs. Luther Gulick, Harold Groves, Mabel Newcomer, and Clarence Reer to assist Treasury in making a study of overlapping of Federal, State, and Municipal taxes, with a view to eliminating confusion of overlapping and expense incident to present independent political factions, each levying and collecting their own - 6/17/41..... " 124-36
- a) Feels greater economy, efficiency, and productiveness can be achieved - 6/12/41.... " 125-27
 - b) When FDR was Governor of New York, HWR had similar study made; many basic changes were made as result - 6/12/41..... " 126-34
 - c) See formal statement - 6/12/41..... " 136
- HWR opposed to enforced saving; prefers broadening of social security coverage; Treasury now studying 3 phases of taxes to curb inflation and provide future "cushion" for workers when war is over: (1) Bringing more people under social security, such as agriculture and domestic workers; (2) Increasing the percentage now being contributed by employer and employee; and (3) Possibility of establishing "Separation Wage" as cushion for workers when war work falls off - 6/14/41..... " 310-16

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- a) Will present plan to Congress for their study and consideration as anti-inflation measure - 8/14/41..... Book 18: 315

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- a) Proposed plan for placing surtax on partially exempts does not affect deductions in determining normal tax net income; but income from them will not be deducted in determining surtax net income - 5/1/41..... " 8-9
 - b) Partially exempts already subject to other types of surtax, viz.: - 5/1/41..... " 9
 - 1. Surtax under Section 102 for withholding disproportionate amount of earnings and personal holdings;
 - 2. Holding company surtax;
 - 3. Declared value of excess profits.
 - c) No taxation of new issues will become retroactive to tax-exempt bonds previously issued - 5/1/41..... " 10
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REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MAY 1, 1941.

(The Secretary distributed National Defense Stamps to the members of the Treasury Correspondents' Association.)

- H.M.Jr: My compliments with these.
- Q. Do you want a dollar for these?
- A. No. I do this every five years.
- Q. A dollar every five years?
- A. Twenty cents a year.
- Q. Mr. Secretary, one question I would like to ask you, have these Savings Bonds got any collateral value, that is, can you put them up for a loan at the bank?
- A. I doubt it. You had better get the answer, but I doubt it.
- Q. Mr. Secretary, somebody was talking on the Hill yesterday about some stamp plan of tax payment. Can a man use this sort of stamps for tax payments?

- 2 -

- A. - No, but they are working on a plan that I am not ready yet to talk about.
- Q. Does it involve stamps?
- A. We haven't thought of it in terms of stamps.
- Q. What is it, a monthly payment plan?
- A. Well, something that a man could buy which would fall due on tax dates, you see.
- Q. Kind of a tax anticipation certificate?
- A. Well, something along that line, but I would really rather you wouldn't write it, because we haven't thought it through.
- Q. Of course, the plan has already been broached publicly on the Hill.
- A. Why not simply say we are studying it.
- Q. I am a little bit derelict on that. What is the plan all about?
- A. The plan - the suggestion that some Congressman made on the Hill was that we give - sell some kind of a security whereby you and I who will have to pay higher taxes next year could set

- 3 -

aside some money each week or each month now toward the taxes we will have to pay in the next calendar year. Am I reporting it fairly correctly?

- Q. Yes, sir. Mr. Secretary, does your study also - this is a plan to pay up your taxes really ahead. Are you also considering a plan whereby after your taxes come due, you can pay them on a quarterly basis.
- A. No, as I say, the thing is under study and it is a question of saving the money now out of your present income to pay your taxes next year, and give you some kind of a security which will invest your savings at present.
- Q. Will it be interest bearing?
- A. It is all under study.
- Q. When will you begin announcing the sales of these bonds? How will you go about it, the new Defense Savings Stamps and Bonds? Will it be semi-monthly or monthly, the total sold?

- 4 -

- A. Oh, I haven't thought that far yet.
- Q. Do you have any reports today on first day sales?
- A. I doubt it, no. The reports will be weekly.
- Q. Mr. Secretary, considering the President's letter to the Vice-President on the continuation of the Stabilization Fund, is it right to assume that the reason he is asking for it is because he wants to protect the Stabilization Fund more than perhaps the - than move in consideration of the devaluation of the dollar?
- A. No.
- Q. In other words, they are both tied together?
- A. Well, the legislation has always been tied together. They are renewed together and they expire together.
- Q. Of course, the Reserve Board suggested in one of their programs that it be allowed to lapse as of the first of the year, you recall.
- A. Did they say something like that? (Laughter)
- Q. Don't you have a faint recollection, Mr. Secretary?

- 4 -

- A. Oh, I haven't thought that far yet.
- Q. Do you have any reports today on first day sales?
- A. I doubt it, no. The reports will be weekly.
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- Q. Of course, the Reserve Board suggested in one of their programs that it be allowed to lapse as of the first of the year, you recall.
- A. Did they say something like that? (Laughter)
- Q. Don't you have a faint recollection, Mr. Secretary?

- 5 -

A. I didn't say anything about it at the time, did I?

Q. No.

You later said, though, that that statement broke the bond market, so you evidently paid it some attention.

A. Did I say that?

Q. Something to that effect.

A. No.

Q. You said it was a remarkable coincidence or something like that.

A. Well, anyway, let's pass that one up.

Q. You expect to testify?

A. Surely. I think the President's message asking for the two shows that he wants them and also must express how he feels about the Federal Reserve's recommendations to Congress, Federal Reserve System's recommendations.

- Q. Mr. Secretary, have you heard anything new about the Coast Guard?
- A. Yes, but I can't talk about it.
- Q. Does that mean, sir, that some decision has been reached?
- A. I just can't talk about it.
- Q. I read in a column yesterday that you were going to seize the Normandy and use it as a Coast Guard vessel, which would make it the largest Coast Guard vessel ever used in American waters. Have you any comment on that?
- A. Why don't you read more news and less columns?
(Laughter)
- Q. Well, sometimes when I haven't anything to do I read the columns. Nothing to it?
- A. I would put it down to silliness.
- Q. Could we assume that some action, new action regarding the Coast Guard, has taken place but has not been announced?

- A. I am just not going to talk about it, if you don't mind.
- Q. Mr. Secretary, in connection with the President's letter to Admiral Land yesterday about forming a pool of ships for the use of democracies, will the Treasury, Coast Guard, acquire some ships for that pool?
- A. I don't know. If I read the letter correctly, the President put it up to someone whom Admiral Land would designate, didn't he?
- Q. That is right.
- A. So I think it is up to them.
- Q. A man by the name of Robinson, United Fruit Lines. These foreign vessels that will be seized, are they already under repair now for the damage that was done?
- A. You will have to get that story out of the Maritime Commission.
- Q. But the Coast Guard seized them.
- A. True, but any repair work or anything like

that would come under Maritime.

Q. Would it be correct to assume that they are being repaired.

A. I don't think it has started. I haven't heard of it. I don't think it is any secret. I asked Mr. Sullivan to come in here and answer your question of Monday about why surtaxes instead of normal taxes, and if you would give him a minute or two I would like him to explain the Treasury position.

Sullivan: When these partially exempt securities were sold, and you must remember that this proposal does not relate to state and municipals or wholly exempt federal securities, but merely to partially exempt securities, they were exempt from the normal taxes which at that time was very much lower than it is now, and I doubt if anyone who purchased, or the Government itself, had any idea that they were giving an exemption equivalent to 24 percent or the 30 percent that is proposed. The present proposal would not affect the normal taxes in any way. The partially

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exempt securities would still be deducted in determining the normal tax net income, but the partially - the income from partially exempt securities would not be deducted in determining the surtax net income. Now, the incomes from these partially exempt securities are already subject to other types of surtax, the surtax under section 102 for withholding a disproportionate amount of earnings and the personal holdings, holding company surtax, and also the declared value of excess profits, so it isn't any where nearly as much of a novelty as it appears to be.

H.M.Jr:

Do you want to ask him any questions?

Q.

My particular point in asking the question last Monday was whether this was a round about way of obtaining retroactive taxation of partially tax exempt bonds originally issued by the Treasury. That is the argument that was offered, that this was a round about

- 10 -

way which the Treasury was using and in contravention of what the Secretary said that he - that no taxation of new issues would become retroactive to the tax exempt bonds originally offered.

Sullivan: That is right and there is no attempt to change the outstanding normal tax on these securities. If the normal tax were to be reduced from 24 to 4 and a surtax of 20 put on, that might be the type of thing your question implies, but this is not in any way interfering with the present exemption of 24 percent of the normal tax rate.

Q. Then it was misunderstood generally.

Sullivan: I think so.

Q. Thank you.

H.M.Jr: Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MAY 5, 1941

- H.M.Jr: These Defense Savings Bonds fellows tell me that on the original order we ordered thirty million of these little books to hold the stamps and we have got enough business in sight that we have had to increase it to fifty million.
- Q. Fifty million more?
- A. Twenty million more. We haven't got the full returns from the Federal Reserve yet. The reporting system hasn't been worked out adequately so we can give you anything definite, but all we know is that on the \$25.00 and the \$50.00 bonds, we ran short of those and we had to work the Bureau of Engraving Saturday and Sunday, two shifts, on the \$25.00 and the \$50.00 bonds. I wanted to point out that the three top labor organizations, A.F. of L. and the CIO and the Railroad Brotherhoods, the heads of all three now have been in to see me, all three, and not only are they going

- 2 -

to invest their own funds, but they are recommending to their membership throughout the country that they invest in it, as individuals.

Q. Mr. Secretary, don't you have any estimate at all of the cash take?

A. No, we are working on it and the reporting is very spotty and the reports are really meaningless.

Q. But if you just had an estimate of some kind.

A. I can't make one. I am sorry, but Mr. Graves here has called in George Haas to work out a reporting system because the one we have got at the present is no good.

Q. Mr. Secretary, Representative Mike Monroney is complaining that you are making it unnecessarily difficult for Congressmen.

A. Well, we have searched all over for his letter, but that is just a technicality. I saw it on the UP Ticker. Mr. Graves tells me he thinks, he is not sure, that the trouble - the reason it

- 3 -

isn't on sale, but he hasn't had time to check - I want to confirm this story before you use it - is that the post offices at the Capitol are not under the Post Office Department. He thinks that is the trouble, but he is going to check. But anyway, whatever the thing is, by tomorrow morning if a Congressman can't buy a stamp or a bond, it won't be Harold Graves' fault. If it is at all possible it will be done. But we will know within half an hour. Chick will let you know. The trouble is that the Post Office is under some committee up there but certainly if the Capitol will let us put them on sale, we will put them on sale up there. I am delighted the Congressman brought it to my attention. Using his suggestion, I gave Graves one and I said, "Let's make sure that the 48 State Capitols have one," so we are going to make sure all the 48 State Capitols have them on sale.

- 4 -

Q. Well, has the information coming in, Mr. Secretary, been sufficient to indicate the volume of buying in any way?

A. No. All I can say is that the program seems to be going very well, but unfortunately we do not have a good reporting system; but the program I would say is definitely going over.

Q. What is the difficulty in the reporting system, Mr. Secretary?

A. We find that we thought we had a system and we haven't.

Graves: I think if you let me say a word, I can explain that.

H.M.Jr: Go ahead.

Graves: The accounting and reporting agency for us on the banking transactions are the twelve Federal Reserve Banks. Sales are actually being made at the commercial and savings banks. They report from day to day to the Federal Banks and the Federal Banks report to us every

- 5 -

day, but the lag between the actual transactions and the - and their reaching the Federal Banks is such that the daily reports of the Federal Banks that we have so far received don't tell by any means the full story.

Q. Well, do you have reports on what the Post Offices did?

Graves: Yes, we have reports on what certain selected Post Offices have done.

Q. Could we have that?

H.M.Jr: It doesn't mean anything.

Graves: Until we get complete reports, I think it would be best not to give out any.

Q. Well, there is a figure in today's Treasury statement on sales of U. S. Savings Bonds. Are those Defense Bonds or is that money coming in from baby bonds that were sold before May 1?

Graves: That is what it is. It is the old series bond.

Q. Would any defense money be included? Today was for May 1 and May 2.

- 6 -

Graves: I am not familiar with the figure, but I think possibly it might.

Q. There seems to be a new line, Mr. Graves. Treasury Savings and Securities. Is that your program?

H.M.Jr: He doesn't know any more than I do. You will have to look it up. Give him a chance, and if it is, we will get word to you fast; but we just felt that having part of the story it might be either too good or too bad, and I would rather be - well, wait a day or two and have it right.

Q. Mr. Secretary, you indicated you are running short of \$25.00 and \$50.00 series E bonds. I assume that is just in some spots.

Graves: That is right.

H.M.Jr: That is right.

Q. Can you tell us the spots?

Graves: No, we checked on that at your request, Mr. Morgenthau. We found that there were many offices in all parts of the country

- 7 -

and it was so general that I don't think there is any significance in that.

Q. Could you give us the estimate of the number of offices that ran short of \$25 and \$50 bonds?

Graves: No.

H.M.Jr: We are low on statistics today, but high on dollars.

Q. Mr. Secretary, I get the impression that people really are not aware of this whole drive yet or the seriousness of the situation. Is the Treasury planning anything to make them aware of what is going on? Truly, there was first-day interest in the thing, but talking to people I gathered the impression that the interest has fallen off.

A. We have barely started. We got off to a good start. This is a long, hard road, and I don't expect to - well, I mean, the first seven days I am satisfied with. It is going to be a continuous drive, and we will need the help of all means of communication, such as the newspapers.

Q. I wish you would put some of these radio people straight as to what you call these bonds. We get all sorts of interpretations.

A. You hear it on the radio?

Q. Can't help it.

A. That is good.

Q. Some of them call them Savings Bonds, others Defense Bonds.

A. I hear it on the radio. They keep repeating it over and over.

Q. It is more like a broken record. It doesn't seem to sink in very much.

A. Well, I have got every reason to be satisfied for just a bare beginning.

Q. Mr. Secretary, is there anything further on this plan under study for savings or buying bonds for

taxes?

A. Not yet. I don't expect anything too soon. These other things took us literally months to work out, the rates and the technique, and we checked and re-checked. It didn't just happen over night. It took us months to work it out.

Q. Mr. Secretary, can you tell us what you have been doing about Yugoslavian vessels?

A. No, you will have to see Admiral Gaston.

Q. I have, and he has been very helpful, but I would like to hear what you have to say.

A. Well, he is closer to the situation than I am.

Q. Would the same tactics apply to Greek ships in American ports? There are twelve of them, I believe.

A. I don't know. Whatever the Admiral says goes.

Q. There were statements on the Hill today that acts such as these requisitions for foreign ships would constitute war.

A. Well, I think a lot depends upon who made the statement.

Q. Congressman Fish, for one.

A. Enough said.

Q. That is your Congressman.

A. I know it.

Q. From your home district.

A. That is right, rub it in.

(Laughter.)

He also represents the gentleman across the street, as I remind him every once in a while, too.

Q. Would you like to comment as a constituent?

A. Can I have a rain check on that?

Q. Last Thursday, I believe, Secretary Hull shed a lot of rays of sunshine on this general freeze order. At least, it was interpreted that way. Can you add anything to it today?

A. No.

Q. General Freeze is getting to have a fictitious value.

A. I have heard of General Ice Cream, but I never heard of General Freeze.

Q. General Defrost, too.

Can you tell us whether you have discussed a general freezing order with President Roosevelt since he talked with us last on the subject?

A. You know me well enough not to ask me that question.

- Q. Well, I tried.
- A. No hard feelings.
- Q. The Herald-Tribune had a story last Saturday to the effect that a lot of bills of large denomination have been disappearing from circulation, and one Podesto representative of the Italian Government was alleged to have shipped many of these bills out of the country. Is the Treasury looking into that situation? The Federal Reserve Bank of New York first brought it to the attention of people there.
- A. I am not going to get into it.
- Q. Why not, Mr. Secretary?
- A. Why not? It happens to be an old story.
- Q. In what way? I don't know it.
- A. Well, this is off the record.
(Discussion off the record.)
- Do you remember the story about some Italian from some embassy, Italian Embassy, being held up at the border?
- Q. Yes.
- A. That is all part of the same story.
- Q. It was last December, I believe.
- A. Well, it is all part of the same thing.
- Q. You mean you know the fact that they are shipping American dollar currency out of this country?

- A. I say that is all part of the same story.
- Q. Is the Treasury looking into it?
- A. It is an old story. I don't want to go into it. I wouldn't want to embarrass you on behalf of your paper.
- Q. The Tribune can stand a little embarrassment.
- A. Can they? How about you?
- Q. I can.
- A. The story was a perfectly good story. I am talking off the record. They had a good story, and I congratulate them on it, but the only thing that I am pointing out is that it is a number of months old.
- Q. Well, the Banca Commerciale Italiana--
- A. The two stories about the representative passing over the border into Mexico is the same story.
- Q. But the Banca Italiana was mentioned in the story, and I was wondering if the Comptroller's Office was looking into the situation?
- A. I don't want to get into it publicly.
(Resume discussion on the record.)

- Q. Well, Mr. Secretary, are there any restrictions on taking currency out of the country?
- A. None.
- Q. Mr. Secretary, to go back--
- A. Not as long as it is yours. (Laughter)
There is that restriction.
- Q. That makes a difference.
- A. Yes.
- Q. To go back to the general freezing situation, is the State Department unfreezing any more rapidly than previously?
- A. Thank you, no.
- Q. Mr. Secretary, at the time you announced the program for three and a half billion dollars new taxes, you said the amount was arrived at by two-thirds of the production estimate of expenditures. And there was some reason for believing the expenditures were to be higher. Does that mean there will be greater

expenditures.

A. Mr. Stacy May got out some figures. I think that is what you refer to. I am still sticking by mine.

Q. I understand there are some other figures floating around, though.

A. I know. Our records have been more accurate than anybody else's.

Q. There were stories published over the radio over the weekend that there was even another billion dollar tax program.

A. That I don't know about.

Q. Is that story true?

A. No.

Q. Well then, we can say flatly that at the present time the three and a half is the only thing that you are asking?

A. Well, the President wrote it.

Q. He said a minimum of three and a half.

A. Well--

Q. That caused some speculation too.

- 15 -

- A. Put your question again.
- Q. At the present time, Mr. Secretary, are you considering asking for any taxes in addition to the three and a half billion dollars?
- A. The answer is no. Also you can add that I am sticking by my 19 billion. I don't see anything to yet make me change my mind.
- Q. In your statement, when you announced the tax program--
- A. I hope Stacy May is right because I would love to see them produce that much. I would love to see them produce 24 billion dollars worth of national defense guns and ships. I hope he is right, and I hope I am wrong, but I haven't been able to find out anything to make me think I am wrong. If he is right, God bless him.
- Q. Well, regardless of Stacy May or anybody else's figures, are you still sticking by the two-thirds--

- A. I am sticking by my figures.
- Q. Could we put the question this way, Mr. Secretary?
- A. Do you mind? There is nothing new over the weekend and the three and a half is still the figure, if you don't mind.
- Q. Well, this question will run along the same line.
- A. It will be a difficult one.
- Q. It is an "iffy" question, sir. If the expenditures of 1942 did go beyond the 19 billion figure, would you stick to your two-thirds ratio and call for more taxes?
- A. You know in this town what we think of "iffy" questions.
- Q. This is no "iffy" question now, Mr. Secretary. The President, in his letter to Mr. Doughton, did not say anything about economies or cuts in Agriculture appropriations. You made a very emphatic point about that in your letter or statement. Can we assume that

there is a divergence of opinion between you and the President on that score?

A. No. I can just say this, that I think - this is for your guidance, I don't want it attributed - that after all when the President addressed himself to the Chairman of the Ways and Means, he confined himself to taxes and not to appropriations, so there is no sense of drawing any deductions.

Q. Do you think there may be a letter to the Appropriations Committee later?

A. I can't help you out, but I am just pointing out that he addressed his letter to the Chairman of the Ways and Means on taxes and it doesn't mean there are any differences of opinion between us. You are not going to quote me direct on that, are you?

Please.

Schwarz: Nor indirectly.

H.M.Jr: No, directly or indirectly.

- Q. Well, that distinction you make about the President's letter is for our guidance.
- Schwarz: For their information.
- H.M.Jr: For your information. Just to make sure it isn't traceable to me.
- Q. Sometime ago, Mr. Secretary, you said that the President would have something to say in his own time and in his own manner about taxes. Was this the statement you then had reference to?
- A. This is the - what the President had in mind because the President told me he would do that. Now he has done it. He told me in his own time and place he would have something to say, and now he has done it.
- Q. That was the endorsement of the Treasury's tax program?
- A. Yes, sure.
- Q. There is no fireside chat or something of that sort still to come. (Laughter)
- A. Isn't there any real news in town?

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MAY 12, 1941

- H.M.Jr: Mr. Graves tells me that through Saturday, the figure for the Defense Bonds and Stamps now has reached a hundred and fifty-nine million plus.
- Q. A hundred and fifty-nine?
- A. Yes.
- Q. Plus?
- A. Plus. Well, it is a little over a hundred and fifty-nine million.
- Q. Is that from May 1, Mr. Secretary?
- A. May 1.
- Q. To Saturday?
- A. Through Saturday.
- Q. Ten days?
- A. Yes.
- Q. Stamps and Bonds?
- A. Stamps and Bonds. We think that it is all right.
- Q. As good as you had expected?
- A. Yes. In fact, it is a little better.

- 2 -

- Q. No breakdown available as to which types of Bonds?
- A. Not yet.
- Q. Do you expect to maintain this pace?
- A. At least. I might point out that, going back several months, before we announced this, that United States Savings Bonds were running about ninety million a month. That gives you some idea. They didn't run that in April because people were waiting for the new issue, but if you go back a couple of months, you will see they are running about ninety million a month.
- Q. Those are the regular Savings?
- A. Those are the regular Savings and this is --
- Q. At this rate you expect over three hundred million a month.
- A. There ought to be, which would be at least three times as much as United States Savings Bonds gave, the old baby bonds.
- Q. At this rate, as a matter of fact, it runs something beyond four hundred fifty million a month.

- 3 -

Ten days.

Schwarz: Well, three times a hundred and fifty-nine.
Four hundred and fifty something.

H.M.Jr: Well, I was just giving you an idea. They
said the old baby bonds ran about ninety million
a month.

Q. Do you think this will do three times as well?

A. Well, that is what we have been sort of
figuring. Anything over three hundred million
for May, I think, would be good.

Q. And do you expect an average of that in
succeeding months?

A. Well, I don't want to - I can't tell, but
certainly anything over three hundred million
for May would come up to my expectations.

Q. Well, when you were saying that the old baby
bonds ran ninety million a month, these ought
to run at least three times as well, were you
talking just for May or for the general run?

A. Just for the month of May, until we get going.

Q. Well, you didn't make any drive on the sale
of baby bonds, Mr. Secretary.

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- A. Oh yes, we did. We had circulars. We had some drive. And another thing, after all, we have been at it for four or five years and we have reached about everybody we could by mail, so there are an awful lot of people. How many people have savings bonds, do you know?
- Schwarz: I don't know. There are over two million, I am sure. I will check the figure.
- H.M.Jr: Something like that. We had pretty well circularized everybody that we thought would be a customer so here we come along with this.
- Q. Well, at the rate of three hundred million a month, if you maintain that rate, that would be an annual sale of three billion six hundred million.
- H.M.Jr: Yes.
- Q. Do you think that is sufficient for one year?
- A. I will just stick to my one month.
- Q. I am thinking of the over-all total.

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- A. I know you are, but the boys just told me that the inside figure - that anything over three hundred million for May would be good. Until we get our reports and can analyze and study the thing further, I would rather not make any more forecasts.
- Q. From fragmentary reports you have received so far, have you been able to analyze and to ascertain whether you are reaching the people you wanted to reach?
- A. I can't tell you that. The only indication was that the one thing we seemed to be running out of was \$25 and \$50 bonds, which would indicate that we are reaching the people that we want to reach.
- Q. Well, how are you, Mr. Secretary? Eighty million of that one hundred fourteen - the first figure was to trust accounts and savings institutions and only eighteen millions represented Series E and only a million and a half of Savings Stamps.
- A. Well, I am just indicating that the people

whom I am relying on underestimated the number of \$25 and \$50 bonds that we needed. The fact that we had to work Saturdays and Sundays to catch up on that shows that people are buying more of those than we figured on. And the fact that we had to order twenty million more of these stamp books shows that the demand is there. So I think that the fact that we are getting underway without any great ballyhooing or anything like that is all right.

Q. Do you plan to step up your promotional campaign any at all?

A. Not until we know more about it in these six or seven states that we are testing, until we find out what catches on.

Q. Well, the things that you were actually running out of were these books in which a person could build up to buy a \$25 bond?

A. That is right.

Q. Not the bond itself.

A. No, the \$25 and \$50 bond, we got S.O.S. calls for those. We didn't have enough.

- Q. What was your remark on the six or seven states?
- A. We have got committees now organized in six or seven states, and they are trying various sales efforts. Until we find out what goes well, we are not going to try it on the forty-eight states.
- Q. Mr. Secretary, have you replied to Representative Jenkins' letter on the billion dollar savings of non-defense spending?
- A. No, we are studying that.
- Q. Could you tell us - I think twice it is that you have appeared before committees and stressed economies in non-defense spending, and I wonder if you could give us any outline at all as to just where and how that could be done?
- A. I can't now. I don't know whether I will. After all, since they have taken the Bureau of the Budget out of the Treasury, it is very difficult for me to get the kind of information that Mr. Jenkins wants because we just haven't got that staff.

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- Q. Do you feel his letter should have been addressed to the Budget rather than yourself?
- A. Oh, I wouldn't say that, but I think he could very well address a duplicate of the letter to the Bureau of the Budget. After all, he could very well address a similar letter to them. I am going to do the best I can, but if I no longer had Foreign Funds here and somebody asked me what we were doing about freezing and Foreign Funds were over in some other department, it would be very difficult for me to answer it.
- Q. Well, isn't this the case, though, Mr. Secretary, with all due respect? You are the one who suggested certain economies and now he is asking you how.
- A. Well, with all due respect, that is his privilege; but on the other hand, not having the mechanics, it is very difficult.
- Q. Do you mean that when you suggested that billion dollar savings in non-defense spending, it was a suggestion of principle to be applied by Congress?

- A. I felt then and I feel now that if Congress will study the non-defense savings, that in view of the present situation of defense spending, the increase in national income, that without any hardship to anybody we could save a billion dollars in non-defense savings. I say when we get down to the actual breakdown and analyzing each one of these non-defense agencies, it is very difficult for me to do it where the Bureau of the Budget is no longer in the Treasury. If it was in the Treasury, it would be very much easier.
- Q. Have you, Mr. Secretary, discussed this matter of non-defense saving with the President? I am interested in knowing to what extent - what backing might be available for your suggestion.
- A. Well, for background and not to be attributed, after I appeared on the Hill the President

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complimented me on my statement, both as to the taxes and the savings. That is not to be attributed, but is just an answer. But he did compliment me on both statements.

Q. In that connection, Mr. Secretary, there are reports up on the Hill that the Treasury program, at least in toto, does not meet the complete approval of the Ways and Means Committee. There seems to be some diversion of opinion as to how that three billion five should be raised.

A. Well, I made it plain to you gentlemen that when we met with the people from the Senate and the House, Finance, and Ways and Means, there was complete agreement of three and a half billions to be raised, but there never was any agreement as to just how we should raise it.

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Q. What I am trying to say now, sir, is that there seems to be sizable opposition to the Treasury proposals in the Ways and Means Committee itself.

A. Well, if there are, either Mr. Doughton or Mr. Cooper, whom I have seen frequently, haven't communicated that to me. I have been in frequent contact with them both over the phone and seen them, and as far as I know there are no major differences. It is like horse races, there always will be differences, but as to major differences, if they have any, they have kept them from me.

Q. Mr. Secretary, going back to this billion dollar savings, is that a billion dollars off from the President's budget of January or a billion off from what we will spend this year, or what is it?

A. A billion off the January budget. We can't

do much more this year. This fiscal year is practically gone.

- Q. No, I meant the comparison.
- A. No, I am talking about his January budget.
- Q. For the next fiscal year, beginning July 1. On one specific item, Mr. Secretary, the House is just about to take up the question of 990 million dollars for the '42 fiscal year for the WPA.
- A. How much?
- Q. 990 million dollars.
- A. Was that introduced?
- Q. I don't think that has been formally introduced, but it is just about to come through. In view of the rising national income and increasing employment, do you think WPA needs 990 million dollars?
- A. I am not going to get myself in the position where I am going to be criticising each appropriation. I mean, that isn't my job. I can repeat and will continue to repeat

that I think that off the President's budget you can lop a billion dollars. Now, where it is to be done - all I can say is that I think it takes so many yards to make the national suit for Uncle Sam, and I think we can get along with so many less yards but--

Q. Don't leave him without any pants.

A. No, he will have pants and vest and suspenders and belt.

Q. You mean you don't want a two-trousers suit?

A. Well, I could say something on that.

Q. Well, Mr. Secretary--

A. But the point is - I am not going to get into each particular department. If I am, I am afraid the Director of the Budget might have a real grievance against me.

Q. Is it your opinion, Mr. Secretary, that either Mr. Smith or Mr. Roosevelt should submit specific recommendations to save a billion dollars?

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- A. Don't ask me.
- Q. Well, you say you are not prepared to.
- A. I know. Well, don't ask me that. I have got to live in this town.
- Q. Well, you brought this up.
- Someone really should recommend it to Congress because Congress itself should do it, but they just haven't the men to do it.
- A. Oh, yes they have.
- Q. For background purposes, do you have any idea where the recommendation to Congress will come from?
- A. Congress is always complaining about being a rubber stamp. Well, why can't they take some initiative? Why does anybody have to tell it to them? They are elected by the people of the United States. Why does anybody have to tell it to them. They have got the machinery. All I can do here is to spend the money once they have voted it. I mean, why does anybody have to do it?

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- Q. How did you arrive at the figure of a billion?
- A. That would be telling.
- Q. I mean you say you don't want to criticize each item.
- A. I arrived at the figure, and we studied it here. I have got an ex-Director of the Budget, who spent four and a half years at the job, to advise me.
- Q. Perhaps he could tell you where, too.
- A. But I don't see why Congress has to always - if you do tell them, they don't like it.
- Q. We are sure of one thing. You don't like the Agricultural bill anyway.
- A. Well, I am going to stick to my billion dollar figure.
- Q. Well, Mr. Secretary, do you have something in the mill that may eventuate in detailed plans?
- A. I would rather not answer that question.
- Q. One other point before we leave.

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- The British economist, John Maynard Keynes is in town. Has he an appointment, sir?
- A. Tomorrow.
- Q. What is he coming to see you for, sir?
- A. I don't know. He asked, could he see me and I said, "Yes."
- Q. Mr. Secretary, I want to ask you one more.
- A. But Winant asked me to see him.
- Q. To talk about defense situations?
- A. Ambassador Winant said would I see him, and I said, "Surely." I don't know any more than you people do. That is the truth, too.
- Q. One more question about taxes.
- A. I am also curious just the way you are.
- Q. One more question about taxes. You said as far as you knew there was no major disagreement between you and the Ways and Means Committee.
- A. That is right.
- Q. Well, does that mean, then, that the Ways

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and Means Committee understands what your proposals are for revision of the excess profits tax which I understand have not yet been disclosed?

A. All I can say is that I am in constant touch with Mr. Doughton. I am not making any move without first talking things over with him.

Q. Well, you haven't yet submitted your excess profits tax proposals to him?

A. That is right.

Q. In that--

When do you expect to?

A. I don't know.

Q. In that connection, Mr. Secretary, we have had--

A. A lot of the returns aren't in yet. Some of the very largest corporations haven't made their returns.

Q. Is that what is delaying it?

A. Yes. Practically all of the big companies,

none of their returns are in yet.

Q. Isn't that considerably due to the fact that this tax amortization squabble has never yet been settled?

A. If you don't mind my saying it, it has nothing to do with it. It is just that these big companies, these very large companies have trouble with their bookkeeping and they ask for a 30 day suspension, and we give it to them, but it just so happens that practically all the big boys have failed to send their returns in, so we are still in the dark, and I like to get the benefit of the way the present law has worked before I make any recommendations of any kind. I am a conservative fellow. I like to know before I leap.

Q. Mr. Secretary, I see that the Justice Department is carrying out your freezing orders now. Do you agree with their step on freezing the Farbin Industry funds last Saturday?

