

CONFIDENTIAL
Press Conference #423
At the White House

Friday, January 7, 1938 -- 10:45 A.M.

All in!

THE PRESIDENT: I have appointed Charles V. McLaughlin of Nebraska to be Assistant Secretary of Labor in place of Ed McGrady, and that can be announced any time you want, because it does not go to the Senate.

Q How do you spell that name, Mr. President?

THE PRESIDENT: M-c-L-a-u-g-h-l-i-n.

Q Does he have any labor affiliations, Mr. President?

THE PRESIDENT: Yes, railroad; Steve will have a little sketch for you.

Q You have appointed him?

THE PRESIDENT: Yes. That doesn't go to the Senate for confirmation. Then on the ambassadors I am going to ask you to hold them until the time they reach the Senate--they will be up there at 12 o'clock, but please hold them until that time: Joe Kennedy to be Ambassador to Great Britain; Hugh Wilson, of Illinois, to be Ambassador to Germany; and Norman Armour, of New Jersey, to be Ambassador to Chile. Then at the same time--perfectly all right for you to announce these right away-- Joe Davies is going to Brussels in the spring--the actual date I can't tell you, maybe as late as June.

Q Ambassador to Brussels?

THE PRESIDENT: Yes.

Q And you say it is all right to announce it right away?

THE PRESIDENT: On the names that go to the Senate, wait until they get there.

Q What is becoming of Hugh Gibson, Mr. President?

THE PRESIDENT: I don't know yet; and George A. Cook, of Illinois--that is going to the Senate--to be a member of the National Mediation Board for the remainder of the term expiring February 1, 1939, to succeed the late James W. Carmalt. I think those are the only things I have got.

Q February 1st, 1939--Jim Carmalt's place?

THE PRESIDENT: Yes, his term.

Q Mr. President, is there any nomination for that vacancy, the Assistant Secretaryship of State, yet?

THE PRESIDENT: No, it is not vacant yet. (Laughter.)

Q Mr. President, the last report of the Postmaster General showed that it cost the Government thirty-eight million dollars to distribute the daily newspapers, and they received nine million back; they also expended thirty-three and a quarter million dollars for all others, and they received about nine million back. Do you think it is a healthy sign for the Government to subsidize the press?

THE PRESIDENT: I have always felt it was not a healthy thing. It was started in the very early days in this country on the theory that there were a large number of communities in the country which had practically no means of receiving the news of the day, either by magazines or the daily press. That was the origin of it. The thing speaks for itself today. Practically every community in the country has got excellent mail and delivery service, and there is the fact of the figures.

Q Are you going to do anything about it, Mr. President--make any recommendation?

THE PRESIDENT: I should think it would be an awfully good thing if the press did something about it--the magazines. Let's have something started here in the way of ethical reform by some other agency than the Government. Isn't that a good way of putting it?

Q Excellent! Your suggestion has already been carried out through a certain section of the press.

THE PRESIDENT: That is true; I read about it last night.

Q A large part of that is free circulation. It is not the daily, it is the country editor who would rather object to it, I suppose, and he is never going to start any reform on it.

THE PRESIDENT: No; of course on the country editor you have again a somewhat different situation. Take Dutchess County; when I was a boy it was practically impossible to get a Poughkeepsie newspaper out into the county the same day it was published, on account of the roads. And we had there the problem of distribution. At that time there were four roads that went--railroads--that went from Poughkeepsie out into the county; one was the Poughkeepsie and Eastern, another was (pause)--well, there was another that I have forgotten, it has been abandoned so long; but there were four that went out through most of the county; but today none of those railroads carry mail; they are just little feeder lines.

Q Mr. President, there is one thing that has always interested me about this deficit in the Post Office Department; why is that Department expected to operate without a deficit when no other department is expected to make expenses?

THE PRESIDENT: It is the only department of the Government that has an

exclusive business monopoly; if there were any other departments of the Government that had an exclusive business monopoly, they ought to be put on the same basis.

