

November 24, 1937

MEMORANDUM FOR MR. EARLY:

Referring to page 15 of the attached, I checked with Mr. McNinch as to the accuracy of the figures which the Press said that he had given to them. Chairman McNinch said that they were the figures given by him but that he was "taken by surprise" and wanted to check them. Later one of his assistants gave me the following:

"The Federal Trade Commission said their investigation disclosed 864 million of write-ups in operating companies, 273 million in top holding companies and 353 million in sub-holding companies or a total of one billion 490 million. At the time that they made that investigation the industry claimed that the total investment in the industry was between 10 and 12 billion. The investigation covered an investment of about 4 to 5 billion.

"They examined top holding companies and found that the write-ups were about 9.6 per cent, in 42 sub-holding companies they found the write-ups to be about 16½ per cent and on 91 operating companies they found the write-ups to be about 22.1 per cent.

"It is pretty hard to break this down and give percentages because they did take the most vulnerable ones so that the figures just given flatly are not enough; they would have to be explained, otherwise you leave yourself open to attack."

HMK

**CONFIDENTIAL**

**Press Conference #411 - In the Oval Study at the White House  
November 23, 1937, 4.15 PM**

(A delegation of ten reporters selected by the President of the White House Correspondents Association attended this Conference. Upon its adjournment, all those who attended the Conference returned to the Executive Offices of the White House where the stenographer read his notes to the other reporters assembled there for that purpose.)

(Mr. McNinch was present during the Conference in the Study.)

THE PRESIDENT: Good people, how are you? Glad to see you.

Q You look all right. I thought you were sick.

THE PRESIDENT: I think we ought to get a chair for the Dean (Mr. Young). Pull it up, it is right behind you.

I hear there is much weeping and gnashing of teeth and that John O'Donnell -- this is strictly in the family -- cannot separate two fellows, he thinks they are twins, Walter Trohan, representing the hated rival, and Walter Trohan, President of the White House Correspondents Association.

Q (Mr. Young) There was some talk of Mr. Trohan as a candidate for re-election and they were using this as a little expediency.

Q (Mr. Trohan) It is all over now. Not even a second term for me.

Q We were interested, sir, in encountering Mr. Willkie as he went out.

THE PRESIDENT: We had a very, very interesting talk that lasted about an hour and twenty-five minutes.

Q What about, sir?

THE PRESIDENT: About utilities in general. I should say that Mr. McNinch and I and he had covered pretty nearly the whole field, talking on matters of general principle underlying the problem, with the objective and the hope that a very crying need in the country for additional power facilities can be met. The apparent need for expenditures in the coming year runs from a billion and a quarter dollars to a billion and a half. We are all agreed on that, as to the need of expanding facilities.

Q For the power companies?

THE PRESIDENT: All the power in the United States.

And then I brought out some data which I have been getting recently that of course we all know about, that the use of power is going up practically every year -- I am talking about power as a general thing -- and the rather interesting fact that in the present set-up of power in the United States, about ten percent is being generated by Government projects and the other ninety

percent by private companies and municipalities. Is that right?

MR. McNINCH: That is right.

THE PRESIDENT: Of course nearly all of that ninety percent is private.

On the basis of area -- that is geography -- somewhere around eighteen percent of the area of the country could be -- not is, but could be -- served from Government power plants as they have been already built or are laid down.

Q Is that in addition to the ten percent?

THE PRESIDENT: Oh, no. It is a different thing. The ten percent, Russ (Young), is the amount of power now generated -- the total amount is one hundred, and ten percent is now generated from Government plants, the other ninety percent from private plants. That is that thing; leave that to one side. Now, the area of the country, the geography, the total square miles of the United States, eighteen percent could be -- not is, but could be -- served from Government plants.

Q Built and building?

THE PRESIDENT: Built and building.

Q That is actually projected?

THE PRESIDENT: Yes.

Then a third thing, which is quite interesting, that on a population basis in the United States about thirteen percent of the population of the United States could be served from Government plants.

Now, let us put it the other way around: That means that from eighty to ninety percent of the total area of the United States, the total population of the United States and the total number of kilowatt hours is being served by private utilities.

MR. McNINCH: And cannot be by Federal.

THE PRESIDENT: And cannot be by Federal.

Q Why do you say it cannot be? Supposing, eventually, you had regional plans for power production in those areas.

THE PRESIDENT: That would be a very simple question to put: What hydroelectric development could the Federal Government put in to serve St. Louis?

Q You could use the Mississippi dams?

THE PRESIDENT: How much power comes from the Mississippi dams? They are three feet high.

Q They could be used.

THE PRESIDENT: Oh, no.

Q Cahokia is making it cheaper than Keokuk.

THE PRESIDENT: The total amount of firm power from the Mississippi dams would not run the White House.

MR. McNINCH: Almost nothing.

