

CONFIDENTIAL
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(Mrs. Roosevelt and Mr. Rexford G. Tugwell were present at the Conference)

THE PRESIDENT: Now, first of all, have you any questions before we talk about other things off the record?

Q Are you encouraged by the outlook for foreign trade?

THE PRESIDENT: Oh; I think it is generally picking up. All the figures show that it is picking up. If you want, I will talk to you for a minute off the record on foreign trade because there has been such a lot of perfect nonsense. As a perfect example, take cotton. We are down in the cotton country now and it is something we use all the time. There are definite efforts being made by -- what is the name of that firm in Atlanta? Anderson Clayton (?) -- that type of business man, who is a dealer in buying and selling cotton -- mind you, this is off the record, every bit of it -- there is a real effort being made by the dealers in cotton to maintain the total volume of cotton. In other words, if they get a fifteen million bale crop to sell, they obviously, as commission men, make more money than if they only sell ten million bales of cotton. It is a little like the stock market operations. If you have an average of fifteen million shares a day, you can support three hundred brokerage firms, but if you only have an average of five hundred thousand shares a day, you cannot support as many brokerage firms. Obviously, they want more and more shares dealt in on the Stock Exchange. Obviously, firms like Anderson Clayton like to see fifteen or twenty million bale crops because it is money in their pockets. Now, those people are spreading the rumor

that our cotton exports are falling off for the reason that the price is so much above the world price that other countries cannot buy our cotton. Therefore, they are in favor of cheaper cotton.

Their general -- I won't say "theory", because they know better -- their general effort is to sell the idea to the public that if we have six-cent cotton European countries would buy a good deal more of our cotton. Of course, that is about 98% nonsense. There is about 2% truth. If we do have cheaper cotton, probably we would sell a little more, but only a little more.

Why is the export sale of American cotton decreasing? There are two very simple reasons: The first is that on the other side they are going more and more to substitutes. If you can get that thing out of the State Department when you get home, there is no reason why you should not have a story about it. Breck Long sent home about a month ago a very interesting story from Italy showing that Italy, with government help, had been experimenting on a new cloth made out of 10% cotton and 90% wood fibre. This year they manufactured out of that substitute cotton cloth about two million kilos, which is a lot of cotton. It is roughly about five million pounds of this new cloth. It is a process akin to the rayon process. They take the wood fibre with 10% of cotton and stick it into the rayon process and then they take it out after about half hour through the rayon process and put it into a new process of their own. Probably Italy will be able to get the cost of that new cloth down sufficiently in the course of the next year or two so that they will buy very little of our cotton. Today, Italy takes about a million bales a year. Assuming that this new cloth is a success, it means they will take only one hundred thousand bales instead of a million.

Now, that is only one country that would be doing it. But why is Italy doing it? For all sorts of reasons, the first being that Italy has no exchange with which to buy cotton. She hasn't any money to send out of Italy. Obviously, she wants to keep her money home.

The same thing applies to Germany. Hitler is wearing today a suit made of 90% fibre and 10% cotton. It is a damn' good-looking suit and he points it out with pride to every American that comes.

The most important reason for these substitutes is lack of exchange, because all of those countries have been importing more than they have been exporting and therefore they haven't the money to buy goods on the outside.

Then, there is another reason, and that is that a very large number of nations today who have been buying British cotton cloth and American cotton cloth and so forth, also Czechoslovakian cloth, have now started their own factories. Take Brazil, for example. After the war, in 1920 or 1921, Brazil imported all of its cotton goods. Today Brazil is making somewhere around 55 or 60% of its cotton goods. They are making their own shoes in Brazil for the first time.

Of course, while they are establishing their factories, it means we will be exporting a good deal of machinery, but once that new machinery is set up in Brazil and the Argentine, or any other country, as soon as that is set up and they have begun manufacturing, they will buy less and less of our own goods.

Now, what we are trying to do is to offset that by trying to get special agreements with different countries which are essentially on a barter basis. The thing has only been going for a few months and

it is helping in the sense that it is preventing the situation from getting worse.

I don't think we can look forward to a vast volume of foreign trade, exports or imports, but at least, through these agreements, we can keep the situation from getting any worse, and on some special lines we may be able to add a little here, there and some other place. Of course the total will amount to a great deal, but, so long as the other nations are headed for a self-sufficiency program, we are not likely to go back to the old figures unless there is an entire change of feeling all over the world.

Now, let us take it from another point of view. That was on manufactured goods. On foodstuffs, the European nations have almost all, up to quite recently, except Hungary or the Balkans, been importers of foodstuffs. Now, as you know, there has been an intensive drive all over Europe and England to raise their own foodstuffs. Why? There are lots of reasons. In the first place, they don't want to export the capital. In the second place, they want to be self-sufficient in case of war. They don't want to be caught as Germany was caught in 1914. The German population nearly starved to death. Of course, all that means less demand for our food crops.

It is not our fault. It is not because of our high prices. Not a bit. It is entirely because those nations have a definite policy to become self-sufficient, both in agriculture and industry. We are just up against it and we are doing the best we can to save what is left. I think that is the easiest way to explain the general foreign trade situation.

Q Before you go on to the off the record you were speaking about, may I ask a question about Mr. O'Connor? Is he going out? Has he resigned?

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THE PRESIDENT: Which Mr. O'Connor?

Q J. F. T. O'Connor.

THE PRESIDENT: I thought you meant Basil. Has he resigned? No.

Q He has not? The reason I asked was because there was a question as to whether he had been asked to resign.

THE PRESIDENT: I haven't heard a word about it since I left. He still has everything under advisement.

Q Mr. President, is there anything you can tell us on the record concerning the visit of your various power officials here today?

THE PRESIDENT: They are members of some kind of a committee, I could not tell you the name of it, that has on it somebody from the Federal Trade Commission, somebody from TVA, somebody from Interior and one or two from the Power Commission, and they were just working and have been working -- I think the whole thing came out last Spring -- working on a general survey of the power situation, and they are going to talk with me about that tonight.

Q Is that your National Resources Committee?

THE PRESIDENT: No, it is separate from that. It relates only to power.

MR. TUGWELL: Manly can tell them about it. I have forgotten the name of the committee too.

THE PRESIDENT: It is one of the inter-departmental committees to report on the general situation.

Q With recommendations for legislation?

THE PRESIDENT: Yes, and policy.

Q Still on the record, does that visit here mean that you have in mind any new moves of a concrete nature in the immediate future in connection with what you were telling us the other day?

THE PRESIDENT: This has nothing to do with the trip or TVA or anything

like that, except in so far as it relates to general power policy.

Q To get back just for a moment to foreign trade, when you were talking about cotton, was that off the record?

THE PRESIDENT: Yes. I don't think the time is ripe. I just gave you that in order that you might understand the thing in case somebody talks to you.

MR. TUGWELL: We have in the Department of Agriculture samples of that stuff if the boys want to see it.

THE PRESIDENT: There is no reason why you shouldn't get a good story on it. The Department of Agriculture is getting it tested by the Bureau of Standards. Breck Long told me that the stuff feels like cotton and wears like cotton and the only catch is that if you send it to the laundry, they had better not boil it. If it boils it disintegrates into pulp. You can wash it in water up to 200 degrees but not to 212 degrees.

Q On one of our \$35-suits, what would it cost in that material?

THE PRESIDENT: They haven't got it down below the cost of a cotton suit, but expect to in the next year on large scale production.

Any old fibre mixed with wood pulp does it. There is an outlet, perhaps, in the future, for Georgia pine in addition to newsprint paper.

Q Do the engineers think that one is a good equivalent of the other?

THE PRESIDENT: They think it is.

Q What sections of the United States would be affected?

THE PRESIDENT: It means -- this is off the record -- it means, quite frankly, that instead of exporting six or seven million bales a year we will have a very large portion of that export cut off and a large portion of the cotton-growing states will have to turn to other things.

Cason Calloway takes pride in saying that he has thoroughly investigated agriculture in Georgia. You could grow anything in Georgia except corn and cotton, and yet those are the two things that the state grows. There is a lot in that.

Q Do you think that European countries can be self-sustaining and self-sufficient?