- A. I don't want to comment on it.
- Q. How about general freezing, just - (Laughter).
Have you had any recent encouragement?
There was quite a Merry-Go-Round story
this morning.
- A. I can say honestly they didn't get it from
me or anybody in the Treasury.
- Q. Did it sound right?
- A. I don't know.
- Q. I thought Jesse Jones was on your side.
- A. You ask Jesse. (Laughter)
- Q. Can we tell him you said it?
- A. That? Sure. He would love it. O.K.?
- Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MAY 15, 1941

- H.M.Jr: Until we get this thing on a weekly basis,
I will give you the figures as I get them.
This is on total Defense Savings Bonds through
May 14. Two hundred fourteen million dollars
plus; and stamps, a little over two million
dollars.
- Q. Two million in stamps?
- A. Yes.
- Q. That is plus the two hundred fourteen?
- A. Making a total of two sixteen.
- Q. Is that May 1 to May 14, inclusive?
- A. One to fourteen inclusive.
- Q. Would you give us a breakdown, Mr. Secretary?
- A. Well, we don't --
- Schwarz: We haven't got it yet. We had it the first
week. There is no reason why not. We did
it the first week, and we would in the
normal course.
- H.M.Jr: Here are two copies. You can distribute
them. And the other thing, if the situation

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stays about the way it is, I think we will do a little financing and refunding next week. We are considering refunding the August three and a quarter percent bonds, of which there are eight hundred thirty-four million outstanding.

- Q. What is the figure again?
- A. Eight hundred thirty-four million. It is the three and a quarter percent bond issued in 1933.
- Q. Next week some time?
- A. Well, we will look at it. And some new money.
- Q. Can you give us the amount, sir?
- A. No, not yet.
- Q. The new money usually runs about five hundred million.
- A. Well, it would be a minimum of five hundred million. It might be more.
- Q. Would the new money figure depend on the sale of stamps and bonds?

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- A. No. I mean, the only question - the only "if" is if something - some little thing might happen outside of the United States to upset our financial market.
- Q. You mean if Hess came over here? (Laughter)
- A. Or somebody else. They seem to have him pretty well guarded.
- Q. This is the first new money financing --
- A. Since the first of May. No, we did one --
- Schwarz: In April.
- H.M.Jr: No, we didn't do anything in April.
- Schwarz: March.
- Q. Mr. Secretary, why are you taking this occasion to refund the August three and a quarters?
- A. We always try to be two or three months ahead.
- Q. Well, this is six months ahead.
- A. August?
- Q. Four months.
- A. By the time we get around to it, it will be pretty nearly the first of June. June, July - it will be two months.

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- Q. That is right.
- A. You had better get out --
- Q. How time flies.
- A. You had better get out your summer underwear.
- Q. I have already changed.
- A. I see. (Laughter)
- Q. Mr. Secretary --
- A. From nothing to nothing?
- Q. Mr. Secretary, we understand that one night this week you had a meeting at your home of Congressional leaders about taxes. Can you tell us about it, please?
- A. Well, now, you oughtn't to let your fellow correspondents up on the Hill spread all this gossip.
- Q. Well, there was such a meeting, was there not?
- A. That is right.
- Q. Well, will you say anything about it?
- A. No. They were my guests and it was at my home so there is nothing for me to say.

- Q. Well, what sort of an excess profits tax did you work out?
- A. Well, Mr. Doughton was in touch with us today and he tells me that he has a number of out of town visitors here that want to testify and therefore he thinks he will let the out of town visitors clean up what they have to say, inasmuch as they are living here temporarily in Washington, he will give Mr. Sullivan Monday.
- Q. On excess profits?
- A. On excess profits.
- Q. There has also been some speculation, Mr. Secretary, about whether or not in view of various other plans and testimony that has been given before the committee, whether the Treasury might revise some of its recommendations for other taxes.
- A. Well, I think if you wait until Mr. Sullivan goes up Monday, you will know what the Administrator position is and whatever he will say will be - - He will be talking for the Administration.

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- Q. Does that imply that he will present some changes?
- A. I think you had better wait.
- Q. Well, is the Treasury position flexible enough that it would - could adopt some suggestions that have been made?
- A. Oh sure.
- Q. Provided the same amount of money was raised?
- A. Well, I mean we are open to suggestions from people inside the Administration, outside the Administration, anybody that can help. We are always glad to get suggestions.
- Q. Mr. Secretary, at the time Mr. Sullivan presented the original program, it was presented as a tentative proposal for discussion purposes and it was not final.
- A. It has always been the understanding that we were waiting to get some of the returns in and when we got in some of the returns, we could take a look at them and learn what effect this

new law had and he would go up on the Hill and acquaint Congress with it. Now, we have been waiting for the returns and they are coming in very slowly and a lot of the big corporations have yet to file, and they have got sixty days extension, which would bring it to the fifteenth of May, and we have not yet publicly expressed the Treasury's position and the Administration position on the present law, excess profits.

Q. But I am wondering though whether you have heard anything that would cause you to change your recommendations as to the income tax and the excises and gift and estate taxes?

A. Well, I have only got to repeat myself. I think you will have to wait until Monday.

Q. Mr. Secretary, without going into details of what Sullivan might present on the Hill, could you tell us the total which the Treasury will suggest should be raised by excess profits taxes?

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- A. No, I can't help at all until Monday.
- Q. Well, Mr. Sullivan at the time he went up on the Hill previously mentioned four hundred million and there have been stories printed in various places around town that the actual amount raised via excess profits might be appreciably in excess of that.
- A. I can't help you out.
- Q. Did you get any ideas from Mr. Keynes to help you on this?
- A. No, we didn't discuss taxes.
- Q. Will you tell us what you did discuss?
- A. It is strictly British Treasury business, and I think --
- Q. Kind of hard to draw the line these days, isn't it?
- A. Well, there is quite a difference between the British Treasury and our tax program.
- Q. No, leaving taxes alone for a moment.
- A. Oh.

- Q. But I mean - he said he came over in connection with the Lend-Lease.
- A. That is right.
- Q. But he was no more specific than that, and I was hoping that perhaps you would be.
- A. No, I think he had better do the talking.
- Q. Did Mr. Keynes and yourself discuss --
- A. Can you talk a little louder?
- Q. Did Mr. Keynes and yourself discuss the questions of controlling consumer purchasing power either in Great Britain or here?
- A. No, never touched it.
- Q. How about British assets in other countries in this hemisphere, Mr. Secretary?
- A. Well, I have got to come back. What he did discuss, I say, is British Treasury business, and I think it is up to him to talk if he wishes to talk.
- Q. Apart from what he said on the question, what is our attitude toward those British investments over here outside of this country?
- A. Nothing different from what I testified on the Hill. There has been no change.

- Q. There is a report that the former Minister of Argentina, Dr. Pinedo, is on his way up here and says definitely he is coming to the United States to discuss this question.
- A. Well, that is the first I have heard about it.
- Q. Is that the first you have heard about his visit?
- A. That is the first I have heard about his visit. The State Department hasn't told me anything about it.
- Q. Could we discuss a subject very close to your heart, economy? Would you make any comment--
- A. I thought you were talking about roses. That is very close. I took them right out of my garden here. Isn't that nice? It is my second year crop.
- Q. Very good.
Would you make any comment on the President's

request for additional funds--

A. Incidentally, outside of Foley's window, you see, we have got a few strays in there, a few pink roses, and I have been teasing him about it, but we raise pure-bred stock on this side. (Laughter) You can imagine what I call his side.

Q. Republican roses?

A. No, we have pure-blood stock on this side.

Q. We hope you are not avoiding Mr. Gregory's question.

A. Was I?

Q. Well, I will say it all over.

A. I'll bet you will.

Q. The other day - I will put it differently. The other day you threw the ball at Congress about savings and economy, and yesterday the President made a request for additional funds for NYA. Would you make some comment on that?

- A. You know I wouldn't.
- Q. Well, I mean, what is your position on it?
- A. Well, just what I stated to Congress. I haven't changed.
- Q. Have we progressed any further on the question of specific economies in non-defense spending? They are beginning to pass resolutions on the Hill now.
- A. I know.
- Q. Have you talked to the Budget Bureau about it?
- A. Yes, I had a nice talk with Harold Smith this week.
- Q. What are his views on it?
- A. Well, he can talk for himself.
- Q. Well, have you asked him to help you work out any details?
- A. Well, again he was my guest, and any disclosures of what took place will have to come from him.

Q. Well, inasmuch as he was your guest, he would probably feel perhaps you ought to disclose them.

A. Well, that would be perfect.

Q. From whose standpoint?

A. Mine.

Q. Mr. Secretary, just in a sentence, what was your attitude you expressed on those British investments?

A. I will get you the testimony and the page and the chapter. Mr. Schwarz, will you service the gentlemen, please?

Mr. Schwarz: Glad to.

Q. Thank you.

H.M.Jr: You're welcome.

Q. Mr. Secretary, you have expressed opposition to this four hundred fifty million dollars that the Senate Agriculture Committee wrote into the appropriation bill. There seems to be a deal on the Hill now that they may drop that in view of passage of this

eighty-five percent parity loan bill.

Does your opposition transfer over to that now?

A. I can't answer it.

Q. What is the situation on freezing, Mr. Secretary.

A. Well, I think you will have to ask my friends over at the State Department.

Q. Are they your friends over there?

A. Sure.

Q. Do you expect anything soon?

A. You will have to ask them.

Q. How far has this Canadian cooperation gone?

A. It is going along beautifully.

Q. Could you give us some idea of how it is working? When you said beautifully--

A. Well, I mean the thing is definitely working. Dr. Clark of the Canadian Treasury is here, and they have got people here from there - representing C. D. Howe.

- Q. Shields?
- A. Shields. And the thing is definitely - there is one thing that is working.
- Q. Could we expect monetary stabilization between Canada and the United States?
- A. I can't answer that, but the announcement of Prime Minister MacKenzie King, known as the Hyde Park announcement, you know, said we would place orders up there. I mean, the thing is working very nicely.
- Q. Well, what I had in mind is a stable Canadian dollar in terms of the American dollar.
- A. I can't answer that.
- Q. It has been selling at a discount, and I thought--
- A. I can't answer that.
- Q. Well, it would help considerably in buying material here.
- A. Well, that might come out of it, but certainly I have got no public announcement to make.

- Q. I see. That would be a Stabilization Fund transaction, would it not, if such a thing--
- A. I can't answer you. All I can say is that I saw Dr. Clark and Mr. Shields yesterday, and everything is going along very well in that field. I am delighted.
- Q. In the China field, Mr. Secretary, is that Stabilization Fund now in operation?
- A. Yes, I think so, as far as I know.
- Q. Going along smoothly, satisfactorily?
- A. Well, I haven't heard any complaints. Nobody has mentioned it to me, so when they don't mention it to me, I take it for granted everything is all right.
- Q. There were reports, Mr. Secretary--
- A. And I have had neither from our own people nor from the Chinese any complaints, so I take it it is all right. No news is good news at this desk.
- Q. Mr. Secretary, in connection with the Chinese

situation, there have been published reports that the United States might finance the building of a railroad on the Burma Road. Is there any truth to that?

A. I can't help you out.

Q. Would you deny it?

A. I just can't help you out.

Q. Well, it is well known, sir, that this Government is helping the Chinese on this question. The Chinese Ambassador here said so at the White House.

A. But that isn't a Stabilization operation.

Q. No, sir, that is a construction project.

A. So it would be under another department.

Q. Would it be under Mr. Jones?

A. I can't help you out. (Laughter)

Q. Are you going to see the Argentine Foreign Minister while he is here on Argentine finance?

A. I have had no requests.

Q. Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE - MAY 19, 1941

- Q. Anything more on finance, Mr. Secretary?
- H.M.Jr: No, we are going to have a meeting with the Federal Reserve tomorrow afternoon, and I think we will do our financing Thursday.
- Q. How much, sir?
- A. I don't know yet. I don't know any more than I did when I saw you --
- Q. Well, can you say for sure whether that will be - you indicated that it would be a re-funding.
- A. Yes, definitely, a refunding and new money both.
- Q. The refunding will be eight hundred thirty-four million?
- A. That is right.
- Q. Mr. Secretary, can you tell us how much the excess profits tax proposals of the Treasury are designed to yield in addition to the other thing?

- A. Well, I didn't know what you were coming down here for. How did you answer on the Hill, John?
- Sullivan: The increased yield from corporations, including the income tax and excess profits, would be a net of a billion ninety-six.
- Q. A billion ninety-six?
- Sullivan: A billion ninety-six million.
- Q. You testified on the Hill?
- Sullivan: I did.
- Q. Was that public or was that information given the press up there?
- Sullivan: It was given publicly.
- Q. That compares with the proposed increase of four hundred million?
- Sullivan: The eight hundred thirty-four figure was made up of five hundred thirty-four from corporation income taxes and four hundred from excess profits taxes, but that was a gross figure and the net figure was seven hundred ninety-three, I think, so that increase in corporation taxes, the net

increase, is about three hundred three million dollars over our previous recommendation.

Q. Mr. Secretary, does that make it a four billion dollar tax program?

Sullivan: No, not necessarily. The committee has expressed its desire to reduce the excise tax - the proposed increases in excise taxes on certain non-durable commodities.

H.M.Jr: All right on that?

Q. Does your plan call for outright elimination of the average earnings?

A. Except within the four and ten percent limits it does.

Q. Mr. Secretary, does the Treasury have any reason to believe Congress has changed its attitude on excess profits taxation since last fall?

A. Oh, I wouldn't want to answer that.

Q. Have you suggested any new formula on any new series of excise taxes? That is, before you offered certain specific --

A. No, I mean the understanding that we had was that when we had sufficient returns to make an intelligent study on excess profits, Mr. Sullivan would go up on the Hill and testify, which he did this morning, and that ends that chapter.

Q. I was referring particularly to excise.

A. Well, as far as I know, you didn't testify on excise today, did you?

Sullivan: No, I didn't. They asked how we would feel if the excises were increased on such durable goods as automobiles, refrigerators, cameras, clocks, watches, and articles of that type, and I said that we would be agreeable to that increase, and then they inquired how we would feel about reducing the increase in excises on the non-durable commodities, and I said that we would be agreeable to the gains that we picked up on the durable commodities being used to lessen the increase on the non-durable commodities.

Q. Anything about individual income tax?

H.M.Jr: Did it come up this morning?

Sullivan: There was a little discussion about it, but not a great deal.

Q. Has the Treasury so far, or doesn't it intend to, modify its suggestions as to individual income tax rates?

Sullivan: No, we have not.

Q. You have not? Do you not? There is a difference. You said you had not. Do you not intend to modify it?

H.M.Jr: Well, that is what you would call an "iffy" question. How do we know? Is that right? I mean you can't tell from day to day. Times change. Is everybody satisfied on taxes now?

Q. Yes.

A. Lovely.

Q. Anything else?

Q. Are you satisfied with returns from the Defense Savings Bonds campaign?

A. It is going along very nicely.

- Q. Any new selling methods?
- A. Oh, I am sure there will be.
- Q. Of a more intense nature?
- A. That I don't know, but we are testing all the time, and when we find different things that catch on, we will use them in the forty-eight states.
- Q. Have you any more figures on sales?
- A. No, I think - I am not sure. I got the impression from Haas that beginning with Wednesday, I will get regular figures.
- Q. Weekly?
- A. Yes. I think they will be weekly. The first one might be Thursday, but I got the impression it would be then. But they are holding along just about the same. I mean, there has been no falling off.
- Q. How long are you going to continue the sale of bills?
- A. Oh, I don't know. I make up my mind every week.

Q. But I thought you might stop since you are having a new money offering.

A. No, we will have another one next week, if that is what you mean.

All right, gentlemen?

Q. I think so. Thank you.

From time to time we have use for some less figures on the amount of frozen funds. I wonder if you could get Fehle or somebody to draw us up a list of the amounts of frozen assets of each country as of some date? The latest thing we have had is back about six months ago.

A. What about the Treasury Bulletin?

McSweeney: We can get it put in there.

R.M.Jr: I tell you what you do. Tell this to Dell and Fehle and let them look at it. I would like to see it myself.

Q. I think the last we had is what appeared in the appropriations.

A. Have them look it up, Chick.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MAY 22, 1941

- H.M.Jr: I was sorry to keep you waiting, but it was special circumstances.
- Q. What are you doing, air conditioning some more assets? Speaking of assets, Mr. Secretary, from time to time we have use for some base figures on the amount of frozen funds. I wonder if you could get Pehle or somebody to draw us up a list of the amounts of frozen assets of each country as of some date? The latest thing we have had is back about six months ago.
- A. What about the Treasury Bulletin?
- Schwarz: We can get it put in there.
- H.M.Jr: I tell you what you do. Tell this to Bell and Pehle and let them look at it. I would like to see it myself.
- Q. I think the last we had is what appeared in the appropriations.
- A. Have them look it up, Chick.

Q. Thank you.

A. I am not promising.

Q. Oh, we understand. We have been around the Treasury.

Would you make some comment on the statement that the Defense Bond sales have been a flop? Representative Crawford made a statement, I believe, on Monday and then they interpreted the additional hundred million for new money as another illustrative indication that the drive has not been a success, others, not Mr. Crawford.

A. If I can make a statement without answering any particular person. I mean, ask me how I think the bond thing is going, and I will answer it.

Q. Why not Mr. Crawford's statement? He is a member of the House Banking and Currency Committee.

He has made the definite statement that it is a flop, and a big one.

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- A. Well, I consider that the average sale of fifteen million entirely satisfactory.
- Q. That is fifteen million a day?
- A. It has been averaging fifteen million a day. And as a matter of fact, the sales have been in excess of what we had hoped for.
- Q. Mr. Secretary, Mr. Crawford's conclusion after summing up that the program was a flop was that a program of compulsory savings would be adopted to save or supplement the program. What is your comment on that?
- A. Well, I am against anything that is compulsory in this country. It is just exactly what we don't want. We are selling this in a democratic way to people who believe in this country and want to lend their money to the Treasury to carry out this defense program.
- Q. Mr. Secretary, has there been any thought of using the new Office of Civilian Defense to aid you in your bond selling campaign?
- A. No, but they haven't yet got started.
- Q. I thought perhaps some of the local committees

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and groups which will be organized might also --

A. It might, but it just hasn't - we are organizing slowly but steadily, state by state, and it is going ahead every bit as fast as we want it to. I am not going to make the same mistakes that have been made in the Liberty Loan drive and force a lot of these bonds on people by high pressure sales methods and then have these bonds drop down to eighty-three and have a lot of people gypped out of their bonds and lose money by it.

Q. Well, I understand you can't sell these bonds at any price lower than what you pay for them.

A. Exactly.

Q. Well, how would a quota drive affect the price of the bonds?

A. Well, if we did it the way they did it before. What was it, four and a quarter percent interest?

Schwarz: Yes.

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H.M.Jr: I mean, if we used the tactics they used before, then everybody has to take them and then they take more than they need and it falls back on the market and they lose money by it and so forth.

Q. What would be your objection, for example, if a firm - rather, you had general rules that from a salary of the man making fifty dollars a week, say in a period of a month, so much was deducted from his salary to buy one \$18.75 bond? Would it be compulsory?

A. There is just this difference. Just as long as I am here, I am not going to go to the owners of business and let them use this as a device for a check-off system.

Q. Well, they do it on Social Security taxes.

A. Yes, but that - it is kind of a fifty-fifty basis. This thing is just as innocent as

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it looks on the surface. In other words, if there are a group of workers in a factory want to in the first place, have it entirely voluntary on the part of the factory workers. I am not going to let this device be used to force something on them. I am going to satisfy myself that the factory workers want it. Then if they want it made so that at the end of the week if they desire to have the money taken out of their check or simply when they get their pay, get the cash and have the company assist them, the way some of the companies are now doing, that is fine; but I am certainly not going to force this down anybody's throat and that is what a lot of people would like to do; and then using that, a lot of other things would come up.

- 6 -

it looks on the surface. In other words, if there are a group of workers in a factory want to in the first place, have it entirely voluntary on the part of the factory workers. I am not going to let this device be used to force something on them. I am going to satisfy myself that the factory workers want it. Then if they want it made so that at the end of the week if they desire to have the money taken out of their check or simply when they get their pay, get the cash and have the company assist them, the way some of the companies are now doing, that is fine; but I am certainly not going to force this down anybody's throat and that is what a lot of people would like to do; and then using that, a lot of other things would come up.

Q. But it isn't a question of morals or ethics. You have rising wages, the fear of inflation. If there is no drive to take this money from the banks and from the hands of people, the inflationary cycle, which the Administration is fighting, may expand.

A. But if you take the amount of money that it looks as though we are going to get from this thing, we haven't even begun to get the country organized. It is a big country. And if Congress passes this three and a half billion dollar tax bill and you add the nine or ten billion dollars worth of taxes plus the money that it looks as though we are going to get, on a voluntary basis, on a democratic basis, from the people's savings, we have gone a long way toward accomplishing what the Treasury can do.

Now, in this whole question of inflation and prices, we can only do our share, and we have

certainly been ready and pushing the thing and both on our tax program and on our program of voluntary investments in Defense Savings Bonds, and the two together, totalled up, looking about at them, will certainly take care of the Treasury's share of the responsibility to hold down inflation. I am satisfied that we are doing everything that we can do within the purview of the Treasury.

Now, there are a lot of things that we can't do, but my job certainly - we have been ready and pushing on Congress to get through the necessary legislation to take off excess earnings of the people who are going to make the extra money, but I am not going to do it - after all, I am going to do it the hard way, which is the democratic way, and I am just going to - I can't do it any other way.

Q.

You don't agree with Mr. Keynes in his ideas that he has brought over here?

- A. If you don't mind, I will beg off.
- Q. Mr. Secretary--
- A. I could give you a good one. I almost did.
- Q. We will let you start over.
- A. No, he is a guest in this country.
- Q. You raise things in our minds, Mr. Secretary. You have injected some other ideas before, haven't you?
- A. Well, he is a guest on our shores.
- Q. Mr. Secretary, what is the news on another guest, Mr. Pinedo?
- A. Nothing. Has he arrived?
- Q. He hasn't arrived here yet, but I think he is expected momentarily.
- A. We now know that he is coming, but as far as the U. S. Treasury is concerned, we haven't the foggiest idea why.
- Q. Have you been officially informed that he is coming?
- A. You have got me, but Schwarz can find out. Since the last conference, I heard he was

coming. Now, whether it is official, I don't know.

Q. There have been no appointments made?

A. No, no appointments, no requests for appointments, and we, here in the Treasury, don't know what he is coming for.

Q. I bet you can guess.

A. Well, why do most financial people come to Washington?

Q. Money.

Have you done anything more on your tax anticipation securities?

A. We are working on it, and we are now sending our suggestions out in the field to receive comments.

Q. Into the field? You mean to whom?

A. We send them out to the various Federal Reserve Banks and ask them to bring in a lot of people in their communities and get their criticisms. That is the way we did the last time. It proved to be very helpful. In other words,

they can see all over the United States and maybe check with several thousand people. That is the way we get the benefit of the whole country.

Q. May we assume, Mr. Secretary, that there is no real decision possible on this until the tax bill is through?

A. No, we might have something.

Q. You are referring, Mr. Secretary, to the idea of certificates that a citizen could buy in anticipation?

A. That is right. I mean, we have suggestions, and we have sent them out to the field.

Q. Mr. Secretary, could we get a breakdown as to the number of units of Defense Bonds sold? Not in amounts. Amounts don't give us the whole picture.

A. You mean the number of pieces of paper?

Q. That is right, or bonds registered and so forth.

- Q. The number of purchasers.
- A. I think so. If it is available, we will give it to you. It is very impressive.
- Q. Also in your last recapitulation which you gave us, I believe yesterday or day before, you dropped off the Savings Stamps.
- A. Yes, because this report that you have got comes through the Federal Reserve System and not through the Post Offices. The Post Offices report - where is it, Chick?
- Schwarz: It is on the way, I believe, for stamps.
- H.M.Jr: When it comes, we will give it to you, but this is the Federal Reserve System reporting to us, the banks. The Post Offices report separately, but the number of people that are going in every day and buying is very impressive. I don't see why you don't give it out, if you have it.
- Schwarz: I would like to have it.
- Q. Are we any nearer an Axis freeze order?
- A. I don't know. It is the wrong place to ask the question.

- Q. You still feel, do you not, sir, that every day's delay is that much less effective than the general freeze order will be.
- A. Wouldn't you love me to say yes or no?
- Q. They have already stolen a horse, Mr. Secretary, and gotten everything out.
- A. You fellows can talk all you want, and I will enjoy listening, but I am not going to comment on or off the record.
- Q. No new encouragement or discouragement?
- A. Nothing on or off the record. You didn't ask me, but the market received our new offering extremely well. I would say it is going to be a sure success.
- Q. You say it is?
- A. It will be an assured success.
- Q. The bond being the more popular, of course?
- A. Oh, yes. The note was just thrown in again for good luck.
- Q. Backstop.
- A. That is the idea. All right?
- Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 2 - 1941.

- Q. Tell us about your trip, won't you?
- H.M.Jr: I can't tell you much.
- Q. Any shooting?
- A. Except that I came back with the greatest admiration for Admiral King, the Commander in Chief of the Atlantic Fleet. I believe the country is very fortunate in having him at this time.
- Q. Can you tell us how far out you went, where you went?
- A. Not a thing.
- Q. You were on the Texas, weren't you?
- A. I can't say a thing.
- Q. Well, King usually rides the Texas.
- A. Well, I am sorry.
- Q. Did you get seasick?
- A. Fortunately not this time.
- Q. Can you tell us anything of the purpose of the trip?

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- A. Oh, I wanted to inform myself.
- Q. And fish?
- A. No fishing.
- Q. I hear the cod is running up there at this time of the year.
- A. No, I didn't go fishing.
- Q. Did you see any action?
- A. No, I am sorry, I can't discuss it.
- Q. You said you wanted to inform yourself. Were you observing the Neutrality Patrol in operation?
- A. No, after all, I have got to raise the money and this is where a lot of it is going, to the Navy, and I feel that they are offering the American public an opportunity to invest in Defense Savings Bonds and I would like to know how the money is being spent.
- Q. Well, can you tell the American public through us how it is being spent?
- A. Well, as far as the American fleet is concerned, I would say that every dollar that goes in is well spent.

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- Q. Do you intend to make any report on your trip to the President?
- A. I have already talked to him, also to Secretary Knox, who will make the trip, if possible.
- Q. Mr. Secretary, talking about the -
- A. Now wait a minute, hand that ash tray back.
(Laughter)
- Q. What do you do to get one of these ash trays? Do you have to be Secretary of the Treasury to get one of these?
- A. I am afraid so.
- Q. You say here that you have to raise the money. Budget Director Smith put out a little statement over the week-end indicating that you will have to raise more money than had been indicated up to this time. Will that make any change in the Administration's tax plan, Mr. Secretary?
- A. I don't think so. I mean - do you mean, do we want less than three and a half billion?
- Q. No, do you still want this two thirds, one third ratio.

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- A. We will take the three and a half anyway.
- Q. What does that do to the two thirds one third ratio of spending and borrowing for defense?
- A. I don't know. Time will tell.
- Q. Do you anticipate that the present revenue yields of the proposed tax program will be larger than three billion five, thus offsetting some of this?
- A. I don't know. I haven't seen Mr. Sullivan. He is up on the Hill this morning. I don't know what is happening.
- Q. Well, would it be fair to say, Mr. Secretary, that in view of the fact that expenditures are going to be considerably higher than it was anticipated at the time the tax program was initiated, it may not be possible to fulfill the two thirds?
- A. It is perfectly possible.
- Q. Perfectly possible to fill or not to fill?

A. Either one. (Laughter) You can write it either way.

Q. How about the statement of OPM that it will take an expense of forty billion dollars a year to beat the Axis.

A. Well, we made our estimates back in March and since then there has been three and a half billion dollars additional in requests that have gone up and for the bomber program, I think I am right, am I not, three and a half, so the thing keeps going up all the time and our figures were the best that we could do in March.

Q. Well, Mr. Secretary --

A. But I say since then I think the request has gone up by about three and a half billion.

Q. At the present time do you expect to ask for any more new taxes besides the three and a half?

A. I have no plans.

Q. You say you have no --

- A. I have no plans, other than the three and a half.
- Q. Have you an appointment to see Mr. Winant?
- A. No.
- Q. Do you expect you will see him?
- A. I hope to see him. I would like to see him.
- Q. Mr. Secretary, have you seen Mr. Pinedo, the former Finance Minister of Argentina?
- A. No.
- Q. Do you intend to see him?
- A. If it is of any interest, I think that if I don't see him here I will see him Wednesday night - in fact, I know the Argentine Ambassador is giving a dinner and Mrs. Morgenthau and I are going to it Wednesday night, so I will see him there if I don't see him any other place.
- Q. A social visit?
- A. Well, he is giving him a dinner Wednesday night. Yes, I am quite sure it is Wednesday night, but other than that, I don't know of anything.

Q. Mr. Secretary, with the Budget Bureau now being in the present office and they have estimates, OPM has estimates of what should be spent, what are your estimates?

A. Well--

Q. I mean, do you agree with this forty billion dollar a year figure? After all, you have to get money.

A. It was only in the paper this morning. We work very closely with the Director of the Budget. I mean, we are in constant consultation, and I think if you take our figures and add on the three and a half, you will come out not very far apart, but he has been a little higher than we have.

Q. Well, that is what I meant.

A. He has been a little higher than we have, but Stacy May's figures, I don't know what he based them on.

Q. Leon Henderson says eighteen billion for defense.

A. Well, as far as the Director of the Budget and the Treasury are concerned, we are in constant touch with each other. They have been a little higher than we have.

- Q. Would you make any comment on this forty?
Do you think it would require forty billion?
- A. I just saw the head lines. I will say this.
I don't think that anybody yet has fully realized the size of the job ahead of us.
- Q. Can you explain that, sir?
- A. Well, I just - it is just our constant studies here that make me feel that way, but I can't go into details.
- Q. Are you talking about production or expenditures or taxes or--
- A. I am talking about production and expenditures.
- Q. Can you give any estimate on Lend-Lease expenditures next year?
- A. No. That is up to Mr. Hopkins.
- Q. Mr. Secretary, do you have any of your final May figures yet on the sale of Defense Bonds?
- A. They have arranged for me to go on the air Thursday night, and at that time they will have the figures for the month, and they will

be given to you gentlemen in the afternoon for Friday morning.

Q. For Friday morning? Well, if you are going to be on the radio Thursday night, that wouldn't be fair.

A. Why not?

Q. Well, that would be something like twelve hours later.

A. Well, talk it out with Schwarz. He will be fair.

Q. For release on delivery?

A. That is what I mean.

Schwarz: Some morning papers are out - some morning papers are out on the street by that time.

H.M.Jr: Oh, he will give it to you to work on, I imagine, around noon.

Q. Mr. Secretary, will that include a breakdown by regions?

A. As I understood it, I thought they would give it to you sometime around noon for release on delivery. Isn't that the customary thing?

Q. That is right.

Yes, but you said morning papers, Mr. Secretary, which meant it couldn't be printed until about nine o'clock the next morning.

A. I am sorry. I am so full of "aye, aye, sir," and so forth.

Q. As a matter of fact, I think we could use some figures before you go on the air.

A. Well, I am afraid you won't get them. I am afraid we won't have them.

Q. Is this going to be your report to the general public on the first month's operation?

A. That is right.

Q. Will that cover a regional breakdown of the sales?

A. I don't think we will have them. We may have, but we will give you everything that we have got.

Q. Can you tell me, sir, whether this is going to be a fifteen or thirty minute broadcast?

A. Fifteen.

Q. All networks?

A. I don't think so. They only spoke to me about it this morning. I don't know. It is set for nine forty-five Washington time.

Q. Mr. Secretary--

A. But it will be, excuse me, as you said, a report on the first month's operation.

Q. As an up-state farmer, would you make any comment on this Mr. Woolton's request that the United States have some creamless days and give cream to Great Britain?

A. I think I will leave that to Miss Elliott and somebody who - Claude Wickard.

Q. There is quite a milkshed up there.

A. Milk shake?

Q. Shed.

A. I could answer it but - thanks for the opportunity.

Q. Mr. Secretary, one more question on these Defense Bonds and Revenue figures. To the

extent that that two thirds-one third ratio is not adhered to under the Budget report, that means you will have to raise that much additional in borrowing over what you had anticipated at first, is that right?

A. If the other people are right, yes.

Q. Well, if the Budget Bureau is right, you will have to raise something like two millions more.

A. That is right.

Q. You have no doubt that the Budget Bureau under the changed circumstances is pretty close to--

A. My guess is that their guess is pretty good.
(Laughter) All right?

Q. How about freezing, Mr. Secretary? How are you getting along with that?

A. Oh, I feel fine and comfortable.

Q. Oh, I meant over the--

A. They tell me it didn't freeze here last week.

Q. After all this time, is there still an urgency or a necessity for a general freezing order?

A. Oh, my own feeling is that the barn is empty now.

Q. All right.

A. I think the barn is empty.

Q. In other words, they have had so much time to--

A. Well, I would just say the barn is empty. The horse is gone.

Q. Have you stopped trying, sir?

A. Well, I guess I won't go any further than to say the barn is empty.

Q. But you still think there ought to be a freezing order, don't you?

A. Oh, I have expressed myself so often on that.

Q. Was it a good sized horse, Mr. Secretary?

A. It was more than a Shetland pony. (Laughter)

Q. That you very much.

A. All right, thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 5, 1941

- Q. Why are you so especially cheerful this morning?
- H.M.Jr: Why not? The Treasury is doing all right.
- Q. I hate to spoil your disposition, but how about the excess profits tax?
- A. Well, you can't spoil my disposition. I read with real regret the action that the committee took in the Ways and Means. I think that the Treasury's suggestion on excess profits tax is a good one and I think as time goes on the defense program will grow by leaps and bounds and that the country is going to demand that corporations contribute a liberal share of their profits to help pay for the defense of this country. I am willing to bide my time.
- Q. In other words, it is your view that some time or other they will be forced by circumstances to come around to something like you suggested?
- A. It is. Thank you for helping me. Now, what else have you gentlemen got?