Q There are other areas, the Gasconade and Current which should be developed. I'm just asking -- you said, "could not be." I am wondering if you went ahead with a tremendous power program.

THE PRESIDENT: I am not taking into consideration perfectly remote things like the St. Lawrence Waterways. We haven't even a treaty with Canada. I don't know.

Q I wondered how far ahead you are looking?

THE PRESIDENT: I am talking about any present program.

Q Any present program -- it would still be between eighty and ninety percent?

THE PRESIDENT: And, incidentally, another reason why, in all human probability, it won't get beyond the ten to eighteen percent of Government by either area or population or bulk power, is the fact that if any more were developed by Government it would barely maintain that ratio with the new production of private power. Do you see? That is a very important factor because, for example, taking a practical thing, you can take any one of those new dams in the Tennessee Valley, and the chances are that

the private power companies will be increasing their output in the same proportion if one of those new dams comes in.

Frank, have you got that paper of yours about the Tennessee Valley? I think it is rather interesting. (Mr. McNinch gave the President some papers.)

Take the Tennessee Power Company, starting in the year 1933 -- this is the sale, actual sale of power to ultimate consumers. It was 2,271,000,000 in 1933.

Q What is that, horsepower or kilowatt hours?

THE PRESIDENT: That is kilowatt hours. In 1934 it was 2,356,000,000, in 1935 it was 2,683,000,000, in 1936 it was 3,269,000,000, or an increase of sale of the Tennessee Power Company of 44% in four years.

Q Mr. President, wasn't some of that due to the general increase of business activity and production?

THE PRESIDENT: Sure, of course. And, as you know, that goes along.

Q Has there been a similar increase in installed capacity?

THE PRESIDENT: Yes. In installed capacity they have gone from 3,021,000,000 --

MR. McNINCH: That is generation.

THE PRESIDENT: This is generating energy, from 3,021,000,000

in 1933 to 4,072,000,000 in 1936.

I will give you the other figure. On revenue -- this is dollars -- I might just as well make these round figures, unless you want it down to the dollars?

Q No, sir.

THE PRESIDENT: In 1933, the Tennessee Power Company sold \$54,000,000; in 1934, \$56,000,000; in 1935, \$60,000,000; in 1936, \$67,000,000.

Q Mr. President, has Government power entered as a competitive factor in there?

THE PRESIDENT: Sure.

Q To what extent?

THE PRESIDENT: It started in 1933 when we took over the Wilson Dam.

Q Has your increase been proportionately greater than the private power company? I suppose it would be.

THE PRESIDENT: Oh, sure, because we started from scratch; we started from zero.

Q Can you tell us to what extent Government has affected this in dollars or revenue?

THE PRESIDENT: I don't know. In other words, you take this one company which, from the point of view of the utility companies, is the worst hit.

Q Is this the Commonwealth & Southern?

THE PRESIDENT: One of them, the Tennessee Power Company.

Q I understood you to say a moment ago that eighteen percent would seem to be the total limit of Government competition with the private plants.

THE PRESIDENT: That is the geographical area and thirteen percent on a population basis and ten to fifteen percent on kilowatts.

Q Did you give those figures to Mr. Willkie?

THE PRESIDENT: Yes.

Q What was his reaction? Amazement? Did he know about that?

THE PRESIDENT: No, I don't think he did. I did not give him those figures there because we did not get -- I gave him population, geography and total kilowatts.

Q The other conference about the building program, how did Mr. Willkie react to that, sir?

THE PRESIDENT: I suppose the easiest way is to put it this way: That there is this crying need for more power and that the difficulty, Mr. Willkie said, is in raising the junior money. I said, "Where?" Well, we picked an area of many hundred miles removed from the Tennessee Valley, in other words, so far removed that Tennessee Valley power would not enter into it. It is an area in which

there is no water power. I said, "What is to stop the company out in that area from going ahead and adding to its power generation? It needs to." "Well," he said, "the general feeling."

I said, "The Government isn't in that area in any shape, manner or form," and, quite frankly, the only answer I got was, "The general feeling."

I said, "But the Government not only hasn't gone in and has no plans for going in, but how could it go in?"

"Well," he said, "the general feeling."

Well, that seems to be the difficulty.

Q Meaning that the general feeling that the Government would go in would prohibit them from floating the junior securities?

THE PRESIDENT: Yes.

Q Didn't he mean the general feeling of timidity and uncertainty on the part of the power people at this stage of it?

THE PRESIDENT: He said they couldn't sell the securities. I said, "Has any effort been made?" He said, "No."

Q What did he say to that, when you asked him had any effort been made?

THE PRESIDENT: Well, he said, "It is impossible."

Q Did you find yourselves in sharp disagreement on any of these important matters?

THE PRESIDENT: Not the major principles, no.