THE PRESIDENT: Well, of course it depends a little bit on the country. I will give you two examples: Austria and England cannot grow enough foodstuffs to maintain their population. Without any question, I think that is true. There are forty million people in England, which is more than the acreage will support. It is the same way in Austria. On the other hand, countries like Hungary produce more than sufficient to support their population. But they have practically no manufactures. Taking Europe as a whole, they can come pretty close to being self-sustaining. With the surplus of wheat in the Balkan States you would come very close to making up for the deficiencies of wheat in England and Austria and certain parts of Germany.

Q - Where are we going to export our surplus, then?

THE PRESIDENT: This is still off the record. That brings up a thing which is going to appear this Winter. George Peek believes in the old McNary-Haugen Bill and many other people do. It, in effect, would say to the cotton growers and to the wheat farmers of the country, "Go ahead and waste -- go ahead and plant all the wheat you want and we will fix a price for the domestic consumption. We will fix a price for the portion of your crop consumed in this country."

Let us say, in the case of cotton, it will run to fifteen million bales with unrestricted growing. We can use nine million bales in this country. They would be paid a fixed price for the nine million

bales. We would pick some figure and pay them that much for the nine million bales. The other six-fifteenths we will take and dump on the rest of the world. That is the McNary-Haugen theory and, as I said, George Peek still believes in it.

Now, of course, that brings up the difficulty of saying to the other nations, "We are going to dump these six million bales of cotton on you at any old figure." You see the implications? It is a little risky to say that to the rest of the world. They may put up barriers against it.

Q It means, then, intensifying the crop production program?

THE PRESIDENT: It means carrying it along on a definite, orderly procedure.

In other words, the first year we plowed under 25% of the crop in 1933.

The next year, this year, we restricted it by 40%. This coming year we will restrict it by 25%, probably. Probably that will be enough.

Q Can we write that?

THE PRESIDENT: No, you cannot write that. It has to come out of Washington.

The following year, we cannot tell. If our exports fall off, we may have to go back to 40%, and eventually we may have to cut the unlimited acreage down to 50%. But probably not. Probably the domestic consumption in this country will be sufficient to take care of 60% of a fifteen million bale crop, as far as you can tell for a number of years ahead. You take this State and any other cotton-growing state, and if they get twelve or fifteen cents a pound for a 60% crop, they are pretty well off financially. All you have to do is to see the South today compared to what it was two years ago. It seems to work from the standpoint of economics.

Q I feel I am doing a lot of talking here, but the other day you spoke of power and there are a lot of interpretations on it. Purely --

THE PRESIDENT (interposing): Oh, the interpretations are all pure. (Laughter)

Q Do you mind telling us what your ideas are regarding private power companies?

THE PRESIDENT: All right, I will give you something on that, but this has to be off the record because I don't want to be in the position of interpreting what I said. (Laughter)

It is a perfectly simple thing. Two years ago, in this room, you were here Fred --

MR. STORM: I was here.

THE PRESIDENT: We spent an hour and a half. I think it was in January, 1933, and we had been down with Norris to see the Norris Dam. (Perhaps the President should have said Wilson Dam.) And I had said up there publicly that we were going ahead with the development of Muscle Shoals. That is all I said at that time publicly. We came down here and we had this talk in which I outlined what developed into TVA.

The easiest way of putting it is this: Any of you who live in, let us say, a prosperous rural section of the State of New York, if you come down here into the average rural section of any of the Southern states, you are immediately struck by what looks like poverty, real poverty. You cannot get away from it. In the first place, you have the Negro problem. In the second place, you have what they used to call the "poor white" problem. The standard of living is absolutely and totally different from what it is in the prosperous areas of the West or of the North. That is very well illustrated by the survey that Harry Hopkins made of one or two counties where he found that three families out of four in these counties had never slept on a mattress. That is almost unbelievable. I told that last Summer to somebody in New York, and he said, "I don't believe it!" I said, "It is

true; you don't know the conditions in the South." Now, that applies because of the fact that the average farm family in the South only sees, in the way of cash, perhaps a couple of hundred dollars a year and a great many don't see that. The result is that the taxing power is almost nil. This State cannot raise money for education because there is nothing to tax. Am I right on that?

MR. TUGWELL: Do you want to tell them about the future population?

THE PRESIDENT: Now, right along with that is something we have been talking about and it will come out probably in the course of the next couple of weeks. The figures show that in the course of the next fifty years the majority of the people of the United States will be descended from Southern stock. That is an extraordinarily interesting fact. In other words, in the North and in the cities, the increase in population has stopped. It practically has stopped. Practically all the increase in population in this country today is in the South. Now, a couple of generations of that means that the majority of people will have Southern blood. That is an interesting fact and we have got to consider what that population is going to be in fifty years.

We have got to raise the standards of education; they are perfectly terrible. The standards of living are low. Yet here is probably as fine a stock, human stock, as you can find anywhere in the United States. It is going to dominate the United States in the course of a couple of generations and what is it going to be like? That is looking at it from a national point of view.

Now for the TVA. I can put it this way: Power is really a secondary matter. What we are doing there is taking a watershed with about three and a half million people in it, almost all of them rural, and we are trying to make a different type of citizen out of them, not

what they would be under their present conditions. Now that applies not only to the mountaineers, we all know about them, but it applies to the people around Muscle Shoals. Do you remember that drive over to Wheeler Dam the other day? You went through a county of Alabama where the standards of education are lower than almost any other county in the United States, and yet that is within twenty miles of the Muscle Shoals Dam. They have never had a chance. All you had to do was to look at the houses in which they lived. Heavens, this section around here is 1000% compared with that section we went through. The homes through here are infinitely better.

So TVA is primarily intended to change and to improve the standards of living of the people of that Valley. Power is, as I said, a secondary consideration. Of course it is an important one because, if you can get cheap power to those people, you hasten the process of raising the standard of living.

The TVA has been going ahead with power, yes, but it has been going ahead with probably a great many other things besides power and dam building. For instance, take fertilizer. You talk about a "yardstick of power". Harcourt Morgan is running the fertilizer end of it and at Muscle Shoals he is turning out, not a nitrate -- the plant was originally built for a nitrate plant -- but he is turning out a phosphate. He is conducting a very fine experiment with phosphate of lime. They believe that for this whole area around here, and that would include this kind of soil around here, phosphate of lime is the best thing you can put on land in addition to being the cheapest.

Now, at once the fertilizer companies, the National Fertilizer Association that gets out figures, I believe (laughter), they say, "Are you going into the fertilizer business?" The answer is a very

simple one. The plant is primarily an experimental plant. That is the primary purpose. Therefore, they are going to take this year a thousand acres of Government land, which is worn out land, typical of the locality, and they are going to use this phosphate of lime on this thousand acres and show what can be done with the land. They are going to give a definite demonstration. They will compare it with the other fertilizers, putting them in parallel strips, and they will see which works out best and at the lowest cost and, by having the large plant which they have, they will be able to figure out what is a fair price for the best type of fertilizer.

Having done that and having figured out the fair price, it becomes a process of education and if the farmers all through that area can be taught that that type of fertilizer at X number of dollars a ton is the best thing for them to use, then it is up to the National Fertilizer Association and its affiliated companies to meet that price. Now, that is the real answer, and we hope that they will meet that price, adding to it, to the cost of manufacture, a reasonable profit. We will know what the cost of manufacture is, and it is very easy to say what a reasonable profit is. Now, if those gentlemen fail to avail themselves of this perfectly magnificent opportunity to conduct a sound business and make a profit, well, it is just too bad. Then somebody will get up in Congress and say, "These fellows are not meeting their opportunities and the farmers will have to have the fertilizer and of course we will have to provide it." But I, for one, hope that that day will never come. Now, that is not holding a big stick over them at all. It is saying to them, "Here is your opportunity. We go down on our knees to you, asking you to take it."

Q Just a little guiding light.

THE PRESIDENT: In other words, what we are trying to do is something constructive to enable business --

MRS. ROOSEVELT: An intimation. (Laughter)

THE PRESIDENT: No, it is not even an intimation. No, it is a generous offer.