- Q. I have seen the question raised, Mr. Secretary, as to why the Administration didn't go to bat more strenuously with the committee on your proposal.
- A. I think we are doing it in a democratic way and after all through the recognized spokesman for the Administration we gave them a plan and it is up to the elected representatives of the people to do what they want with it.
- Q. Mr. Secretary, it wasn't so much the question of raising the desired amount of money as it was the method suggested to raise it that they objected to, isn't that correct?
- A. I don't know. It was a triple executive session. As I understand it, they have degrees of executive session and this was the "nth" degree and nobody from the Treasury was present.
- Q. You have had a little experience with this particular plan in the committee before.
- A. Well, it is like a lot of other things. You try them and then you try again. I still think

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that our plan is the one that is called for under the present conditions.

Q. Mr. Secretary, yesterday the President issued an Executive Order providing that an unspecified number of Coast Guard personnel should operate as a part of the Navy. Can you tell us what that means?

A. Well, I am fairly positive that I do know, but I think you had better see Admiral Gaston about it.

Q. Well, Admiral Gaston seems to think that it is not his turn to talk.

A. It isn't?

Well, it is - certain of these transports which the Navy has taken over, the Navy has asked us to man them with Coast Guard personnel and that is what we are going to do and this is to make the thing workable.

Q. Does that include the America?

A. I think so, but you had better check that, Chick.

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- Q. Mr. Secretary --
- A. As I understand, I think we are putting seven hundred men on the America, but please let Chick check on it.
- Q. Mr. Secretary, does that involve pulling any of your Coast Guard personnel from inland stations?
- A. I really don't know. They felt that they could man a number of - oh, wasn't it three thousand or something like that?
- Schwarz: Yes.
- H.M.Jr: I don't see any reason why we shouldn't give them the figure. Find out from the Coast Guard the number of personnel that we are giving to the Navy and it is something, I think, over three thousand. This is to make the thing workable.
- Q. Mr. Secretary, I understand that the Coast Guard boats are being heavily rearmed, is that correct?
- A. Not that I know of. It may be so, but --

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- Q. I understand their old guns are being refitted with new ones and our armor plate is being used on the deck houses.
- A. I really don't know.
- Q. Mr. Secretary, I assume some of these men are crews that were taken off the boats given to England.
- A. Some of them undoubtedly are off those ten cutters which were transferred under Lend-Lease.
- Q. Where will you get the balance of this three thousand, Mr. Secretary.
- A. Well, I don't know. After all, there must have been - well, I just can't answer that question, but Admiral Waesche felt he could without interrupting the regular work of the Coast Guard, spare that number of men to help the Navy.

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- Q. Was this done at the request of the Secretary of the Navy Knox?
- A. Well, I really don't know. He undoubtedly asked for it and it was worked out between the Treasury and the Navy.
- Q. Can you tell us anything, sir, about your trip with the fleet?
- A. No, I am sorry. We went over that on Monday and I told the gentlemen of the press that I couldn't discuss it.
- Q. Mr. Secretary, awhile back you mentioned the tax anticipations. Has any more been done on that?
- A. It is in the works. I understand the reports are in but they haven't had time to digest them yet. They haven't come to them.
- Q. Can you tell us anything about Dr. T. V. Soong's visit with you yesterday?
- A. Just routine.

- Q. There are reports in one of the New York papers that a new Chinese mission is coming over here. Was Dr. T. V. Soong's visit concerning that?
- A. I can't help you on that.
- Q. Mr. Secretary--
- A. We will let T. V. talk.
- Q. I asked him.
- A. What did he say?
- Q. He said he couldn't say.
- Mr. Secretary, have you had any conversations with Mr. Pinedo and if so did he discuss the possible liquidation of British-owned assets in Argentina?
- A. Well, I saw Mr. Pinedo - I saw him last night, and I enjoyed very much the Argentine wines that they served last night.
- Q. This was at the Embassy?
- A. Yes.
- Q. Is this a plug, Mr. Secretary?
- A. Yes, this is a plug.

- Q. Do these Argentine wines loosen anyone's tongue, Mr. Secretary?
- Or purse? (Laughter)
- A. Naughty, naughty. Well, I started with tomato juice. That is all that I can tell you. I didn't get very far. I came home with no more or no less than what I left home with.
- Q. Those weren't the wines, were they, that some of your Customs men described as phoney not so long ago? (Discussion off the record.)
- A. Off the record, those were Chilean.
- Q. I heard you got in an awful mess on Argentine wines.
- A. Off the record. You heard the story of Philip Young. His wife wanted to give me some wines for Christmas. When they didn't come, she called up and said, "Why couldn't we get those wines up here?" He says, "Who are they for?" She says, "Mr. Morgenthau." He says, "I have some here for Mr. Berle, too. If he and Mr. Morgenthau will loosen up their regulations, they can have their wines." I never have gotten them.
- (Resume discussion on the record.)

- Q. But seriously, Mr. Secretary--
- A. I was serious.
- Q. In any case, could you give us anything on your talks with Mr. Pinedo?
- A. We didn't talk about a thing, just chinned.
- Q. There was no business discussed then?
- A. Just general conversation. I don't know that he is up here on business. Just general conversation.
- Q. And one other thing--
- A. As far as I am concerned, there has been nothing official.
- Q. Have you heard - have you been informed whether the Argentine - whether the Argentine Senate has ratified that stabilization agreement?
- A. They hadn't up until last night.
- Q. They did not?
- A. No.
- Q. Any further news on Canadian-American economic cooperation?

- A. Other than - as far as I know, everything is going along fine.
- Q. Any more extension of purchases?
- A. I just asked the other day and they told me that the Canadian-U. S. thing was going along fine.
- Q. How far along have we gotten with possible stabilization of the Canadian dollar in terms of the American dollar?
- A. We haven't gotten far.
- Q. Mr. Secretary, Mr. Edwards, the other day, said that they were studying--
- A. B. M.?
- Q. That is right. Ways of easing up the restrictions for banks on--
- A. How do the bankers like a real rip snorting New Dealer, Roosevelt from tip to toe? How do they like him?
- Q. Very well, probably.
- A. It is good tonic for them.

- Q. Can I quote that?
- A. Use it - what? (Laughter)
- Q. Mr. Secretary, the Federal Reserve Bulletin for the Bank of New York--
- A. They are doing so well on their Savings Bonds, I don't think that I will get off any wisecracks at their expense. They are doing a swell job.
- Q. The Federal Reserve Bulletin for the Bank of New York predicted yesterday that sales of Defense Bonds and Savings Stamps would fall off in June compared with May. Have you any comment on that? Do you agree with their prediction?
- A. Well, Chick will make available my radio talk for tonight right after this press conference, and I think after you read that you will have the answer to your question. That is for tomorrow morning's papers, my talk. I think you will have the answer to that. All right?
- Q. Thank you, Mr. Secretary.

RADIO ADDRESS
BY
HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

Good evening!

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and Stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people bought \$438,230,000 in defense savings bonds and \$3,552,000 in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had dared to expect. It is, to my mind, a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were almost twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales have held up consistently around \$100,000,000 a week. This makes me feel that there is a steady interest which will show itself in continuing sales, day by day, week by week, month by month, as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should be measured not only by the amount sold but also by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were bought in the first month. Almost ten million savings stamps were bought in the same period. Even allowing for repeated purchases by the same individuals, these figures show that great numbers of men and women and children became partners of their Government during the month of May. To those people I say tonight: You have given direct help in the defense of your country. You have done something distinctly worthwhile to safeguard your democracy.

But there is something else, quite irrespective of any figures, which makes me very happy as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their voluntary organizations, in all parts of the country.

Labor, for example, has proved again what I always knew to be true — namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and dropped their tools

to fight for freedom at Lexington. You may remember that the heads of the three great labor organizations in this country came to see me several weeks ago. Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods all promised me their unqualified support and help in the Defense Savings effort. They could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that Mr. David Dubinsky, president of the great International Ladies' Garment Workers' Union, had telegraphed President Roosevelt that the union members are investing the union's funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case in cooperation with their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.

The spirit of American labor and industry has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, in getting behind the Treasury's program. Ten thousand banking institutions,

including commercial banks, mutual savings banks, and savings and loan associations, now act as our selling agents, without any commission or any inducement except patriotism; but they do much more than sell for us. They have helped to educate us all by spreading information about the new bonds and stamps. Every one of the leading bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program. I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The same is true of the Post Office Department, which has worked cheerfully and efficiently to make the defense savings program a success. The Post Office has given truly indispensable help, from Postmaster General Frank Walker down to the clerk behind the window in every one of the 16,000 post offices that sell defense stamps and bonds.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do. The American Legion has called upon all its posts to give us every possible help. The Boy Scouts have distributed 1,200,000 posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are true Americans, united behind their government in defense of American freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. A major object of this program is to give the American people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. No paid advertising of any kind has been used. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers and magazines, great and small, to the motion picture industry and to all who have helped to bring our message to the American people. They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized or beginning to organize with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

What has been done in the first month is a fine beginning, but it is only a beginning. We must keep up the good work from now on.

Events across the seas cry out to us every day to speed up our effort in every direction. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency.

So far our defense production program has only begun to rouse the giant industrial strength of this continent. In the same way our defense savings program has barely begun to reach the immense earning capacity of the American people.

Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government -- a partnership, as the President said, entered into to safeguard and perpetuate all those precious freedoms which the founders of our Republic gave us as our heritage.

Thank you all and good night.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 9, 1941

- H.M.Jr: I haven't got a thing.
- Q. What report did your bond man give you?
- A. Oh, we were talking about various programs for Defense Savings Bonds, over the radio and so on. We were talking about various kinds of programs.
- Q. Mr. Secretary, would it be possible --
- A. I was talking about Howard Dietz.
- Q. Would it be possible to get these May bond figures broken down by classes of purchases, that is, a dollar amount by insurance companies, savings banks, trust funds, individuals, et cetera.?
- A. I don't think so. I haven't heard of it but you ask. I doubt it. I haven't yet seen them by states, but the thing that you ask for, you can ask George Haas, but I would be amazed. First I want it by states. You Haven't seen it by states?

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Schwarz: I haven't seen it by states.

Q. Do you expect to have that eventually?

H.M.Jr: Oh, by states, yes.

Q. But not by classes?

A. I doubt it.

Q. What was Harold Stanley here to see you for the other day, Mr. Secretary, last week?

A. Oh, I guess you had better ask him.

Q. Was it about the purchase of additional British securities to be sold in the open market as American Viscose?

A. He was my guest.

Q. So early in the morning?

A. Early?

Q. It was after the press conference.

A. What?

Q. Yes, Thursday.

A. Is that early?

Q. That is rather early for him.

A. Not these days.

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- Q. Mr. Secretary, can you tell us anything of the alternative individual tax proposals that you are going to deliver to the Hill?
- A. No, I can't tell you because I don't know.
- Q. Couldn't you tell us whether or not they are going to reduce the - broaden the base by reducing that basic exemption by any set amount?
- A. I can't tell you because I spoke with Mr. Sullivan before he went up on the Hill and what happened there this morning I don't know.
- Q. I see.
- A. He most likely knows more about it than I do. I mean, I am not trying to be evasive, I just don't know.
- Q. Have you seen a bill introduced by Representative Faddis under which the Treasury would have to contribute some money for acquisition of foreign properties in the United States, companies, for example, like the Winthrop Chemical, a sharing corporation, which have foreign connections and which might be inimical to National Defense?
- A. No.

- Q. It is sort of an economic warfare bill. It was introduced, I believe, on the forth of June.
- A. No.
- Q. Mr. Secretary, do you think the action of the House Ways and Means Committee Saturday morning tends to jeopardize their three billion six hundred million goal?
- A. What did they do?
- Q. Well, they didn't reject, but they refused to approve the Treasury's surtax rate on individual incomes.
- A. On what?
- Q. On individual incomes.
- A. And that may affect what?
- Q. The three billion six hundred million dollar additional goal you seek in your tax program.
- A. Oh. I thought it was three and a half.
- Q. All right, three and a half.

A. You upset me by calling it three six. You get these ideas, you know, and I can only think of three and a half. You are raising me a hundred, are you? I can't help you out on the tax bill, because all I know is that John Sullivan went up there this morning, but what happened there I don't know, if he knows. I said as far as I was concerned - I don't know. It is such a nice day, I would hate to spoil it for you all.

Q. We will drop back on another one. Any new financing in the offing?

A. Nothing new yet.

Q. Do you have sufficient money to finish out the fiscal year?

A. We have got enough money to finish out the month.

Q. Well, that means the fiscal year, doesn't it?

A. That is right.

Q. Are you going to continue to raise--

A. Strike one, a home run.

Q. Are you going to continue to raise two hundred instead of one hundred millions a month.

A. Well, there are three hundred - there is three weeks - in other words, there are three weeks of two hundred each. We will run through those anyway. There are three weeks of two hundred million each, and we will run through those.

Q. Those aren't new money, just--

A. Turned over.

Q. Replacements?

A. Yes.

I wish I could have something nice and snappy, controversial.

Q. Have you got anything to say about this North American business?

A. How is it going?

Q. The Government is winning so far.

A. There is very little blood letting by bayonets so far.

REPORT OF SECRETARY MONTGOMERY'S
PRESS CONFERENCE, JUNE 12, 1941

A. I am glad of that. No I am sorry, gentlemen.

Q. Thank you, Mr. Secretary. right?

A. Terrific, sir. The whole office was singing
in this morning.

Q. I understood you said that, Mr. Secretary.
Is that right?

A. Yes, it is - Mr. Dealin has given it to me
and it is copyrighted in my name.

Q. But the network was the 11?

A. Is Secretary of the Treasury.

Q. Any of the radio networks can use it?

A. Yes.

Q. All they will.

A. Oh, they will.

Q. It is neither ABC's nor NBC?

A. It is Montgomery.

Q. Is that where you are going to get the extra
revenue?

A. No - well, I get the extra revenue out of
the satisfaction of hearing it, and I think

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 12, 1941

- H.M.Jr: Was that a good song last night?
- Q. Terrific, sir. The whole office was singing it this morning.
- I understand you own that, Mr. Secretary, is that right?
- A. Yes, it is - Mr. Berlin has given it to me and it is copyrighted in my name.
- Q. But the networks can use it?
- A. As Secretary of the Treasury.
- Q. Any of the radio networks can use it?
- A. Yes.
- Q. If they will.
- A. Oh, they will.
- Q. It is neither ASCAP's nor BMI?
- A. It is Morgenthau.
- Q. Is that where you are going to get the extra revenue?
- A. No - well, I get the extra revenue out of the satisfaction of hearing it, and I think

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a lot of other people will. It is a great song. We had old Happy Chandler --

Q. Oh boy, he was just going like this (shaking fist) all the way through it.

Any news, Mr. Secretary?

A. No. We wrote this here so we would just sort of have it for you. It is this group we invited in to help us on state and local taxes, something that I wanted to do ever since I have been Secretary of the Treasury.

Q. Is this any more serious than previous efforts, Mr. Secretary?

A. I hope so. Time will tell. I am serious. We have never done it, really, in the Treasury. It is the first serious effort since I have been here.

Q. What is the objective?

A. Well, I mean, after all, the Federal, State, and local governments all collect more taxes - as they do we will constantly overlap and we are in each other's way and it is an expense

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to the taxpayer. For example, if the Federal Government collected all gasoline tax, for example, and then rebated to each state what it wanted, the amount of money that a company doing business coast to coast in the sale of gasoline - the amount of money they would save in bookkeeping would be something terrific. I mean, the savings to the taxpayer and to the states as well. I mean, there is no reason why the Federal Government couldn't collect all gasoline tax and simply say that Florida wanted to collect - six or seven cents, whatever it is, collect it at the source for them as well as for ourselves. I mean, there are some things that we could do. Then all this - these - this whole question, I mean of inheritance taxes and all of these estate taxes. There are so many conflictions; and as I say, as the taxes increase, the necessity for making a study like

this is more and more evident, so we are very serious about it.

Q. Well, from a local political standpoint, isn't that rather odious, reprehensible?

A. Why?

Q. Because if you are going to simplify and streamline the method of collecting taxes, you are going to reduce the number of state and local jobs available.

Well, if you want to go --

A. When I was in New York State working for Governor Roosevelt, Mr. Gulick made a study for me of the county system in the State of New York, and we found that in Hamilton County, New York, there was a job for every citizen in the county or a citizen for each job or a job for each citizen. Now, I expect Hamilton County would vote itself out as a county, but that is the extreme that you would find. In these unusual times, at least when they get through and lay whatever they find on the desk

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face up and let the public decide--

Q. Aren't there some more fundamental problems than more office holding?

A. Well, I didn't raise that point. Your friend did. Yes, the Federal Government and these other units of Government are going to have to raise more and more money, we have got to find more efficient ways to do it, ways which will be more pleasant to the taxpayers and if possible, less costly and at the same time more productive.

Q. It is your belief at this time, Mr. Secretary, that in the case of something like the gasoline tax where both forms of government are collecting almost identical forms of taxes that they should be collected jointly?

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- A. Well, I just used that as an example.
- Q. About liquor taxation, wouldn't the same theory apply there?
- A. The same thing would apply to liquor.
- Q. What about income taxation, Mr. Secretary?
- A. It could apply there also, but that - what you have got me on now is just the question of methods of collection and the thing that they are going to study first is the various kinds. Also, for instance, in this study that Dr. Gulick made in New York State, for instance, he found that there were seven different kinds of taxes people paid in Westchester County when he made that study nine or ten years ago.
- Q. Were those local levies?

A. I mean, if you lived in Westchester County, you paid seven different kinds of taxes. You see, as part of that thing, we eliminated any state tax on real estate in New York State and based on whatever the studies show - it isn't, I say, just the fact that the Federal Government can collect liquor, and gasoline and income. That would be a by product, but what should be the things that the Federal Government should tax, what are the things that the state may have, and what are the things that the cities can have and can we, maybe, divide these up and not all do the same thing. In other words, one of the reasons that the Federal Government has hesitated in doing this is the fear that when we sit down with the State and Federal, it has always happened, the Federal Government has always lost out on it, but I think we will have to go to town on it now.

- A. Would you say now is the time to do away with political considerations on the tax structure?
- A. I wouldn't know a better time.
- Q. Would this also include the tax exempts study under that picture.
- A. Oh, yes.
- Q. Are you going to reexamine at the same time the question of Federal and state reciprocal taxation?
- A. Anything where there is any over-lapping between various units of government, those things are going to be studied. I mean, wherever we get in each other's way.
- Q. Are these people coming here?
- A. They are here.
- Q. Well, will the Federal Government, for instance, deduct the cost of collecting the tax before rebating to the states or will the state governments deduct the cost of collecting the tax--

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- A. Oh, I don't know. We are just getting started.
- Q. Well, you are looking forward as the primary objective to doing away with over-lapping taxation, for instance, state, county. I believe there is some municipal gasoline tax.
- A. It has always been an ambition of mine to have, while I am here, a real study made on the question of federal, state, and municipal over-lapping taxes and in some way to have less confusion and less over-lapping. I have never been able to get it started, so we brought this group in who will not be doing anything else, so that they won't have to be tied up by a tax bill like my own group is now, you see. My own group can't work on it, because they are always working on the next tax bill. Now, these people have got time to study, and won't be mixed up with any legislation.

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- Q. Then when these findings are completed, what will be done with them?
- A. Well, I suppose we will turn them over first to the President and then to Congress.
- Q. Are you working with that group that represents various mayors and city government groups?
- A. Well, our people have been in touch with any and all groups that are working in this field, so in the first place we will get the benefit of every study that anybody else has made, and then we won't be doing the same job that somebody else is doing. In other words, if some other agency is doing it and can do it better, then we won't attempt it, but they have contacted all known agencies that are working in this field.
- Q. How long do you think it will take, Mr. Secretary, for this study?

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- A. Oh, I asked them yesterday and they said they wouldn't have anything before next fall.
- Q. Well, Mr. Secretary, I understand that the Canadian Government, with some modifications--
- A. May I also say that Mr. Roosevelt is also very much interested and has been.
- Q. The Canadian Government, with some modifications, has put in the same form of tax collection, and I believe Australia has too, but this is a result of about ten years study.
- A. Well, these things move slowly. I hope it won't be ten years.
- Q. Well, this question has been under study by one agency and another?
- A. Oh, there have been a lot of studies, some in the Treasury, but our tax people always get tied up with some legislation, and then they can't concentrate. Therefore, we have got to get outsiders who will just do this and nothing else.

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- Q. Didn't you propose a study of this character, Mr. Secretary, in a statement to the Ways and Means Committee a year or two years ago?
- A. More than that, much more. I think when I was first here.
- Q. Yes, when you first came in here.
- A. I have had it up because when I was with Mr. Roosevelt in New York we really did a good job up there, and I have always hoped to be able to do something of that kind here. We really did something up there.
- Q. Gulick had a similar task in New York.
- A. Yes, and he did one for Governor Byrd in Virginia, down here in the State of Virginia when Harry Byrd was governor. He did a very good job there. He did one, I believe, for the State of Maine.
- Q. You got legislation in New York to iron out these things.
- A. We changed a lot of fundamental - we had a lot of basic changes in New York.

- Q. Mr. Secretary, I understand you will appear before the Senate Banking and Currency Committee tomorrow.
- A. That is my privilege.
- Q. Do you have something available that you will give us before--
- A. It will be exactly the same as the other one. I think the only thing, is the more recent figures on the Stabilization Fund, three months younger figures, but with that exception it is exactly the same statement.
- Q. What bill are you going up there on?
- A. Extension of the Stabilization Fund and devaluation of the dollar. I may not hear any support up there.
- Q. I doubt it.
- I understand they haven't asked Chairman Eccles to appear as yet.
- A. I haven't heard.
- All right, gents?
- Q. Thank you.

June 12, 1941

We are taking steps to reexamine the problem of Federal-State-Local fiscal relations. The importance of this matter is growing because of increasing pressure on common sources of Federal and State revenue.

The study we already have given this subject indicates that it is a problem of very great scope.

For that reason, I have asked Dr. Luther Gulick, Director of the Institute of Public Administration; Dr. Harold M. Groves, Professor of Economics at the University of Wisconsin and a former member of the Wisconsin Tax Commission, and Dr. Clarence Heer, Professor of Economics at the University of North Carolina, to assist me and my staff in giving consideration to this entire problem, both as it affects us today in the midst of a tremendous National Defense program and as it merits thought with respect to post-war domestic economic adjustments.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 18, 1941.

- Q. The barn is getting pretty cold.
- H.M.Jr: Who?
- Q. That empty barn of yours. It has gotten refrigeration all of a sudden.
- A. I see.
- Q. You certainly locked it well.
- A. They did a nice job over the week-end. The banks all cooperated.
- Q. That means they caught a lot of stuff, did they?
- A. It is too early to tell.
- Q. You say it is too early to tell?
- A. Yes. I have had no reports. It is impossible to tell until they get in there and examine and all that. I don't know how long it will take them, but the Comptroller of the Currency has fifty or sixty men on the job in New York alone.
- Q. You mean by that that they worked over the week-end, freezing it on Saturday and --

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- A. Well, we got together around noon Saturday and they got fifty or sixty men up there over the week-end.
- Q. Those men are going over accounts, seeing which should be frozen and which shouldn't?
- A. Also to make sure that everything is as it should be.
- Q. Have you had any protests?
- A. I haven't.
- Q. From American plants abroad?
- A. I have had no protests.
- Q. Mr. Secretary --
- A. I have done my mail, too, today.
- Q. Beg pardon?
- A. I have finished my mail and I have had no protests.
- Q. Mr. Secretary, can you tell us why this action was sprung so soon after you said the barn was empty?
- A. No. You don't call two weeks soon?
- Q. No, but your quote figured prominently in all stories that were written.

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Are we to assume, Mr. Secretary, that conditions changed between the time you said the barn was empty and the time the President issued the order?

A. Not as far as the money in the banks is concerned.

Q. Mr. Secretary, there is a report that the German Embassy here was carrying on transactions through the Embassy of as much as three and four hundred thousand dollars a day, through the local bank here. Is that true, sir?

A. I have no comment to make.

Q. Well, the Riggs Bank is the diplomatic bank here.

A. You mean they answer no questions? (Laughter)

Q. Mr. Secretary, when I asked about changes in conditions, you limited it down to the banks. Does that mean that there were some changes in other fields.

A. Well, I am just talking about my field.

Q. Mr. Secretary --

You mean that there were other reasons?

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- A. No, I don't mean anything. During the time I made my remark and the time that the President chose to freeze, as far as I know, there were no radical changes in the bank accounts, if that is what you mean.
- Q. But Mr. Secretary, could you give us either for quotes or for background, any reasons which might have been the immediate factors in this freezing operation? That is, the talk of it has been going on for about ten months, I believe.
- A. I haven't got the slightest idea.
- Q. And now it suddenly happens.
- A. I just don't understand it.
- Q. Mr. Secretary --
Did it surprise you, sir?
- A. Surprise me?
- Q. Yes.
- A. No. Did I know about it?
- Q. Yes.
- A. Yes.

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- Q. Well, you said you had no idea as to why it was done.
Did you know it two weeks ago?
You said you had no idea as to why it was done.
- A. What was your question again?
- Q. Are there any immediate considerations that might have been brought into the picture that caused the President to either change his mind or make up his mind?
- A. I should tell him what makes up the President's mind. I ask you.
- Q. Mr. Secretary, is it correct to assume that deterioration of America-German relations between June 2 and the time the funds were frozen had something to do with it, was a contributing factor, rather?
- A. You are in the wrong shop for that answer.
- Q. I see. You mean I should go over here?
- A. Anywhere.
- Q. Mr. Secretary, inasmuch as the President's -

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the White House statement accompanying the Executive Order said that one of the primary purposes of this was to curb subversive activities, I wonder if you could tell us some specific organizations?

- A. No. We are just here - we are the machinery. Somebody presses the button and starts the motors and we go to work.
- Q. One thing I can't understand is why you froze Czech and Polish funds at this time.
- A. They have been frozen.
- Q. No they hadn't.
- No they hadn't.
- No order was issued against Poland or Czechoslovakia nor Austria.
- Nor Danzig.
- A. Never been frozen?
- Q. Never. No Executive Order has been issued. The first was Denmark.
- A. That is one on me. I guess it is one on everybody.

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- Q. At the time of the Czech crisis you had an informal understanding with the New York bankers but there was nothing official.
- A. All I can say is, somebody must have found that we had overlooked them and thought it was about time to freeze them.
- Q. No, the Czech occupation took place before the Danish.
- A. Yes, but you say we only froze them Saturday.
- Q. By Executive Order.
- Yes, sir.
- A. Oh, they must have been frozen.
- Q. No, they hadn't been.
- No, sir.
- A. Well, they must have been. We treated them, then, as though they were frozen.
- Q. Yes.
- A. It must have been treated that way.
- Q. Have you received any protests from the Belgian government over the transfer of thirty-seven million dollars of gold by the Vichy government to the Germans?

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- A. I haven't, no.
- Q. You have not?
- A. No. Somebody else in the Treasury may have, but it hasn't come to me.
- Q. I wonder if Mr. Schwarz could find out?
- A. He can find out. I don't know whether the Belgian Embassy told you that. As far as I am concerned, it hasn't come to my desk.
- Q. Well, there has been no protest from the Belgian Embassy here, but there were stories from Vichy that thirty-seven million dollars of Belgian gold had been transferred.
- A. Chick, look up your Belgian gold. What else?
- Q. Do you expect to uncover substantial Axis assets by virtue of the powers given in this freeze order?
- A. I am not going to help you out on that.
- Q. Can you explain what your policy will be with regard to countries like Switzerland, Sweden, and Russia, for example?
- A. Well, it is perfectly plain. I mean, they are going to get a general license.

- Q. Yes, but how lenient will you be?
- A. Well, as long as they live up to the rules and regulations, there will be no trouble. All they have got to do is live up to our rules and regulations. If they do, there will be no trouble as far as the Treasury is concerned.
- Q. You said a minute ago that fifty or sixty men from the Comptroller's office were in New York over the week-end to check. Will that check extend to countries like Switzerland, Russia, and Sweden?
- A. No, the ones they were working on are the ones that we froze.
- Q. Well, you froze all of these countries.
- A. Well, that is the ones that they are working on.
- Q. Mr. Secretary, what effect does this freezing order have on such organizations as the German-American Bund and such groups like that, funds belonging to groups like that? Does it have any effect at all?
- A. Didn't you ask that of Foley and Pehle this morning?
- Q. I wasn't there.
- A. Well, what did they answer? Who was there?
- Q. They said they assumed that Bund funds already

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had been taken care of.

- A. I wouldn't know.
- Q. They didn't seem to know about the Communists.
- A. So I hear.
- Q. They presumed about the Communists. They didn't even assume.
- A. I see. I wouldn't know either.
- Q. How about a--
- A. Or the Daily Worker.
- Q. How about a man like George Sylvester Viereck who has announced that he is working for the German Government and he is registered as an agent of the German Government here. Is the freezing order affecting his assets?
- A. Well, he is an American citizen.
- Q. Oh, no. This order lets you pick out any American as an agent.
- He is an agent of the Government.
- His pay was coming from the German Library of Information, which is affected by this order.

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- Q. Well, I mean his personal property here in this country. Suppose he has ten thousand shares of A. T. & T. or something like that. Would these be sequestered and kept in trust for him until after the war?
- A. I would say he has done very well if he had.
- Q. Well, that is kind of a big figure, but supposing he had fifty shares.
- A. Well, that wouldn't be so important.
- Q. Well, how about an agent who is not an American citizen, but who is registered?
- A. You have got to give us time. It is a tremendous big job and, as I said earlier in the meeting, we hadn't had any reports on any individuals and until these men really - after all, they only really could get started. Until they get started and get in and so forth and so on, I don't know what the answers are with individuals or societies or anything.
- Q. Mr. Secretary, has your staff given you any

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sort of a rough estimate of how much was tied up by the order?

- A. No, until we find out and add it up on the machine, we just don't know.
- Q. But they had some rough ideas, didn't they?
- A. That is right.
- Q. Can we have the benefit of them?
- A. I don't think the press likes to deal in rough ideas.
- Q. On this occasion we would like to.
- We will take the best we can get.
- A. Well, I don't think the Secretary of the Treasury would deal with rough ideas.
- Q. Could you delegate some one?
- A. No, no. We will just wait until we get out the old adding machine and we will see what we have got.
- Q. Is there going to be a separate organization set up in the Government to handle this thing?
- A., No, what we are doing is this. Under the present circumstances we will have a meeting

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here every day at which Mr. Acheson will represent the State Department and Mr. - who is that lawyer from Buffalo? Shea. He will represent the Department of Justice.

Q. How is that spelled?

Schwarz: S-h-e-a, Francis.

Q. His name is Francis.

Schwarz: Yes.

Q. And they will meet with whom? You?

H.M.Jr: No, no.

Q. Bell?

Bernstein?

Pehle?

A. Wait a minute. No, Mr. Foley is going to represent me.

Q. What will they do?

A. Well, they will go over the daily operations, and Mr. Pehle will make a report to these people and ask their advice on different problems.

Q. Could you give us an example of the sort of

thing they are worried about?

A. Well, the kind of questions you have been asking me. That will be most likely one of the principal topics of conversation, is when the press asks us about Sylvester Viereck and ten thousand shares of A. T. & T., how will we answer a question like that?

Q. Well, this will be a day-to-day--

A. Every day for the time being.

Q. Beginning when?

A. Right now at three o'clock. We had a preliminary meeting this morning here.

Q. For example, Mr. Secretary, many of these holdings of American corporations are in the name of nominees. Will an order be issued asking all corporations to disclose the holdings of foreign--

A. I can't tell.

Q. Well, that is the only way you can get this stuff, isn't it?

- A. Well, I just don't want to answer, if you don't mind.
- Q. Federal Reserve Board officials told me that is what the licensing included.
- A. Well, there have been very careful instructions go out and until we get more information, I think we ought to be careful.
- Q. Mr. Foley also said that all the corporations would be required to report stock holdings of bonds.
- A. Did he? Well, I guess it is true. Incidentally, I don't know whether it interests you men, but Pehle's organization of a hundred and fifty worked right through Saturday and Sunday with cots in their rooms. They stayed there day and night through from Saturday until Monday morning, and they really did a wonderful job.
- Q. Who provided the cots? The Army?
- A. I don't know.