I asked various other leading questions which I cannot tell you about at the present time very well because -- Oh, I mean they related -- well, just as an example, would a utility recognize that common stock should be limited to the reasonable returns set out by the common law, seven or eight percent? Well, that is a matter that is still open because the determination of that answer would solve a great many troubles.

Q Did you discuss the possible repeal of the death sentence?

THE PRESIDENT: No.

Q Did he advance or indicate in any way how that general feeling could be changed?

THE PRESIDENT: He gave me, as he went out, a memorandum which I have not had the opportunity to read.

Q That seems to be the general thought that he was expressing, what all writers and stockbrokers say, as to the general feeling. So I would think the natural thing would be for him to say that if you did this or that --

THE PRESIDENT: He did not get to that.

Q Did he confine his definition of general feeling or his

idea of general feeling to the utility problem itself?

THE PRESIDENT: Oh, yes; we only talked about that, that is all.

Q Did you discover that Mr. Willkie or any of these utility people are at all reconciled to Government competition in the power field? Are they still feeling that the Government is their enemy when it comes to generating and selling power?

THE PRESIDENT: Well, Fred (Essary), I don't know how to answer that. I said, "Do you think the Government should sell no power from these plants?" He said, "Yes, they should sell."

Q Don't they want to purchase at the switchboard so they can distribute? That is what they always asked for.

THE PRESIDENT: Yes, I suppose so. We did not talk about that.

Q You did not talk?

THE PRESIDENT: No.

Q That is what they have always said, "Give us the power at the switchboard and don't have any limitation over our means of distribution."

THE PRESIDENT: Yes.

Q Could you say, from your general conversations with Mr. Willkie, and his reaction and your reaction, that some

headway is being made with this problem?

THE PRESIDENT: I should say so, wouldn't you, Frank?

MR. McNINCH: Yes.

THE PRESIDENT: Very distinctly.

Q You put this proposition of dividends up to him?

THE PRESIDENT: I would not say -- we talked about that as purely theory. Nothing was put up by either side. We have been talking theory today and we will continue to talk theory for some time to come. There is nothing concrete, no suggestions that the company do this or the Government do that.

Q Where is the headway being made?

THE PRESIDENT: The fact that we are getting down to some of these fundamentals.

Q You are agreed on certain factors?

THE PRESIDENT: I talked, for instance, of the famous case in the northeastern part of the country where a little private company had a little strip of territory, about twenty miles wide and forty or fifty miles long. They had their own private development, two or three villages, all local capital, and the total amount of money was \$250,000. They just had one line that served these two or three villages and ran up the highway a ways. You

could not even call it rural distribution. They were doing very nicely, making about 8% on their money right along, paying it out to themselves.

Finally, two of these big boys came in competing for the territory and the bidding started at half a million, three-quarters of a million, a million, and finally they could not stand the gaff any longer and they took a 500% profit. They sold out for a million and a quarter. "Well," I said, "should that million and a quarter enter into the rate base of the purchasing company or should it be \$250,000, which is what the whole thing had cost them?" He said, "No, certainly not. It should be \$250,000."

Now, we are getting somewhere, when we begin talking like that.

Q They can take that to court and get a million and a quarter.

THE PRESIDENT: We are getting somewhere, never mind.

Q Did you discuss holding companies with him at all?

THE PRESIDENT: Barely scratched the surface.

Q Going on with that example, you cited one exactly parallel in the Press Conference the other day.

THE PRESIDENT: Yes.

Q And you said we are going back to the old English common law.

THE PRESIDENT: Yes.

Q So, in effect, Mr. Willkie agreed with your theory of valuation?

THE PRESIDENT: Yes. Wouldn't you say so?

MR. McNINCH: He proposed, he said, he would be entirely agreeable to have all the write-ups discovered by the Federal Trade Commission and reported by them taken out of the capital structures generally.

Q Was that the old common law way of figuring?

Q That is a concession in itself.

Q Would you remind repeating it?

MR. McNINCH: He would be agreeable to adopting the Federal Trade Commission report and eliminating all the write-ups that it found in those systems.

THE PRESIDENT: When were those reports made?

MR. McNINCH: They were completed in 1935. I believe they went over a period of three or four or five years. The suggestion was made by me that they did cover a considerable percentage of the industry but not all. They did not examine the whole industry but they did examine the larger set-ups. They covered 68 or 70% of the total investment.

Q How much water would be squeezed out of those you did know?

Did you ever compute that?

MR. McNINCH: Yes. I will get it in a moment.

(Later, the Press were informed by Mr. McNinch that the total amount of water was about a billion and a quarter in a total of twelve billions, making about 12%.)

Q How did this New York report happen to reach you? Was there some provision that it should be delivered to the President?

THE PRESIDENT: Yes.

Q It was made on the State authorization?

THE PRESIDENT: Yes.

Q And delivered to the President?

THE PRESIDENT: And made to me because it is, of course, of definite interest to those five people that I sent it to, the three Committees on the Hill and the Federal Power Commission and the National Resources Committee.