Q The Department of Agriculture represents the farmers and this represents everybody. I never could see why it was necessary to insist that the Post Office Department must break even.

THE PRESIDENT: If you take the Department of Agriculture, they spend a tremendous amount of money on which there is absolutely no return whatever. They couldn't be made self-supporting. Their extension service is all over the United States, and there is their aid to State colleges of agriculture from which they never get any return.

Q I understand that, but it is a help to a particular class while this is a help to the whole United States.

THE PRESIDENT: Yes.

Q Mr. President, speaking of monopolies, did you hear Mr. Jackson and Mr. Wilkie debate last evening?

THE PRESIDENT: No, I was having a dinner party.

Q Would you care to tell us what "Curly" Byrd, president of the University of Maryland, was here for today?

THE PRESIDENT: We were talking about the status or application of a P.W.A. loan and grant, and I am looking into the thing. I haven't had any report yet.

Q What is the money for, Mr. President?

THE PRESIDENT: Various things at the University of Maryland.

Q Is that a new development, Mr. President?

THE PRESIDENT: No, it seems to be a question of fact as to whether the

application got in under the wire, whether there was an offer on the part of the legislature, and things of that kind. I don't know the pro's and con's yet, but I am looking into it.

Q Necessarily, we are all interested in the identity of the successor to Justice Sutherland. Will you tell us anything about that?

THE PRESIDENT: No, we have gone back into the good old era of guessing--

Q You mean here, Mr. President?

THE PRESIDENT: On the part of the press. There won't be any intimation or suggestion--there won't be anything you can hang your hat on.

Q Until when, Mr. President?

THE PRESIDENT: Until the nomination goes to the Senate.

Q Are you going to tell Steve Early about it this time, Mr. President?

(No answer.)

Q Mr. President, are you in favor of the methods being used in Jersey City in dealing with the C.I.O.?

THE PRESIDENT: I don't know what they are.

Q Can you comment on Mr. Knudson's visit yesterday, Mr. President?

THE PRESIDENT: Oh, we had a very nice talk; that is all. One of the subjects we discussed was the subject we talked about here, and that was pushing sales too fast through various methods.

Q. Mr. President, did Mr. Knudson have any remedies for the ills of which he complained?

THE PRESIDENT: No--not yet.

Q Mr. President, Mr. Sirovich introduced a resolution asking you to intervene in Roumania.

THE PRESIDENT: You will have to ask the State Department about that.

Q Mr. President, did you plan a conference with Secretary Roper's Advisory Council?

THE PRESIDENT: They are coming in--what day?

MR. EARLY: The 19th.

THE PRESIDENT: Yes, they are coming in the afternoon, about 5 o'clock.

Q Have you finished the writing of your speech?

THE PRESIDENT: I haven't begun it. I am going to leave here at 11:30-- if Steve will let me--and work on that.

Q Mr. President, in your "if" supplemental naval consideration, do you plan on any fortifications on the Pacific?

THE PRESIDENT: I haven't taken that up at all.

Q I notice the Army Engineers are to spend \$1,700,000 out in the Wake and Midway Islands.

THE PRESIDENT: I don't think any of that is for military defenses at all; I think it is merely navigational--air navigation, and work on the lagoon so that you can get supply ships in there to take care of the commercial aviation facilities of both those islands. You better check on it; that is my recollection.

Q Do you favor the creation of a three-man civil aeronautics board to replace the Bureau of Air Commerce?

THE PRESIDENT: I think that matter is confidential.

Q Not any more, Mr. President.

THE PRESIDENT: There was an agreement reached by an interdepartmental committee on the government relationship to civil aeronautics. The way we got it was by orders for them to go into a room and not come out until they had reached an agreement. Of course you know that for

the past two years every proposal that has been made on the Hill looking toward a permanent method of administering civil aeronautics has met opposition from one branch of the Government or another. This summer I told them to go into a room and bring me a unanimous report. Clarence Lea and--what's his name?--Pat McCarran told them the news that this thing had been accomplished, and I handed them the memorandum of what they had agreed on. The memorandum, briefly, is more in line with the McCarran bill of 1934 than with the bill of 1937. So both Senator McCarran and Representative Lea are studying these recommendations at the present time. If you want to get copies from them, that is up to them.