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- Q. Pehle probably will have to take on a lot more people, won't he?
- A. He is going to take on a lot more.
- Q. Another hundred and fifty?
- A. Gosh, don't say that. Have a heart. It will be mostly lawyers, anyway.
- Q. Oh well, they don't count.
- A. Tell that to Foley and Pehle.
- Q. Mr. Secretary, to get off this subject for a while, has there been any meeting of this Gulick committee, or whatever you call it, that is to study federal-state tax relations?
- A. Incidentally, you left - Dr. Newcomer of Vassar was left off inadvertently, Mabel Newcomer.
- Q. It should be "Latecomer."
- A. She wasn't late. Somebody was late in giving the information to Chick.
- Q. Probably a most graceful way to say it would be that she has been added to this group.

A. That is right.

Q. Have they had any meetings yet?

A. Oh yes, they are here and they are working but, as I say, I doubt if I will have anything for you for some time. All right?

Q. Mr. Secretary, have you had any advices from the Hill or any place else to give the public an idea of when they can expect the new tax bill to affect them?

A. No. Ask John Sullivan. It is his birthday today.

Q. Have you had anything new on the tax anticipation certificates?

A. Yes, we are getting along, and I hope by next week to have something. Mr. Bell is going to ask various representatives of the Federal Reserve to come in Thursday and Friday and discuss it, to meet with him. I think we have got something.

Q. Why was Japan left out of this freezing order?

A. You will have to ask the State Department.

Q. Thank you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 19, 1941.

- H.M.Jr: I have got a couple of things this morning for you gentlemen. Next week for the RFC we are going to do a financing job. They have two hundred eleven million dollars coming due on July 20 and we will refund that and also borrow three hundred million dollars cash.
- Q. The offering, then, will be five hundred?
- A. About five hundred. It will be some time next week.
- Q. What was that last one, six hundred million?
- A. I don't know. Chick will have to look it up.
- Q. Do you remember, Chick?
- Schwarz: I believe it was, but I would like to check it.
- H.M.Jr: He will have to look it up.
- Q. You mean the Treasury?
- A. RFC. But this will take care of them for awhile.
- Then I have only got one copy. I will read

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this to you and I am sorry I haven't got more than one copy of it or I would give it to you. I was interested in what progress we were making with regard to companies as to savings plans. I will just read this.

"Hundreds of companies, many of them nationally known, have told us that they have adopted salary allotment plans for the purchase of savings bonds. This is just as important as the fact that the Americans invested four hundred thirty-eight million in Defense Savings Bonds in May. It means that thousands of working people are starting a systematic regular buying of stamps and bonds out of earnings and doing it of their own free will. Every one of these salary allotment plans have been adopted at the request of the employees with their complete cooperation. Wherever a plant is unionized, the initiative has come from the union leaders and members. Attached is a list of a few of the companies that have already announced salary allotment plans."

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I was quite impressed. They are coming in very fast and I thought that I would give you this list and then as more come in, we will give them to you. Who is the head of the Treasury organization?

Q.

There is none at present.

Give it to Perlmeter.

Will the best looking man take it?

Give it to Perlmeter.

That wouldn't be me. (Laughter)

Is this voluntary?

A.

Only voluntary. I mean, in every case where there is a union, it is through the cooperation of the union or a representative. It is only voluntary.

The other thing is the new Defense "Buy a Bond" and on the other side is the Army Song. I would like to give each of you men a copy of the record and they will be sung for the first time Saturday night by Barry Wood, the Lucky Strike Hour.

Q.

Is that Irving Berlin's song?

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- A. It is Irving Berlin's song, the one he did for us and the one he did for the Army.
- Q. The Hut Sut song isn't on the other side?
- A. How can I get that? (Laughter) Is there a record of that?
- Q. The Merrymacs' recording of that is wonderful. Didn't you hear it when you were in Sweden?
- Schwarz: Does this mean that this record is off the record until it is sung Saturday? What is the release date of it?
- H.M.Jr: I release it now.
- Schwarz: The words?
- H.M.Jr: No, it is --
- Q. Could you sing the chorus for us? (Laughter) Yes, or maybe Foley would.
- A. We have a machine, if you want a machine set up in the press room. They can set up a machine and play it for you. Would you like it set up down there? We have a machine.
- Q. We don't have one.
- A. No, we have one. Would you like it set up in the press room?

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Q. Sure, let's hear it.

A. Set the machine up in the press room, Chick, and play it for them.

Q. Maybe we can organize a choral society. (Laughter)

Klotz: There will be no work done today.

Q. How is this freezing going on, Mr. Secretary?

A. As far as I know, all right.

Q. Mr. Secretary, we had a report out of Lisbon today saying that the Portuguese are very much aroused over the inconvenience caused them by the freezing order, the fact that they haven't got the general license yet. Can you tell us anything about that situation?

A. Can you tell them anything, Ed?

Foley: That matter is being handled by the State Department. Conversations are going on between the Portuguese Minister and Mr. Acheson in the State Department looking to compliance with the assurances set forth in the President's release when the order was signed as to the terms and conditions upon which the general

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license for those neutral countries would be based. The general license hasn't been issued yet.

Q. Do I understand that those conversations relate to that whole group of countries rather than to Portugal specifically?

Foley: Well, with each of the representatives of the neutral countries, yes.

Q. But no general license has been issued for any of the specific countries?

Foley: So far as I know.

Q. Well, wasn't the implications of the President's statement that they would be issued individually?

Foley: Oh yes, individually. But none of them have been issued so far.

Q. And are you aware of the progress of the Portuguese conversations to know how soon it is likely to come?

Foley: I don't know, Irving. I just know that the conversations are going on.

Q. Do you have any idea how much money is tied up thus far?

Foley: I don't have the figures, no. The reports haven't come in yet.

H.M.Jr: Might I just interrupt? I am having a dozen copies run off of that list of companies because if you men could see your way clear to putting it on, it would help us through the publicity we could get through the newspapers to interest other groups of factory workers and their employees, so if you can see your way clear in giving it a boost, it would be a good Boy Scout deed. It would help us in getting it across, very much. We will have a dozen copies made.

Q. Mr. Secretary, how about the accounts of individuals who are known to have close ties with the German Government but who are American

citizens? You remember earlier this week we asked about George Sylvester Viereck and people like that.

H.M.Jr: How about that Ed?

Foley: Those are being given consideration and the order is broad enough to cover those accounts if the facts warrant such action.

H.M.Jr: Take care of them both ways.

Q. Do the facts warrant such action right now?

Can you tell, Mr. Foley--

Foley: We are taking those cases individually.

Q. what action has been taken in the cases of some American citizens?

Foley: I can't say offhand, Irving.

Q. I mean without identifying some individuals.

Foley: The action in the first instance is being taken by the banks. They are on the firing line, and exactly what they have done hasn't all been communicated to us yet.

Q. Well, in such communities--

Foley: I wouldn't want to say whether or not certain

funds of American citizens had been covered by the banks.

Q. To your knowledge?

Foley: I don't know.

Q. Well, Mr. Foley, here is a question came up in my mind. I think last March the Secretary of State stopped the collection of funds for the - by an Italian war veterans' organization with main offices in Providence, Rhode Island. Now, the State Department took that action apparently on the grounds that it was inimical to national defense or some other grounds. Are the funds of such organizations - have they been frozen? Mr. Pehle said the Bund and other Fascist organizations.

Foley: They very well may have been frozen. I just don't know specifically whether they have or not. If they are funds in which the Italian Government or an Italian national has an interest, I assume they have, yes.

- Q. But the Secretary of State had stopped the collection of funds. I was wondering if they had been impounded.
- Foley: Funds that had been collected prior to the time they were stopped?
- Q. That is right.
- Foley: I assume they have been, yes.
- Q. Have the Bund's funds been definitely frozen?
- Foley: I can't say definitely, no, but I would assume that banks operating under the order may have taken action of that kind.
- Q. Well, why did the Government leave it up to the banks instead of giving clear-cut instructions as to whose funds should be frozen and who would be exempted?
- Foley: Well, we have given as clear-cut instructions as we can, Nick. How those instructions are carried out by thousands of banks all over the country in particular situations is something at this time, the order having been in effect

only a few days, we aren't in a position to tell you clearly.

Q. Well, could you tell us without identifying in any way whatever of any specific actions?

H.M.Jr: No, no, not today.

Q. Mr. Secretary, do you have anything on the tax anticipation certificates?

A. They are meeting today with Mr. Bell and I should think by - I should think that by Monday afternoon I would have something to say, but the group of the Federal Reserve representatives are meeting with Mr. Bell this morning. I should think by Monday we would have something to say.

Q. Could Schwarz get us some sort of an interim report this afternoon?

A. I will see if they agree.

Q. Mr. Secretary, have you anything to add in the way of explanation to the joint Treasury-Justice order keeping all German nationals in here for just a "while."

- A. No. I think that is all right. That is a couple of days old now.
- Q. In connection with this freezing order, have the - has the Treasury requested the central banks of the Government of Mexico, Central America, and South America to watch out for any - what we might term as contraband money going out of this country, that might escape.
- A. I really don't know.
- Q. Mr. Secretary, now that we have gone this far--
- A. It is a good idea, though.
- Q. Mr. Secretary, now that we have gone as far as freezing the funds of continental Europe, can you tell us what your position is with regard to freezing in other areas of the world?
- A. Not today.
- Q. Has your viewpoint changed on that?
- A. Well, I said I wouldn't say anything today.

- Q. You mean we are to assume that you expect something?
- A. No.
- Q. Additional action?
- A. No, I wouldn't write that.
- Q. Well, why not today, Mr. Secretary?
- A. Oh, I don't know, just because it is Thursday.
- Q. Mr. Secretary, there have been reports that some of the South American Governments have notified you that they wouldn't mind freezing all of them. Is that true?
- Foley: I haven't heard that.
- H.M.Jr: We haven't heard it.
- All right?
- Q. Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 23, 1941.

H.W.Jr: Thank you all for running the words of "Any Bonds Today." It helped a lot.

Q. Yes, sir. Should we all sing it now?

A. Wonderful.

Q. If you will lead it.

A. I am afraid that I am a little off key.

Q. Like Irving Berlin?

A. I wish I was as well on key as he was.

Following up last week's announcement about -
I will just read this.

"Since last press conference, scores of businesses, many of them nationally known, have indicated their willingness to adopt a salary allotment plan so that employees can buy Defense Savings Bonds. The initiative in every case has come from the employees themselves through the unions wherever a company is unionized." And then comes a list. It is a list of fairly important companies.

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- Q. In this connection, Mr. Secretary, I am bound to say for our outfit, we will have to draw the line some place on the names of these companies, and I am inclined to think we wouldn't be justified in carrying these. The first list would have news value, because they were the first.
- A. Yes.
- Q. After all, there are thousands of these. I assume you hope there will be thousands?
- A. Yes, I see. Well, run it this time and we will distribute it by - from the state offices. Is that what you want us to do?
- Q. That would be a little better.
- A. All right. I thought you wanted it here. We can do it the other way. We will do it from the state headquarters.
- Q. Yes.
- A. All right.
- Q. Well, couldn't we have it both ways, Mr. Secretary?

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- A. You can have it both ways. You can do it here and then don't feel badly if they give it out the same day in the state offices.
- Q. A simultaneous release would be a good idea. I spoke for my own organization.
- A. Talk it over with Chick afterward. Buy him a drink and talk it over. Or he will buy you one.

Q. Can I change that around a little?

A. All right. Any way, as long as we get the names in the papers.

Q. Mr. Secretary, is there any thought or discussion of issuing that long awaited general license to Russia?

A. Well, what happened was this, so there can be no misunderstanding. This is not for the record.

(Discussion off the record.)

I just spoke to Mr. Welles. Both the State Department - I mean, we will put it this way. There was discussion last week with all of these countries, Russia, Sweden, Switzerland, Portugal, and so forth and so on about issuing general

licenses. There has been no discussion with Russia since - whatever you call it, war broke out between them and Germany.
(Resume discussion on the record.)

- Q. That was before then?
- A. There was last week, as there was with Spain, Portugal, Sweden, Switzerland.
- Q. Did you speak with Oumansky on that?
- A. No, I haven't talked to anybody.
- Q. Well, I mean was he here - who was the representative of the Russian Government who was here?
- A. I don't know. You have to ask Mr. - I don't know. I haven't seen any foreign representative.
- Foley: It is our understanding that Oumansky saw Dean Acheson.
- H.M.Jr: I mean I haven't--
- Foley: They haven't contacted us.
- H.M.Jr: Neither of you gentlemen saw him?
- Foley: No.
- Pehle: No.
- H.M.Jr: Is that clear? After all, this committee meets every day and Mr. Acheson sees these people and then discusses it with Mr. Foley and Mr. Pehle.
- Q. It is your expectation, Mr. Secretary--
- A. I haven't seen any foreign representative on this question.

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- Q. Is it your expectation that there will be a general license to Russia pretty soon?
- A. That I can't tell you, because, as I say, since the war broke out between Germany and Russia we haven't - there has been no discussion.
- Q. Mr. Welles at a press conference today referred all questions to your office.
- A. I know he did.
- Q. Mr. Secretary, in view of the fact that prior to the outbreak of hostilities between the two countries, a general license to Russia was being held up pending assurances that none of the funds withdrawn would go to the aid of Axis powers - well, the mere fact that she is at war with Germany would indicate those funds would not go to the aid of Axis powers.
- A. Well, all I can tell you gentlemen is, this committee composed of Mr. Acheson, Mr. Shea, Mr. Foley and Mr. Pehle have made no report to me this week.

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- Q. Have you asked for a report, sir?
- A. I haven't mentioned it.
- Q. Mr. Secretary, in lieu of a general license, have some pretty generous specific licenses been issued to Russia?
- A. Well, I don't think they have done anything, have you, boys? Have you? They haven't done anything.
- Q. Any indications?
- A. I don't know. They just haven't done anything.
- Q. What do you pay them for?
- A. To sit around and do nothing. (Laughter)
- Q. I know a good case in which they are doing it.
- A. And some times they earn their money.
- Q. I know one case, too.
- Then would it be correct --
- A. This is just what you would call under the title of fun.
- Q. Mr. Secretary, so there won't be any misunderstanding --
- A. There only would be if you put it on the wires.

- Q. Would it be possible for you to tell us whether Russia has asked for any licenses on anything since the outbreak of hostilities?
- A. These gentlemen, the minute that you leave here, go into a meeting with Mr. Acheson and Mr. Shea; and until they have had that meeting and cleared today's business, nothing has happened.
- Q. Well, can you postpone this press conference until four o'clock?
- A. I am sure we can not, but if there is any news they will give it to you.
- Q. Well, would you say that because of the turn of events over the week-end that we might be a little more disposed to issue a general license for Russia.
- A. Until these gentlemen who last week - seriously, I am not sarcastic - so ably handled this question of freezing and unfreezing act and give careful consideration, I wouldn't be so

bold as to make any forecasts.

Q. If it isn't done, Mr. Secretary, would it be inconsistent with America's policy toward the situation?

A. You people are all on foreign policy, and I just handle dollars. Don't you want anything about RFC tomorrow?

Q. No.

What are you going to do?

Mr. Secretary, you froze Lithuanian, Latvian, and Esthonian funds. Now these governments must free themselves from Russia. Suppose they ask for a general license to release the funds to do just that. What would be your position?

A. Well, Nick, I am glad to see that you worked so hard over the week-end. (Laughter)

Q. Would you release funds to the probational governments of Lithuania?

A. That is his new boss right over there.

Klotz: Oh, yes.

- Q. You admit it is a pretty tough thing to straddle?
- A. I admit it is a very intelligent question, and it takes a lot of intelligence to answer it, but at this moment I am not prepared. You did a very good job over the week-end.
- Q. Mr. Secretary, we recall that in the case of Greece--
- A. Is your boss here too?
- Q. No. In the case of Greece you didn't unfreeze them until you saw whether or not they were going to win. Any likelihood that will happen this time?
- A. What do you fellows do when you go over and see some of these fellows anyway?
- Q. We don't see them, sir.
- A. Oh, I see. Well, give us time. That is all I can say.
- Q. May I ask another question? In view of the situation that started on Saturday night and is still

continuing, would you advocate that Russia become a recipient of Lease-Lend aid?

A. That is not for me to say.

Q. Do you have any comments on this new turn of events?

A. No, sir. That is what I have been trying to do. Thank you very much.

Q. Would you like to leave the field of foreign affairs for just a minute and answer a local question?

A. I would love to, and I would also love to get on the RFC financing.

Q. Well, just a minute. Last week the House Ways and Means Committee agreed to require joint returns from husbands and wives in filing taxes - tax returns. Members of the Committee said the Treasury's position on that was not stated at the time. Could you give us the Treasury position?

A. Well, the Ways and Means Committee have

adjourned until Friday in order to go down to Senator Harrison's funeral, and I expect to go down to Senator Harrison's funeral. I expect to leave here very early Wednesday morning and fly down as a matter of respect and affection that I had for him, and I think until we get back, all those things can wait.

Q. You are going to work on those things on the funeral train?

A. No, I am not going on the funeral train. I am going by air, very early Wednesday morning, six or seven o'clock in the morning.

Q. How about RFC now, by the way?

A. I figure if I leave here at six or seven o'clock in the morning, I will get down there. RFC. Tomorrow morning's newspapers. There will be one issue, five hundred million dollars with two hundred eleven million refunding and three hundred million cash. We will do the one issue, five hundred million, one

percent falling due April 15, 1944. Two years and nine months.

- Q. That five eleven, are you offering five hundred?
- A. Five hundred.
- Q. Or thereabouts.
- A. Eleven million. Two years and nine months, one percent, for tomorrow morning's newspapers.
- Q. How about tax anticipation certificates? You said you might have some news on that.
- A. Yes. I only a few minutes ago was handed the memorandum to take home and study tonight. I was only handed it a few minutes ago. All right?
- Q. Mr. Secretary, there are thirteen Baltic ships tied up in our harbors. Is there anything you could say on the policy to be adopted toward them?
- A. All we do is freeze and unfreeze. We don't steal any ships.

- Q. As I recall, the Russian Government protested when they marched into the Baltic countries about the freezing of the funds and the seizure of the ships.
- A. You are back on that week-end question.
- Q. Well, no, I am just helping Mr. Bookman's question.
- A. I see. I don't know a thing about them, I am sorry. All right?
- Q. Thank you, Mr. Secretary.

June 23, 1941

Since the last press conference, scores of business firms, many of them nationally known, have indicated their willingness to adopt a salary allotment plan so that their employees can buy Defense Savings Bonds. The initiative in every case has come from the employees themselves, and through the unions wherever a company is unionized.

Here is a list of a few of the companies that have come in since last Thursday:

Pratt and Whitney
United Aircraft Corporation
Michigan Bell Telephone Company
Federal Motor Truck Company
Southwestern Bell Telephone Company
Sheffield Steel Company
Scullin Stell Company
Public Service Corporation of New Jersey
Pennsylvania Central Airlines

In addition, there are ten nationally known insurance companies and hundreds of other companies which are not nationally prominent.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JUNE 26, 1941.

- H.M.Jr: This is a quiet morning.
- Q. Are you going to break the still, the quietness?
- A. No, I am sorry, I have nothing.
- Q. I thought you would like to know, Mr. Secretary, that Mr. Comstock has been covering these meetings for the New York Journal of Commerce and he isn't here today because he goes into the Army tomorrow.
- A. No. I congratulate him.
- Q. Have you any comment on Mr. Henderson's testimony before the House Subcommittee on the second appropriations bill in which he suggested that semi-voluntary systems of savings should be adopted to combat inflation? You earlier had said that you were opposed to enforced savings.
- A. Well, I frankly haven't read his testimony.
- Q. What is that?
- A. I haven't read his testimony. I am not trying to avoid the question. I just haven't read it.

- Q. Can you tell us now, Mr. Secretary, how many persons you have reached in your Defense Savings Bond campaign so far?
- A. I don't know, but it is no secret. When do we give that out again?
- Schwarz: We ought to have some more figures tomorrow or the next day.
- Q. I mean the number of sales to persons. Individuals, preferably.
- H.M.Jr: Well, whenever the time - if you talk to Harold Graves. I don't know what his plans are, whether he is waiting until the end of the month --
- Schwarz: Every week, I think.
- H.M.Jr: Every week?
- Schwarz: I will check it.
- Q. When you went up to Congress before the Foreign Relations Committee last January, I believe, or February, to testify on this Lease-Lend Act, you had some - you had pointed out that the British are willing to sell any investments

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they have in order to pay for their contracts. Now, Mr. Jones is contracting or considering, rather, a huge loan to the British to prevent them from selling their investments. Are you in accord with that policy in view of what you stated earlier?

H.M.Jr:

Yes. Mr. Jones is doing what he is doing after consultation with me. In fact, I sent the British to him and our markets have been such that it has been very difficult not only for the British but any American manufacturer to make any large flotations of stocks here recently. Our market has been - the stock market has been extremely small, and due to the fact that it has been difficult for them and he has the authority through Congress to make such a loan, the Administration is anxious that the English should realize the maximum amount of money on their securities. Therefore, for the time being they can do more through borrowing than they can through savings.

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- Q. Yes, but you are referring to the liquid investments.
- A. No, that is both.
- Q. What is wrong with the policy of repatriating these companies to American ownership?
- A. Nothing. I haven't changed any, but it is just --
- Q. Well then, the British will take them right back after the loans have been cleared up. Do you agree with that policy?
- A. What I am interested in seeing the British get is enough dollars for them - so they can pay the bills on contracts which are already outstanding. That is the important thing. I mean, they get the dollars and get as many dollars as possible. Again, as I say, due to there being practically no stock market for the last couple of months and - it has been very difficult for them to either sell on the market or make private sales.

- Q. Well, has the American Viscose sale in which the banks were criticized for taking an alleged too large a profit anything to do with switching the policy?
- A. Not as far as I am concerned.
- Q. Not as far as you are concerned?
- A. No.
- Q. Have you had conversations with Morgan Stanley and Company about that? I understand that there has been a request to return part of the underwriting profits, both requests by the Treasury and the RFC.
- A. Well, somebody asked me one day - I don't know whether it was you or not - what was Harold Stanley and Dillon Read doing down here, and as I remember it, I said they were calling on me and I said inasmuch as they were my guests, it was up to them to talk about their business, that I didn't wish to talk about it, you see. Do you remember?
- Q. Yes.
- A. Well, I haven't changed.

- Q. Mr. Secretary, aside from the profits that have been made on the Viscose deal, did the results, as far as the British were concerned in the Viscose deal, influence decisions to seek a loan for the time being?
- A. All I can say on the record is what Sir Edward Peacock told me, who is in charge of it before he came in to say good-bye. He is returning to England. He said that talking for himself and for his Government, they were entirely satisfied.
- Q. With the sale of the Viscose Company?
- A. With the sale of the Viscose Company.
- Q. On the contrary, I have heard reports that the only reason the Administration approved the Viscose deal was to show as good faith to Congress on the basis of your statement, and then they would switch on the other way.
- A. I can't help what you have heard. I am reporting a conversation that took place with Mr. Edward Peacock with me and that is on the record and I am talking facts. I don't know what you have heard.

- Q. Well, Mr. Secretary, would not the RFC take these British securities as collateral on their market basis - based on their market values?
- A. What?
- Q. Would not that collateral for any loan from the RFC to the British be based on the market value or the securities put up as collateral by the British?
- A. Well certainly Mr. Jones would take that into account, but the market value doesn't necessarily mean the value that you can sell a property at today, either through the Stock Exchange or through the regular financial channels.
- Q. That, of course, is true, but at the same time would the RFC loan a hundred percent on the market value?
- A. You will have to ask Mr. Jones that. That is his responsibility.
- Q. May I ask your opinion why you think there has been no market in the last two months?
- A. You can ask me. One of the principal reasons is that there happens to be a war going on in practically every part of the world.

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I think that is about as good a reason as I can give.

Q. You don't think market restrictions have affected --

A. If I did you don't think I would agree with you?

Q. Has the war reduced --

A. I am glad you are feeling a little better. I can't help you.

Q. I felt all right all morning.

A. Don't take it out on me because the New York Times wrote that story. I had nothing to do with that. I mean, I can't help you because they ran that story on their front page. Where they got it --

Q. Well, all the papers had the story.

A. I know they had it, but don't take it out on me because the Times had the story.

Q. I just knew that Mr. Jones said that the Treasury was interested in it.

A. I can't help it.

- Q. I asked him about it.
- A. Well, I am just telling you about a conversation that took place between Sir Edward Peacock and me. That I know. Now, what Jones said, I don't know, but I am telling you what took place. I can only talk about what I actually see or hear myself.
- Q. Mr. Secretary, to get the over-all picture straight, am I correct in assuming that your position is that these securities, investments, are still going to be sold but the purpose of this loan is merely to postpone those sales until a more favorable time?
- A. Well, that would be the position that I would take.
- Q. As a matter of fact, is there any possibility that they could ever repay the loan by any other method?
- A. Well, that is a big question. I mean, I haven't changed my position since I testified.
- Q. Doesn't this place the Government in business, Mr. Secretary? Mr. Jones is running all these corporations. There is no objection, but --

A. Don't be funny. When wasn't it in business? Do you know when we went into business the first time as far as I was concerned? When I was in Farm Credit and the State of Arkansas didn't have a single private institution of any kind that any citizen in the State of Arkansas could borrow from and the only place a citizen in the State of Arkansas could borrow from in the year of 1933 was from Farm Credit. That was when we went into business. We had to, because you couldn't get any money from private institutions. The position as far as the Administration is concerned, any time any private institution can do the business, we are tickled to death to step aside and let them do it, but we are only in business when the private institutions can't or won't do business. Did you get what I said?

Q. Well, I will cite a specific instance. The Department of Justice has an Anti-Trust suit against the tobacco companies. The Brown and

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Williamson Tobacco Corporation is up for collateral with Mr. Jones. You see, there is a case of the Government on both principal and - oh, I can't describe it off-hand. I mean, difficulties like that that arise.

A. - Well, everything is difficult.

Q. Mr. Secretary, if it is your view--

A. But to come back to what is - as far as I am concerned, my principal concern is, the English have made contracts and they want to meet these contracts with dollars. I think I can speak in this case for Mr. Jones and myself. We both want them to get these dollars and get them as - on as far a basis as possible under the difficult market conditions which exist today. I am sure Mr. Jones would be glad to agree to that.

- Q. Well, now, is it then a fact that the British at the time they entered all these contracts over here were over-contracting or contracting beyond their means?
- A. No. There has been no squawk from the British.
- Q. Can you estimate for us, Mr. Secretary--
- A. There has been no squawk from the British. I mean, they are going along. They are paying their bills every day.
- Q. May I ask you one more question?
- A. Do you give way?
- Q. Yes.
- If it is your view that these British securities are eventually going to be sold anyway, would it not be a simpler operation to have the RFC purchase the securities now?
- A. I can't answer that. If you don't mind, you didn't quite - he asked me if I had changed my position since I testified as to the ultimate disposition of the British securities and I answered that I hadn't. Is that right?

- Q. Substantially.
- But at the same time, sir, doesn't this proposed action of the RFC veer away from the statements that you have made earlier that the British should pay for what they have here as long as they can pay for it?
- A. I don't think I ever said that.
- Q. Mr. Secretary, the question I was going to ask is, how much money do the British need to pay out their contracts?
- A. Well, now, I am a little rusty on the thing, but as I remember my testimony, it was either around a billion three or a billion four.
- Q. For this calendar year?
- A. No, because a lot of those contracts were running into '42.
- Q. Some of that would have been paid off, so they would owe about a billion dollars, is that right?
- A. Pardon?

- Q. Some of that having already been paid, they would still owe about a billion, roughly?
- A. No, I think that was their net position, as I remember right.
- Q. As of December 31?
- A. I think so.
- Q. Well, I mean in view of the fact that nearly six months have passed, they have reduced it?
- A. Yes, but I wouldn't want to guess at it. They have reduced it a lot. I don't know what their net - I mean, I don't want to give offhand what their net position is today, but there has been no squawk from them. They have been meeting their bills every day right on the dot. I want to make that perfectly clear, but if there was a billion dollar investment trust in this country or a billion and a half dollar investment trust that owned a lot of American stocks, a lot of American properties, and they wanted to liquidate those

things quickly, the thing would be more or less along the same lines. They couldn't, and under the existing provisions - I mean, if they, for some reason or other, had to liquidate, they would go to Mr. Jones and most likely get him to help them out under the same conditions.

Q. May I state another corollary, sir?

A. That is a good word.

Q. Yes, it is. I am surprised at myself.

While we are helping the British so that they won't have to sell their stuff on a forced sale, the SEC is doing just about the opposite and forcing utilities to sell their things regardless of low market. Will you explain that?

That is a very good question.

A. I agree with you, but I don't know of anybody that is running for office just now, so we don't have to necessarily - I can't--

Q. The mere fact that it isn't a campaign year, sir, should contribute to general enlightenment, don't you think?

A. No, the campaign years are the years we like to give the enlightenment.

Q. Had the experience of the last war where the firm of J. P. Morgan acted as more or less a fiduciary agent for the British Government, and you remember the munitions investigation and the other?

A. Very well.

Q. Had that anything to do with taking this away from the New York bankers, this policy of using the RFC as a catch-all, even considering - even granting the fact that the market - there has been no market, rather?

A. Mr. Jones came to me at least three months ago with this suggestion for this legislation, at least three months ago. It may be even earlier. The first time that he brought it

up with me, how do I feel about it. At least three months ago. So that was before the Viscose deal, and he and I both agreed that it would be a very nice thing to have that authority because we might be able to use it and Mr. Jones' foresight in this case has proven to be right.

Q. Mr. Secretary, was that legislation gotten from the Hill with this specific idea in mind?

A. No, just - I think it was at least three months ago that we talked about the thing, and Mr. Jones said, "Well, now, the time may come when they may need the money and the markets may be so that they can't sell, and, in order, " he said, "so that they could pay their bills and get the dollars - " so I was very glad to go along with him.

Q. That puts it at about the time you were pouring cold water on these stories that these securities might be put up as collateral

for a loan, doesn't it, Mr. Secretary?

A. I would have to look it up.

Q. I think it was about that time.

Wasn't the first time that this was brought up in the summer of '39, when you were having conversations with the SEC and various people as to the probable effects of a war on the market and dumping of securities.

A. You mean did they bring it up?

Q. I think a memorandum went through you to Jones and Justice as to the authority to make such a loan.

A. I would take your memory for granted. I don't recall it. You think so? I don't remember.

Q. I know so.

A. I will take your word for it.

Q. Just a bit ago--

A. I mean it just proves that none of these things happen over night. You sit around and you have got a difficult problem and a

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lot of money and the country needing dollars at a time when they have lost their export market, how are you going to do it? Well, you sit around and talk about it over a month. It isn't just one deal, the Viscose deal, or one situation. It is the whole world picture.

Q. To be perfectly clear, Mr. Secretary, my statement originates from a story which all of the press services did a long time ago, about these various conversations which you had before the war in order to--

A. Where SEC and that whole group - those were in July '39.

Q. That is right.

A. And we discussed it at that time? O.K. Thank you.

Q. Mr. Secretary, why are - is the public generally--

A. Did Gregory read those, too?

Q. Unfortunately - fortunately, rather, my

memory is not as good as Mr. Perlmeter's.

A. Neither is mine.

Q. You know the background of those stories?

A. I know very well.

Q. Mr. Secretary, why is the public generally, and people here in particular, always faced with a virtually accomplished fact in these things, "it has been going on for two months," this being a non-election year?

A. We will skip that one.

Q. Mr. Secretary, a bit ago in reply to Mr. Perlmeter, you said that it was your belief or understanding that these securities would be put up with the RFC as loan collateral, and then until they could be sold and the loan liquidated.

A. No, no, I didn't say that. Excuse me.

Q. I thought that was--

A. If I did, I misspoke myself. No, let me go over it once more.

If somebody asked me the question, whether it

was Perlmeter or anybody else, have I changed from my original position that I believe that the English in order to raise this money should divest themselves of their holdings, you see, that was - the answer is, I have not changed.

Q. You still think they should divest themselves of these holdings?

A. Yes.

Q. Well, now, do you do that by putting them up as security for a loan?

A. No, but you get the dollars to pay outstanding bills that way at a time when you can't get them any other way without making considerable sacrifice. Does that clear that up?

Q. Yes.

A. I mean, the two and two make four in my mind.

Q. Well, then, following that on through, it would indicate that you would expect that at

some time they will be sold?

A. Yes.

Q. You think they will have to be sold to release the money necessary to pay back the loans, that they will not be able to get any dollars from any other source?

A. I don't know any other way they can raise the dollars.

Q. Thank you, Mr. Secretary.

Do you favor packages for Petrograd and bundles for Britain? (Laughter)

A. I think I had better stayed down at Biloxi.

Q. You say when you came back, Mr. Secretary-- Did you know you were selling a llama today, and we didn't get a chance to bid on it. And also two moth-eaten stuffed horses?

(Laughter)

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JULY 3, 1941

- Q. Good morning, Mr. Secretary.
- H.M.Jr: How are you? Are you looking at my lack of tie? I compromised and put my shoes on anyway.
- Q. For us?
- A. Yes.
- Q. You didn't have to do that.
- What happened, did you read the new tax bill?
- A. No, I have been reading the thermometer. Just before you get on that tax thing, which you may want to ask a lot of questions about, next week we are considering doing a financing for Commodity Credit Corporation. They have got two hundred three million coming due on August 1, and they are going to need two hundred million dollars in cash, so the financing will be four hundred and three million dollars.
- Q. It will be how much?