8-30-56  
NCA

Q And it is also made to the Governor of the State of New York, I presume?

THE PRESIDENT: Yes.

Q How did it happen to be released just now, at this time?

THE PRESIDENT: Because Frank Walsh brought it in yesterday.

I did not know when he was coming.

Q That won't complicate this attempt to get together?

THE PRESIDENT: Oh, no. In fact, it ought to help because there we have figures one way and figures another way. It ought to be extremely helpful. The public is entitled to both figures, as I said in my letter transmitting it, and these figures deserve at least as wide publication as the previous set of figures.

I won't get it, but that is off the record. Am I right, Fred?

Q (Mr. Essary) I don't think so. (By this Mr. Essary evidently meant that he was in agreement with the President.)

Q Have you any assurance that Mr. Willkie is speaking for the entire industry?

THE PRESIDENT: Not for a minute.

Q Because I cannot imagine the Associated Gas & Electric --

THE PRESIDENT: Not for a minute.

Q Have you anything on housing?

THE PRESIDENT: In just a minute -- I want to read this telegram that came in. Harry J. Bauer was here in Washington last week --

MR. McNINCH: The day before the date of that telegram.

THE PRESIDENT: -- and I expected to see him, but being laid up with a bad tooth I could not see him. I think he has gone back to Los Angeles but I expect to see him the next time.

Q Who is he?

MR. McNINCH: President of the Southern California Edison Company.

THE PRESIDENT: He sent this telegram to Chairman McNinch, which I think is rather interesting. If you want copies I see no reason why you should not have copies. (Reading) "Will you please express to the President my sincere appreciation of the honor of being invited to attend the conference of the Utility Executives to be held at the White House today and also my regret that it is impossible for me to be present. Should you feel that my ideas would be of any interest to the President, will you please advise the President that our company has lived successfully for many years in competition with the yardstick afforded by the municipally operated plants in our territory - that we have successfully met this competition by progressive measures such as basing our rates on historic cost rather than on

reproduction cost and that of making rates as low as possible rather than merely reasonable, thus avoiding the necessity for rate regulation by the Railroad Commission of the State of California - that we have been and are continually reducing rates voluntarily, our first consideration always being that of our consumers, that as a result of this policy our company has not had a general rate hearing before the Railroad Commission since 1922 - that our general policy concerning rates can be stated as follows: 'Rates should be as low as possible, thereby anticipating, one, competition, two, regulation, three, the economic necessity of the consumer, and, fourth, the reasonable expectations of the consumer.' Our company has greatly benefitted by the President's policy, particularly with reference to low cost of money, and, secondly, by the greater interest in the use of electricity with national publicity as created in the minds of the consumers. I am sending this message to you rather than directly to the President so that such attention will be given it as you think it deserves."

Q I think it was the Southern California Edison that had a case in the Supreme Court this last week -- it was a Los Angeles company and I think it was the Southern California Edison.

THE PRESIDENT: I don't know.

Q You made your statement on utilities and the next day the valuation case came up.

Q I think that was Pacific Gas & Electric.

THE PRESIDENT: Yes, that was the Pacific Gas & Electric. They are up North.

Q Before we get away from this, do you know what Floyd Carlisle's attitude is to be on this tomorrow?

THE PRESIDENT: No.

Q Any conferences with other utility men besides Floyd Carlisle?

THE PRESIDENT: I think so. I haven't anybody down -- I won't see anybody before I go away.

Q Will you see Carlisle?

THE PRESIDENT: He is coming tomorrow.

On housing, there isn't anything I know of. It is still being put together.

Q Do you expect to have something on it before you leave?

THE PRESIDENT: I hope so; I don't know.

Q There seems to be one feature in connection with this law that was passed last time that is causing Straus a good deal of trouble, and that is that so far as he has been able to find, there isn't a single city in the country

that is able to put up the 10% cash required by law.

THE PRESIDENT: Really?

Q Yes, sir.

THE PRESIDENT: I thought a lot of people said the cities were so well heeled now that they ought to pay for most of the relief. It is an interesting commentary -- yet they can not put up 10% of the cost of a single project.

Q They are offering all sorts of things, like slum areas, the valuation of them -- they would attempt to turn them over in lieu of cash, et cetera.

THE PRESIDENT: It is interesting to bring out those facts.

Q In connection with housing, I was asked to ask by someone whether in small private housing development, any consideration was to be given to inducement taxes.

THE PRESIDENT: No -- inducement taxes?

Q That is the phrase -- it is not a very good one.

THE PRESIDENT: That would be purely a local matter anyway.

Q Have you made up your mind as to the agitation in relation to stepping up the loan values to 90% instead of 80%?

THE PRESIDENT: In the case of individual houses, yes.

Q With certain limitations on the amount?