Q That 1934 McCarran bill--was that recommending a commission?

THE PRESIDENT: A Civil Aeronautics Commission.

Q An independent agency?

THE PRESIDENT: Yes.

Q You said Mr. Knudson had no recommendations yet; do you expect some?

THE PRESIDENT: I hope so; in other words, the discussion isn't over.

Q Thank you, Mr. President!

Q On that civil aeronautics, you say that Board has made a recommendation to you, and it goes back to 1934?

THE PRESIDENT: It is more like that than the 1937 bill.

Q That explains why McCarran said the other day he favored an independent agency.

The Press Conference adjourned at 10:57.

CONFIDENTIAL

Press Conference #424

Executive Offices of the White House

January 11, 1938, 4.10 PM

THE PRESIDENT: The handkerchief denotes a slight cold in the nose. I say that because otherwise you might think I was weeping over Mark Sullivan's hen that ate the wrong grasshopper. (Laughter) Read the story, it is good.

Outside of that there is no news at all.

Q Mr. President, I think we would all be interested in learning any details or any conclusions regarding your conference today utility leaders.

THE PRESIDENT: Well, in that particular case we talked primarily about two intra-state matters. One was within the State of California and the other was within the State of Texas. Neither of them were matters in which the Federal Government has any legal authority. All we can do is to act -- I suppose the easiest way is to call it as amicus curiae with the hope that they won't come to a duplication or a paralleling of power lines, but that is as far as the Federal Government has any right to go.

Q How is the progress of the message for supplemental naval or national defense construction?

THE PRESIDENT: I haven't done a thing on it yet; I have been too busy.

Q Does either one of these intra-state situations involve Federal money?

THE PRESIDENT: Yes, all grants, on the same theory of course that a municipality is the sole judge of what it goes into, or an irrigation district in the sense of a municipality.

Q Are those PWA grants?

THE PRESIDENT: I think they are all old ones.

Q Is that the lower Colorado in Texas?

THE PRESIDENT: The Colorado -- I think four small dams on the Colorado and two on the Brazos. The total amount of horsepower involved in all six of those dams, firm power, is very low, but, of course, it is a factor.

Q Can you tell us something in advance of your five o'clock meeting with the business men?

THE PRESIDENT: I don't know a thing.

Q Mr. President, speaking of business, do you care to name the minority of business that you have spoken about in your message?

THE PRESIDENT: No, that is a silly question, Fred (Storm).

(Laughter)

Q Have you identified them in your own mind?

THE PRESIDENT: By individuals? No. That is spot news. I am

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talking about a generic group. Get away from spot news stuff. This is a conception; it is not any question of whether it is 59, 60 or 61 or 160 or 260. But it is a handful compared with the total. You cannot particularize except in a spot news story and this is not a spot news story, obviously.

Q Mr. President, is it safe to assume that the gentlemen you called here in conference do not --

THE PRESIDENT: No, no connection at all.

Q Aside from spot news, Mr. Sloan is supposed to be here later this afternoon. Some time ago he created an endowment fund of ten million dollars --

THE PRESIDENT: Who did?

Q Alfred Sloan -- to educate the public in basic economic facts. The point I wanted to bring out was whether it was in the course of wisdom to permit the segregation of these large blocks of American wealth and put them outside of the taxing power. Is it a tendency to be encouraged?

THE PRESIDENT: There again it depends entirely on anybody's opinion. Is a foundation for health purposes good? Yes and no; sometimes yes and sometimes no. Is a foundation for educational purposes good? Sometimes it is and sometimes it is not. I don't know enough about those, even

to form a personal judgment. And, if I did, it would be only my personal judgment and yours might be just the opposite.