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- A. Four hundred and three.
- Q. Those are all notes, aren't they?
- A. Yes.
- Q. Is that definite, Mr. Secretary, that you are going to?
- A. No, but times and conditions being favorable we will do it.
- Q. You would expect to?
- A. Well, subject to conditions.
- Q. You expect to do it then?
- A. Yes. All right on that?
- Now, on this other release in regard to this - these new Treasury securities, as you gentlemen know, Mr. Bell and I with the help of the Federal Reserve Board and the twelve Federal Reserve Banks have been working on this plan for about two months, isn't it?
- Bell: Yes, sir.
- H.M.Jr: And we hope to have it ready for the time that Congress will pass this new tax bill. When they pass that, it looks like three and a

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half billion dollars additional taxes. We wanted to make it as easy as possible for the taxpayers to have the money ready next year. We feel that this plan which we have worked out will be a convenience to the taxpayers to save the money each month out of income or earnings to meet next year's taxes.

- Q. In addition to that, Mr. Secretary, won't it simplify your financing problems?
- A. Yes, but this is not primarily designed for that purpose. I mean, it is a convenience to the taxpayers. It is to encourage them to save the money each month to meet next year's taxes, and we also feel that it will be a check to the rising cost of living which is going on now.
- Q. How will that be?
- A. Well, it will withdraw these extra funds; and after all, if a man knows his taxes are going to be twelve hundred dollars next year and he begins to set aside a hundred dollars

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a month now, he is not going to spend it for some thing that he might get along without, and therefore it curtails the expenditure for non-defense items and therefore reduces the demand by that much; and if we can get them to saving the money now instead of spending it for automobiles and iceboxes and other things which we now consider - are beginning to consider that it is a semi-luxury, and that money is given to the Treasury for next year's taxes, he won't be spending it and it relieves the pressure of a - of the purchasing of the country by that much.

- Q. Do you expect these to go on sale by --
- A. I mean, immediately relieves the pressure.
- Q. Yes.
- A. Of people who are going in and buying non-defense items.
- Q. When do you expect these will first be placed on sale?

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- A. August 1.
- Q. On August 1?
- A. Yes.
- Q. And by whom will they be sold?
- A. Go ahead, Bell, this is your story.
- Bell: They will be on sale by all Federal Reserve Banks, but a taxpayer will be able to put his application in through his local bank just the same as he does now for any Government security.
- Q. You probably can use this to check up on a lot of boys who are avoiding taxes, or have been in the past, couldn't you? They have to place their name on it. They are not registered but I see the name of the taxpayer will be on the --
- H.M.Jr: That isn't the purpose.
- Q. Well, that isn't the purpose but it is admissible that there is --
- Bell: No, I don't get it, because these will only be turned in with the tax returns. The

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purpose of the name on there is so they can compare the name on the obligation with the name on the return to see that the same man who is buying the bonds is paying taxes with them.

Q. Can you liquidate them if you buy more than the tax returns are? .

Bell: You can liquidate them for cash only. You get no interest. They can only be used for taxes and get the interest. *

Q. Could it be assumed that this may help Defense Bonds in the sense that people will have saved for a bond and then they won't have to redeem the bond and they can be buying this.

H.M.Jr: We hadn't thought of it. It might work that way.

Q. Because if your tax bill is high and they have got a few bonds, they will say, "I can sell the bonds and get some money," or something like that.

A. Perfectly possible.

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Q. Do you think this plan will result in an appreciable amount of 1942 taxes being in the Government's hands before 1942?

A. Well, that is what we hope.

Q. Do you have any idea of the figure?

A. No.

Q. Has anyone made any estimates?

A. No, it is like all of these things. The ground work has been done very thoroughly and I say I want to especially compliment the Federal Reserve Board and the twelve banks for their assistance. I think it is as good as you can do any new thing. I mean, it is carefully thought out as anything that is new. But if it should by any chance withdraw a considerable amount of money and put it into our hands for safe keeping until they have to pay the taxes, we think that we can carry out the Treasury's responsibility toward checking inflation.

Q. There will be no market in these?

A. No.

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- Q. No market at all and no prices?
- A. No.
- Q. What will they be issued for, principal amounts, twenty-five, fifty - there will be no deviation?
- A. Yes, they go twenty-five to fifty and a hundred dollars for the "A" and the "B" will be from a hundred dollars up to a hundred thousand dollars.
- Q. Will that be sold to corporations, too?
- A. Anybody. Is that right?
- Bell: That is right. Anybody can buy them who expects to pay Federal income taxes.
- Q. Only income, not excess profits or anything else?

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Bell: Yes, excess profits is considered as income taxes.

H.M.Jr: Any tax.

Q. But not excises?

Bell: Not excises. It is explained in the statement on page two at the bottom of the paragraph. "These notes may be used to pay any Federal income taxes," and then in parentheses, "current and back personal and corporation taxes and excess profits taxes."

H.M.Jr: If, after reading it, you have any more questions, Mr. Bell will be glad to see you during the day. Is that right, Dan?

Bell: Yes, I will.

H.M.Jr: Something might come up that you want to ask

him about.

Q. Mr. Secretary, if I could intrude a little business thing, as the new tax bill has been drafted tentatively, there is a change in the tax on the leased wires which, at the present, implies a tax on wires of the press associations, and we would like to have you look into that for the reason that our leased wires are, if I may use the comparison, comparable to the counters in a department store. They are the things on which we lay out our wares, and you don't have taxes on counters - yet.

A. I don't think your comparison is awfully good. I mean, this isn't where you sell.

Q. Well, it is a facility that is an integral part of the business.

A. But don't you think newspapers ought to be giving their contribution?

Q. I think the newspapers have probably made as

great a contribution as any other group of people, including Government officials. That isn't personal, of course, on taxes.

On any basis.

A. It is a pretty broad statement.

Q. They pay income taxes.

A. Yes, but I don't frankly see why a service that the newspapers have should be exempted from a special tax.

Q. That is not the point at all, Mr. Secretary. The original tax on leased wires was a tax on a special type of facility as sort of a luxury which certain individuals and certain corporations used. In the case of a press association or in the case of an individual newspaper which maintains a leased wire, say, between its New York and Washington office, that leased wire is a tool. It is - well, it is similar to a shovel in the hands of a worker. That is what he does his work with. It is not a luxury or anything of that sort.

A. I will tell you what you do. Go back and

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talk with Roy Blough. Sullivan isn't here.
See if you can sell it to him.

Q. I will sell it to somebody. It is a question of simple fairness, Mr. Secretary--

A. Well, I didn't put it in the bill. I had nothing to do with it.

Q. Well, do you know specifically that that phrasing in the bill would hit a press association?

A. I never heard of it until it was brought up. It is the first that I have heard of it.

Q. Oh, I understand that, Mr. Secretary. I was soliciting your help in straightening the situation out.

A. When you bring up a question like frozen funds for the AP or anything like that, we go to work immediately and do anything we can, but when you just kind of took my breath away on this thing, but I again suggest that you talk with Roy Blough and then

let him digest it, and I will ask him what he thinks. I want to say the Treasury had absolutely nothing to do with it. It is the first time I have heard of it.

Q. Mr. Secretary, now that the--

A. But you can tell your office that you will take it up with Blough, and he will talk with me about it.

Q. Thank you, sir.

Mr. Secretary, now that the Ways and Means Committee has completed its work on the tax bill, do you have any comment on it?

A. No.

Q. Or could you say whether the Treasury will actively seek any changes in that draft before the Finance Committee?

A. No comment.

Q. Are you pleased with the result, Mr. Secretary?

A. Well, I say I have no comment. On the other hand, I will have a comment, but there will be

no comment this morning.

Q. Mr. Secretary, the National Bank Examiners are here studying the frozen fund situation. Is there anything that can be added to that other than just a technical look-see at the picture?

A. Well, we wanted them to come in to the home office, so to speak, to see what we are doing and tell us what they are doing, and they are here for two days, they and the Federal Reserve fiscal agents.

Bell: Representatives of the Federal Reserve banks handling frozen funds.

H.W.Jr: They were here for two days, and I think we learned a lot from them, and I think they learned something from us. It was a good meeting.

Q. Is there any chance that you might recall high denomination bills as a way to find where this money is escaping?

A. Very difficult. The time to find it was

before it escaped.

Q. For a time the Bank of England, at the time Czechoslovakia was invaded, changed their currency and called in all notes, I think, over five pounds, which apparently were held by Czechoslovaks which might have been confiscated by the Germans as part of the whole economic program. I was just wondering, in view of this fellow Podesta who was caught shipping a lot of high denomination currency out of the country, whether that might be done?

A. That is an idea.

Q. Is there anything under consideration along that line?

A. No.

All right?

Q. Thank you, Mr. Secretary.

TREASURY DEPARTMENT
Washington

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FOR IMMEDIATE RELEASE
Thursday, July 3, 1941

Press Service
No. 26-30

Secretary Morgenthau today announced a plan to make it easier for taxpayers, large and small, to meet the unprecedented tax bills required by the National Defense program. Under this plan, two series of notes would be issued as outlined below, both dated August 1, 1941, and maturing August 1, 1943.

On January 1 of each year hereafter, two new series will be provided so that a taxpayer can always purchase notes during the entire year in which he is receiving his income, to be used in payment of his taxes due in the following year. The reason for the two-year note is to permit a taxpayer, if he so desires, to begin saving in January of one year and continue throughout that year to save for his taxes due in March, June, September, and December of the following year.

All notes are to be sold at par and accrued interest, if any, and will be redeemed at any time after three months from the month of issue, but not before January, 1942, when presented in payment of income taxes at par and accrued interest up to and including the month in which such taxes are paid. Interest will not accrue beyond the maturity of the notes. If not presented in payment of

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income taxes, they will be redeemed for cash under certain specified conditions at the purchase price paid for the notes. In other words, the taxpayer, in this case, gets back just the amount he paid for the notes and no more.

The notes will not be registered, but will have the purchaser's name and address inscribed thereon so that the Collector of Internal Revenue can compare the purchaser's name with that on his tax return. They will not be transferable; nor can they be used as collateral. Applications for purchases of both series of notes can be made through the taxpayer's bank and the bank may credit the proceeds to its War Loan Deposit Account, if it has such an account. Applications can also be made directly to the Federal Reserve Banks or to the Treasurer of the United States.

These notes may be used to pay any Federal income taxes (current and back personal and corporation taxes, and excess-profits taxes). Further details regarding these issues will be contained in the official circular to be released about July 20, 1941.

TAX SERIES - A-1943

Notes of this series will be issued in denominations of \$25, \$50, and \$100. The amount of this series which can be

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presented in payment of income taxes will be limited to \$1200 in any one tax year by any one taxpayer. The notes will provide a return of about 1.92 per cent a year, but the rate per cent will not be expressed. For a \$25 denomination, it will be expressed at 4 cents a month, \$50 denomination at 8 cents a month, and for the \$100 denomination at 16 cents a month. By following this method it is made simple to compute the cost when the taxpayer purchases the notes and simple both to the taxpayer and the Collector of Internal Revenue to compute the credit that may be applied to the taxes due. There will be a schedule of values printed on each note. These notes will be redeemed for cash at the Federal Reserve Bank of issue at any time at the price paid by the taxpayer.

TAX SERIES - B-1943

Notes of this series will be issued in denominations of \$100, \$500, \$1,000, \$10,000, and \$100,000. The amount of these notes which can be presented in payment of taxes is limited only by the amount of taxes due. The Secretary will, however, reserve the right to reject any and all subscriptions. The notes will provide a return of slightly less than 1/2 of 1 percent (about 0.48%) a year, but here, as in Series A, in order to simplify

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computations, the rate per cent will not be expressed. It will be stated as 4 cents a month for a \$100 denomination, 20 cents for a \$500 denomination, and so on. There will be a schedule of values printed on each note. These notes will be redeemed for cash at the Federal Reserve Bank of issue, after sixty days and upon thirty days' notice at the price paid by the taxpayer.

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REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JULY 7, 1941

H.M.Jr: In order to save you gentlemen asking me a lot of questions and my saying no, I just want you to know I am not in any way going to comment on the President's message to Congress, so please don't ask me. I would appreciate it very much. Otherwise, I would love to spend the rest of the afternoon with you.

Q. Saying no?

A. No, having a good time.

Q. We will pull up some chairs.

We will send down to the press room for some cards.

A. It is all right with me. We have nothing here. Have you got anything? Oh, I have something for you.

Q. Thank you.

Mr. Secretary, is there going to be an arrangement made whereby the banks will get any compensation of any kind on handling

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the tax anticipation notes or how will that be worked out?

A. My impression is that the banks will be just as glad to handle that as they do these Defense Savings Bonds. I should think they would.

Q. There is a little more red tape than the bonds, I thought perhaps.

A. Well, not too much. We are going to give them the first exclusive right on that and see how they do with it. I think they will like it.

Has anybody else got anything?

Q. Are you going to send anybody to Iceland to sell Defense Bonds?

A. Are you a candidate?

Q. Yes, I need a vacation.

I think everybody is a little weak today from that story.

A. I don't blame you. I am too. If you haven't got anything, I am always glad to have seen you.

Q. Glad to have seen you, Mr. Secretary.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JULY 10, 1941.

- H.W.Jr: How do you do, everybody.
- Q. Good morning.
- A. It is a nice day.
- Q. I see they found a use for silver, Mr. Secretary.
- A. What is that?
- Q. They are going to use it for soldering instead of tin.
- A. Oh, really?
- Q. Some scientist suggested it to OPW.
- A. There are a lot of commercial uses for silver.
- Q. Well, they don't have to have any priorities on it.
- A. I hope they use a lot of it. What other good news have you got?
- Q. How about the new expenditures? President Roosevelt sent a dual message, I understand, for supplemental appropriations estimated anywhere from five to fifteen billions of dollars. Would that necessitate possibly still higher taxes in '42?

- 2 -

- A. I wouldn't want to answer that this morning.
- Q. Would you say that there is a definite prospect of still higher taxes?
- A. Well, you know what they say about taxes and death.
- Q. Sure, but they are not necessarily higher.
- A. No, but I just don't want to answer your question this morning.
- Q. Would that necessitate any changes in your financing program? You said you would like to maintain a two thirds - most of the revenue coming --
- A. Well, we haven't had a chance to study it. That is the answer. I mean, to study the impact on the Treasury. We just haven't had the chance.
- Q. Do you think it might force perhaps - leaving out any chances of compulsory savings this year, but perhaps in 1942, it is quite evident the prospect is stronger for compulsory savings, isn't it?

- 3 -

- A. No, not necessarily. We are all right - we don't have to - as far as the Treasury financing is concerned or anything, we don't have to change our plans for the rest of this calendar year, I mean in any way.
- Q. Well, I am thinking of '42.
- A. Well, I just wanted to make clear, as far as our financing plans are concerned for the rest of this calendar year, nothing has happened to make us change our plans. Now, when we talk about calendar year '42, why --
- Q. You must think of the future, don't you?
- A. Oh yes, '43, '44.
- Q. Mr. Secretary, as far as the --
- A. That is what I am thinking of.
- Q. Mr. Secretary, as far as the new requests are concerned, as a matter of fact is it true that the bulk of the proposed expenditures won't be made until probably fiscal '43?

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- A. I can't answer it. I don't know.
- Q. That is my understanding, particularly of the Lease-Lend money.
- A. I wouldn't want to give you an answer. All I can say is that - it isn't very helpful - that for the rest of this year there is nothing on the horizon that will make us change our plans in any radical way.
- Q. That is as to taxes and borrowing?
- A. I was talking about borrowing.
- Q. Well, some time ago you told us that the present three and a half billion dollar tax bill was all that you had in mind at the moment.
- A. That is right.
- Q. That is still true?
- A. Well, that was true until - here they come along with this appropriation and I read in the papers there is going to be some more for Lend-Lease, so we have got to wait until we see how much that is, and then we will take a look at the whole fiscal picture.

- Q. The Treasury is willing and is prepared to reopen the subject of taxation?
- A. I will put it a different way. We will give them an entirely new situation after this new appropriation plus Lend-Lease goes up, and then we will take a very careful look and study the whole situation and see where we are at. But with these new figures, I mean it gives us an entirely new situation, entirely new. I am not prepared because it is too recent. We will wait until we see what the new Lend-Lease figure is.
- Q. Seven billion?
- A. That plus the other makes a nice tidy sum.
- Q. I understand the present Lend-Lease fund won't be actually disbursed until at least the end of this fiscal year.
- A. Yes, but certainly the figures are colossal enough, that it is deserving of the most careful study of the whole fiscal picture.
- Q. Mr. Secretary, how about this Stabilization agreement with Colombia?
- A. I can't help you out. I don't know. If there is anything on that, you can inquire of Schwarz, but I can't help you out.
- Q. I understood the announcement was imminent.
(Discussion off the record.)

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H.M.Jr: Off the record. You see, I think I was told Monday that they wanted to do something this week because the Ambassador had to go back at the end of the week. I said I was awfully sorry but I had other things scheduled for this week and I just couldn't do it this week. There were other things which--

Q. That is Colombia?

A. I mean, they wanted me to sit down and talk about Colombia, and I just couldn't do it this week, so they want me to sit down and talk about it next week. I mean, off the record, you can only do so many things so fast. I think if the Ambassador is going back, he will have to go back.

Q. Is that still off the record?

A. Yes.

I am just telling you. I mean all of a sudden they say, quickly, quickly, they want something.

Q. Off the record, Mr. Secretary, he is in kind

of a hurry because he would like to be elected president, I understand.

- A. Well, we go along and we do things as fast as we can, but we try to do the most important things first, and I don't know how long the man has been here or how long he has been in contact with the State Department, and then they give me a week's notice that I should do this thing, and it isn't time enough. I mean, that is the whole story. No one told me that I had to fix him up to be president. That puts a different angle on it.

Q. The Mexican thing--

- A. Until I find out what party he belongs to and so forth.

Q. It is the right party.

A. Has he talked to Ed Flynn, is it all right?

Q. He has talked to Lowell Mellett, I understand.

A. That is better than Flynn.

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- Q. Is the Mexican thing also a Stabilization operation, Mr. Secretary?
- A. Not necessarily. It might be. That was all off the record. I was just trying to be helpful.
- Q. How are they going to make up that over three hundred million dollars that we are supposed to get from the joint tax return? Have you made any counter proposal to the House Ways and Means Committee? Are you in favor of that joint return?
- A. Let me ask you a question before I answer.
- Q. I am not married personally, but I just wondered.
- A. How do you mean, "married personally"?
(Laughter) Are you married impersonally?
That is a new one. Well, let me be impersonal.
Certainly this is very much off the record.
(Discussion off the record.)

H.M.Jr: Mr. Wendell Willkie got off a blast on that yesterday. My! he was excited about it. Was anybody at the press conference? He seemed to be really very hot about it. I was amazed at his excitement.

Q. Well, he is married.

What do you think caused the excitement?

A. I don't know, I was surprised.

(Resume discussion on the record.)

No, on the record, they are studying the thing up there. When it will come out, I don't know.

What else?

I am always glad to see you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JULY 14, 1941.

- H.M.Jr: How do you gentlemen like the new poster?
- Q. I like your waste basket.
- A. That is the next poster. (referring to poster on display)
- Q. Are you selling any bonds, sir?
- A. Oh, yes.
- Q. It would be nice if you could put out some banks like that.
- The only thing I don't like is the yellow background, Mr. Secretary.
- A. Well, that is the artist.
- Klotz: What color would you like?
- Q. Any other color but yellow.
- This is Billings' poster?
- A. I think you are right. I think that is the artist.
- Q. That is clever.
- A. I will see if I can't get the artist's name on it as a by-line.
- All right, gentlemen. I carry my mail back

- 2 -

and forth in that basket.

Q. Where did you get it, Mr. Secretary?

A. Mrs. F. D. R. gave it to me. I carry the stuff from the farm back and forth in it. I don't know where she got it.

Q. For sometime now there have been discussions back and forth among Government economists with regard to the threat of inflation or rather that inflation has gotten underway, and sometime ago you made the statement - I believe voluntarily - that you thought the steps taken by the Administration were sufficient to check inflation. You said that there was no danger. Would you like to discuss that question again?

A. Not today, but I would like to take a rain check on it, very much. I would like to take a rain check. I am not prepared. It is a timely subject.

What else?

- Q. How about the shipping situation?
- A. I can show you how timely it is. Here is my movement of basic commodity prices. I have it right there. That is how much interested I am. It is weekly and daily.
- Q. I notice those lines all go up.
- A. Unfortunately. That is up to July 11.
- Q. Well, are you concerned?
- A. I will just take a rain check. I am not ready.
- Q. You mean by a rain check--
- A. I may want to say something later on, but it is too important^a/subject to do it without more preparation.
- Q. May I ask you this question, Mr. Secretary? On Friday you announced the seizure of sixteen Axis vessels, fifteen of which were Italian. On April 1 the announcement was made that twenty-seven Italian ships were taken, were seized, were left sabotaged. What has happened to the other twelve? Why weren't they taken over?

- 4 -

A. My guess, but you had better check this with my lawyer, is that these are the ones that are sabotaged. Our instructions were to take only the ones that were sabotaged.

Q. But on April 1 you announced that of thirty Axis ships, twenty-seven were sabotaged. There were only three undamaged ships. We will deduct two vessels from which the crews, I understand, were not jailed. Here is the list of the sabotaged vessels. There are twenty-seven of them there.

A. If you will walk down to the other end of the hall to see Mr. Foley, he can give you whatever explanation there is. I will have him come in.

Q. Yes, would you?
Could it be that they only took the ships from which the crews have already been convicted?

A. I don't know. Ed will tell you in a minute. Can you wait a minute? Have you got anything else?

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- Q. Is there any chance, Mr. Secretary, that any of these seized ships will be turned over to Great Britain?
- A. I think I am correct that all we do is to take them and turn them over to the Maritime Commission. What happens to them then--
- Q. Are you turning over the Normandy to the Maritime Commission?
- A. She wasn't sabotaged. She is not under this. That I happen to know. But Ed will give you the answer.
- Q. Anything new on your tax anticipation?
- A. No.
- Q. Have you printed up anything yet?
- A. We are preparing all the publicity and circulars and what-have-you for a grand opening on August 1.
- Q. Why haven't Spain and Portugal been - I mean Portugal and Finland been unfrozen, particularly Portugal?

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A. Well, you will have to ask the State Department that, because evidently they haven't been satisfied that they should do it.

Q. Mr. Secretary, can we return to the tax anticipation subject?

A. Yes.

Q. There was some comment, I think in the New York Herald Tribune, with regard to the fact that some of the banks felt that they had been rather imposed upon by adding this other service of selling tax anticipation notes to their customers, and I understand the argument was that they are doing enough for the Treasury now.

A. Well, all I have heard is - well, none of that has reached me. None of it has reached me.

Q. Well, not officially.

A. Or unofficially. I spoke to B. M. Edward, who contacts the banks for us, and he says, "Just tell me what you want. I know that

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they will be glad to do it."

Q. Who is Mr. Edward?

A. He is here, working for us, our contact with the banks. He is the president of the bank in South Carolina.

Q. And he said that the bankers were willing to go ahead on it?

A. Anything, that is what he told me. He said, "Just tell us what you want, and I know that they will be glad to do it."

If you want to see him, Schwarz will arrange it, if he is here. The fellow has got wonderful southern stories.

(Mr. Foley entered the conference.)

A. Professor Foley, they are asking me embarrassing questions on subjects which I hope you can answer.

Foley: Well, I hope I can. What is the question?

Q. Well, on April 1 the Treasury announced that the Coast Guard had taken over twenty-seven Italian vessels which were sabotaged. On

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July 11, that was Friday, only fifteen were taken over. What has happened to the other twelve, eliminating two because the crews were not found guilty of sabotage and possibly not being subject to what has been taken over. What has happened to the other ten?

Foley: Well, when we put Coast Guard men on the boats on the thirtieth of March, there were more than the Axis boats. There were Danish boats and other boats. I think that there were better than seventy of them altogether. Some of those are being requisitioned and purchased currently. I think that there were about twenty-six Axis vessels, German and Italian. There were four of those Italian vessels that were purchased and three of them - there are legal problems involved and the legal questions are being studied, and we haven't taken proceedings to seize them. I think that that leaves eighteen of them, and I think

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that as to those eighteen which were damaged proceedings have been instituted to take them over through seizure and forfeiture.

- Q. There are now eighteen?
- Foley: I think that is the figure.
- Q. There were thirty in the first place.
- Foley: I think you are a little high on that figure.
- Q. Here is your announcement.
- There were thirty Axis ships according to Coast Guard and twenty-seven were sabotaged. They described the damage. Every single one of them.
- H.M.Jr: The boys have been doing a little home work to catch us.
- Q. No, this confused us the other night when it came out. We had this list as background.
- Foley: Well, if you fellows want to stop at my office after the press conference here, I will give you the exact figures. I know that there are seven of them or eight of them that were not

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included.

H.M.Jr: They can go down with you now if they are through with me. Are you through with me?

Q. I don't have anything, unless the other boys do.

All right, we will go down.

Thank you.

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JULY 17, 1941.

- A. For my information, how was it handled and what happened to the story about Tuesday night's broadcast? Did you people get that story?
- Q. What story?
Next Tuesday night?
- A. Yes, the one about Mr. Green and Mr. Murray and Mr. Phillips, the Chamber of Commerce man, the American Manufacturers' man.
- Q. Yes, we got it yesterday.
Yesterday or day before, wasn't it?
Got it yesterday.
- A. Did you get it?
- Q. Yes, about four o'clock yesterday.
- A. It did come down?
- Q. Yes, about four o'clock.
- A. Because I can't find it in any of this morning's papers.

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- Q. I wrote it.
- A. I will look again.
- Q. I think my office got it.
- A. I thought it was a good story, but evidently the newspaperman didn't.
- Q. Along the same line--
- A. I mean, I was just curious because I thought it was a good story.
- Q. Have you--
- It has a lot of competition in these days of war and with the events at the White House and so forth.
- A. I am not complaining. I was just curious. Don't think I am complaining. I just wondered whether you got it.
- Q. We all got it, and our offices probably all saw it. It is probably on file.
- A. Well, it just shows I don't have any nose for news. I thought it was a good story.
- Q. Do you know whether you have appointed Roy D.

- 3 -

Moore to be Defense Savings Chairman for Ohio? There is quite some--

- A. I don't think I have. I know I haven't. I haven't appointed anybody.
- Q. Well, you haven't heard his name mentioned in connection with the Defense Program?
- A. Don't press me too hard.
- Q. He runs a chain of newspapers.
- A. Yes, I did hear about him, but up until last night - in southern Ohio, is that right?
- Q. Well, for the whole state, I understand. He is in southern Ohio, yes.
- A. I have heard of him.
- Q. Canton.
- A. Yes, but I don't know what happened to him. What else?
- You know, sometime ago I made a little forecast on the Hill on how much money was going to be spent, and everybody seemed to think that I had underestimated. I hope I have

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underestimated, but I was curious - I mean for this fiscal year, but in April they spent - National Defense was seven hundred sixty-one million, May was eight hundred thirty-seven. June dropped down to eight hundred eight, and the first fifteen days of July was four hundred sixty-one million. So you gentlemen can see why I was a little pessimistic about the possible expenditures. We broke it down for Army and Navy, if you care to have it. You can keep it.

- Q. What do you think now? Are you still sticking to nineteen?
- A. I don't know. As I say, I hope I am wrong, but what they did last month isn't very encouraging.
- Q. After that figure had been determined, that is, after the first of the month, the Director of the Budget said that he thought that defense expenditures alone would exceed a billion

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dollars a month by September.

A. Well, I hope he is right, and I hope we are wrong.

What else, gentlemen?

Q. But you still, for the record, aren't changing your nineteen billion dollar figure?

A. Oh, if the conditions stay the way they are - I mean - by that I mean if they still permit the automobile manufacturers to continue and all the other manufacturers that don't have some kind of rationing of civilian consumption, I think my figures are still pretty good, but if they go ahead and have civilian rationing, we will have a lot of machinists and toolmakers who are still making goods for civilian consumption continuing at the rate they are, and I don't see how they are going to turn out the munitions.

Q. When you made that statement, you left the inference that apparently since the removal

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of the Budget Bureau from the Treasury that there is no cohesion of ideas?

A. No, I didn't mean that. That isn't correct.

Q. I mean, they make your financing problem a little difficult, don't they? If they go ahead and ask for excessive sums of money, then they can only spend just a little, you project your financing on the basis of your expenditures, don't you?

A. No, we do our own. The Director of the Budget gives us all the information that we ask for, and I have no complaint as far as he is concerned.

Q. Mr. Secretary--

A. He gives us all the figures that we want, but as to the projection of financing, we use our own figures and our own estimates. We have to, after eight years. I would be sunk if I didn't use my own figures.

- Q. Well, do you always underestimate their figures?
- A. No, we estimate our own and we do our own estimating. We have to, after eight years' experience.
- Q. The nineteen billion figure again, do you see anything on the horizon now, any new development, that you think will cause production to go up above your nineteen billion figure?
- A. Well, the only thing is, as I say, if Mr. Henderson gets his chance to go to work and do the thing he has in mind, then maybe production will go ahead, but if we continue the way we are, manufacturing, as I say, such a large amount of goods for civilian consumption, it just stands to reason we have got just so many factories and so many workmen, and they can only produce so much goods. If they continue to let the manufacturers manufacture at the rate they are for civilian

consumption, we can't expect also to turn out the stuff for Defense.

Q. You are in favor for immediate steps, then, to curb the production by manufacturers of consumer goods, aren't you?

A. Absolutely.

Q. In what industries in particular do you favor further reductions, automobiles?

A. Well, Mr. Henderson has that job and he is doing it very well and that is up to him to decide. I wouldn't want to - he has got the whole waterfront to cover, and it is a mighty big waterfront. It is a job that has got to be done.

Q. But one of the industries is the automobile industry?

A. Well, that is one of the outstanding ones.

Q. Radio, refrigerators?

A. I don't want to name them, but if anybody can look at the number of automobiles - I think they turned out something like a third more this year than last year, something like that.

That is one of the glaring examples.

There are lots of other ones. There are hundreds of other ones. That is largest of all.

Q. Do you care to say anything about inflation, Mr. Secretary?

A. Not yet. I will still take a rain check.

Q. It would tie in very well on this.

A. When I say something it is --

Q. You are coming in to the subject from the back door.

A. That is all right. When I say something, I think it will be on a piece of paper.

Q. When can we look forward to that piece of paper?

A. I don't know.

Q. Mr. Secretary, have you ever heard of a suggestion that wage increases in the future be paid in Defense Bonds?

A. Yes.

Q. Are you considering that?

A. No. I mean, we have put all these suggestions in the top drawer and we take them out and look at them frequently.

Q. Could you say, Mr. Secretary, by whom that suggestion was made?

A. I am sorry, I don't know. But I know we have had it.

Q. Well, how would that work, anybody's pay raise?

A. I haven't studied it.

Q. Suppose you don't get a raise?

A. If they cut you, then we hand you back a bond.

Q. Give me a tax anticipation certificate?

A. That is right. (Laughter)

Q. Mr. Secretary, what other sorts of things are in that top drawer? What else do you have in the top drawer?

A. You would be surprised.

Q. Is there an enforced savings plan way in the back of it--

A. We have got all kinds of things.

Q. Are you abandoning at this time your original statement that you will do this the hard way?

A. We are doing this the hard way and it is going very well. The E Bond is going very well. We have been getting together a lot of outlets through retail stores, and we have tried it out in the State of Michigan first. It is going extremely well, the stamps.

Q. May I say this, Mr. Secretary? It has been the experience of countries in Europe who have tried price control that it has not been successful unless it has been combined with enforced saving in one form or another. So you cannot leave price control hanging by itself.

A. No, but we are doing it, and it is going, as I say, extremely well on the voluntary basis. As long as it goes this way, there is no use of fooling around with forced savings. I mean, as long as it goes well on a voluntary basis, it is ten times as good as it is if you have to do it through legislation.

Q. When and if it doesn't go well on a voluntary basis though?

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- A. Well, we will cross that bridge later.
- Q. Why do you have a distaste for enforced savings?
- A. I have a distaste for anything that is forced on us. That is why I like the United States, to be an American citizen.
- Q. Some time ago you drew a parallel to where the selectees were in the Army and making their contribution, and now if you ask the average American, the worker, to contribute by enforced savings, I don't see that there is any difference between the two.
- A. Oh, yes, there is. Look, so far there isn't a business or a labor union where the labor union hasn't agreed and passed resolutions that their particular union in the particular factory should have a payroll deduction plan put in. We haven't been turned down, as far as I know, in a single instance. It is going just as fast as we have got the machinery to pick it up. Now, these men are doing it voluntarily. They have meetings and resolutions. They have got a sense of satisfaction. They

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are doing it because they want to. That is worth everything. That is what you call morale, when a fellow does it because he wants to do it. Why should I come along and tell him he has got to do it when he is getting the personal satisfaction of doing it because he wants to?