THE PRESIDENT: In the case of the individual who actually makes the contract before the house is built; not in

the case of the building company or contractor that puts up, say, 500 houses, even though they are dwellings.

Q Any limit on those houses, \$10,000 or any amount?

THE PRESIDENT: I think so. But of course this does not limit the housing program to individual houses. It is broad enough and wide enough to take in the apartment houses, the two-family, four-family and six-family houses.

Q Isn't that your principal objective, the larger --

THE PRESIDENT: Not necessarily. There are a great many places where two, four and six-family houses and apartment houses are equally needed. There are areas where they haven't the vacant land needed to put up the individual houses.

Q Would that still be under the 80% limit?

THE PRESIDENT: Yes. In other words, the large financing would remain under the 80%.

Q Suppose one of those larger people, building multiple units for sale, would sell the smaller units to an individual owner, is there any arrangement whereby he could get a 90% allowance instead of 80%?

THE PRESIDENT: Yes.

Q Are you considering revival of the modernization program, Title I?

THE PRESIDENT: We talked about that yesterday and haven't

got anywhere yet.

Q The Federal Housing Administration wasn't very keen about reviving it when it came up last time but now they seem to think there is a new need.

THE PRESIDENT: The thing was revived yesterday.

Q The equipment people got a lot of that last time.

THE PRESIDENT: Yes. If it were revived, it would not apply to equipment.

Q Like refrigerators?

THE PRESIDENT: Yes.

Q You answered a question that you doubted whether you could do this before you got away. Have you any idea as to when you will be able to get away?

THE PRESIDENT: As soon as they stop treating the bum tooth because I don't want to take the dentist with me. This is a guess on my part but it will be either Saturday night or Sunday night, but entirely subject to the treatment.

Q In my capacity, I have a question to ask for a young lady reporter, Miss Craig. She asked me to ask you which tooth it was and have you lost your beautiful smile as a result of it and what became of the tooth. (Laughter)

Q Is it a tooth or a cave?

THE PRESIDENT: Well, on the first, the location: It is in Number 3 hole, aft, on the starboard side. (Laughter)

Q How about the beautiful smile?

THE PRESIDENT: Oh, judge for yourself, sweetness.

Q What was the other -- who got the tooth?

THE PRESIDENT: I think I will probably make that announcement at the Gridiron Dinner.

Q Getting back to housing, have you come to any decision on annual wage for labor?

THE PRESIDENT: No.

Q Apparently the prices of materials have gone down of their own accord, if the recession continues --

THE PRESIDENT: In some lines, not all.

Q Are they still going up?

THE PRESIDENT: The last advices I had was that lumber has taken a very definite drop. Cement, about which there has been a great deal of complaint about price maintenance, not by agreement but by hypnosis, that hasn't gone down. Steel hasn't gone down. There is competition in lumber and that has gone down.

Q On this question of recession -- have you -- put it this way: Do your Government advices coincide with the New York Times index which seems to be rather alarming?

THE PRESIDENT: I don't know. I have not had any of the consolidated indices we get now.

Q I was wondering whether the statistical bureau is supplying you.

THE PRESIDENT: It still is. The Central Statistical Bureau, but I haven't seen anything for about three weeks.

Q Does the type of wage and hour bills for which the labor leaders are asking conform with your ideas?

THE PRESIDENT: I don't know. On that question, of course, the wages and hours and the crop bill, I have been very much amused, sitting here with nothing very much to do in the morning except to read the paper, to see all the various stories about this being an Administration proposal and that being the President's proposal, and this being thrown out and that being accepted, et cetera. The only thing I can obviously say is what I said last Spring, that I would send a message outlining objectives. I sent two, one in the Spring on wages and hours and one the other day on wages and hours. The easiest answer is to tell you to read the messages. One of you may decide that X bill does not conform and that Y bill does conform, but it is just your guess. It may be good and it may not be.

Q In your leisure hours last night, did you listen to Arthur Vandenberg?

THE PRESIDENT: No. Was he on the air?

Q Yes, he was on the air.

MR. EARLY: He is in the Star tonight, boss.

Q He quoted you as saying, when you were at Charleston, two years ago, that prosperity came because you had planned it that way, and he pointed out that you said the other day that business can do more than the Administration can on securing it. He said you were right the first time. In other words, that the policies of government had brought this along.

THE PRESIDENT: I cannot comment in answer to Arthur, obviously. As long as you do not tie this in in any way with Arthur, that was perfectly true in Charleston in 1935, that the things we had done, which largely at that time were a monetary and pump-priming policy for two years and a half, had brought the expected result, perfectly definitely. That, of course, has absolutely nothing to do with the present situation because the monetary medicine that was given, it worked and there was no more monetary medicine given.