Now, coming down to power. You take the example of Corinth we went through the other day. In Corinth, without Government assistance -- they did it themselves -- they had a county electric power association and they used to buy their juice from the Mississippi Power Company. The TVA, because they were on a through line to Tupelo, the TVA came along and stepped in as a middleman, and still bought the power from the Mississippi Power Company, at a lower cost per kilowatt, but on the agreement with the Mississippi Power Company that they would take more juice. The result was that the Mississippi Power Company gets the same gross profit as they were getting before, but selling more power. Then the TVA, merely acting as middleman, without any profit to itself, turns around and sells it to the county electric power association. That part of it does not change the existing situation at all. The Mississippi Power Company merely gave a lower rate to the Alcorn County people, but they did it via the TVA instead of direct. It was merely a bookkeeping matter. It does not cost the TVA anything and they do not receive anything.

Now the Alcorn County people, that is the Alcorn County Electric Power Association, did a very interesting thing. There they had Corinth, which is a good-sized town, and they found they could distribute in Corinth -- these are not accurate figures -- they found they could distribute household power at about two cents a kilowatt hour. But if they were to run an electric line out to a farm, they would

have to charge three cents. In other words, the farmer would have had to pay more.

What did the Corinth people do? They said, "We can get cheaper power than the farmer, but we think he should have the same rates we are getting." Voluntarily they agreed to take and to pay for two and a half cent power which enabled the farmer to get two and a half cent power. That is an extraordinary thing. That is community planning. Now, there was no reason in God's world why the Mississippi Power Company could not have gone to Corinth and said the same thing, no reason in the world. They just never thought of it. They could have done the same thing. But it was the TVA that went down and sold the idea to the people in that county and said, "Let us have a uniform power rate for the man next to the powerhouse and the same rate for the man who lives twenty-five miles up the Valley. We don't want to concentrate any more people in Corinth. We want to increase the rural population."

The result of that operation is that they are increasing -- they have more nearly doubled the consumption of power. Furthermore, they have gone ahead and formed another association, tied up with this county one, by which people can buy refrigerators and electric cook-stoves and all the other gadgets at a figure which is somewhere around 60 or 70% of what they were paying before.

Now, the process behind what they were paying before amounted to this: A subsidiary of the Mississippi Power Company in the business of selling refrigerators, generally owned -- I am just saying this as a mean aside -- generally owned by the son of the president of the power company -- there is a lot of that nepotism -- would go around and say, "We will sell you a refrigerator. The cost is two hundred

dollars. You can pay for it over thirty months. The total cost to you at the end of thirty months will be three hundred dollars." In other words, it was a hundred dollars extra. They did not say that, but that is what it amounted to. In other words, they were selling them the thing at two hundred dollars and they were making an average of 18 to 20% on that sale during this thirty months.

Now, who else profits? That selling corporation of course made not only its 15 or 20%, but also made quite a lot on what they had paid for the machine. They had probably paid a hundred and seventy-five dollars for the machine, so they made twenty-five dollars on the machine. Now, who did they buy it from? They did not buy it from the General Electric or the Westinghouse. They bought it from the middleman and he also made a twenty-five dollar profit on it, and the General Electric Company got only a hundred and fifty dollars for the machine. Therefore, when the consumer paid three hundred dollars, it was just one hundred percent more than the General Electric Company got for the machine.

We went to the General Electric Company and said, "Will you give us your wholesale rate on machines?" They said, "Sure." And we went to all the other refrigerator manufacturers so as to have a complete line, and then we said to these householders, "You can buy this for a hundred and fifty dollars plus a five dollar handling charge, paying for it over thirty months at 5% interest instead of 18%." The net result is that instead of paying three hundred dollars, he pays a hundred and seventy-five or a hundred and eighty dollars. His installment cost is at 5% instead of 18%. He gets it at the wholesale price, which the Mississippi Power Company could have done exactly as well as the TVA. In other words, we are teaching them something.

Q Who is Corinth getting its power from now?

THE PRESIDENT: Mississippi Power Company.

Q I don't quite understand the power company getting its same profit. Mr. Ruble, who runs a department store down there, told us that the building had its bill cut from sixty dollars a month to forty dollars and he doubled his consumption.

THE PRESIDENT: That is the point; what do they do? Suppose they were selling -- well, let us put it in algebra. Suppose they were selling X kilowatt hours times Y cents per kilowatt hour. The total receipts of the company amounted to Z. Now, we come in and tell these local people that if they will buy 2X kilowatts times $\frac{1}{2}Y$ -- in other words, half the price -- you will still have Z. In other words, if he sells twice as much power at half the cost, the gross will be exactly the same at the end of the month. Now, that is what we have been trying to do.

I don't know the consumption back in Corinth, but in Tupelo we estimated it would take a year at a three-cent rate running down to one, instead of a rate starting at six cents and running down to three, we figured it would take a year for the consumption of power to double. Actually, it took only four months. The consumption of power in Tupelo has doubled in four months.

The result is that the local company has an even bigger gross in the way of receipts than it had before, and yet the consumers of that power, whether shopkeepers or farmers or householders or anything else, they are getting their electricity for less than half the price, about 45%, of what they were paying before.

Q Isn't there a considerable change in the cost of having to step up its power production to meet a demand like that?

THE PRESIDENT: Very little. The only overhead is when you get an extension

of rural lines. There you have a larger inspection force to watch the lines. That is about all.

Then we are doing a third thing along the same lines. The Power Companies did a perfectly silly thing for them to do when it came to rural electrification. They put out all kinds of specifications for rural lines that were perfectly out of the question. Well, there was a certain rural line we wanted here in Warm Springs, and the specifications of the Power Company called, as I remember it, for 35-foot poles, white oak, that had to come from North Georgia. They had to be hauled here by railroad. Then I think they charged eighty dollars for the transmission line into the farmhouse. The net result is that a line for five or six farmers would cost somewhere on the average of four or five hundred dollars. That is a pretty big debt for a farmer to assume. Then they said to him, along the same line as the refrigerator "You can pay that over a number of years with a small charge for interest." The interest ran from 18 to 20%.

What we are trying to do is to build a rural line which will be substantial. We will put in transformers actually at cost from the electric supply company, the General Electric Company or the Westinghouse, and then let the farmer pay for his power line at five percent instead of 18 or 20%. It means that on the average he can put in his power line for about 60% of what it costs the other way.

Now, we come back to the old simile we used before. I hope that the proper power company officials will accept this free education that the Government is giving them. It is a fine offer and a grand chance. If they come in and do it right with a reasonable profit on their actual cost, that is all we are asking. No threat, no intimidation.

Q Or else?

THE PRESIDENT: No "or else".

Q This association which is furnishing the current, buying it from the Mississippi Power Company, is it a paying proposition?

THE PRESIDENT: Sure. And there was no reason in God's world why the Mississippi Power Company could not have done the same thing and have gotten the same results. Listen to the results: In three months, June, July and August, the operating revenues were \$17,847. That was in three months so you see what a small proposition it is. The expenses for operating, maintenance and expense, including energy purchase -- that is what they paid the Mississippi Power Company for it -- was \$5,826.00, or exactly 33% of the gross revenues. Then, in addition to that, they had general administrative expenses and new business expenses -- that meant pushing it and pushing the commercial end -- of \$2,094. or 12%. Then they had taxes and of course, as I remarked the other day, some people do not admit taxes. They are paying to the City \$1,508 in taxes, or 8% of their gross. Then they charged to depreciation \$1,232, or 7%. They had to pay on interest, interest on the money they borrowed to get this thing going, \$964. or 5%. They paid 5% interest.

Their total expenses and deductions came to \$11,625 or 65% of their gross receipts. Well, that looks like a good picture. It left them a balance available for new construction and retirements to be applied on the debt, 35% of the gross. Now, that is as pretty a financial set-up as I know of anywhere. In fact, it is so pretty that if it keeps up and they use some of that 35% right along to retire the money they borrowed, they will even be in a position to reduce their rates below what they are today. There is no question about it, and

they will still have some left for new construction.

Q In Atlanta the Georgia Power Company runs its auxiliary plant in Atlanta with gas. It buys gas from Mississippi, makes electricity from the gas -- converts the gas into electricity -- and sells it at a profit. They use twenty million cubic feet a day.

THE PRESIDENT: Do you know, about gas -- Iokes told me this on the train the other day -- there is going to waste every year in the Texas oil fields \$72,000,000 worth of gas. It is just escaping into the air. Now, if that gas were turned into electricity, think what it would mean to Texas. That is \$6,000,000 worth of gas a month.