- Q. Even Mr. Green himself suggested enforced savings. He is one of the heads of the unions which --
- A. I know.
- Q. Has been a leader in voluntary --
- A. I can't help it. I have got my own feelings. Mr. Green is entitled to his, and Mr. Smith is entitled to his, and Mr. Brown to his. All right?
- Q. Thank you, Mr. Secretary.

NATIONAL DEFENSE EXPENDITURES

(Daily Treasury Statement)

<u>1941</u>	<u>Mar</u>	<u>May</u>	<u>Other</u>	<u>Totals</u>
April	\$ 516 M	\$ 220 M	\$ 25 M	\$ 761 M
May	496	338	43	877
June	507	247	54	808
July 1-15	245	179	37	461

Actual expenditures for 1941 \$ 6,048 M

Estimated expenditures for 1942 . . 15,500 M

Under Secretary
July 17, 1941

REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JULY 21, 1941.

H.M.Jr: I have nothing for you gentlemen, I am sorry to say.

Q. Can you tell us anything about Mr. Sproul's visit here, Mr. Secretary?

A. Yes, Mr. Sproul and the President of the Federal Reserve Bank of Philadelphia, I don't know--

Schwarz: Is that Stephenson?

H.M.Jr: I think so. Get his name.

Q. The President of the Federal Reserve Bank of Philadelphia?

A. Yes. They came as a committee from the Federal Reserve System to offer their cooperation in connection with Defense Savings Bonds and Stamps, and I told them I was delighted, and they are going to appoint someone to work with us closely. That was the purpose of their visit.

Q. I thought that they had already announced their--

- 2 -

- A. They had. They act as our fiscal agents in every instance, but they would like to become more active on the selling.
- Q. It is going to be a renewed drive?
- A. No, they just want to be more helpful, and they came down to find out how they could be more helpful, and I said, naturally, we would welcome them and anything that they can do, do it.
- Q. Did the committee represent only Philadelphia?
- A. No, there were to have been three members. It was a committee of the Federal Reserve - representatives of the twelve banks and the Board, you see, and Mr. John McKee represented the Board. It was a committee of the Board and the twelve banks.
- Q. Mr. Secretary, are you satisfied with the progress of the Bond sales?
- A. Yes, I am. I am particularly satisfied on the way the twenty-five dollar bond, the

- 3 -

smaller bond, is going. I may have told you this before, but we are selling about four times as many of the twenty-five dollar bonds right now as we did a year ago of the baby bond.

- Q. Of the twenty-five dollar denomination?
- A. Yes. And that is the one that is showing the greatest increase in the sales, the E Bond.
- Q. Mr. Secretary, these Bonds were designed as - in part as a method of curbing inflation. Do you feel that they have been effective?
- A. Well, to the extent that people's savings are going into them. They are not purchasing non-essentials.
- Q. Has it been fully effective?
- A. Oh, no. It is one of half a dozen things that will have to be done to soak up this extra money that the people are earning and for which there aren't goods to be bought.
- Q. How soon do you think those half dozen things will be done?

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- A. I don't know, but the sooner the better.
- Q. Do you care to make any suggestions as to what they should include?
- A. Well, you gentlemen have asked me that before, and I keep saying that maybe some day I will have a list, but I am not prepared yet.
- Q. Has inflation sentiment affected the sale of Bonds?
- A. Not that I know of.
- Q. I understand that you have stated on a number of occasions that you are opposed to enforced savings, but that you might be favorably disposed to an increase in the Social Security taxes as one way of sopping up this extra spending power of consumers, purchasing power.
- A. Well, if I took that bait you see, then I would be launched on this whole thing. It is an attractive bait, but I think I had better

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wait until I am ready to talk about the whole thing.

Q. Mr. Secretary, have you anything to say about the routing of the Japanese ships around the Horn rather than going through the Canal?

A. No, who is doing that?

Q. Coast Guard.

A. Well, it is pretty far away from our coast.

Q. Mr. Secretary, you couldn't go as far as to say whether that Social Security idea is even in the top drawer?

A. No, I am--

Q. Well, may I add to that, Mr. Secretary? Mr. Viner, one of your advisers, wrote to the Wall Street Journal denouncing any ideas that he may be in favor of enforced savings.

A. It was a powerful letter, wasn't it? I saw it after it was in the paper.

Q. Well, he gave an implication of your position.

A. Well, all of these things - I mean, all of these things, enforced savings or anything

else, I mean - I try to keep up with the times and just at the moment it is not in the woods.

- Q. Well, your dislike to talk about the subject of inflation weakens your position, doesn't it? I mean, if you are not definite about it--
- A. Oh, no, I am definite, but I don't want to talk about it. I want something written.
- Q. Has your position changed any in the last six months, say, on certain curbs on inflation?
- A. No, I made myself clear about such things as automobiles and so forth and so on. I was very glad to see Mr. Henderson do what he did on Saturday, or do it partly.
- Q. Well, you have always said frequently that you didn't like the idea of enforced savings, but I am wondering if there is any dilution in there?
- A. No, it is evaporation rather than dilution, as

my feelings become more strong on the matter. It is a big subject, and a lot of people are working on it, and I just don't want to say something until I have a rounded and carefully thought out statement.

Q. How about joint returns?

(Discussion off the record.)

A. Off the record, the battle is on right now.

Q. How is it going?

A. Not very good, they tell me. The battle is on. They think they are going to take a vote on it today. But that is off the record. The battle is on, and they tell me that blood is flowing freely.

(Resume on the record.)

Q. Mr. Secretary, last week you and some others were responsible for the blacklist of some eighteen firms in Latin America. Can you tell us what is being done about the possible

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- connections of those firms or similar firms with individuals or concerns in this country?
- A. No, I can't, but I will have Schwarz ask Foley and Pehle if there is any story. If there is any story, ask Foley or Pehle - if there is any story on the blacklist or anything from the boys.
- Q. When the blacklist was being prepared, do you know whether the Treasury took into consideration that a number of these firms blacklisted in Latin America have stock in this country? I am thinking possibly of some of the photographic companies.
- A. That wouldn't affect it.
- Q. Do you agree with Bishop Manning that this joint tax return makes people live in sin?
- A. Well, I don't want to be irreligious - can I practice the statement first?
- Q. Yes.

A. I don't want to be irreligious or facetious or disrespectful, but I think that statement is silly. I guess I had better not say that.

Q. Is that for quotation?

A. No. That is the way I feel. It is plain silly. When a man's wedded life depends on his tax returns, it hangs on a pretty thin thread.

Q. Can we quote that?

A. You can quote that, yes. You certainly can quote that.

Q. Will Dennis read that back?

A. Yes.

(The last statement of the Secretary was read back by the reporter).

Klotz: Amen.

Q. Can we have something from the woman's point of view now?

Schwarz: She said "Amen".

(Discussion off the record).

H.M.Jr: Also off the record and for your amusement, a very high member of the Catholic Church happened to tell me last week that he didn't know anything about tax returns, but when he saw the people who are against

it, he decided it was all right, he was for ²⁶⁵ I mean joint tax returns. It was somebody very high in the Church. When he saw the people who came out against this proposed legislation, he decided it was all right.

Q. People in the Church?

A. No - well, I - (Laughter). But that again, as I say, is just for your edification and amusement. I was interested because there had been so much talk about the home and so forth and so on.

Q. Mr. Secretary, I understand from other sources that the stabilization arrangement for credit with Columbia involving three or five million is getting along very well, and almost completed.

A. Far be it from me to force down the price of Columbia bonds, or, off the record, to hurt this man's becoming President of Columbia. All off the record, if it is getting along, it is news to me. Don't write anything on it.

Q. Isn't there anything for publication?

A. No, I don't want to spoil it. This fellow is running for President down there. I don't want to say anything. If it has got anywhere, I don't know about it. You had better say I have no comment.

(Resume discussion on the record.)

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- Q. Mr. Secretary, on this other subject of inflation, have you laid this problem before the President and discussed the problem of inflation?
- A. I never would say whether I had or hadn't. That is up to Mr. Roosevelt.
- Q. Well, do you believe that there is extreme danger of inflation?
- A. If you keep prodding, maybe I will release a statement one of these days. Just now I don't want to do it piecemeal.
- Q. Well, I mean you are a Cabinet officer, Mr. Secretary. Everybody has made a statement about inflation.
- A. I gave you a perfectly good statement on inflation last Thursday, on automobiles and refrigerators. You men wrote it up and all the papers carried it. That was Thursday. Saturday Mr. Henderson came along and put out a decree or whatever he calls it, so that is in connection with spending. That is my job. A lot of money is being spent. I don't necessarily want to talk about something that is strictly

Treasury, but in connection with the amount of money being spent, I made the statement that unless they do something about the manufacturing of some of these things, they never will manufacture these goods. Now Mr. Henderson came along and went after that and stopped the thing. That is Treasury's business, and I am just a little careful about talking about some of the things which are already in the works, and I don't want to step on somebody else's toes. That is the only reason. I can tell it to you in a second. You men know that.

Q. Just roughly, as a rule of thumb, what portion of the average man's expendable income do you think he ought to keep from spending during this emergency?

A. Well, it depends upon his income.

Q. Well, I mean based on a percentage basis.

A. Well, I wouldn't want to take a chance.

Q. Well, look, last January the Federal Reserve Board presented a program, anti-deflation.

Do you agree with those ideas at this time?

A. Oh, that has gone to sleep. Please don't quote me

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on that. Everything is lovely with Marriner now. Let's leave it that way.

- Q. But this --
- A. Cool and delicate. Let's leave it that way.
- Q. Let's celebrate next Thursday with this inflation piece. Could we look forward to your statement on inflation Thursday a week.
- A. Next Thursday? No.
- Q. How about Monday for the Wednesday morning papers?
- A. Just be a little patient. All right.

August 4, 1941
3:00 p.m.

PRESS CONFERENCE

- H.M.Jr: Anything on your minds? I have got nothing to give you.
- Q. How are the tax notes going, Mr. Secretary?
- A. I read by the papers that they are going very well, but until after Labor Day I really won't know, and for that reason a lot of these people will wait until the very last day, because if you buy it on the thirty-first, you get full credit for the interest, you see, so a lot of people will wait until the last day, but we do know that one corporation alone bought seventeen million dollars' worth.
- Q. Seventeen million?
- A. They said that was just the beginning for that corporation.
- Q. Did they smile when they said that?
- A. They seemed to like it, but they said that was just the beginning.
- Q. You wouldn't like to identify which line of

- Q. Have you had any reports about any small taxpayers?
- A. No. We aren't going to get the reports the same way that we do on the bonds. We are going to be satisfied with a weekly report, but as far as I am concerned, until after Labor Day, I will withhold judgment. There will be a lot of people buy them on the thirtieth of September or the twenty-ninth of September.
- Q. That is Saturday, isn't it?
- A. Yes.
- Q. Well, that is a short day.
- A. Well, they will buy them most likely on the twenty-ninth, on a Friday, and until it gets in here and everything else --
- Q. Well, they will have to buy them early enough so their checks clear before the end of the month.
- A. That is right, but I doubt if we will know until after Labor Day, but there is real interest.
- Q. Mr. Secretary, I believe about three weeks ago

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or a month I asked you if you had any comment on Bishop Manning's statement with regard to joint income tax returns and you made some remark that marriage is on a pretty thin thread if it has to depend on joint income tax returns, which indicated to me that you are in favor of this joint income tax return. Your statement to the House Ways and Means Committee which the President released the other day indicated that you had changed your mind somewhat.

A. No, just with that one proviso.

Q. Which proviso is that?

A. That either husband or wife can earn separate incomes. I mean, that the husband and wife are working and can get exemptions of so-called earned income which is up to fourteen thousand dollars, I believe. You can get the exemption up to fourteen thousand. There are a lot of women who work. I don't see any reason why they shouldn't, as long as the people do believe that a woman can work as much as a man, and we

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made that recommendation to Congress, so I think both statements are compatible. That is a good word. Incidentally, they are voting on it right now, so I don't think I am going to say much more than what I said to the President.

Q. Maybe you could swing a few votes.

A. I guess it is pretty well set.

Q. A few weeks ago somebody asked you a question about loaning money by the Government, and that it might be competitive with private interests and you said that the first time you had done it was in 1933 with the Farm Credit.

A. Yes.

Q. In Arkansas. Well, I ran that story and it was picked up generally and they passed a resolution asking you to explain why it was the banks loaned "X" number of dollars in that same period.

A. In Arkansas?

Q. Yes.

A. Have you got that resolution?

Q. Yes.

A. Well, give me a chance on it, will you?

Q. Surely.

A. I will look into it. I will look into my Farm Credit files or have Farm Credit look into it. I remember the time very distinctly. One of us is wrong, either Arkansas or me. I will be glad to look into it.

Q. Fine.

A. What else.

Q. Mr. Secretary, sometime ago you said you would get together a memorandum or statement of your views on how to control inflation. Are you ready to say anything on that subject?

A. Well, as soon as the Senate Finance Committee meets, which will be soon now, I believe, I will have --

Q. Next week are they meeting?

A. Depending on passing of the bill, but I understand they will meet very shortly, and I think that whatever I have got to say I will keep for that statement.

Q. That will be the testimony on the tax bill?

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- A. That is right.
- Q. Would you care to give us a short summary first?
- A. I don't think so.
- Q. Well, do you agree with the President - with the Administration bill setting parity at a hundred and ten for farm prices, also the fact that no wage curb has been proposed in that bill?
- A. Did you see that last sentence in my letter to the President? I will try to paraphrase it. You can get it. I said I didn't think that either labor or farmers should press at this time for the last dollar, and I draw your attention to that. Will you get it for them?
- Schwarz: I will get it for Nick.
- H.M.Jr: I think that answers that question. It is the last sentence about inflation. If you will look at that last sentence.
- Q. Well, it was kind of longish.
- A. Well, I just - that particular thing.
- Q. Is that applicable to the question of setting farm price ceilings at a hundred and ten per cent parity?

- A. No, just to have in mind. I don't think that either the laborers or farmers should try to squeeze the last dollar out of this situation any more than any other class should.
- Q. You say that as a farmer, Mr. Secretary?
- A. I say that as a farmer.
- Q. Mr. Secretary, do you think that --
- A. A dirt farmer, too.
- Q. Do you think it would be wise to have legislation to keep - prevent labor and farmers, as you say, from squeezing the last dollar out, or do you think it should be done by voluntary cooperation?
- A. Well, personally I am a great believer in voluntary cooperation. I think it is properly explained. I am sure that the farmers don't want any unfair advantage over any other class in America.
- Q. Well, the commentators and analysts don't agree with you in that view. They believe that they are trying to get every last cent out of this situation.
- A. Well, the great mass of farmers are - the man

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on the farm is one thing and --

Q. Well, for example, the Senate the other day passed a resolution freezing seven million bales of cotton.

A. Yes.

Q. Well, that is the farm bloc again. Would you have any comment on that? Although cotton prices are going up and the demand is high and the consumer demand will be higher for the next four or five years.

A. Well, if we don't make it possible to sell Government-controlled cotton now when there is a demand, we are certainly going to be very very sorry some years hence. I went all through that. You know, for a short period I was Governor of the Farm Board under Mr. Roosevelt and I inherited a line of groceries that they had accumulated over two or three years. Fortunately, I was able to liquidate them in '33, and if we don't sell cotton now when we have the market, we are going to be very sorry.

Q. You mean the cotton that is owned by the

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Commodity Credit Corporation?

A. By various Government agencies. Now, when there is a demand we can sell it and one of the ways that we can sell it is what they did under WPA. The WPA furnished the cotton to the mills to make the cotton goods and paid them a certain price for manufacturing the cotton and that way they kept it out of the cotton market. There was no particular pressure on cotton to drive it down. There is no reason why they couldn't do the same thing. They could furnish this Government-owned cotton to the contractors who are manufacturing for the Army and Navy and furnish them with Government-owned cotton, but to freeze the thing tight, I think it is terrible.

Q. Well, don't they make the point over at the Agriculture Department that if they sell this Government-owned cotton now they will just have to replace it with next year's cotton crop?

A. Well, I don't want to -- this is off the record.

(Discussion off the record.)

H.M.Jr: He can talk for himself, but I happen to know that Mr. Wickard and I agree a hundred per cent on this thing, but I don't want to talk for him. He may not be able to talk on this subject, but I am not saying anything that Mr. Wickard doesn't agree with a hundred percent.

Q. Why wouldn't the Secretary of Agriculture be able to talk on a subject like this, Mr. Secretary?

A. I don't know. I want to help him; I don't want to make things more difficult for him.

(Resume on the record.)

H.M.Jr: But certainly there should be -- this cotton should be kept fluid so they can sell it when there is a demand, and the demand exists now. When we begin to freeze seven million bales of cotton, I don't know of any better way to force prices up. They tell me that the cotton crop this year is one of the shortest crops we have had in years and in the face of one of the shortest cotton crops, to fraeze this cotton - I think it is just wicked.

Klotz: That is clever.

H.M.Jr: I think it is just wicked. I am not talking croquet, either.

Q. You say Wickard?

A. No, I said wicked.

Q. Mr. Secretary, do you believe that control of prices or placing a ceiling on commodities on the one hand and parity prices on farm products are sufficient curbs to control inflation without any credit control?

A. I have talked enough. At least you know how I feel about freezing cotton. All right?

Q. O.K., thank you, Mr. Secretary.

A. Thank you.

August 7, 1941
10:30 a.m.

PRESS CONFERENCE

- Q. Your troubles are over, Mr. Secretary (handing Secretary an ad for loans of the Treasury Credit Union). Why don't you float one of your big bond issues like that?
- H.M.Jr: That is wonderful.
- Q. Some more credit installment.
- A. I think that is marvelous. Well, of course you know these are really cooperative and self governed.
- Q. Oh, yes. We just thought in case you were looking for some.
- A. I don't know whether I have any influence with them, but thank you. That is marvelous.
- Q. They are an offspring of your old Farm Credit thing.
- A. Yes, they are a very useful thing to keep the people out of the hands of the loan sharks. I mean, anybody that wants to borrow some money, but I don't think they should go into washing machines, et al.

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- Q. Mr. Secretary, have you been invited to appear before the Committee on the price control legislation?
- A. Yes.
- Q. You have?
- A. I have.
- Q. When are you going up, sir?
- A. Well, I told them I couldn't be ready before Tuesday. Whether they want to wait that long, I don't know.
- Q. Is that Senate Banking?
- A. House Banking, Henry Steagall. I am appearing tomorrow at ten o'clock before Senate Finance. I am working on that statement, and I can't do anything on the other until I get that out of my system.
- Q. You will go Tuesday before the --
- A. I sent word - I haven't heard. It appears that the earliest I could be ready would be Tuesday. Whether they will want me Tuesday, I don't know.
- Q. Would you like to try that statement out on us?

- A. Which one?
- Q. Tomorrow's.
- A. It might be a good idea. It isn't finished yet.
- Q. Well, in general, Mr. Secretary. Can you tell us what the general tenor of your statement in the Senate Committee will be tomorrow?
- A. No. It is still fluid.
- Q. Will you adhere to the original three and a half billion dollars --
- A. I think you will have to be a little patient.
- Q. The reason I asked, Senator Connally has got an idea today of getting another billion on top of the bill the way it stands now.
- (Discussion off the record.)
- A. More power to him.
- Q. You mean that seriously?
- A. What?
- Q. Do you mean that seriously?
- A. Sure.
- Q. In other words, you are in favor of it?
- A. No, but I just say more power to him.
- Q. Well, what do you mean by "more power"?
- A. Well, I think you had better drop it, as long as you are so much in doubt. We will wait until tomorrow. I withdraw it from the record. You

had better wait until tomorrow.

- Q. That "more power to him" was off the record ?
- A. Yes, I slipped.
- Q. Do you agree with Mr. Henderson's statement that the installment credit should be curbed by existing powers under the Emergency Banking Act of 1933? He made a statement yesterday to that effect.
- A. Well, that means Federal Reserve.
- Q. That is right.
- A. Yes, I am for the Federal Reserve doing it. They want to do it, and I said, "God bless them." I give them my blessing, let's put it that way.
- Q. Times have changed.
- A. Pardon?
- Q. How times have changed. (Laughter)
- A. No, you would be surprised how many times Mr. Eccles has been over here.
- A. Well, in view of the frequency of his visits here, do you agree with the proposals made last January for anti-inflation legislation?
- A. Well, I think, as we have said before, we will let sleeping dogs lie. That is what Congress is doing anyway. Why wake the animals?
- Q. Mr. Secretary, how come you are not up there with

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Mr. Roosevelt and Mr. Churchill, et al?

- A. Well, it is a nice day.
- Q. You might get another ash tray like this one you have.
- A. Well, that is enough to take care of my ashes until I get an urn.
- Q. Mr. Secretary, do you favor reducing the personal exemptions on individual income tax?
- A. You will get that answer tomorrow.
- Q. There has been some criticism in regard to the - what one might call lethargy in the way of unfreezing Japanese funds to pay interest on the bonds. I have seen criticism in the press. I wonder if you have any comment on that, why it wasn't expedited?
- A. No, I don't know what the answer is. Mr. Foley and Mr. Pehle are available.
- Q. Does it lie with the State Department?
- A. I don't know. It is with this committee of three and just what the answer is, I don't know.
- Q. Any possible discussions of --

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- A. I know that they did ask me about yesterday a license on the request of OPM to - for silk to make parachutes for the Army. That is the first license that has been given.
- Q. Cheney silks?
- A. Yes, we gave them a license yesterday on the written request of Mr. Stettinius to make parachutes for the Army. That is the first license that has been issued.
- Q. That is a license to import silk?
- A. No, this is a license to withdraw silk, I believe, from a bonded warehouse.
- Q. Do you know how much, sir?
- A. No, but they can get it for you. They asked me about that because it was the first one.
- Q. Is that silk that came in on the Tatuta Maru?
- A. No.
- Q. The silk was here before the freezing order?
- A. Yes, as far as I know. It was in the bonded warehouse. All the stuff in the bonded warehouse can only be taken out on license, and we will only issue licenses on written requests from Mr.

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Stettinius saying we need it for a specific purpose.

Q. Are there any conversations going on between the Treasury in relation to any financial conversations?

A. I wouldn't say so.

Q. How do you expedite the movement of gold for the payment of these purchases? I recall that at the outbreak of the war some American warships brought English gold here.

A. That is right.

Q. Is there a possibility of American warships going to Vladivostok to pick up gold?

A. I haven't heard about it.

Q. Can you tell us whether there are some large shipments of Russian gold along the way?

A. Not that I know of.

Q. Do you expect some?

A. Well, that is an "if" question.

Q. There have been no reports of moving their gold stock here, no discussions, rather?

A. I haven't heard of it.

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- Q. Have you any estimates of their gold stocks?
- A. No, they have always considered that a military secret.
- Q. You understand them to be very large, though, don't you?
- A. I don't know. For years and years they have kept it a military secret, so I don't know what it is.
- Q. There were reports the other day that I believe the Treasury Department does the buying of the non-military goods for the Lend-Lease, and it would clothe and feed an Army of about a quarter of a million Polish soldiers which would be released under this pact that Russia and Poland signed, of Lend-Lease aid to them. I wonder if you have any comment on that?
- A. It is news to me. I know that an order went through the other day for cotton goods for uniforms for the Chinese, but outside of that, I haven't heard anything.
- Q. When was that?
- A. It must have been within the last week or so.
- Q. That is ten million yards of grade goods, is it?

- A. I don't know whether it is grade goods or one stage further along in manufacture. It is either grade goods or the next stage.
- Q. That is Lend-Lease?
- A. Yes, but you are safe in calling it grade goods.
- Q. That is a big army they can clothe, isn't it?
- A. That is a lot of cotton. They make this, as I understand, a cotton uniform, and then they stuff it with material inside to keep the soldiers warm, but the uniform is made of cotton and stuffed with some kind of material to give them warmth.
- Q. Mr. Secretary, when you testify tomorrow, may we assume that you will reiterate the stand on excess profits and joint returns which were voiced by the President recently?
- A. Again, if you will be a little patient until ten o'clock tomorrow, you will have the whole answer. The thing is here and it is in the fourth draft right here.
- Q. I am impatient.
- A. So am I.
- Q. How are your Canadian discussions getting along?

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- A. All right.
- Q. No financial help at this time?
- A. Nothing that I know of, I mean nothing in the sense of - other than - well, there is this whole program about buying material in Canada which is quite a large program.
- Q. Some time ago you said they might need financial help by the end of the year.
- A. Did I say that?
- Q. Yes.
- A. Well, if I said it, I am surprised.
- Schwarz: Not before the end of the year.
- H.M.Jr: I think what I said was that the Canadians informed me they are all right until the end of the year.
- Q. That is what I had in mind.
- A. Which is a little different. I think that is what I said.
- Schwarz: That is correct.
- Q. Are we sending any financial attache to Russia?
- H.M.Jr: Not that I know of. Want to go?
- Q. Say, that would be a soft touch. Caviar, borsch.
- A. What makes you think so?

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- Q. Who is carrying the discussions on with the Russians, the Amtorg people?
- A. No, I see Ambassador Gumanaky myself whenever he wants to see me.
- Q. What does he see you about?
- A. Oh, he is interested in Washington comments and so forth and so on. He brings in his generals to introduce them.
- Q. Mr. Secretary, you said there were no financial discussions. What other kind besides comments and climate would there be?
- A. Oh, I don't know, the general state of the world. I just meant that if he wants anything or has anything in mind, he comes in to see me himself.
- Q. Thank you, Mr. Secretary.

August 11, 1941
3:00 p.m.

PRESS CONFERENCE

Q. Mr. Secretary, up on the Hill the other day I believe it was Senator Byrd asked you about the possibility of even raising another billion dollars above the three, five. Is that right?

H.M.Jr: Well, I wouldn't remember exactly.

Q. Well, roughly that, wasn't it? You said you wanted the weekend to think it over.

A. Oh, more than that. I wasn't thinking about the tax bill this weekend.

Q. What were you thinking about, sir?

A. My crops.

Q. You mean your farm crops or tax crops?

A. Farm. It looks as though we will have a good apple crop.

Q. Well, without having the details thought out, surely you have some views on the subject.

A. Well, I told him the answer that we gave them six different ways that they could raise eight hundred to a billion dollars on that, in my statement.

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- Q. But this is different that Mr. Kline refers to. I think Vandenberg asked you in view of the fact that the deficit is higher now than it was last spring --
- A. Does the Tribune check INS?
- Schwarz: It should.
- H.M.Jr: Go ahead.
- Q. Whether if you were going to retain this two thirds one third ratio and you estimated, I think, two billion one hundred million of additional taxes may be necessary, and you said you would think it over.
- A. Well, the answer is I wasn't thinking about that this weekend.
- Q. I see.
- Mr. Secretary, have you decided when you are going to the Hill for the price control bill?
- A. I understand that they expect me Thursday now before Henry Steagall's committee. Thursday is what I understand.
- Q. Will you be ready for them then?
- A. Yes.
- Q. Are you going to be for it or against it?

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- A. For. Mr. Henderson arranged it.
- Q. I was going to ask you, in your statement before your Finance Committee you made a statement that you would have another tax bill next year.
- A. Next year? Sure we will have one next year.
- Q. How about December?
- A. I don't know, that is up to Congress.
- Q. Like mandatory withholding tax on wages. Are you giving any study to that?
- A. No.
- Q. We are going to see Mr. Eccles this afternoon. Do you have any questions you would like us to ask him? (Laughter)
- A. That is the best one yet. That is a wonderful one. Is that what he does to you when you come over here?
- Q. He doesn't see us often enough.
- A. Well, if it is not impolite or too curious, what is he having a press conference for, because I know he doesn't have many?
- Q. Oh, hasn't he told you?
- A. No.

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Q. We suspect it might be installment credit.

Now do you have any questions?

A. No, you gentlemen have printed what I said the way I said it, and I wish you good luck.

Q. You said the other day --

(Discussion off the record.)

A. Off the record and in the room, when Henderson and Eccles came over I was asking them some questions and Leon said, "For Heaven's sake, don't argue with Eccles. He might wake up to what he is taking on and not do it. Leave him alone."

Q. You haven't made up your mind whether you want Henderson or Eccles to be a household word in America, have you?

A. So I said he had my blessing.

(Resume discussion on the record.)

Q. On this extra billion dollars tax, do you feel that you could provide or suggest or recommend sources of additional - additional sources of revenue that would provide another billion dollars above the three billion five?

A. In the course of the conversation with the Senators' up there, I think this was brought out, that there aren't any sources of revenue, having eliminated sales tax, so it is just a question of adding on to what we have already got and they can figure that out just as well as I can.

Q. I thought that you said it would take five billion six hundred million dollars to carry out your formula and that they asked you for suggestions to carry out that full formula.

A. Yes, but I - you are most likely right, but so there is no misunderstanding, there is no commitment on my part or indication that we wanted to - we just had a nice discussion, so please don't write that Morgenthau has said that he wants five billion dollars.

- 6 -

- Q. What you said in effect was that if Congress wants another billion, why --
- A. No, what I - may I?
- Q. Yes.
- A. They asked me how much more taxes I need to bring it up to my formula, and I said it would take another two billion dollars.
- Schwarz: About that.
- H.M.Jr: It would take about another two billion.
- Q. And then they asked you for suggestions?
- A. They most likely did.
- Q. And didn't you say that you would --
- A. That would be a job that Sullivan would take on with the staff in due course.
- Q. Well, they were rather surprised that you yourself had no new sources that you might have suggested.
- A. Well, where are you going to get any new sources? Everything is being taxed now. Except for sales tax, all you can do is simply say, "We will add on to this or that tax." I don't know of any new sources or I don't know anybody else that

- 6 -

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- H.M.Jr: It would take about another two billion.
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- 7 -

knows any new sources. It is just adding on to what we have already got. It is just a question of where you want to add on or how much.

Q. Is a broader base a new source?

A. It is reaching new people, but that has already been recommended. After that has been recommended, a fellow wanting another billion dollars - it would be just a question of increasing the rates. I don't know any other place.

Q. Mr. Secretary, you also said --

A. Unless you have a tax on bachelors.

Q. You have got one.

A. Have we got one?

Q. Sure, you have got a lower exemption on them.

A. How about bachelor girls?

A. Well, that is a different story.

Q. You said that you would favor the removal of all legislature forcing the Treasury to buy silver. Why don't you campaign on that? You made the statement and you made it at press conference, several times.

A. Sure. In the room here, I held my nose and closed

my eyes and dove and the splash wasn't very big. (Laughter)

Klots: That is marvelous.

Q. Where, do you mean up in the Committee hearings?

A. Yes. If poor old Townsend of Delaware had been there I would have got a comeback. But we will see. It is nothing that I want to campaign on. I have said how I felt and I will let somebody else in the Rocky Mountains do the campaigning.

Q. Going back to your --

White kind of saved his job defending that silver proposition, didn't he?

That is right, he never even answered the question which he was asked.

A. White?

Q. Yes.

Mr. Secretary, going back to how you held your nose and dove in, as far as holding your nose, you have been doing that on silver for a long time, haven't you?

A. Well, I have got a big nose.

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- Q. We aint gonna write nothing about that.
- A. I knows it. (Laughter)
- Q. One more like that and I will be tempted, Mr. Secretary.
- How about the President and Mr. Churchill out at sea? Do you know about that?
- A. Not a thing.
- Q. 'o you know whether they met or not?
- A. I don't know a thing about it.
- Q. What did they say?
- A. Same.
- Q. You are the only honest Cabinet member I have ever asked.
- A. Is that right?
- Q. They won't even admit they don't know.
- A. I admit I don't know anything about it.
- Q. You don't know when to expect him back, sir?
- A. I don't know anything about it.
- Q. When are you going out there?
- A. I don't expect to.
- Q. Is there any news on that regulation, TFR three hundred that was postponed and then was supposed to come up again? The banks wanted to know about it.

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- A. Professor Foley will have an answer for you on that, Professor Schwarz advises me. He tells me that there will most likely be another postponement. You had better get that from Foley.
- Q. Mr. Secretary, one serious question here.
- A. You had better give that to the boys, Schwarz.
- Q. Do you know when the new Lease-Lend bill is going up and how much it is going to be?
- A. No. I don't know either and I don't think anybody else does.
- Q. There will be one, of course?
- A. Yes. When or how much, I think, is still in the air.
- Q. Mr. Secretary, did you write that song yourself, "Yankee Doodle Do"?
- A. No, I wish I had. It is pretty good.
- Q. Is it a bond song?
- A. No, it is a patriotic song. Do you play the piano?
- Q. No, Nick does.
- Thank you, Mr. Secretary.

August 14, 1941
10:30 a.m.