On the pump-priming, we have gradually come to an

end or, rather, a great diminution of the pump-priming. Then, of course, there was the third factor, which was an important factor, and that was that at that time it was just after the NRA decision and wages and hours were all right, especially the wage end of it, and also the getting together of industry every month around a table, industry by industry, where they went over the old-fashioned law of supply and demand: "Is there too much of a surplus at the present time? Should we slow up?"

That was knocked into a cocked hat and subsequently, in January 1936, came the other factor, which was the knocking out of Triple A, which was working on the general control of unwieldy surpluses. Today we are suffering, in the cotton end, from a condition which would not have been anything like as bad if the Triple A had been in effect this past growing season.

(At this point it was agreed that all of the Press Conference from the query about Senator Vandenberg's speech down to this point should be kept off the record for later release.)

Q Anything to be said on the international situation? Anything ahead that can be foreseen?

THE PRESIDENT: I don't think so, Fred (Essary). I haven't seen today's dispatches.

Q They seem to have recessed in Brussels subject to call of the Chair.

THE PRESIDENT: I think the only thing you can do would be to intimate that efforts made at seeking ways towards peace will, of course, continue at every possible opportunity. That is the policy of the Government, to seek every possible means towards peace, both in relation to existing situations and future dangers. To keep on trying. If you don't succeed at first, keep right on trying.

Well, I hope to be over on Friday.

Q Have you any plans for Thanksgiving?

THE PRESIDENT: Just a family dinner, that is all.

(The Press Conference adjourned  
at 4.45 PM.)

CONFIDENTIAL  
Press Conference #412  
Executive Offices of the White House  
November 26, 1937, 10.40 A.M.

Q (Mr. Young) Take the chair, Fred (Storm). He is back, Mr. President.

THE PRESIDENT: Yes, I know. And we have to get him out of the way, somewhere, so take the chair. Fred, welcome home.

Q (Mr. Storm) Thank you, Mr. President, glad to be home.

Q You don't look like a sick man, Mr. President.

THE PRESIDENT: No, it is coming along all right. I lost pounds and pounds.

Q How many, Mr. President?

THE PRESIDENT: I don't know. I haven't weighed myself.

MR. DONALDSON: All in.

THE PRESIDENT: The housing message is going up Monday and on Tuesday, I think I will send up a message in regard to highway appropriations of all kinds. It is fairly important. The gist of the highway message is going to be along this line and this problem: Up to, oh, I don't know when but I think it was 1929 or 1930, the Federal Government had been aiding the States to the extent of somewhere around 80 or 90 million dollars a year on the State system of roads and gradually that was increased through a practice that grew up in those years, not very sound, a practice, in effect, of Congress

authorizing an appropriation. If it would have stopped there it would have been just like billions and billions of other authorizations, not followed by an appropriation. I think we have outstanding on the books at the present time authorizations amounting to somewhere between a billion and a half and two billion dollars. But in the case of the highway authorizations there was a catch clause which provided that in an authorization for the following year, the Highway Department, the Highway Bureau, the Secretary of Agriculture, had to notify the several States before the first day of January as to what their amount, what their share in the authorization for the following year was going to be. Therefore it was not merely an authorization, it was an authorization followed by what they call, legally, a tender, which meant in effect that all the State had to do was to accept the tender and you had, virtually, a contract between the State and the Government and the State could call on the Government to make good on it.

Under that system we have got up in the past few years to authorizations followed by tenders running well over 200 million dollars and, of course, that is a sum which I think most people feel ought to be cut down very much. Any of us who have travelled know that the main highway systems in the country are in pretty

good shape and, in addition to that, in addition to these Federal grants and aid, the Federal Government has given a lot more money during the past four years through WPA for the improvement of farm-to-market roads. The total sum runs so high that it looks as if the time has come to cut the actual annual spending by the Federal Government for highways of all kinds. This message will call that to the attention of the Congress and suggest that this system of making tenders be limited so that you would have merely an authorization which, if not followed by a tender to the State, would leave it wholly to the next Session of the Congress to determine how much actual appropriations would be made, that sum being determined very largely by budgetary considerations.

Q In that connection, Mr. President, have you urged -- there are certain States which do not care to have any more Federal money for their roads, on the ground that the cost of maintenance now is so high that to add additional mileage puts a great burden on the State.

THE PRESIDENT: I don't know of any specific instances, Fred (Essary), but I can well imagine that that is true.

Q (Mr. Essary) I am told that is true in the State of Indiana.

THE PRESIDENT: I know, for example, in some States, that the farm-to-market roads, which were built largely with WPA money in the poorer communities have not been maintained

because they have not had enough tax money locally to pay for the upkeep of the roads.

Q That is what I had in mind.

THE PRESIDENT: Yes. I don't believe, however, that that applies to the hard-surfaced roads.

Q No.

Q Do you recognize any validity in the claim of these highway people that the Government should spend as much on roads as it takes in in road revenues from gas taxes, etc.? Their claim is that no matter how much you spend, the Treasury is still collecting more from the roads than is being spent on the roads.