Q They pipe the gas into Atlanta from Mississippi.

Q If that much is going to waste in Texas, what is the gas wasted on Capitol Hill? (Laughter)

THE PRESIDENT: That would run the District, anyway. It might cut the District tax rate.

Q The trouble is that that is non-convertible gas.

THE PRESIDENT: Now, coming back to the point, this statement shows a balance available for construction and retirement of 35% of the gross. If you were to analyze the financing of most of the private power companies, you will find that in the majority of cases they have been following the pernicious rule of the railroads. They get out a twenty or thirty-year bond issue and they don't start a sinking fund, but when the bonds mature they don't pay them off. For example, in the paper yesterday morning, there is one company that is seeking to refund an issue of bonds which were issued twenty years ago. That is what has hurt the railroads. The railroads never paid off a single bond when it matured. They never set up a sinking fund.

The New York Central Railroad, which runs through our place at

Hyde Park, issued in 1842 some 7% gold construction bonds with which they built the railroad from New York to Albany. My great-grandfather was so keen to see that railroad built, so that he would not have to go by steamboat from Hyde Park to New York, that he took five of those bonds. My Mother owns them today, owns the lineal descendants of those five bonds. To be sure, they are only 3½'s now, but it is a first mortgage bond that has never been paid off and it is 92 years since my great-grandfather bought them. That is why railroads go broke. On the last bond issue the maturity date was put at the year 2001. How silly. That is why it is time to teach Wall Street some very simple elementary lessons in finance. It is true, isn't it?

Q Do you think Wall Street can learn?

THE PRESIDENT: Oh, yes, but it will take some time. They will learn a lot in two years.

Q The logical question that that raises is, can the average private utility undergo the reorganization necessary to cut the rates and take advantage of the opportunity given them?

THE PRESIDENT: Only if they reorganize. Of course, we all know they do a lot of talking about widows and orphans. Now, whose fault is it? I will give you an example: A certain friend of mine, who makes or perhaps saves two or three thousand dollars a year, started in about 1928 to put aside a savings fund, realizing that some day he would get old and could not work any more. Wanting a little more than 4%, he went to two banks in New York City, the most reputable, old-fashioned banks he could find. I was partly responsible and told him where to go. As a result, today he finds that the fifteen or twenty thousand dollars he put in is invested, about two-thirds, in bonds of utilities, not stocks, but bonds. What kind of utilities? Holding companies, all

of them holding companies, none of them operating companies. He was advised to buy the bonds of these holding companies as the best form of investment he could get. They were 6% and 7% bonds and he bought them at 102, 103 and 104. He bought them above par. Today the average of those bonds is about 40. The result is that he has lost over half of the savings that he put into those bonds.

Now, why are they selling at 40? For the simple reason that you have to find out what is behind them. That starts you back over a chain. Let us take Associated Gas & Electric, as an example, or Commonwealth & Southern, or any of the big holding companies. They followed the same principle that Insull did, exactly the same thing, and it was considered honest in those days by a lot of people. Those bonds have printed on them that behind them is so much stock. Let us call the first company the A Company, and their bonds state that they have so much stock of B Company, C Company, D Company, in the treasury of the A Company, as security for those bonds. Then you analyze and you ask, what is the common stock of B, C and D Companies? You will find that they are holding companies. And you will also find that they have outstanding certain bonds which are backed by the common stocks of E, F, G, H and I Companies. And then you will come down to those companies and perhaps they are operating companies or perhaps they are holding companies too. Sometimes you get the pyramid of the holding company principle up to the fourth dimension. You come down to the fact that even the first holding company has as security for its bonds the common stock of, let us say, the Meriwether County Electric Light Company organized in the year 1900. Now, when the Meriwether County Electric Company was organized, how did they do that? They got Mr. Peters (?), of the bank in Manchester, and Dr. Peters (?) and Judge

Revall, of Greenville, all of them, to put in, in cash, \$1,000 apiece. For that \$1,000 they received a thousand dollar bond. In addition to that they received ten shares of common stock. And then, later on, when they were merged into the Georgia Railway Power and Light Company -- these are all fictitious --

Q You couldn't follow them all out?

THE PRESIDENT: No, you couldn't, they went through six or eight different processes. So each of them has a bond and also ten shares of common, and the common were not represented by property since it was merely a possible equity, because they had raised enough by bonds to build this local plant entirely. In other words, the ten shares were water in the first instance. In the first reorganization he got a new bond, also ten shares of preferred and ten shares of common, which was water, and on the next reorganization with a holding company he got his bond and twenty shares of preferred and twenty shares of common. There is one man who put in a thousand dollars into one of these little local electric light companies about 1900, and today his thousand dollars is twenty thousand dollars, although he has never done a damn' thing to make it worth twenty thousand dollars.

The banker who does the merging gets a lot of common stock and dumps it off on the market. Now what Charlie (Mr. Hurd) said was right. I don't like the expression "squeezing the water out", but if the utility companies in this country could recapitalize on the basis of the money put into them, every one of them would be making a profit today and every one of them could reduce the rates.

Q You mean the money spent on plant?

THE PRESIDENT: Yes. I don't mean the money spent by Consolidated Gas in New York.

Q But a lot of people have taken their money and gotten out.

THE PRESIDENT: And a lot of widows and orphans are holding the bag, having been persuaded by the best banks in New York City to buy that kind of bonds, which is not at all honest.

Q The answer is that they hold the bag anyway, so that in reorganization it would not make any difference.

THE PRESIDENT: In a reorganization it is just too bad about people badly advised. It is not the Government's fault. In other words, somebody is bound to get hurt. There isn't any question about it.

It is a very simple proposition. Suppose, for the sake of argument, you can save the consumers of power one hundred million dollars at the rate of two hundred dollars a year. That would be five million people who would actually benefit in a year. They would benefit from that kind of saving through cheaper power. You would hurt a lot of people. You might hurt twenty or thirty or forty thousand people in benefitting five hundred thousand or five million. But, after all, that is one thing that Government cannot do, and that is to protect widows and orphans against bum advice they have had on investing.

Q As a matter of opinion, how long do you think it is going to take to accomplish this reorganization?

THE PRESIDENT: I think it will come gradually. I think a great many of them will do it voluntarily.

Q How would they go about it? Would there be a receivership?

THE PRESIDENT: People are not going to be as badly hurt as they think. Most of them are listed on the Curb. Well, Electric Bond & Share, for instance -- there are an awful lot of people who own that. Here are the quotations. Of course, it is all water, Electric Bond & Share is all water. It represents nothing but equities. The common stock is sell-

ing at seven or eight dollars a share. The 5% preferred is selling at 31. The 6% preferred is selling at 37.

Let us take Associated Gas & Electric, which an awful lot of people bought. It is selling at fifty cents a share. You can see that the loss is already established for most of these holding companies. Take Niagara Hudson. That is practically all water. It is selling at \$3.75 a share. In other words, the loss is there already.

Q What is Commonwealth & Southern?

THE PRESIDENT: Commonwealth & Southern is selling at \$1.12 a share. The high for the year has been \$3.75. As you can see, the people who bought that have had their loss already.

Q They could not lose anything much?

THE PRESIDENT: Take Cities Service, it is selling at \$1.60 and the preferred is selling at \$13.75. Their 7% preferred is selling at \$14 a share. There you are.

Q The widows and orphans can use that for wallpaper.

Q They have used lots of other things for wallpaper in the past too, haven't they?

THE PRESIDENT: To give you a thought, what we are after primarily is to improve the standard of living for the country as a whole.

Q And power is merely one of the things?

THE PRESIDENT: Merely one of the things. Better homes, slum clearance, better roads, they all tie in together. Better education is very, very important.

I think I told you the story about the first year I was down here, when a young man came up to the porch with his cap in his hand and said, "Can I speak to you, Mr. Roosevelt?" I said, "Yes, come up, son. What can I do for you?" He said, "Will you do a great favor for us?" I

said, "What do you want?" He said, "We are having our school commencement next week and we would be awfully glad if you would come over and give the prizes." I said, "Delighted to. Are you the president of the graduating class?" He said, "No, sir; I am the principal of the school." I said, "My God, man, how old are you?" He said, "I am nineteen." "Have you been to college?" "Oh, yes; I finished my Freshman year at Athens, Georgia."