PRESS CONFERENCE

- Q. Mr. Secretary, are you going to give in advance what you were going to say today up on the Hill?
- H.M.Jr: Well, I was all set, but evidently the Committee wasn't.
- Q. It is a good way to reach them.
When are you appearing, the fifteenth of September?
- A. That is what they tell me.
- Q. Mr. Secretary, can you tell us when you first heard about the Roosevelt-Churchill meeting?
- A. No.
- Q. Just the time.
- A. No.
- Q. Doesn't the Coast Guard take you into confidence any more?
Would you give us your comment on the statement, Mr. Secretary?
- A. Sorry, no.
- Q. Didn't you like it?
- A. I am just not going to comment on it.

- 2 -

- Q. Can you tell us anything about what you might take up with Sir Otto Niemeyer?
- A. He has asked to see me.
- Q. On Lend-Lease matters?
- When, sir?
- A. Tell them, Mrs. Klotz.
- Klotz: Three thirty.
- Q. How does he spell that last name?
- H.M.Jr: N-i-e-m-e-y-e-r.
- Schwarz: Right.
- Q. Think his visit has any relation to this high seas conference?
- H.M.Jr: You can check that.
- Schwarz: That is correct.
- Q. Do you think his visit is related to this conference on the high seas?
- H.M.Jr: No, he is on his way to China.
- Q. I understand he is going to talk about stabilization fund matters.
- A. I don't know. I have never met the man. He has asked to see me.
- Q. Is he the British man on that International

- 3 -

Committee for China?

A. Again, check me, I think he is going to be their representative, but you had better check with Merle Cochran.

Q. And is it your expectation that he is going to talk to you about Chinese finance and currency?

A. I wouldn't want to guess what he is going to talk about. He is coming in and say "Hello". I don't know - most likely it is just to say "How do you do." I will say, "How do you do." But I think that he is the representative. Please check it. That will maintain my average on accuracy.

Q. Would you mind telling us, if it is possible, what you discussed at the first meeting of the Economic Defense Board?

A. Well, I read it in the paper, and I thought it was very good, that Mr. Wallace said it was like a card game, you don't tip your hand. Isn't that what he said?

Q. "Show your cards."

A. Show your cards. It is all right with me.

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- Q. Well, that kind of depends on the strategic situation at the moment.
- A. You mean --
- Q. Whether you show your cards.
- A. Well, he is Chairman, and I will let him do the talking for me.
- Q. Is the Treasury one of the agencies that has been asked to work on this project?
- A. What project?
- Q. Two projects, they said, were under way.
- A. Well, I think the Vice President should do all the talking, as far as I am concerned.
- Q. Mr. Secretary, has there been any development on that three million dollar loan to Colombia?
- A. Not as far as I know, but again, Schwarz will have to find out. I don't think so. If I am wrong, he will tell you.
- Q. The Ambassador took the contract down and I wondered if it had been signed and sent back.
- A. I personally haven't - it hasn't come to me. I think I am right in saying as far as we are concerned - you are talking about a stabilization loan?

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- Q. Yes.
- A. I don't think it has made any progress. Give Schwarz a chance to check. As far as I am personally concerned, he left town without our seeing each other.
- Q. Will you have your usual Monday luncheon with the President? (Laughter)
- Will you attend tomorrow's Cabinet meeting?
- A. Will I brush my teeth tomorrow? Yes.
- Q. When are you going to sea again?
- A. I don't plan to go to sea.
- Q. Was there anything in these reports that Iceland would be made into a summer resort?
- A. Yes, for prospective young bridegrooms.
- Q. Mr. Secretary, would you like to make any further comment on freezing cotton?
- A. I think what I said the other day was - still holds good, as far as I am concerned.
- Q. Do we have a new song coming up, Mr. Secretary?
- A. No, it is still here. It is this new song that was sent in to me.
- Q. Mr. Secretary, how soon --

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- A. I am trying to find somebody to give it to.
- Q. How soon will there be any details on the Roosevelt-Churchill meeting, as to where they went and met, do you know?
- A. They tell me there is a very able man by the name of Steve Early that works at the White House. Do you know him?
- Q. Yes.
- A. Nice fellow.
- Q. Don't you want to be a nice fellow?
- How about a new financing, Mr. Secretary?
- A. Nothing for the rest of this month.
- Q. Have you got any definite plans on appearing before the House Committee?
- A. No.
- Q. Do you still expect to appear?
- A. Yes. I have nothing to do today. The tax notes are going very well.
- Q. Do you care to comment on the choice of the American Bankers' Association officials at the head of instalment buying?
- A. No.

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- Q. Could you give us any examples of the Tax Note sales?
- A. The only thing that - that corporation I mentioned in the beginning with seventeen million? That same corporation has finally taken a hundred and fifty million.
- Q. A hundred and fifty million more?
- A. Oh, no, in toto. One corporation took a hundred and fifty million. It is a tidy sum, isn't it?
- Q. Yes.
- That is over half of all the receipts showing so far.
- A. That is right. About half, not quite. You say showing, but what is in, it is not - it isn't quite half. It is running in to big money.
- Q. Why don't you issue a denomination of fifteen million dollars? They must have a very large safety deposit box to put these in.
- A. We have got a million dollar Certificate.
- Q. There are still a hundred and fifty pieces of paper.
- A. Let the safety deposit boys make an honest penny. It is a free enterprise.

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- Q. Is that appropriation figuring on one or two year taxes?
- A. That I don't know.
- Q. Mr. Henderson has again stated that enforced savings must be adopted if we are going to keep that inflation spiral in line. Do you still maintain your original position, that you are opposed to enforced saving?
- A. Well, I --
- Q. Or are you coming around to the other view?
- A. No, we here in the Treasury are studying the whole question of social security, an extension of social security, rather than going - we will go in that direction, rather than to enforced savings.
- Q. Is it fair to say that at least tentatively you are in favor of increasing social security taxes, if and when it is necessary to stop this spiral?
- A. I think that is the direction we should move in. I also think we should move in the direction of what some people call a "Separation Wage," so that whenever this is over there will be

- 9 -

accumulated for the workers several months' pay to be a cushion for them, a security.

Q. Well, how does that differ in principle from enforced saving? Isn't that a kind of --

A. Well, it is just the idea, if they set up a certain percentage which the employer and employee contribute toward and that is built up into several months' wages, whenever this show is over, it is there. We here feel that it is a much more democratic way than enforced savings.

Q. Well, Britain is a democracy, and they have more or less enforced savings.

A. I expected that, but I still think that the way we are studying and planning here that this is a much more democratic way to do it, and we think it will be much more acceptable to the men and women who would come under that. If you were, like so many of these young men, going to these munitions plants and getting fifty or sixty dollars a week, young boys, when this thing is over they will have to find work somewhere

- 10 -

else, and if there is some way it can be worked out that several months' pay will be stored up for them against that day, not only is it a cushion for them, but it is a cushion against a sharp break in purchasing power and everything else.

Q. Do you have in mind, Mr. Secretary, some extension or revision of the unemployment compensation of social security?

A. This would be in addition.

Q. In the case of the social security tax, the old age tax, were you thinking of increasing the tax from one to three per cent?

A. No, what we are thinking about is bringing in, covering groups which are not covered now. You see, agricultural workers aren't covered, domestic servants. In other words, bringing in additional people.

Q. Well, that is in line with the President's recommendation in the Budget Message.

A. Oh, yes.

Q. You weren't talking of increasing the tax?

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- A. Yes, also the possibility of increasing the tax.
- Q. What figure --
- A. Well, I don't know, but it might be as much as one per cent.
- Q. One per cent increase?
- A. Well, it is now one and a half.
- Q. They don't take it out of my pay check.
- A. I think it is one and a half, isn't it?
- Schwarz: It was one and a half. Each employer and employee.
- Q. One per cent on each?
- H.M.Jr: Well, let's leave it this way, seeing that the chances are nine out of ten you are right. Don't quote me in percentage, how much, but - because we are studying it here, you see. Let's just simply say we are studying three things, one, bringing more people under social security, two, the possibility of increasing the percentage - how is that? And three, the possibility of a separation wage.
- Q. In return for that increase --
- A. And all of these things would bring money - would be non-inflationary or have a tendency to

- 12 -

be anti-inflationary.

- Q. How soon do you think that will get on the calendar?
- A. Well, I don't know, but frankly the statement that I was going to give today was one of the places I have been trying to say it.
- Q. Of course, such a set-up would take advantage of the existing social security mechanism?
- A. Oh, yes.
- Q. And would not be any duplication?
- A. Oh, no, it wouldn't come under Altmeyer. It would be in addition but it would draw more money. It would draw more money away at a time when both the worker and employer can afford it. It would set up these reserves for them against the day that this munitions program stops and it would be a cushion so that these men and women would have this amount of money in reserve.
- Q. Did you have in mind, Mr. Secretary, that the retirement benefits would be increased if and when the tax was increased?
- A. Well, you are pinning me down too closely. I

- 13 -

was just talking - just about the way I am talking here now and then hoping that Congress would study it and look into it and we are doing that here. I don't know what got me started on it.

Q. Well, Mr. Secretary --

Mr. Viner?

A. No, as a matter of fact, months and months ago Douglas Brown, who is a great authority on this, was writing to me about it. He is over now with OPM. I mean, he has been talking to me about this for months.

Q. Well, as the anti-inflation campaign develops now, you have a price control bill, you have credit control, instalment credit, and increase of social security taxes. Can you add anything more that might be needed to really have a rounded program?

How about bank reserves, Mr. Secretary?

A. Well, they have to be watched, but after all, the excess reserves are what, over a billion?

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- Q. Five billion.
- A. They are off, I mean they are down.
- Q. About two.
- A. So I mean, that is pretty well taking care of it.
- Q. Isn't circulation of money up?
- A. True, but it is something that has to be watched very carefully.
- Q. I take it, Mr. Secretary, that your recommendations regarding social security were intended only as a part of the general program?
- A. Of a general anti-inflation program.
- Q. Can you add anything to that program?
- A. Yes, but I don't think I will. I will keep you men here all morning. I know that you haven't got the time.
- Q. You mean, you need so many more things that you can't talk about them?
- A. Well, it is a long statement. It is, as you put it, part of a whole program, and everybody has to be on their toes.

SECRETARY MORGENTHAU'S PRESS
CONFERENCE, SEPTEMBER 4, 1941

- Q. How was the fishing?
- H.M. Jr: Well, I got some trout anyway. The children were better at it than I was.
- Q. Mr. Secretary, what do you think of the tax bill as reported out of the Senate? Any comment?
- A. No.
- Q. Has the time come for your inflation statement?
- A. Yes. I am going to give it in Boston next week.
- Q. That will be it?
- A. Yes.
- Q. Is that the talk at the Boston Advertising Club.
- A. Boston Advertising.
- Q. Boston Advertising?
- A. Boston Advertising Club, Tuesday.
- Q. Anything on financing this morning? You

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indicated there might be when you left.

A. No. We have got a very nice working balance and we are studying the situation, together with the Federal Reserve Board, and I don't know just what I will do. I haven't made up my mind.

Q. Mr. Secretary, is there anything new about these Axis ships?

A. Not that I know of. Should there be something new?

Q. Well, you might have taken over the French ships for keeps.

A. No, not that I know of.

Q. Mr. Secretary, there have been persistent and growing rumors that you are negotiating stabilization agreements with not only Colombia but Mexico, Ecuador, and various other assorted South American countries. Could you tell us anything about that?

A. What has the State Department said about Mexico? What did they tell you over there? Have they

- 3 -

told you anything?

Q. They haven't told us anything, but they have dropped pretty broad hints that there is something coming.

A. Well, we are negotiating with Mexico on a stabilization loan.

Q. Could you tell us how much?

A. No, it is in the process of negotiation.

Q. What about these other countries?

A. The only one that is really making progress that I am aware of is Mexico.

Q. The others are in some stage though, aren't they?

A. Well, they are not in the stage that I can comment on them. I can comment on the Mexican one because that has progressed far enough along.

Q. But there are negotiations with others?

A. I don't want to say whether there are or are not; but the Mexican one, definitely yes. I am not saying anything about the others.

- 4 -

- Q. Could you give us any broad idea of - if you can't give us the exact figure - of the limits it will be between?
- A. No, because like all of those negotiations, when they are ready I suppose there will be a joint statement.
- Q. We understand that this impending Stabilization Fund agreement with Mexico will be part of an open credit deal with them.
- A. Well, I can only comment on what we are doing. The rest you will have to get somewhere else.
- Q. How do you feel about the tax anticipation sales?
- A. Very fine.
- Q. That is--
- A. We have sold more in August than anybody even hoped we would.
- Q. Is that special tax committee that you named sometime ago working?
- A. You mean on overlapping taxes?
- Q. Yes.
- A. Yes, I hope they are.

- Q. I haven't heard anything from them.
- A. No, it is a little early. Like all study groups, it takes time, but they are definitely working. I was very much pleased that the Senate passed favorably on this committee composed of members of the Senate and House and the Director of the Budget and myself to study where we can save some money.
- Q. That is that Byrd Amendment?
- A. Yes. I recommended it and I hope the House passes it.
- Q. Mr. Secretary, to get back to Mexico, could you tell us --
- A. How do we do that?
- Q. Could you tell us exactly who from your outfit and who from Mexico is doing the actual negotiating?
- A. We operate as the Treasury here, no stars.
- Q. Mr. Secretary, with your pleasure over the first stage in setting up this non-defense expenditure investigating committee, do you have any particular ideas that we might dwell on?

- A. No. First the House has to pass it. If I am not mistaken, I think that Senator Harrison had made certain recommendations and the Senate passed them I think last year, and then the House didn't, so I don't know whether the House will pass it or not, but Chairman Doughton has always said he was very much interested in this kind of a committee. But the same thing was recommended and passed by the Senate last year. It was recommended by Senator Harrison. So we will pass it until they call us together for photographs and movietones and such.
- Q. Do you think there will be a real opportunity for this committee to accomplish very substantial savings?
- A. Oh, yes, the opportunity is there, sure.
- Q. Just where would they - or just generally, I mean?
- A. Oh, we have got to have our pictures taken first. That is the first rule of any committee, to have your picture taken. The Chairman makes a statement for the movietones.
- Q. With someone pointing over the Chairman's

- 7 -

shoulder at a paper which probably is a racing form. (Laughter).

A. Do they still get the racing form out with Moe Annenberg in prison?

Q. Sure. The circulation has gone up. They have got the PM circulation manager over there.

A. Really?

Q. At the Mayfair the other night I saw six women around one table at a racing form well thumbed.

Q. Annenberg will be out soon.

A. Will he?

Q. Mr. Secretary, could you say anything about a report that the Treasury was working on an indictment of William Rhodes Davis when he went and died on us?

A. No.

Q. For income tax.

A. I couldn't talk about that.

Q. Had there been investigation of William Rhodes Davis prior to his death?

A. It is against the law for me to talk about income tax investigations.

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Q. Maybe Customs.

A. Well, anyway, I am not ready to talk.

Q. Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S PRESS
CONFERENCE, SEPTEMBER 11, 1941

H.M. Jr: I have got some information which you may or may not want to use. On Defense Savings Stamps, I have got some figures for May, June, and July showing a steady growth. I think that the Stamps increased in sales much more rapidly since retailers opened all these new outlets.

Q. You attribute the rise to that?

A. Yes. I mean the --

Q. Drug stores?

A. All retail outlets. The various retail associations are putting them on sale. I mean the drug stores and food stores. Any kind of retail outlets you can think of that is putting them on sale.

Q. Even the peanut man over there on the corner?

A. Sure. As they say, "From little acorns, mighty oaks grow." The way to sell bonds is to get

- 2 -

people collecting stamps. Then we have got a breakdown there for you on Treasury notes which might interest you. On the next page is some more breakdown on Series A and B.

Schwarz: Mr. Secretary, we might point out there is a little lag between this figure and the daily statement because some items were in transit at the end of the month.

H.W.Jr: I see. This came to my desk yesterday and looked interesting, and I thought I would pass it on for what it was worth.

Q. Mr. Secretary, do you have any comment on the fact that August dropped off rather sharply from July?

A. Well, I tell you what happened. We looked at our United States Savings Bond record for the last two years, the curve, and when the people are on vacation, as they are in August, they are using money to travel, and I think that the travel records for August show that. September also, the Savings Bonds, was not a good month, so the curve is following the same

- 3 -

pattern as we have had experience with in the past three or four years with United States Savings Bonds. People have got their vacation money, and I suppose the travel in August broke all records, so when they got through they didn't have any money left for Uncle Sam. That is the story.

Q. They didn't have any money left, period.

A. That is right. It is running just the way it did - the same history as there was on the savings bonds.

Q. At that rate, then you expect September to be--

A. We don't expect September to be so hot either, but I do look for a steady increase in the Stamps, and as the people get enough Stamps, collect eighteen seventy-five, they will begin to buy the Bonds.

Now, the retailers assured me that by the fifteenth of September there will be two hundred fifty thousand outlets handling our Stamps as a minimum. I mean, that is their promises,

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two hundred fifty thousand. They more than made good in Michigan. They exceeded their promises by far in Michigan. We learned how to do it in Michigan and now we are doing it for the whole country. If they make good, and I have every reason to believe that they will, if they only sold a dollars worth of Stamps a day in each store, that would be a lot of stamps, and the records show they will sell at least that many.

Q. Were there as many outlets for the World War Savings Stamps?

A. You have got me there. You might find out, Chick.

Schwarz: I will check it. I don't believe so.

Q. There weren't that many department stores.

A. This is all retail outlets.

Q. You mean any store can sell these?

A. Yes, and they have - now, for instance, one food chain told me - I met with them when they were here three weeks ago - that it will

cost them a quarter of a million dollars just to keep stock in these Stamps, to keep enough Stamps on hand just to stock each store, and they do it gladly. They are all very enthusiastic about it. Isn't it next week they are having a retail --

Schwarz: Retailers for Defense Week, by Presidential proclamation.

H.M.Jr: Yes. Maybe I am spilling a little bit --

Q. No, I have seen some mention of it. Could you give us an idea on the number of outlets in Michigan so we could compare the --

A. What was Michigan?

Schwarz: Eighteen thousand, wasn't it?

H.M.Jr: Oh, no, that is low.

Schwarz: I will check that figure.

H.M.Jr: I don't want to use the figure but I know it is over twenty-five thousand. They have done an excellent job in Michigan. You get it and I think you will find it is over twenty-five thousand.

Q. How has the reaction been to your inflation

speech?

A. Well, according to the newspapers, I have looked at the comments and editorials and I never had any more favorable newspaper reaction than I have had to this. I am delighted. I mean, I haven't even had a chance to look at them all but some of the editorials are very complimentary.

Q. Senator Smith of South Carolina a week or two ago said that he was in favor of releasing cotton stocks if it were done in a manner to give it back to the farmers and let them sell it and then they pay off the loan and take the balance. Would that accomplish what --

A. Well, as to the methods - the Department of Agriculture - that is their job. They have to work it out. I don't mind pointing the way but they will have to work out how they are going to do it, if they do it, and I hope they will.

Q. When you said that we should import some more

- 7 -

wheat from Canada, did you have in mind that we were to consume our total production and all these reserves too and need still more wheat?

A. Well, as people - the payrolls increase, people have more money for food and there is no question but what the people will eat more.

Q. Well, the Agriculture Department has asked the House Agricultural Committee to introduce a bill that will further cut acreage a lot this next year, 1942, and thereby cut down production.

A. Well, I happen to disagree with them.

Q. You disagree with the idea of reducing production in times like these, particularly food items?

A. I think everything should be done to increase food production.

Q. In other words, the more wheat we have, the more cotton, the less tendency for prices to rise sharply?

- A. That is right. I think everything should be done to increase production in these times. The whole idea of the ever normal granary, which I do believe in, is that in times like this when there is purchasing power, let's give it to the people and at a reasonable price and then in bad times again, after we have worked off our surplus stocks, if our bins are empty, we can accumulate more. Our bins are full. We have got seven million bales of cotton in the warehouses. How can we accumulate again with that?
- Q. Do you think in releasing surpluses or in encouraging larger production that something should be done to assure that the price doesn't drop below say, the levels at which they are paying now?
- A. Well, I think that if we kept our mind on plenty of everything, with this tremendous purchasing power I don't think there is much to worry about, about the price dropping.

After all, the best example is the day the President ³³³ vetoed the bill on - to freeze the cotton and wheat stocks, the next day cotton went up.

Q. Do you think --

A. And wheat has gone up steadily since then. We have got to do something different. I mean, they have got to reverse the trend of the last eight years. They have just got to reverse the trend of the last eight years.

Q. Don't you agree that the farmer will enjoy high prices for perhaps eight to ten years, even if the war ends in the next year?

There will be this period of reconstruction.

There will be these high prices for the farmer.

A. I can't answer that. I know what happened to the farmer from 1920 to 1933. There was a continuous depression for him. Whatever influence I have got, I want to throw in so that he doesn't go through a similar thirteen years of depression as he did from '20 to '33.

Q. Do you think that purchasing power has grown to the point of - where price pegs on agricultural commodities can be removed now with no danger of falling below what they are?

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A. I wouldn't want to give an offhand answer.

Q. Do you think we are near the stage where we can do away with that pegging of prices on particularly the high surplus articles, wheat and cotton?

A. I don't think I am prepared to answer that.

Q. Mr. Secretary, when you --

A. It is a good question.

Q. Credit control measures, did you have - or bank credit measures, did you have in mind additional powers for the Federal Reserve Board on excess reserves, new powers? I understand they just have about one seventh to raise reserve requirements another billion dollars.

A. Since I have been back, which is a week now, we have been sitting continuously with the Federal Reserve studying the whole problem.

Q. That is reserve requirements?

A. Everything that has to do with it.

Q. You mean you are referring to the suggestions made last January?

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A. No, I mean - what I am talking about is, we are continuously studying with the Federal Reserve what we should do to meet the present situation.

Q. That includes the broad field of credit then?

A. The whole fiscal and monetary situation is being explored jointly by us.

Q. Would you be a little more definite about it? I am trying to get some idea by referring to the January 1 suggestions.

A. I heard you and I am not.

Q. You are not referring to those?

A. No, I am referring to the present situation.

Q. Mr. Secretary, anything you can tell us about the --

A.which is different. The situation as it exists today.

Q. Well, that is the only thing that is lacking now, perhaps, the additional powers for the Reserve Board. That would complete the anti-inflation program.

A. Well, it is more than that. I mean, looking

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at the whole thing, as the situation exists today, and we have travelled a long way since last December.

Q. Is there anything you can tell us on the negotiations of the Mexican agreement?

A. No.

Q. Mr. Secretary, getting back to this farm business again, when do you think that the public will have the buying power to feed themselves better and consume these surpluses?

A. I think they have got it now.

Q. They do have it now?

A. Sure.

Q. You think the public now has the buying power to absorb these surpluses without any damage to the farmer, including Lend-Lease and our aid --

A. Do I think they have it now?

Q. Yes, sir.

A. Yes, I think they have it.

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- Q. Can you give us an idea who is on this committee that is studying?
- A. No, I don't want to name them.
- Q. Anything on financing these days?
- A. Not for this week.
- Q. Not for this month?
- A. Not for this week. Did you read that heading Schwarz gave you?
- Q. Yes.
- A. Did you read it?
- Q. Chick showed it to me.
- A. It is a nice heading. The fellow was a little previous, wasn't he?
- Q. Maybe it was my fault.
- A. The story was all right, but the heading was a little bit --
- Q. I made it out of whole cloth.
- A. I didn't say that.
- Q. Do you have an idea what percentage of increase in Canadian wheat imports would be advisable?
- A. No.

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- Q. Just a general increase?
- A. Well, the quota now is seven hundred fifty million bushels.
- Q. Would you double it?
- A. Oh, I would like to see just - no quota.
- Q. Ship as much as they could?
- Seven hundred fifty thousand, isn't it?
- A. What did I say?
- Q. Million.
- A. You are right, it is three quarters of a million.
- Q. According to this conference of the Western Hemisphere Nations, the wheat conference they had here, the United States is supposed to be the good fellow again and cut down production still further so Argentina and Canada can keep selling wheat to Great Britain.
- A. Well, I think all of us have to adjust our thinking. I don't think people still appreciate this enormous purchasing power in this country.

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- Q. I don't have any more of it. (Laughter).
- A. Well, as long as you made it personal, you, with a fixed salary, seem - did you take a look at the chart?
- Q. Yes, the one with the speech?
- A. Yes. Well, you buy just half as much with your salary if the thing continues as you can now. My salary is fixed and my dollar today - in a couple of years will only buy half as much. I don't think there is any chance of increasing my salary, so it is what the last world war calls the white collar class who gets it in the neck.
- Q. Well, factually, this country is in a boom now, as far as purchasing power is concerned.
- A. That is right. And there are not enough goods around for everybody to buy with these wages. We certainly don't want to go through the eighteen and twenty-five dollar silk shirt episode again. It will have to be some other kind of shirt.
- Q. Ersatz?

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- A. But the extreme extravagance that we went through in the last war and with a collapse afterward.
- Q. Mr. Secretary, the New York Times has a story yesterday from Mexico City saying that as far as the Central Bank of Mexico was concerned, they needed no stabilization for the Mexican peso. Furthermore, that there has been such a terrific inflow of capital because of fears of dollar devaluations they were running into the peso. Are these negotiations - do they involve the Stabilization of the peso? There seemed to be a difference of opinion. They feel that there is no need for stabilizing the peso.
- A. Well, I told you gentlemen that we were in the process of negotiating, which was a fact.
- Q. Do you believe there is a need for stabilizing the peso?
- A. I don't want to get in an argument on it.
- Q. Going back to the farm question, could we get

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you to say --

- A. You can try it, anyway.
- Q. That purchasing power has reached the point where - that Congress could do well to examine the removal of pegged prices on these surplus commodities?
- A. I think I have gone far enough. I think you had better let it ride the way it is.
- Q. I am really trying to complete the phase.
- A. I promised you a statement on inflation for the last month or two, and I got it off my chest.
- Q. Are you going to appear before the Committee of the House Banking and Currency on the price bill?
- A. I don't know. I am not going up Monday, anyway.
- Q. You are not going?
- A. No. I understand, it may be wrong, that they are putting Mr. Henderson on again. I don't know. I have said my piece, as far as I am concerned.

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- Q. This speech before the Advertising Club expresses your views that you might have given before the Committee?
- A. Well, I wouldn't put it that way. For your information, yes, but I wouldn't put it - they might not like it, so don't say it, but for your information, I have got everything off my chest, so I don't care whether I go up or not. All right?

DEFENSE SAVINGS STAMPS

Estimated Total Value and Number of Units Sold,
by Denominations, During May, June, July, and August, 1941

(All figures in thousands)

Denomination :	Number of Units by Denominations				
	May	June	July	August	Total
\$.10	2,536	1,594	1,625	2,426	8,180
.25	5,364	5,728	7,341	9,856	28,288
.50	1,213	875	1,033	1,209	4,335
1.00	698	468	523	661	2,360
5.00	<u>115</u>	<u>61</u>	<u>43</u>	<u>56</u>	<u>280</u>
Total	<u>9,926</u>	<u>8,725</u>	<u>10,584</u>	<u>14,208</u>	<u>43,444</u>
Total Value	\$3,475	\$2,902	\$3,269	\$4,251	\$13,817

Office of the Secretary of the Treasury, September 11, 1941
Division of Research and Statistics.

Source: Division of Postal Savings, Post Office Department.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals. For the same reason, the sum of units times denominations does not necessarily agree exactly with total value.

SECRETARY MORGENTHAU'S PRESS
CONFERENCE, SEPTEMBER 18, 1941.

- Q. Chairman Steagall said in a House Committee hearing on the Hill yesterday at the end of the session that they expected you up there to testify. Is that true or just wishful thinking?
- H.M.Jr: Well, I don't know. It is one of those "on again, off again, Finnegan" things. I am here.
- Q. You will go if they wish you?
- A. Sure. I am interested in the bill. I want to see the bill passed.
- Q. Mr. Secretary, do you happen to know just when the President will probably sign the tax bill?
- A. I haven't heard.
- Q. It will probably have to be next week, won't it, in view of the time factors?
- A. I really don't know.

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- Q. He is going to Hyde Park tonight.
- A. Is that what they said?
- Q. Yes.
- A. Fine.
- Q. You should go away.
You just got back.
- A. Who?
- Q. You.
How are you getting along on your conferences on this bank credit control and other matters which you mentioned a week ago, I believe?
- A. Say that again, will you please.
- Q. I said, how are the conferences getting along on the bank credit control studies which you were making with the Federal Reserve Board and other interested agencies?
- A. They are making good progress, but that is all that I can say.
- Q. Well, the sentiment over at the Reserve Board is that the reserve requirements will be raised to the full limit. The only question

that comes up in my mind is as to whether part of this program will include legislation to give the Reserve Board additional powers.

A. Well, this Treasury-Federal Reserve Committee hasn't yet made a definite report to me, so I have got nothing to say yet.

Q. Mr. Secretary, is the Agriculture Department backing up your position on this food question and inflation?

A. I am waiting for Mr. Wickard to get back. As soon as he gets back, I have asked that he come to see me.

Q. How soon is he expected back, sir?

A. Well, that I don't know, but just as soon as he gets back, I have asked to see him.

Q. Has there been any opposition from other sections of the Agriculture Department?

A. No. I have met Mr. Hill, who I think is Acting Secretary. He was over to see me, and we had a perfectly friendly meeting. That

doesn't mean that everything I have said they have agreed to, but at least between the Department of Agriculture and the Treasury there is a perfectly friendly basis.

Q. But there is a dispute though over the way the thing should be done, isn't there?

A. Well, I think we will wait until Mr. Wickard gets back. I am willing to wait because - well, he and I are on a very good personal basis.

Q. How about the inflation issue?

A. Well, I can wait until he gets back.

Q. Mr. Secretary, is there anything you can tell us about the proposed stabilization arrangement with Mexico?

A. Excuse me, just a minute. I mean, his speeches on increased production, you know, he has made some very good speeches.

Q. Yes, but he discusses those things which are going as lend-lease aid, for example, eggs and things like that.

- A. No, he is recommending a whole increase.
- Q. But not throwing Canadian wheat and stuff like that on the Canadian market, he doesn't say anything like that.
- A. Well, let's wait until he gets back. I can wait.
- Q. Mr. Secretary--
- A. Just a minute, please.
- Q. Oh, I beg your pardon.
- I asked about the proposed stabilization arrangement in Mexico. Is there anything new you can tell us on that?
- A. Nothing new I can tell you. As to the over-all, you will have to get that from the State Department. There is nothing at my end.
- Q. How about the arrangement with Colombia?
- A. Nothing I can say.
- Q. Are you considering any plan under which you might make dollar exchange available to the Russians as Mr. Jones did? You entered several agreements with the Chinese Government

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in the fall of '37 and up to and including now, and I was just wondering whether something will be done to help Russia.

- A. I have got nothing to say on the record.
- Q. Will you give it to us for background, sir?
- A. No.
- Q. Well then, we can assume there is something? The intent of this Administration is very obvious and has been printed many times. - It becomes a question of mechanics because there is some doubt as to whether the RFC can make a flat loan.
- A. Well, I wasn't at Jesse's press conference. I don't know what he told you.
- Q. The story, I understand, is that it is the intent of this Government to tender financial aid to Russia, and it is just a question of how, outside of lease-lend.
- A. Well, I have got nothing to say on or off the record. He made his announcement yesterday,

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so we will just let it go at that.

Q. There is nothing mysterious about his announcement. He announced that the President had asked him to buy a hundred million dollars worth of materials and advance them fifty.

A. That is right.

Q. Has the President requested you to use the Stabilization Fund?

A. I have got no request from the President.

Q. But have you met with the Russians? Have they made any requests in that direction?

A. Well, off the record - do you want me to take it off the record, so there is no mystery? All right, off the record. Fully a month ago the Russians needed money to pay their bills, so we advanced them ten million dollars against future deliveries of gold which they would have coming within the next ninety days. We did do that to help them get cash to pay their bills.

Q. By "we", do you mean the Treasury, sir?

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A. I mean the Treasury.

Q. The Stabilization--

A. That is at least over a month old. It wasn't Stabilization, it was just a straight advance. We advanced them ten million dollars against gold which they would deliver over a period of ninety days.

Q. And we can assume that as the needs arise and they can deliver gold a similar procedure would be followed?

A. That was done. That took care of their cash requirements for goods that they were buying in this country for cash, so I mean I just don't want any mystery, as you say. But it is at least a month old, and I don't see any particular reason for announcing it now.

Q. There is a very particular reason for not announcing it, Mr. Secretary. In view of the fact that the Administration has been rather

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plain that it is prepared to extend financial assistance, it should be--

Q. You certainly followed the policy.

A. I did it before I went to Canada, before I went away.

Q. Has ten million dollars been the extent of the Treasury participation of financing the Russian war?

A. They needed money to meet their outstanding commitments, stuff that they were buying every day.

Q. Have they made any further requests, sir?

A. I have got - No, there is nothing outstanding. We advanced them ten million dollars against future deliveries of gold.

Q. Which hasn't come in yet?

A. That I don't know.

Q. According to the weekly gold statement of the Commerce Department there hasn't been a cent in here.

You said it was an ear-marking operation.