THE PRESIDENT: Of course you can argue that pro and con interminably.

Q As I recall it, the first indication of this was in Secretary Morgenthau's speech.

THE PRESIDENT: Yes.

Q He also indicated that several other -- there were several other places that expenditures could be cut down, through CCC and Agriculture --

THE PRESIDENT: The other things do not require legislation and this does. The other things are purely a matter of appropriation but on this you require legislation.

Q Is this a step to carry out Secretary Morgenthau's idea?

THE PRESIDENT: Oh, no. The other matters relate to ordinary budget making -- every Department and every appropriation.

Q Do you think it might be suitable in your highway message to say a word or two calling national attention to the advisability of greater caution on the highways of the nation? It is a big subject.

THE PRESIDENT: That is a very big subject, so large a subject that the message would be too long. You mean safety?

Q Yes.

THE PRESIDENT: Of course that is another subject and a very important one.

Q This does not mean the end of Federal aid?

THE PRESIDENT: Oh, my, no. It means reducing the Federal aid, getting back more to the pre-1929 figures.

Q It has not been a 50-50 proposition lately, anyhow.

THE PRESIDENT: Practically not. It has been 50-50 in regard to all of the Federal, the so-called Federal highway roads but, in addition to that, we have spent a great deal of other money through WPA.

Q You said it was around 80 or 90 millions back around 1929. What has it been running about, approximately, since that time?

THE PRESIDENT: I don't know. I would have to ask Danny Bell, but I believe it is nearer 200 million.

Q Two hundred million today?

THE PRESIDENT: Yes.

One other thing here that may be of interest.

It is a report from the chief of the Procurement -- Director of the Procurement Division, Admiral Peoples, in regard to Government supplies of all kinds -- "following a check-up, the purpose being at this time to anticipate the expenditure of current appropriations for this fiscal year for all kinds of supplies that the Government buys so as to stimulate industry at this time." Instead, for instance, of spreading those purchases during the next seven months of the fiscal year, instead of having the amount each month one-seventh of the total, he will contract for all we can use for the entire period during the next month or two. That means of course a slowing up in Government purchases toward the end of the fiscal year but, at the same time, stimulating production during the Winter time.

Q Have you any figures?

THE PRESIDENT: The grand total of Admiral Peoples' figures show between now and the 30th of June additional requirements under existing appropriations for supplies, etc., total about 245 million dollars. That does not mean we will buy the whole 245 millions right away, but we will speed it up.

Q Does that divide into commodities -- general classifications?

THE PRESIDENT: I think so.

Q Can we have that report?

THE PRESIDENT: I don't think you need it because it is too technical. (Reading) "Textiles and their products, including knit goods, etc.;" and then there is 21 million dollars left to buy forest products, including furniture, metal products, chemicals, linseed oil, paints, varnishes, -- it sounds like a tariff bill. You don't want that.

Q When do you expect to leave, Mr. President?

THE PRESIDENT: I hope tomorrow night. I will be gone for about eight or nine days.

Q Mr. President, in connection with business stimulation, I wonder if you could tell us whether you believe that this is the time that Congress should make a revision of those taxes which it is claimed have impeded business?

THE PRESIDENT: What have you been doing, reading the newspapers? (Laughter) Instead of reading the newspaper headlines, read my message. The message was very, very clear. In other words one of the things we want to do is tax revision, and tax revision just as soon as Congress gets ready to do it. Note that well. We don't want to fly in the faces of all those editorial desks that have complained so bitterly and loudly in the past about undigested legislation -- things just handed in by the White House and a rubber-stamp Congress putting it through without considering it. Of course we think

that everything should be adequately and properly considered.

Q One thought in your statement about Peoples, has he been ordered or is it something he can do without an Executive Order?

THE PRESIDENT: No; I am sending it out, not in the form of an Executive Order, but a letter to all agencies.

Q It comes from you?

THE PRESIDENT: Yes.

Q The Navy Department -- Secretary Swanson said in his Annual Report that the Naval construction will be held up by the Walsh-Healy Act. Does this involve that in any way?

THE PRESIDENT: I don't think so. I think that, at the present time, is going along all right.

Q What happens to your policy in positive search of peace now that the Brussels Conference has adjourned?

THE PRESIDENT: Keep on trying, as I remarked the other day.

Q In that connection, do you have in mind to offer the individual service of this country to bring peace between Japan and China?

THE PRESIDENT: Not that I know of.

Q A great many people are quoting your Charleston, South Carolina, speech in regard to the present recession, saying that you had planned it this way. They are

trying to say that you are responsible for this recession.

**THE PRESIDENT:** The answer is, why not pick out something that I said in 1928 or 1929. What I said was perfectly true at that time. I think the Charleston speech was made in the Fall of 1935 and it was absolutely correct at that time. We were trying to do two things: The first was to give as much in the way of Government stimulation to business as we possibly could and the second was to restore values throughout the United States. That certainly was planned and it certainly was working. The money was going out, the stimulation was taking place and values were being restored and it was absolutely true as of that date.