There was a fine boy who got enough money to finish his Freshman year and then he had to go back to get money for the next term. It would take him eight years to get through college. I said to him, "How much are you being paid?" He told me that he had 150 children and that he was getting paid, as principal, board and lodging and \$400 a year. He told me that he had three people teaching with him and that they were just local girls, which meant that they had never had anything, probably, except a local high school education.

Think of the enormous population being brought up that way, and yet, off the record, the Governor of Georgia is still in favor of the one-room teacher, the one-room school.

Q Do you think it is necessary to go ahead with the Tennessee Valley experiment on a national scale to bring about the plans you have outlined?

THE PRESIDENT: Not the same kind of governmental power development if the other fellows will do it. They have every chance in the world to do it.

You take a simple example: Eight miles over here to the eastward is a place called the Cove where they make the best corn liquor in Georgia.

Q The best is none too good. (Laughter)

THE PRESIDENT: Throw him out. (Laughter) Now, in the Cove the Georgia Power Company owns one of the most favorable power sites in the State.

They can turn out at that power site something between forty and fifty thousand kilowatts at a cost of less than half a cent. They have owned it for fifteen years and they bought the whole power site for a total of fifteen thousand dollars. In other words, they bought it as a farm lot. They have sought in other years to carry it on their books for a million dollars. It is an undeveloped power site and I think the old Public Service Commission of this State allowed them to do it for a while.

Further up, where we are going to picnic, is a place where they can develop 30,000 KW and I think they paid fifteen or eighteen thousand dollars for all the land comprising that site. They have a grand chance to make cheap electricity for the whole region and we are just giving them the opportunity as well as showing them how.

Q None of this, I take it, is on the record.

THE PRESIDENT: No, it is just so that when you talk about it in the future you will know all about it.

Q Can't we write this as background?

THE PRESIDENT: I think not. You had better keep it. If you write anything at all it will look like trying to explain something.

Q We don't have to write it that way.

MRS. ROOSEVELT: You would have to go back to foreign trade. When you go back to foreign trade you are faced with the question of restricting production, which is practically what it comes down to, and when you face that, you face the fact that we are coming down to being self-supporting, eventually.

THE PRESIDENT: Not necessarily; what I said was that we are trying to prevent it by agreement.

Q That is in the off-the-record?

THE PRESIDENT: There are certain things we cannot produce and certain things that Brazil cannot produce.

MR. TUGWELL: There are certain things on which we will always have an exchange.

MRS. ROOSEVELT: But, with all this before us, what we are basing that whole thing on is our old theory of scarcity, because if everybody had everything he wanted, we could utilize all we can produce.

THE PRESIDENT: Yes?

MRS. ROOSEVELT: Isn't it again a question of how we are going to accomplish it? Isn't it the medium of exchange that would make it possible?

THE PRESIDENT: All of this is based on the assumption that consumption remains at the same level. On the other hand, if you can give a bigger purchasing power to the country --

MRS. ROOSEVELT (interposing): How are you going to do that?

THE PRESIDENT: It's a very simple explanation: If you take the farmer who lives under such conditions that he gets one hundred dollars cash in the year, and if you can put him in a place where he will find decent living conditions and give him small factories to work in part of the time, so that he will get five hundred dollars cash a year, he has four hundred dollars more buying power. If you improve his condition, you improve his purchasing power.

MRS. ROOSEVELT: Hasn't the medium of exchange got to be changed in some way, because there isn't enough money in the world at the present time?

THE PRESIDENT: What you mean by "money" is cash and credit. At the present time we have almost unlimited credit in this country.

MRS. ROOSEVELT: What I am getting at is a thing called the Douglas (?) credit scheme, which says that if you have faith enough in human integrity, you can have unlimited credit, that nobody is back of anything,

really, on its face value.

THE PRESIDENT: You have plenty of credit in this country at the present time.

Q Why isn't it being used?

THE PRESIDENT: Lots of reasons. The first is that a lot of them don't want to put it up. They are afraid to put it out. The second is that people have been afraid to borrow. The third is that purchasing power has not gone up sufficiently as yet.

MRS. ROOSEVELT: Of course, you are teaching them a lesson that they should not put money into anything which actually does not purchase something or represent a service. But I don't think anyone knows just how to get credit. I think that is part of what is holding people up.

THE PRESIDENT: It is educational. It takes years and years to do it. If I could take Bill Jones and say, "Look, Bill, you have a rotten farm. You ought to improve it. It will cost you two thousand dollars to improve that farm, but when you do you will be able to live off it, get everything you need, and make yourself a self-sustaining unit and you will get five hundred dollars a year in cash out of it." Bill Jones will say, "No, I don't want to do that." It will take two or three years to educate Bill Jones.

Q Don't you think, Mr. President, that there has been a little more borrowing since election?

THE PRESIDENT: It depends on what paper you are reading.

Q Can't we use this, what you said this afternoon about Tennessee Valley and before -- can't we use that?

THE PRESIDENT: Instead of using it right now, jot your notes down and let me give you a hint. The National Resources Board preliminary report is coming out, and it ties right in with it. Let me dig that up for you. Don't use it today -- use it for a Sunday story or a Monday story.

Q These notes are worth a thousand dollars at least, minimum.

THE PRESIDENT: Wait until you learn more about it. You don't know enough about it to write a story.

Q If Georgia goes into raising these things for which her soil is suited, we might have an overproduction of things in the West?

THE PRESIDENT: Not necessarily, because your consumption goes right up.

MRS. ROOSEVELT: In other words, one of the biggest things is decentralization of industry into farm districts.

THE PRESIDENT: Let me give you an illustration. The Department of Agriculture has three diets, "A", "B" and "C". "A" is the diet that people ought to have. "B" is the diet they can get along on all right. "C" is the insufficient diet. "C" is the diet they have. Now, check me on these figures. If we were on a "B" diet instead of a "C" diet, we would be using in this country thirty-five million more acres a year. That would be just on the improvement of the diet from "C" to "B". If the whole nation lived on an "A" diet we would have to put in sixty million more acres into agriculture. That answers that.

Q Mr. President, if you were going to write a story today for the morning papers, what would you write?

THE PRESIDENT: I would write that the power people were all down here and were discussing power policy and legislation, just a preliminary talk.

MR. STORM: Thank you, Mr. President.

(The Press Conference adjourned at 3.00 P. M.)

CONFIDENTIAL

Press Conference #161,
Held in the President's Cottage on Georgia Warm Springs
Foundation, Warm Springs, Georgia.
November 28, 1934, 11.00 A. M.

THE PRESIDENT: I do not know -- I haven't the vaguest idea of any news this morning. There are various people coming down before we leave next Wednesday. You can carry the story that we are probably leaving here next Wednesday, a week from today. That is the fifth, is it not? What time, I do not know, but we will be in Washington Thursday.

Q Mr. President, has Secretary of State Hull referred to you an invitation of the League of Nations to collaborate with the Chaco Peace Movement?

THE PRESIDENT: No, I have not heard anything about that at all in over a month.

Q Mr. President, can you tell us just who is coming down besides Farley, Walker and Moffett and Harry Hopkins?

THE PRESIDENT: Harry Hopkins, Henry Morgenthau. We have not heard from Ickes, by the way.

MR. McINTYRE: No, sir.

THE PRESIDENT: And we have not heard from Tugwell. He may come down again.

Q Will Hopkins and Morgenthau be here together?

THE PRESIDENT: I do not know; I have no idea. I think Hopkins is coming Saturday. In other words, there is no object of their all coming together.

Q Mr. President, there was a dispatch out of Dublin day before yesterday -- there were reports there that one of the Drexel Biddles, I forget whether it was the older or the son, would be Minister to the Irish Free State. Was that a rumor?

THE PRESIDENT: What do we call it?

Q An "S. C. S."

Q Speaking for Mr. Duer of the Post and myself, have you any comment to make on that petition received for a more equitable agreement on the fiscal relations (between the Federal Government and the District of Columbia)?