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- A. No, it was - I am buying gold against future deliveries.
- Q. Well, that was important, I just wanted to clear that up, because that would indicate a different picture.
- A. No, it was a new way of doing it. I don't think I have ever done it before. Buying gold against future delivery, to be delivered over a period of ninety days.
- Q. In a sense, you did what Jesse did yesterday on, say, tungsten.
- A. Oh, don't put the two together, please. I mean, not what Jesse and I did, but tungsten and gold. I don't think they are quite on the same par.
- Q. Was that arrangement made, sir, after the Russians had contracted to purchase certain goods in the --
- A. No, this was - how should I say? This was

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goods that they contracted over I don't know when. Amtorg's outstanding accounts. They had to meet the bills.

Q. It could be termed an expediting operation? Could you compare it to, say, buying a wheat future?

A. No, I don't compare it to any other commodity.

Q. You bought it and gave them the money before delivery?

A. That is right, on the word of the Russian Government that they would deliver us gold over a period of ninety days.

Q. Now you told us that off the record, and as long as you keep it so we have got to reserve it, Mr. Secretary.

A. I will make it on. Would you like it?

Q. Yes, please.

Schwarz: I think it helps.

H.M.Jr: You can give them the date because it was the day that I left.

- Schwarz: I will check it. It was on a Friday. I will find it. 355
- H.M.Jr: That took care of their - of the needs for Amtorg for outstanding commitments. We asked for ten million dollars.
- Q. The transaction wasn't with Amtorg, was it?
- A. Well, it was with the Russian Government.
- Q. Of course they own Amtorg.
- A. Well, it was with Ambassador Oumansky. I did business with Ambassador Oumansky. It had the approval of the Secretary of State.
- Q. That was advanced against gold to be delivered?
- A. Over a period of ninety days.
- Q. There was a specific period?
- A. Ninety days and that was done - as I say, Chick can give you the day because I remember it was the afternoon I was leaving.
- Q. Beyond that, Mr. Secretary, is it your statement that they haven't made any further requests and you haven't prepared to say what would be done?
- A. That is right, I have no requests from them. I mean, he asked me for that and I said, "Is that what you need?" He said, "That is what

I need to take care of outstanding commitments to the Russian Government."

Q. Did you go into what those commitments were, sir?

A. No, I mean that wasn't --

Q. They are war supplies, though, aren't they?

A. Purchases. No, it was purchases of Amtorg. Now, it might be a lathe, it might be food, it might be oil, I don't know. I mean, after all, doing business with the Government, I am not going to ask them.

Q. But it was completely for purchases here?

A. Here, outstanding commitments of the Russian Government in this country. I mean, I was doing business with the Russian Government. They needed ten million dollars. They bought a lot of stuff and they wanted to pay for it.

Q. How is Russian credit, is it good?

A. All of my dealings with them, all of my business dealings with them - they have lived up to every obligation.

Q. Except in 1934 on the pound sterling.

A. I said in my dealings with them - let's put it this way. They have met all their commit-

ments. They have met every bill in this country.

Q. May I ask you this, Mr. Secretary, why wasn't it feasible to - I was just reminded of that cartoon downstairs in that room.

A. Well, take a look at the table down there. Why bring up ghosts? (laughter) Who wrote the book called "Ghosts", in Russia? Who is literary around here?

Q. It was a play by Ibsen.

A. That is right, and not a very pleasant one, was it?

Q. Mr. Secretary, when you talked to Mr. Oumansky about gold, did he give you any idea of how much gold they had?

A. He had ten million dollars worth.

Q. On the way?

Their annual production is more than two hundred eighty.

Whether you pay for it in advance or not, do you expect to buy much more gold from Russia?

A. I had one request and I took care of that. I have no other requests.

- Q. When the next request comes you will probably be just as receptive to it, won't you?
- A. Well, you know our policy here. It is day by day.
- Q. Mr. Secretary, why wasn't it feasible to arrange a credit similar to the yuan credit that you arranged in '39 where the Chinese put up yuan and agreed to buy it back at a certain level?
- A. They didn't want it. They just wanted some money. They don't have a stabilization operation.
- Q. Do you expect the British might do something similar?
- A. I don't know. They didn't want that. They wanted ten million dollars. They had bought merchandise from American manufacturers and you know my position. I always want to see our manufacturers get their money. This was a help both to the Russians and to the American manufacturers who had sold goods to the Russian Government, so it both helped them and helped our own manufacturer, which is very important.

Q. Thank you, Mr. Secretary.

A. Just - I don't want to ever feel that because you asked me about going and I never like to, you know, go somewhere and - but I don't want this please, on the record.

(Discussion off the record).

I am going to Detroit because I want to sit in a back seat and see the shop stewards - how they react to the talk on payroll deduction plans but I don't want any publicity because I want to be there. I don't want to, in other words, make a show. I just want to see how a group of shop stewards reacts to a talk from a local man on participation in Defense Savings Bonds, but I didn't want you to say, "Well, Morgenthau went out there" in the papers.

Q. Your Detroit trip is completely off the record?

A. Tonight's, yes. Tomorrow it may be on the record. If I do decide to meet with the local bankers out there tomorrow I will let you know but I don't want to make a show of it, you know, pictures and all that.

Q. But after it is over, do you think we might be able to carry some details on how you sat

back in the back of this meeting and heard it?

A. Let me talk it over with Chick but if I go with publicity then the meeting is a stage meeting. I want to go to --

Q. A feature story?

A. Well, I want to go there and sit in the back of the room at Pontiac and I just want to see how these men react. It is this volunteer thing we keep talking about.

Q. If you do decide to make public the fact that you are there --

A. I will do it through Chick.

Q. Would you undertake to notify our local offices out there?

A. Well, you talk to Chick. My purpose is, I don't want to go with trumpets. I want to just sit there quietly as a citizen and see how the thing is done.

Q. We are perfectly willing to cooperate with that. All that Hermann and Smith were asking was, if there is publicity that we get a crack at it.

Schwarz: We will see that you are protected.

A. I didn't want you to say afterward, "He left

us with the impression he was going to
Hyde Park and he pops up in Detroit."

SECRETARY MORGENTHAU'S PRESS
CONFERENCE - SEPTEMBER 22, 1941

H.M.Jr: Thank you all for keeping my little secret while I went to Detroit. Chick Schwarz wants to know whether you fellows would like to go back to four o'clock beginning with next Monday.

Q. Yes.
Provided New York goes off Daylight Time.

A. You want to make a deal, do you?

Q. No, I mean if they stay on --

Schwarz: The market says they are going back.

H.M.Jr: Well, fix it up, whatever you boys want.

Q. May we just continue on the understanding that if and when New York goes to Standard Time, the conference will go back?
Or if Washington goes to Daylight Time.

A. All right, that is all right.

Q. Which leaves the matter a little open.
Any news, Mr. Secretary? How did you find your reception, the reaction to your business in Detroit?

- A. Well, there was one thing that I came back with, that I am sold on completely, and that is what I call the volunteer method of selling Defense Bonds and Stamps. If I needed any reassurance, I got it out in Detroit.
- Q. What did the bankers think of your tax anticipation notes and the rest of it?
- A. They think it needs more explaining. They also pointed out in the discussion that the bill had just passed but that it does need more explaining, and I am going to try to work out something and go back to the ABA and with the savings banks and see if we can work out some kind of a program of education as far as their depositors go.
- Q. In other words, that would help the ordinary man in buying?
- A. Well, I was thinking of the twelve hundred dollar note, the A note. We haven't really begun to do a job on that yet, and they agree. I found them all in a very good humor.

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- Q. Any more money to Russia?
- A. No.
- Q. Did they ask for any?
- A. No.
- Q. Have they paid off any?
- A. Yes.
- Q. They have?
- A. Yes.
- Q. How much?
- A. A little over half.
- Q. They have paid off more than half of that gold you mean?
- A. Yes.
- Q. That means then, sir, that a ship carrying that gold has arrived here?
- A. That is right.
- Q. And has it left again?
- A. The ship?
- Q. Yes.
- A. I don't know, it might have come by plane. I really don't know how it got here. I am

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serious. I don't know how it got here. All I know is, it is here, and it amounted to a little over five million dollars.

- Q. Which supports your faith in Russia as a debtor?
- A. That is right, they keep their word.
- Q. Would you care to get in on the Neutrality Act today?
- A. Would I care to--
- Q. Get in on the Neutrality Act?
- A. No, thank you.
- Q. Are you going to speak before the Banking and Currency Committee on the price bill?
- A. The last word is this, but you will have to get this from Steagall. I am supposed to go up there when Henderson is finished, but the reason I am so in doubt is that you never know when Henderson is finished.
- Q. Does he?
- A. Well, I don't know. I don't think it is his fault, but you had better get it from Steagall,

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but I believe that I am to go up Wednesday.
But get it from Chairman Steagall.

- Q. That is what he was saying this morning--
- A. Well, they only called up within the hour and, off the record, I haven't written anything. I don't know what I am going to say.
- Q. Will you have a prepared text when you go up, sir?
- A. The way I feel now, no; but maybe between now and Wednesday morning I will have something.
- Q. If you should have a prepared text, could we get a short advance on it? As long an advance as we possibly can?
- A. See Professor Schwarz. He is very good on a long advance.
- Q. What do you think are the chances of getting the price control measure passed?
When is the new tax bill going into effect?
I understand it has been completed more or less.
- A. Again, off the record, for Brother Doughton's

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sake, I haven't done anything and no one in the Treasury has done anything. That is on the record. I mean, we have - I haven't seen anything new on the tax bill. I don't know anything. Sullivan was here - he is going back and won't be back here until October 6, and unless something breaks, I think that is the best answer, isn't it? He doesn't expect to be back until October 6 unless something comes up.

Q.

Is there any way, Mr. Secretary, that we can obviate some of the difficulties that have arisen out of the Committee's and Treasury's position in this tax business? It is getting to the point where we can't get anything here and we can't get anything up on the Hill, because they don't know.

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- A. The best I can say is that all my tax people are getting a well-earned holiday, and until they return, I certainly don't intend to do anything. That is the best answer. If you went back there, they are all away. They are away because they worked all summer, and they are exhausted.
- Q. I am not speaking of today so much as the general picture, Mr. Secretary. You people in the Treasury can't talk about taxes because it would hurt the Committee's views on the thing, and the Committee can't talk because they haven't gotten the Treasury's views yet.
- A. Well, you are asking the almost impossible. We often don't know it until we see it in the papers ourselves.

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Q. Is there anything on financing, Mr. Secretary?

A. No, I think it would be perfectly safe to say there would be nothing this week, which would mean this month.

Q. I was right, then.

A. Yes.

Q. Thank you.

A. You are welcome.

Q. Mr. Secretary, did you read --

A. Did you have some money up on it?

Q. No.

Did you read about Bernie Baruch's testimony on the price view?

A. Yes. I thought it was excellent. I thought his statement was excellent. I don't know whether I would want to - I think he made an excellent statement.

Q. But you don't agree with him?

A. No, no, I don't - the reason I am just hedging a little bit, there might be some little thing in there, but without going over it with a magnifying glass, I would say that I

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think he made an excellent statement.

Doesn't that mean approval, if I say excellent?

Q. Yes. I just wondered whether you --

A. I mean if you asked me what is there in it I don't like, I can't tell you, but I don't want to say I underwrite it a hundred per cent, because if I re-examine it, there might be something, so I simply say I think he made an excellent statement. O.K.?

Q. I am sorry --

A. No, I just don't want to, you know --

Q. The day before the last press conference, you met with the Chinese Ambassador. We neglected to ask you about it.

A. A courtesy call.

Q. It usually costs money when you have courtesies.

A. That didn't cost me anything. Just courtesy, it was. He is a nice fellow.

Q. Hu Shih?

A. Hu Shih.

Q. Can you tell us anything about the operation

- 9 -

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Q. Hu Shih?

A. Hu Shih.

Q. Can you tell us anything about the operation

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of that three way Stabilization Fund set-up over there? How is it working?

A. I haven't heard any complaints.

Q. How much money have they spent, do you know?

A. Well, that I couldn't tell you. I don't know that they have spent any, but as far as I know, it has been going all right. I don't know whether they have spent any, but if they have, it is very little. I was amazed at that statement I told you people on the Russian gold got so much notice.

Q. It would have been a better story if we had gotten it a couple of days before, too, as a matter of fact. I mean, speaking from a newspaper standpoint.

Fifty million the day before sort of --

A. Well--

Q. Anything new on Mexico?

A. No, I haven't got anything.

Q. Is there anything new?

A. Not that I can talk about.

Q. Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S PRESS
CONFERENCE, SEPTEMBER 25, 1941.

- Q. I see you survived.
- H.M.Jr: I just want to say from those morning papers which I read, I thought I got a very good news account. There wasn't a single thing I could criticize. In fact, it was a perfectly straight story, and I am delighted. That is just between us.
- Q. Well, let's go to work on the afternoon papers now.
- A. But I meant those men that are in the room here, I know they wrote very good stories. I don't expect the same in the editorials.
- Q. I think you would be surprised. I don't think there will be much criticism.
- A. Certainly as far as the news story, nobody could ask for a better news story out of Washington than I got.
- Q. You will get good editorials on the farmer and bad on the six percent.

- 2 -

How about on no ceiling over wages?

A. Yes, that will be bad.

Q. Mr. Secretary, how was it you chose yesterday to bring out this plan for six percent?

A. Well, for some time I have been wanting to say that I think that the - we ought to remove what I call the profit motive in war, just remove it, eliminate it. I think the way to eliminate the profit motive out of war or national defense is to make it unprofitable, and that is one of the main reasons for my suggestion, aside from the inflationary angle which I explained yesterday.

Q. Has this idea been crystallizing for a long time?

A. It has been in my mind for a long time.

Q. It goes back to the American Legion proposition ten or fifteen years ago, doesn't it, following the World War, and Pat Hurley's report?

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- A. Well, I am not familiar with it because it isn't original, but the only thing is, it hasn't been advocated recently, that is all. Nothing original. They say there are only five funny stories in the world. They all go back to one or the other.
- Q. Well, there was legislation pending, the reason I suggested it, for several years to take the profit out of war.
- A. Are you with the American Legion?
- Q. No, I am not. I am with the Detroit Times and the Pittsburgh Sun Telegraph.
- A. I was just asking. I say there is nothing new, but I have had it in mind for a long time, and I have been wanting to say it, and the questions gave me the opportunity.
- Q. Do you think that big business would go along with the defense program and the "war effort" if the profit motive is taken out and is made unprofitable?
- A. I have sufficient confidence in business, and

I think they are just as patriotic as anybody else. The answer is, I think they will.

Q. I think the Legion will support you on it. I would think the Legion would support you on it. That is why I--

A. I hope that they will. I think I am going to get - I hope I get a lot of support.

Q. Mr. Secretary, you said yesterday--

A. Are you through?

Q. Yes.

A. Thank you.

Q. Mr. Secretary, you said yesterday that you were offering just a rule of thumb and that it might be elaborated on. When do you propose to elaborate on it?

A. Well, we will elaborate on it if and when Congress gets down to considering such a suggestion.

Q. Are you drafting a bill to be sent up to the Hill?

A. Well, the boys have started to work on it today.

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Q. Your staff?

A. Yes.

Q. They didn't have very much of a vacation, did they?

A. No, but who does these days?

Q. Mr. Secretary, what the boys are starting to work on today, is that a separate bill or is that to be incorporated in the new tax bill?

A. Well, it would be to carry out the suggestions which I made yesterday, so if and when Congress wants it, we will be ready to have it ready in a legal, bill drafted form.

Q. Do you mean that after you get this drafting done, you are going to wait until they ask for it?

A. Well, we will be ready anyway.

Q. On that point, did any of the members of the Committee suggest that they would introduce such a bill for you?

A. Well, you remember Congressman Gore said he was going to put it on as an amendment to this price bill.

Q. Was that the reason, Mr. Secretary, that you brought this up at the hearing on price control legislation?

A. Well, as I explained yesterday, we have all got a big job to do in this country under national defense, and we are asking a lot of people to make a lot of sacrifices, amongst them, the men who go into the Army and Navy, the armed forces. We are asking them to give up their businesses and go in and drop everything and go to work for a dollar a day. Now, when we ask them to do that, I think that everybody else, the business man and the farmer and the worker, should be willing to do at least as much as the man who goes into the Army and Navy and not only has to give up his business, his personal comforts, but may have to risk his life. In that comes profits. You men aren't old enough, but the boys that came back the last time not only found it difficult to get a job when they returned, but also a lot of people stayed home and made a lot of money.

Q. Some of us are old enough, Mr. Secretary.

A. Then you remember there was considerable feeling.

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Q. That was the reason for the bonus, wasn't it?

A. That was the reason for the bonus, but --

Q. To equalize the differences.

A. But it is pretty hard to equalize them.

Q. Of course.

Do you hope, then, that by a plan along the line of this six per cent that after the present effort there will not be a lot of people who stayed behind and made a lot of money?

A. Well, it is just one of many things that helps. I mean, we talk about morale and unity, and it is one of the things that I feel very deeply would help toward morale and unity, that everybody that makes a contribution - and nobody gets a special advantage due to the spending of money in connection with national defense. Nobody should have a special advantage. Certainly the least of it on the profit end.

Q. Do you think your plan is equitable? Take

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for example - let me cite an example. General Motors is a capitalization company with practically fifty million shares, and they have been making profits right along. You take a small machine tool company which has a small capitalization, and has been operating at a deficit between 1932 up to now. A six per cent of profits on capital for that company is nothing.

A. That is the thing our boys will try to work out so it will be equitable, and after all, you have got an idea. I am convinced my idea is right, looking at the picture as a whole. Then you have got to work the thing out so as to try to make it as equitable as possible. But somebody is going to be hurt. You can't help it. You can't all continue to live as comfortably as you have. Somebody has got to get hurt. The least of it is the fellow who has a profitable business. But you can't help it. Everybody can't continue to live the way we are and expect to be the

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arsenal of democracy. The two things aren't compatible. You just can't do it.

Q. You mean business as usual is out of the window?

A. Business as usual should be out of the window. It isn't out of the window yet. But we can't be the arsenal of democracy and continue living in the comforts and the luxury that a lot of people do live, and business profits is one of them.

Q. Mr. Secretary, would you back Congressman Gore and provide him with the necessary data on what your boys work out to incorporate your proposal in the present price control bill?

A. I don't think that is the proper place to do it. I mean, I have to work with Chairman Doughton.

Q. You don't think price control legislation is the proper place?

A. Well, I think that it would be thrown out. I don't know what the technical language is.

Q. Put a rider on it, probably.

A. I mean Ways and Means is the place that it should be introduced.

Q. Mr. Secretary, would the testimony of the Treasury on this previous tax bill that has been passed on the capital investment basis be a clue to what could be worked out on this?

A. Well, that is the approach that we have had now since last summer. We have been voted out of court and we still think we are right. But what I said yesterday was applying the six per cent to the invested capital, using that as a rule, rather than giving business a choice of whether they want to go to invested capital or average earnings.

Q. Well, wasn't that the position of the Treasury? Hasn't that been on record as the position of the Treasury?

A. Twice, in last year's tax bill and this year's tax bill. We have been consistent on that. Now all we are doing is, we are going a step further. But using the same principle.

- Q. What is a step further?
- A. That we should limit it to six percent.
- Q. Mr. Secretary, you say you have had this thought on your mind for some time. I wonder, sir, if you could tell us whether you have discussed that thought with other members of the Cabinet and the President.
- A. You have known me long enough to know that if I have talked with the President I won't tell you. You know these press conferences.
- Q. What I am trying to find out is simply whether it is an Administration proposal or a Treasury proposal.
- A. Do I look worried? O.K.
- Q. Mr. Secretary, you have in mind the promoters and speculators, I suppose, in limiting profits, or how will you reach them? Can you reach them except through the income tax, the people who don't have invested capital?
- A. I don't think you could reach them any way except through the income tax and I think that is the problem.

Q. There are a good many brokers who are making extortionate profits now who speculate in commodities.

A. Well, I wouldn't - we would reach them --

Q. Through the income tax?

A. Through the income tax.

Q. It is corporate profits you are thinking of now.

A. It is all right corporate profits but if we find upon investigation that there are special groups and - that is what I was saying before, that these people are smart and they will try to find a way to beat this game. It is the people who make money out of preparedness or exorbitant profits or unusual profits that I think should be reached and I think I said earlier the only way that you could make everybody feel that we are all together, we are all trying to accomplish the same end, and that is, make this country strong, is that nobody should be permitted to make profits out of this money which the Government is spending for its own people.

Q. So that your broad program would reach them by one process or another.

A. That is what I would like to do.

Q. Mr. Secretary, I would like to clear up one thing. You have had this idea and you have studied on it for a long time. I wanted to know why it was brought out yesterday before this Banking and Currency Committee instead of one of your earlier appearances before Ways and Means.

A. Well, the man asked me the right question, and furthermore, the complacency of this country called for something like that from me.

Q. Well, Mr. Secretary, in the tax hearings, as I remember, the Treasury came out for throwing out the average earnings basis for a limit on the return on capital - invested capital. I am trying to find out what the new idea was in this statement yesterday or whether it indicated any change.

A. There is no change as far as the average earnings as against invested capital, but it

is simply that it goes further than we have ever gone before.

Q. Does it go further, Mr. Secretary, just to clear it up, in this sense, that before you were talking about the tax thing, the money over a certain percentage, and now you are proposing just to limit it to a certain percentage?

A. That is right.

Q. Mr. Secretary, could you estimate for us the yield of a tax of that sort? Have you any idea at all?

A. No, you know those things take a lot of time.

Q. No estimates have been prepared?

A. Not since last time.

Q. Would it run into the billions?

A. I really don't know.

Q. Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S PRESS
CONFERENCE, SEPTEMBER 29, 1941.

- Q. Did you contemplate appointing Roy Small of Michigan to the Defense Savings staff?
- H.M.Jr: No, I don't intend to appoint him. Not only to that but any other position in the Treasury.
- Q. Are you going over to Chicago tomorrow?
- A. No.
- Q. Thursday?
- A. Wednesday night.
- Q. Can we have an advance of your speech here?
- A. Well, you will have to talk that over with Schwarz. It is not finished yet.
- Q. The reason is, I think it would do better to have the advance come out of here than out of Chicago because the fellows up there aren't quite as well versed on some of this stuff as we are.
- Schwarz: We will protect the Treasury boys.

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Q. That is purely one man's opinion. Personally, I would like to have it in time to mail to Chicago. (Laughter).

H.M.Jr: Well, Schwarz can take care of himself.

Q. Mr. Secretary, at the last press conference you told us the boys were drafting your six percent proposal. Have they completed their work?

A. No, and from a talk I have had with them, I think it is going to take them several months so it will be after the first of January before we can get ready. Then it will apply on 1942 business.

Q. If enacted?

A. If enacted.

Q. Is it the original six percent?

A. I haven't changed.

Q. Mr. Secretary, can you tell us or explain to us some of the difficulties that are apparently making it so long in drafting?

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- A. Well, the previous bill took from the end of November through March, and the higher the taxes, the more difficult it is to make it an equitable bill.
- Q. Can you comment, Mr. Secretary, on the way your proposal has been received?
- A. I think the press has done a pretty good job on that, as to covering it anyway.
- Q. Frankly, Mr. Secretary, we have seen very little favorable comment. Can you tell us why or what you propose to do about it?
- A. You don't want me to interpret the press? It is hard enough interpreting my own job.
- Q. As far as I know, the press hasn't really interpreted it, but the press has carried a lot of quotations from people who really don't like the idea.
- Mr. Nelson, for example.
- Those ideas having been given by other parties.
- We are just innocent bystanders.

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- A. Well, we will work very hard on drafting a bill, and then when we have got a bill which we think is equitable, we will follow our usual procedure in asking for an opportunity to sit down and talk it over with Chairman George and other members of his Committee and Chairman Doughton and members of his Committee.
- Q. Mr. Secretary, is there--
Have you spoken to those two men about the proposal?
- A. No, because I am not ready.
- Q. Mr. Secretary--
- A. I am not ready.
- Q. Is there a simple definition of invested capital?
- A. Unfortunately, there isn't. I went over that today with Mr. Roy Blough, and it takes pages. There is no simple definition.
- Q. How will this - or how would such a proposal

- 5 -

affect the small businesses that are started out with small capital and have expanded terrifically without increasing their capitalization?

A. Without directing my remarks at you, I can't help but be a little bit amused at all the crocodile tears for the small businessman. We have always special consideration for the small businessman and as long as I am here, always will.

Q. As a matter of fact, it really doesn't hit, does it, except for certain special cases, like, for example, a company like Coca-Cola with a small invested capital and--

A. Or other small businessmen.

Q. But I say in many instances it might not hit small businessmen.

A. Well, I have spent enough time on it to convince myself that it will take a lot of study, because we are, as I say, going after very high taxes; and, therefore, I want to wait

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until the Tax Division has ample time to explore all angles. As I say, based on previous experience, if they work full time and overtime, that will take several months. Mr. Secretary, in view of the fact that many of us are receiving numerous requests to tell them what invested capital is, as it might be under your proposal, will you make some statement about whether it is possible to define it at this time in this several months' work?

A. Well, I doubt whether we can. I mean, Blough had pages here today.

Q. Do you agree with the definition that was in the Revenue Act of 1940, which was made part of the record but was not made part of the tax bill?

A. Until these people have got ample time to

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explore the thing from all angles, I am going to wait.

Q. Are you convinced, sir, that it should not apply to 1941 incomes?

A. Well, I have no intention of recommending that it apply to '41 incomes.

Q. Mr. Secretary, what I meant to say was --

A. Does that answer your question?

Q. Yes.

What I meant to say was --

A. Is that clear?

Q. Yes.

Pending the completion of this drafting work, Mr. Secretary, is it possible for anyone outside of the Treasury to say what invested

capital will mean?

A. Oh, I am sure there are a thousand tax experts who can give you nine hundred and ninety-nine different explanations.

Q. I mean, it can't be anticipated what the Treasury will put in the bill as a definition of invested capital?

A. No. Anybody's guessing is apt to be wrong.

Q. Mr. Secretary, there is this question of discouraging or encouraging increased production that has come into the argument. Have you any comment on which is right in the way of taxation and production?

A. I would rather not get in on that because it is a long discussion.

Q. Mr. Secretary, early in the conference you referred to when the bill is drafted it will probably apply to 1942 business. Can we assume from that that the administration upon the completion of this bill will get behind and seriously work for the enactment of such a tax bill?

A. All I can answer is this, and this most likely

will not satisfy you. If you quoted me correctly, I didn't intend to say that. My answer was that I would not recommend that this apply to 1941 income.

Q. I was speaking more of the whole thing, not when it becomes effective, but the general plan of taxation of profits on the six percent basis.

A. The whole administration? (Laughter).

Q. No, not the whole administration. The responsible leaders who usually push legislation of this type.

A. How long have you been in Washington?

Q. I didn't say the whole administration.

A. That is what I thought you said.

Q. No, Mr. Perlmeter expressed it very nicely, the responsible leaders.

A. Well, I think time will tell.

Q. Mr. Secretary, can you tell us today whether this is a Treasury proposal or administration proposal?

A. Someone asked me that last time.

Q. I did, sir.

- A. Well, I think last week's answer still stands.
- Q. What was that?
- Q. I didn't get the answer.
- A. Well, it is in the record. The record is available to you gentlemen.
- Q. But I read it over, sir, and the best I could get out of it was that Secretary Morgenthau refused to say whether it was an administration proposal or a Treasury proposal.
- A. Is that what I said?
- Q. That is the best I can get out of it.
- A. Well, I think that is pretty good. (Laughter).
- Q. You also asked us if you looked afraid, whether the administration might support it or not.
- A. What did I say?
- Q. You said, "Do I look worried?" Are you worried?
- A. Should I tell them the story, "Should I worry?"
- Klotz: No.
- Q. Mr. Secretary, could you tell us whether you think your six percent plan will have the

same administration support as the tax bill which has just been enacted by Congress?

A. It's like the story that this man that was coming back from Europe in the days when they used to go to Europe. He saw his two sons on the dock waiting for him. He says to them, "Hello, boys, how is business? Should I worry?" (Laughter).

Q. Well, did you expect the reaction that you are getting from the press, from the individuals?

A. Well, I never know what the press is going to say.

Q. Granting that it was rather - somewhat of a shock.

A. I go back to what I told you gentlemen the other day. As far as the news stories out of Washington on my testimony, I was entirely satisfied. No one could have written fairer stories than the press did. I was entirely satisfied. They wrote the story as a factual story.

Q. Can you comment on Mr. Nelson's statements?

A. No.

- Q. Mr. Secretary, did your tax experts take into consideration such proposals as Chairman Eccles indicated that he had given favorable consideration to, that is, that all over a certain amount would be invested in Government bonds as they did in England?
- A. I haven't read the testimony.
- Q. My thought was, would you go farther than merely taxing and include the bond idea?
- A. Well, I haven't read the testimony.
- Q. I hope the honeymoon isn't over after you read it. (Laughter).
- A. I think we have signed up with the Federal Reserve for the duration.
- Q. Can I say that?
- A. What is that?
- Q. Can I quote you on that?
- A. How would you write it?
- Q. I would say the Secretary said he has signed on with the Reserve Board for the duration.
- A. All right, on a cooperative basis. That is O.K.
- Q. When are you going to ask --

- A. On a cooperative basis. I don't like this honeymoon stuff. (Laughter).
- Q. A mutually cooperative basis.
- A. On a mutually cooperative basis.
- Q. That means, if they smack you you smack them back?
- A. No, I said I didn't like the honeymoon stuff.
- Q. Eccles said he didn't like six per cent.
- A. That is all right.
- Q. Is that cooperation, Mr. Secretary? (Laughter).
- A. Well, I will extend the other cheek.
- Q. He didn't directly oppose the six per cent, I would say.
- A. To be serious a minute, the situation is serious enough that we have got all the agencies who have got anything to do with money - they have got to cooperate. There is no two ways about it.
- Q. Does that extend to the agencies having charge of price control?
- A. Oh, sure. Mr. Nelson and I are good friends and Henderson. They had lunch over here, and we are very good friends. That is the beauty of this system that we are working on.

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He doesn't have to like what I say, and I don't have to like - He can come over tomorrow and have lunch with me just the same.

Q. Sounds like a couple of lawyers.

What happens to the six per cent plan?

A. Well, we will keep working on it. We will keep rolling along, rolling along.

Q. There was one - when you were telling your story about "Should I Worry", I just asked the question whether you thought this plan will get the same support - same Administration support that the new tax bill got.

A. That is a double edged question. (Laughter). If I answered it "Yes" it wouldn't mean I would get much. If I answered "No" I wouldn't get much.

Q. You have your choice.

A. Well, I am not going to answer the question.

Q. Mr. Secretary, Mr. Smith's question was whether you expect that the present proposal will get the same support that the Treasury's invested capital suggestion got from the

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Administration and from the White House
and from the Capitol.

A. I will refer to my last press conference.
That is good enough.

Q. Any new financing, Mr. Secretary?

A. Well, we will begin to take a look at it
beginning next week.

Q. Mr. Secretary, have your studies of this six
per cent proposal shown so far that it will
have to be considerably modified before it
can be set up --

A. The men have just started on it.

Q. Have you any dollar figure you could give
us today, sir, as a --

A. No.

Q. Mr. Secretary, have you noticed any appreciable
changes since then in the money market rates
or the bond market rates?

A. I think I am right, but you should check me.
I think the interest rates have gone up a
little bit.

Q. That is just the opposite effect. I thought
you might make some comment on it. I watch

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the market, but I thought --

A. Am I not right?

Q. Yes. I wondered if you were pleased with their action.

A. Am I right?

Q. Well, there was some short covering in anticipation of that.

Schwarz: At first there was, but it has been O.K. since.

H.M.Jr: I think I am right. Wait one second, and I will find out.

Q. Doesn't it indicate, though, that the raising of reserve requirements has had no appreciable effect on the credit structure, not the desired effect, that additional powers are needed?

(Mr. Hadley entered the conference).

A. Hadley, am I right that since the Federal Reserve requirements were announced that bonds have gone up and fractional interest rates have gone down?

Hadley: That is right. They have gone down about a

- 17 -

half point.

Q.

Correspondingly, yes.

H.M.Jr:

Thank you.

(Mr. Hadley left the conference).

Q.

Then the whole question of the use of these powers has had no effect in stemming the tide?

H.M.Jr:

For your guidance, but not for quotation, why you can't write that is this, this thing, there were some beautiful leaks in this thing, you see, so going back for weeks I read practically word for word what was supposed to be in my mind when I was up in Canada. Somebody sent me this thing. There were some beautiful leaks. This isn't for quotation. It was thoroughly discounted and then when it was announced everybody said, "Well, that is what we were expecting." We can't help it. The conclusions you were writing would be misleading.

Q.

In what way?

A.

Because if it had come as a complete surprise

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it might have acted differently, but having been pretty well broadcast for three or four weeks before it happened, everybody was pretty - pretty well knew and they made their adjustments.

- Q. That indicates the need for further authority over bank reserves, doesn't it?
- A. Well, sufficient unto the day.
- Q. Thank you, Mr. Secretary.