**Q** Mr. President, do you plan to see the utility men in the near future for a continuation of the conferences?

**THE PRESIDENT:** I suppose when I come back there are several more that are going to come in.

**Q** Have you received a report on the cost of either the House or Senate Farm Bill?

**THE PRESIDENT:** No.

**Q** The Civil Service Commission has been here from time to time, indicating that you are taking up something with them. Is there anything you can tell us about it, any news?

**THE PRESIDENT:** Not yet, excepting we are working towards the definite objective of spreading the Civil Service --

what was it? Upward, outward and downward.

Q One more question, if I may. Is there anything now planned to maintain Government personnel at the present level or to reduce it or change it in any way, shape or form. This town is frantic with rumors that they are going to be cut off the Government payroll.

THE PRESIDENT: The whole thing depends on appropriations, absolutely.

Q You leave it to the appropriations?

THE PRESIDENT: Absolutely. First it is the budget and then it is what Congress does with the budget.

Of course you never can tell. They may reduce the budget downward, or they may revise the budget upward. Of course, practically always when they want to revise it downward, it means more people thrown out of work and if they revise it upward, it means more people taken on.

Q That is as far as you care to go on that?

THE PRESIDENT: Yes. You are just a month ahead on the budget itself.

Q You think the Federal service is not over-manned at the present time?

THE PRESIDENT: Well, of course that is a terribly difficult question. You cannot say yes and you cannot say no. If you had a different system, you could probably get

on with fewer people. If you will go back to some of the hearings that I was involved in when I was Assistant Secretary of the Navy you will be able to see some of the things that I was thinking about at that time. One of the things was to increase the efficiency of the Federal personnel by paying more adequate rewards so that people can make it more of a career with the idea that if they can make good and get to the top, there would be a much better reward than they get at the present time.

That is really one of the secrets of the efficiency of the British Civil Service. They get not only adequate monetary rewards, they get a position in the community. But, of course, tied up with that is the other necessity of the elimination of the less efficient as they go on up, so that a person who will never be particularly efficient won't be able to come in at the age of twenty-one or twenty-two and stay there until he gets to be seventy, just because he has not committed murder.

Did they tell you in the State Department the story about Bullitt's visit to Warsaw and how the story came out?

Q There was a portion of the cablegram they published.

THE PRESIDENT: They told you about it? It just shows how difficult it is, in the face of things like this, to

run foreign affairs intelligently. I would just as soon read this -- keep it off the record because it is just between us girls, but only for the press, it is not a thing for the public.

Q A lot of that was in the Congressional Record a couple of days ago.

THE PRESIDENT: I don't think so. This is the original telegram. (Indicating) (Reading) "I thank you for informing me that Senators Vandenberg and Lewis have expressed an interest in the totally untrue report sent by the United Press with regard to my visit to Warsaw. I communicated at once with Mr. Heinzen, who is in charge of the United Press office in Paris. He said to me that he had had nothing whatsoever to do with the story which had been sent at 4 a.m. by one of his assistants without consulting him in any way."

This did not come out, did it?

Q Yes it did.

THE PRESIDENT: (Reading) "The same assistant, without consulting him, had sent the second story, alleging that he had serious basis for the fabrication. Mr. Heinzen stated that as soon as he had learned of the matter he had sent a message telling the United Press to kill the story, but presumably his message had arrived too late."

"Mr. Heinzen stated that he had questioned his assistant as to the source of the story, and his assistant had replied that he had heard it at 4 a.m. from a Polish newspaper correspondent in Paris, unnamed. Mr. Heinzen stated that he had informed his assistant that if he could not produce a substantial basis for the story the United Press undoubtedly would inform him that he was at liberty to resign. Mr. Heinzen said that his assistant had stated to him last night that he had been unable to discover any further basis for the story.

As you know, my visit to my friend, Ambassador Biddle, had been planned for several months and had no connection with official business. I did not even mention the anticomintern pact to Beck in our conversations. I believe that the Senators interested are entitled to know that the story rests on nothing but a 4 a.m. aberration."

Q That was all in the Record.

THE PRESIDENT: It is in the Record?

Q Yes.

Q He was very kind to use the word "aberration."

Q Will this make you change your designation of such stories to "4 a.m. stories?"

THE PRESIDENT: Yes. (Laughter)

Q What are you fishing for this time?

**THE PRESIDENT:** Anything I can get.

**MR. YOUNG:** Thank you, Mr. President.

**Q** (While press were leaving room) In view of the recession, the number on relief are increasing. Is there any inclination to ask for more relief money?

**MR. EARLY:** No after-conference questions. You must ask before the conference ends.

(The Press Conference adjourned at 10.55 A.M.)