THE PRESIDENT: I will give you a Washington story, to the two of you. Since 1913, when I first came to Washington, I have been tremendously interested in the relationship between the Federal financing of the District of Columbia and the local financing of the District of Columbia, in other words, their taxes, and so far the relationship has been more or less hit or miss. We all know why. It depended a little bit on who the District Commissioners were and it depended a little bit on how the Congressional committees on the District were constituted. There has been no more or less regular policy. I have been talking -- I have not done it yet but I have been thinking the thing over the last three or four days. I do not know who I will ask but probably I will ask the tax experts of the Treasury Department to make a study of the cities that are larger than the District of Columbia -- I do not know how many there are but call it X number of cities that have a bigger population than the District of Columbia -- and the same number of cities that are smaller than the District of Columbia, in other words, enough cities of each size so that Washington will be right in the middle so far as population goes, and then try to get from all of those cities, the bigger ones and the smaller ones, what they call an evaluated tax rate, in other words, how much the citizens of those cities have to pay on real estate which, of course, is the principal form of city revenue everywhere. Then we will also find out what they have to

pay in other forms of city revenue which, of course, mostly fall into the license class.

Now, an evaluated tax rate, of course, ought to be explained to the average citizen but it is a perfectly simple thing. If one city assesses value on its real estate at 50 per cent of its true value, that is to say, its selling value, and has a tax rate of four dollars, the people are not paying any heavier taxes than the city which assesses its real estate at full value and the tax rate is two dollars. You see how simple that really is?

Now, an evaluated tax rate simply means that they find out what relationship the assessed value is to true value, and then they fix the actual tax rate of that particular city on the basis of true value to find out what it will be. That is the evaluated tax rate.

Now, the reason for this study is that nobody in the District has ever agreed on whether the citizens of the District, the owners of real property, are paying a higher rate of taxation or a lower rate of taxation than other cities of similar size -- that is to say, bigger or smaller. After that study is made, we will know pretty well where in this list of cities the District stands. If the tax rate on the District shows that the owners of real estate in the District are paying below the average of other cities, there isn't very much kick coming from the owners of real estate in the District of Columbia.

If, on the other hand, the study shows that they are paying above the average of the other cities, it probably means one of two things: either that the District Government is not as efficient as it ought to be or that the Federal Government is not paying its share of the necessary expenses for maintaining the District. We will have to await the outcome of those figures. If the District people are paying more

than the average, we then proceed to find out whether the Federal Government should pay more or whether we can save in the cost of Government by putting in more efficient methods.

Now, that is the first time, so far as I know, that a definite study of that kind will have been undertaken and it ought to do a great deal to prevent this everlasting, year in and year out, squabbling between the people in the District of Columbia, the real estate people, the newspapers, et cetera and so on, seeking additional funds from the Federal Government.

Q Why wouldn't it be helpful to extend that survey to all cities? Not as a tax rate of \$1.50

THE PRESIDENT: What is that based on, 100 per cent?

Q Sixty per cent. Of course it is based on --

THE PRESIDENT (interposing): There are various organizations that have those figures already. You will find quite a number of organizations that have already worked out figures showing how much -- what the relative tax is of the larger cities.

Q Presumably those figures are gathered for selfish purposes?

THE PRESIDENT: A great many are.

Q What if the survey were extended to all cities and sanctioned by the Government?

THE PRESIDENT: The difficulty is this, that the Federal Government hasn't any authority to offer them to any other government. In other words, all cities are creatures of the State. I will say this, off the record, that it would be a perfectly practical thing for the Governors' Conference to take up.

Q There are two more points: Irrespective of what the tax rate is, large or small, could you tell us whether you think the Federal Government is paying fairly for what it receives in the District of Columbia?

THE PRESIDENT: I do not know. Nobody has any idea, newspapers to the contrary notwithstanding. Nobody knows. You will find an editorial a week in the Star and often in the Herald, et cetera, stating facts and nobody knows whether they are facts or not. They say the Federal Government ought to take over this and ought to bear this and ought to bear the other thing. I do not know.

Q Do you think that Congress ought to put through a law putting it on a 60-40 basis?

THE PRESIDENT: I don't know whether it ought to be done or not. It might be less and it might be more. We just plain don't know.

Q You are going to look into it?

THE PRESIDENT: Yes.

Q Is there any possibility of a release of that power material you gave us the other day?

THE PRESIDENT: I do not think so.

Q The Edison Electrical Institute, as you saw, of course, is going to test the constitutionality of the TVA.

THE PRESIDENT: Yes, McCarter (Thomas N. McCarter of the Public Service Corporation of New Jersey) and so on. Mac (Mr. McIntyre), we got a request from McCarter for an appointment, did we not?

MR. MCINTYRE: I do not think it was McCarter.

Q Down here?

THE PRESIDENT: Yes, but I cannot see him down here. And we got a request from Floyd Carlisle and (Wendell) Willkie.

MR. MCINTYRE: I do not think we have had any from McCarter.

Q Mr. President, could you tell us about your plans for tomorrow and Thanksgiving day?

THE PRESIDENT: I do not know. You had better check up with Carp (Arthur

Carpenter) on it. They are having something planned for -- a fellow is coming down to give an exhibition to all the patients.

In the afternoon we have a Trustees' meeting. Right after lunch we all go down to dedicate two new buildings, up to the present time referred to as Unit A and Unit B. They will be christened tomorrow.

Q Are you going to christen them any other name besides Unit A and Unit B?

THE PRESIDENT: Oh, yes; we are going to give them names.

Q Who will decide what they are going to be?

THE PRESIDENT: We have decided already. And then after that, off the record, a cocktail party and then dinner.

Q How many turkeys have you?

THE PRESIDENT: I do not know. I think we have been given about five. I have eaten one already. I am getting another one too, a wild turkey.

MRS. ROOSEVELT: When are you going to use that large one?

THE PRESIDENT: That is the one to be used tomorrow night. You better not put that down because there are four or five going to be used tomorrow night.

Q Mr. President, would you care to tell us about the dispute between Moffett and Ickes over housing? That all came out of Washington. We didn't get anything here at all.

THE PRESIDENT: Do you want me to talk, off the record?

Q That will be fine.

THE PRESIDENT: This has to be off the record because again there is no use of injecting me into it, because somebody will say it is denial and some will say it is affirming and some will say it is settling a row.

Apparently, what happened was this: Last Thursday Ickes had his press conference, and he talked about one form of housing plans, having that in mind perfectly clearly himself. But the fellows in the

conference did not get what he had in mind. He was talking about slum elimination and rural housing, the thing we were talking about the other day, which of course cannot be done by private capital. He said, "Why, of course, private capital won't go into this thing. We cannot rely on private capital for it." It was perfectly true. The Post story was darned good and made it perfectly clear. But one or two of the other stories gave the distinct impression that what he was referring to was housing in general. Whereupon Moffett, on reading this, went up through the roof, thinking that Ickes is going into the kind of housing that he is doing. Thereupon the hell hounds of the Press got around Moffett in the afternoon and worked up a controversial story which, of course, was in large part Moffett's fault because he thought that Ickes had been referring to general housing, which he hadn't at all. Finally, on Saturday, they had a meeting and put the onus of the whole thing on the Press and said that they were in complete accord and that their two programs did not conflict.

Now, the real answer is a perfectly simple one. Obviously the two things do not conflict. We have four and three-quarter million people on relief. Probably half of them are living under very terrible conditions. There are probably another four and three-quarter million people who are not on the relief rolls. Now, that just does not mean people, that means that the four and three-quarter million people on the relief rolls represent eighteen million people on relief.

Taking the two groups living under undesirable conditions, it means that there are nearly forty million people who are of such low earning capacity that they cannot get credit. They cannot get credit and private capital won't give them credit. I am not saying improperly, because I think very properly. You take the ordinary person, if he hasn't

a job or any capacity, private capital isn't going in and lending him money to build a house. Obviously not. Now, what are we going to do? Are we going to leave him where he is just because he hasn't security to offer for a private loan?

If he falls into the higher class, he comes to Moffett. Now the simplest illustration is this: That of all the loans made through the Housing Administration today, the average earning capacity of the people getting loans is \$2,750 a year. Now that figure of \$2,750 a year is nearly three times the average family income in the United States. Therefore the Housing Administration is taking care of people with sufficient earning capacity to obtain a private loan and it is doing a grand job. It is taking care of what might be called the very large number of people, again millions of people, who fall into the category of having an income of somewhere, let us say, between \$1,500 and \$3,500 a year. Those people have found it difficult to go to the bank and get a loan at a low rate of interest because the bank was not certain of things. Therefore Moffett's organization goes to the bank and says, "If you put this thing through, it is your responsibility, but you will get Government insurance up to a certain point."

Now, that is going well for certain people, that group, (earning between \$1,500 and \$3,500 a year) but it was never intended for and nobody had any thought that the Housing Administration could persuade banks to lend people with incomes of \$750 a year. There was not enough security. Nor could they do it for people on relief who haven't any income except what they are getting from a Government job or through relief.

That raised the question, "Are we going to call ourselves licked?" Now, I will give you the best illustration: It raises other complica-

tions. Joe Day in New York is a very old friend of mine, and one of the best real estate men in the City of New York. He and I have been carrying on a very interesting correspondence. He started off by telling me that it was terrible for the Federal Government to go into slum clearance. He thought that private capital ought to do it. I said, "Joe, this is all very well, but you have not eliminated the slums in New York." He wrote back, "Give us a chance, I think we can." I said, "At what cost per room per month?" He said, "You have me there, we cannot do it for less than \$12 per room per month." I said, "How many families are in the City of New York that cannot afford to pay that?" He came back and said, "We hope that with the return of prosperity there will be more." I said, "That isn't any answer to my question."

Now, the very simple fact is that in the City of New York there are probably a million people -- there are probably two hundred thousand families alone -- that is probably a rough guess -- whose earning capacity brings them under the thousand dollar a year class. They probably ought not to pay, out of that thousand dollars or less, more, let us say, than a hundred and fifty, a hundred and forty or a hundred and fifty dollars a year for their rent. They cannot afford it because they have to eat and clothe themselves.

Now, what does that mean if the cheapest rooms in the City of New York rent for \$12 a room? That means that the whole family can afford to live only in one of those \$12 rooms and no other room. They have to cook, to eat, and everything else in one room. If, on the other hand, you can get them rooms for \$6 a month, the family can use two rooms.

What is the result? They are living today under most terrible conditions, in old tenement flats, on the East Side, also on the West

Side, in the middle West Side and the middle East Side. We all know the conditions they live under. They are able to get, on the average, perhaps two rooms at \$5 or \$6 a room. There is no sanitation, no light, no nothing. They are pretty terrible living conditions.

Now, Joe says, "We are licked. Private capital could not afford to build for \$5 or \$6 a room. That is not enough." That is his answer, "We are licked."

Q Is he convinced?

THE PRESIDENT: Yes, but he says that the Government ought not to go in.

Q Why?

THE PRESIDENT: He says it is not the prerogative of the Government. It is unconstitutional. Like TVA. It is illegal. He says the thing, over a period of years, will work itself out some way. Then he also says, "If you go in and tear down these tenements, you are going to cut real estate values very much." Well, that is true. The value of tenements in the City of New York, including the City assessed valuations, is much too high. They are being held at those high prices with the hope of the owners that some Fairy Godmother is going to come along and take it off their hands at this price.

And that is the great difficulty of the Government going in to remove slum conditions in the big cities, the fictitious cost we would have to pay for that land. Yet I suppose there are tens of thousands of parcels of land in the City of New York which are only bringing in on the assessed value, which is higher than what they can sell them for, bringing a yield of $1\frac{1}{2}$ or 2%. But there is always the hope on the part of the owner that something is going to happen.

Q If the Government built these homes, who would own them?

THE PRESIDENT: In the case of a tenant there are practically only two methods.

One is tenant ownership, which has been used in a great many buildings in the City of New York, such as the Bronx buildings that the labor people put up. The tenant, by making extra payments over and above the rent, eventually, in twelve or fifteen years, owns his own apartment. That is tenant ownership.

The other method, especially in those places where you have a floating population that moves out and in a great deal, you make it a straight Government proposition which, after the Government has been paid back, could probably be sold to private people. In other words, it does not mean that the Government would stay in forever.

Of course Joe Day has this other thought, and in another letter he talked about the terrible socialism and what had been done in Germany and England and Vienna in cleaning up slums. He said it was just straight socialism and of course we couldn't do anything like that. But if you had knowledge of what happened in Germany and England and Vienna, you would know that "socialism" has probably done more to prevent Communism and rioting and revolution than anything else in the last four or five years. Vienna has practically cleaned out her slums and has done a grand job.

Then, of course, there are the other phases such as rural housing. We talked about that the other day and you understand the whole objective of it. There, again, we have got to put up houses that private capital cannot put up. We have to reach an entirely different group in the community. It is a secret at the present time, but there are two or three fairly good-sized things we are working on, plans for a new type of house. Don't use this, because they are not ready -- it would not be fair to them. It would be a complete, fabricated house, with pre-fabricated steel as an essential part of the construction.

The house would have all of the latest developments in it. It would have heating and air-cooling system for the summer time. It would have all the electrical equipment you could possibly put into a house and they believe that they can sell a house of that kind for \$3,800. Now, that is perfectly magnificent. It is an important step ahead. I think it is a five-room house.

Now, who can buy a \$3,800 house? None of the people on relief. It is too much. It will be taking too much of a chance for private capital to take a fellow off the relief rolls and put him into that house. Now, there are what I call the "marginal" people who are just out on the line, people who have a job, a little bit of a job, making \$20 a week as a family. Private capital cannot afford to put them into a \$3,800 house. They are too close to the line. It is not a good risk. So, what we are trying to do is to put up houses where these people can go in and, because of the much lower monthly payments, there is a chance of getting the money back, but private capital cannot do it. It is a field into which Government alone can go, and Government only can do it.

Government cannot say, "We are licked." Other countries have done it and have put up perfectly grand houses at \$1500 and \$1600. We can come pretty close to doing it here and it does not interfere in any way with the outlet for private capital, not one bit, because they would not go into that field at all.

Q How much money does it cost the Government?

THE PRESIDENT: It depends on the program. In other words, when it comes down to that, you can take your program and run it from \$100 to a hundred billion. I mean, that becomes a matter of financing rather than a matter of policy.

Q Is this on the record?

THE PRESIDENT: No, this is all off the record.

Q On this housing program we were just talking about, has that been decided on at all?

THE PRESIDENT: In figures, no. In policy, yes.

Q Could we use that fact?

THE PRESIDENT: Depends on what you use with it. In other words, if I were writing the story today I think it would be perfectly all right to say this, without putting it on me: It has been made increasingly clear by people coming to Warm Springs to see the President (laughter), meaning the Press (laughter), that the Government recognizes as a matter of policy its obligation to those people in the United States whose standards of living are so low that something has to be done about it, but whose pocketbooks are so small that private capital cannot properly lend them money. And if somebody asks the question, "Is Government going to consider itself licked in its effort to take care of people who cannot otherwise be taken care of?", the answer is, obviously, "No!". And further, as a matter of policy, the Government is going to continue every reasonable effort -- that answers Stevie's question, and I cannot give you any figures -- continue every reasonable effort to give the lowest income group in the United States a chance to live under better conditions, for the very simple reason that if Government does not do it, nobody else will or can.

Now, of course, a Government program of that kind is not all one-sided. My "missus" suggests a very excellent addition to it, that it means a very definite lift to the heavy industries not only during the construction period but also means that after that period is over there will be an additional consumers' demand because, once people get a better

standard of living, they are going to insist on maintaining it.

In other words, the policy story is all right, as long as you don't try to get too factual about it, because I haven't any more idea than you have as to the dollars and cents or whether it will be done or anything of that kind. It is a philosophical policy story.

Q Mr. President, in this connection, stories have been printed that the Government's guaranty of 20% of any losses be extended to other fields so that private banks and private financial agencies could do this financing which they don't see how they can do today. In other words, they could lend money to people in the lower income brackets.

THE PRESIDENT: There you have to come down to practical cases. This has to be off the record, too. Probably private capital, in most cases, is not efficiently organized to carry through a very large operation. Let us take a very simple example: Suppose we were to start here in Georgia a new community with decent homesteads for people on relief -- decent homes for people on relief. Nobody thinks much about it. Should the community consist of a thousand people, in other words, two hundred families, or five thousand people, a thousand families, or should it consist of ten thousand people. That immediately brings up a question that probably only the Government can plan for. We would try several types of communities of that kind.

Incidentally, and you will have to leave this off the record too, I had an awfully interesting talk with Edsel Ford about it because old man Ford -- Edsel brought me quite a number of photographs -- as you know, went into the valleys above Detroit and took little villages and put in very small manufacturing plants, plants that ran anywhere from twenty or thirty people up to a couple of hundred people. Well, a plant of a couple of hundred people probably supplies a community of

2500 to 3000 people because a lot of people have to run the grocery stores and the post offices and so forth and so on. He pointed out that it was perfectly true that in the case of Ford doing it, it means a pretty good assurance that the plant will run because it is a great, huge corporation and you can assure a good income to the workers in the community. Actually, he showed that the smaller plants of the companies are paying \$1350 annual income to the employees in that community, which is pretty good and away above the average.

If you can get a factory to come in, a small factory of a big concern that has a fairly steady demand for its products, that is all right, but there is a limit. They are all working on it, General Electric, Westinghouse, Steel, et cetera. Decentralization, if you can get enough, will probably be all right, but you probably cannot get enough.

Then you come down to the next question, "What can you use as a substitute for a branch factory of a big corporation?" Probably not very much except by trying to make the community itself self-supporting. That means a fairly good-sized community, big enough to make its own dresses, clothes, shoes, shirts, besides its own food supply. If a community of that kind can be made somewhere around 80% self-sufficient, it probably can be made a go of. But the point is that private capital, obviously, won't go into that. Some of the big companies with fairly large capital will, but, as you know, the big corporations -- the corporations employing, say, over a hundred men -- they only employ 40% of the industrial workers of this country. 60% of the workers are employed by companies employing less than a hundred men. They are not big enough to go into this sort of thing. Government has to help them to do it.

I think that is about the only answer you can give on that, that again private capital is not in as favorable a position to do it as Government would be, and that private capital probably won't do it because there is too much risk.

Q That would make this a good story, Mr. President.

THE PRESIDENT: They never have before.

Q Are you willing to insure up to that amount?

THE PRESIDENT: We cannot insure. Suppose we did. Suppose we said to the private capital, "You go ahead and do it." I don't know. I don't suppose, in the first place, that private capital would do it. They haven't been organized and don't know enough about it. In the second place, they would consider that 20% was too little insurance. I just plain think they would not come in if we extended it.

MR. McINTYRE: In connection with what you said about housing policy, would you have any objection to the use of that part in which you pointed out that there is no conflict between the two?

THE PRESIDENT: That is perfectly all right to use. There was absolutely no conflict. The private dollar won't go into the Government housing that we are going ahead on. If private dollars show any desire to come in, we will be willing to give them every opportunity so to do.

Q I cannot say we haven't very much; you did pretty good.

THE PRESIDENT: You got a real Washington story.

Q Yes. It is getting kind of late. Looks like you are trying to take me out of it. (Laughter)

Q In the papers this morning there is a story that the Nye Committee is going to consider the complaints of investigators that Government officers are holding up the investigation into munitions.

THE PRESIDENT: I do not know; I have not heard anything about it because

all the Federal Government officers are very much willing to give them everything we have.

Q You stated that at Hyde Park.

THE PRESIDENT: The last time I saw Gerald Nye (Senator Nye) he told me he was delighted with all the cooperation he was getting. Did he say where that is?

Q No, he did not.

Q He is calling a meeting on Monday.

Q Does your Order still stand?

THE PRESIDENT: Yes, on everything that is not a military secret.

Q Did you hear about the report on pine wood resources? The Hearst papers are very much interested and New York is very much interested (showing the President a clipping).

THE PRESIDENT: You know, I have been tremendously interested in this right along. Herty (Dr. Herty) came down here six years ago and did that.

Q I knew you had in general.

THE PRESIDENT: Why don't you get a story out of George Foster Peabody while he is here?

Q I would like comment from you.

THE PRESIDENT: The only comment I have is that I have been interested in it for five or six years and have been following the progress they are making with the belief that there are real possibilities for many, many new uses to which the wood resources, the forestry resources of the South could be put. They have only scratched the surface on that.

Q This is a report merely on the resources and not on the possibilities.

THE PRESIDENT: The resources can be increased too.

CONFIDENTIAL

Press Conference #161-A

In front of the Newspapermen's Cottage on

Georgia Warm Springs Foundation, Warm Springs, Georgia

November 30, 1934, 3.00 P. M.

Q Mr. President, will you give us a slant on what your plans are over the week end, who you are going to see and what you are going to discuss with them?

THE PRESIDENT: I haven't the foggiest idea when they are coming down.

MR. McINTYRE: Why don't you ask him something else? That stuff is all available.

THE PRESIDENT: I don't know what is available and there isn't any conference, just ordinary talk. There is no subject. It is tough luck for you, but there isn't any subject.

Q Any news in your talk today with Moffett?

THE PRESIDENT: No; we talked about his work.

Q I have a nice old question resurrected. We have got from London and Washington the rumor that there has been a note suggesting war debt settlement.

THE PRESIDENT: "S. C. S."

I really, honestly, do not believe there is the slightest bit of news. I do not believe I could write a story myself.

Q We have got to.

Q Any plans for consolidating the housing industry?

THE PRESIDENT: Not that I know of.

Q This idea you were telling us about the other day -- the Federal housing program for low income people?

THE PRESIDENT: No; still very much in the study period.

Q Mr. President, is there anything to say about the relief plans for the

winter?

THE PRESIDENT: Still in the study period -- third of January. You will get a story on the third of January. Anything you write before that will be wrong. (Laughter)

Q We took copious notes of our long Press Conference, the one we had the other afternoon and it would make a swell story if we could release them sometime.

THE PRESIDENT: I do not know how we can. Which one do you mean, the housing or the TVA?

Q Couldn't we write it?

THE PRESIDENT: No, I will tell you why: You will cramp my style. I am thinking, again off the record, I am thinking of using that when I go on the air in December. I think it is a good thing to use.

Q There will be a gnashing of teeth.

THE PRESIDENT: I think it will make an awfully good thing to use. Obviously, I have to talk about agriculture. In other words, you do know this, that I am going to talk on some of the things I did not mention in the last one. I did not talk on agriculture and TVA and probably other things. You all know I am going to touch on some of the things I did not mention in September.

Q Have you decided just what time you will speak -- what day?

THE PRESIDENT: No, I have no idea at all.

Q Are you having a good time down here?

THE PRESIDENT: That is a silly question. I am going to lunch with Cason Callaway on Sunday. No reason why you should not know that.

Q Over in La Grange?

THE PRESIDENT: It isn't his place, it is on top of the mountain.

I do not think there is another blessed thing.

Q Any plans for today?

THE PRESIDENT: No, I am going up to the farm, and I will talk about whether I want to sell my cows now or later on.

Q For sale? Your cows?

THE PRESIDENT: Forty for sale. These are beef cattle.

Q Is your superintendent having any luck with his breeding experiments? I talked with him last year.

THE PRESIDENT: Getting along very well and of course in our own cattle we are getting much improved stock.

Q Did you get any drought cattle at all?

THE PRESIDENT: No; I have practically all I can feed. I have to get rid of forty, if I can. I had fifty calves this year but, of course, the prices are terrible, awful.

Q About two cents?

THE PRESIDENT: Two cents; two and a half cents.

Q Are you going to take that up with the Administration? (Laughter)

The way the boys are eating at our cottage, you might send one down.

THE PRESIDENT: I will do that; it would be very good business. I will send down a young, tender, fat heifer.

Q A few bottles too. (Laughter)

Q No, we are going on a program of more eating and less of that.

THE PRESIDENT: Well, it was a good party last night.

Q Fine.

Q Mr. President, are you going out to the farm from here?

THE PRESIDENT: No, I have to go back to the house.

Q About what time will you be going out?

THE PRESIDENT: About half past four.

Q Would you mind if we go out?

THE PRESIDENT: No, you had better not because the most of the time I am going to be talking to the farmer.

Q About that tax investigation you are going to make, will you talk to the Census Bureau? They have already made that investigation.

THE PRESIDENT: I am glad to know that, Russ (Mr. Young). I did not know that they had done that.

Q Thank you, Mr. President.