Q We have had these series of endowment funds -- Sloan's ten million dollars, the Mellon Estate, another large amount, and then, going back, --

THE PRESIDENT: The Mellon Estate was art, was it not?

Q Yes.

THE PRESIDENT: The Rockefeller Foundation is medical. I think on the whole, my offhand feeling is that the great majority of them are doing a very valuable work, very valuable.

Q Mr. President, have you any more diplomatic transfers or appointments in the works?

THE PRESIDENT: I don't think there is anything on that. No, I don't believe there will be anything for quite a long while.

Q Mr. President, have you analyzed or had analyzed Wendell Willkie's memo to you? You have had it for some time.

THE PRESIDENT: I would hate to do it offhand, Pete, without a copy of it, and I haven't got a copy in front of me.

Q Will you do that for us some time?

THE PRESIDENT: Yes, I will try to bring it down. Steve, will you remind me?

Q Can you tell us about your discussion with Frank Murphy?

THE PRESIDENT: Oh, everything from the Philippines to Michigan.

Q Did you talk about the automobile industry?

THE PRESIDENT: Yes.

Q Can you tell us along what line the general discussion was?

THE PRESIDENT: Only in a very general form because, again, I cannot make spot news on it. We talked about certain things in the automobile industry which possibly, with the help of the industry -- conditions which were not so good along certain lines could be improved. I cannot specify any further than that. I suppose probably this afternoon, when Mr. Sloan is here, I will probably talk about some of those things with him.

Q You are going to see these gentlemen together?

THE PRESIDENT: Yes.

Q Is there any special thing you intend to discuss?

THE PRESIDENT: No.

Q Are they coming here at your invitation or did they ask to come in response to your invitation Saturday night? (Referring to Jackson Day dinner speech)

THE PRESIDENT: As I understand it, they talked with two or three friends of mine and said they would be glad to come down here. So, in a way, you might say the invitation

came out from here but, at the same time, you cannot say they asked to see me or that I summoned them.

Q When did they talk to your friends?

THE PRESIDENT: Oh, I should say last month.

Q That was prior to your speech, then?

THE PRESIDENT: Oh, yes.

Q Have you planned any more utility conferences?

THE PRESIDENT: I think there are some more in the offing but I could not tell you when. I don't think any dates have been set.

Q Are you working towards any kind of a formal statement of policy on utilities or anything like that?

THE PRESIDENT: No, I think they have been made pretty clear.

Q Did you and Governor Murphy discuss the relief situation?

THE PRESIDENT: Only for about two minutes. He is going over to see Aubrey Williams.

Q Have you any comment to make on the general attitude of the press towards the War Referendum -- the resolution?

THE PRESIDENT: To tell you the honest truth, I got into it so much with both feet the last couple of days that I did not follow the press very carefully on it. All the papers I saw were all right from my point of view on it.

Q You think that they were okay?

THE PRESIDENT: The ones I saw certainly were. I have not worked out any percentage on it but I think all the ones I saw were grand.

Q A new air line has been opened between the United States and New Zealand. I think you had a blanket given to you the other day from the Premier.

THE PRESIDENT: Say, who has got that blanket? I read about it in the papers and I haven't seen the blanket. (Laughter)

Q I think Mac is having an overcoat made of it. (Laughter)

MR. McINTYRE: I posed in it, using it as a serape over my shoulder.

THE PRESIDENT: That is interesting, but where is it? (Laughter)

MR. McINTYRE: I sent it over to the house, sir -- your house.
(Laughter)

THE PRESIDENT: Really? I ought to see that, you know. (Laughter)

Q Mr. President, would you care to say what you believe would be the benefits resulting from such a new line of transportation?

THE PRESIDENT: It is not really opened, is it, Fred (Storm)?

Q I don't think it is opened for commercial operation as yet, sir.

THE PRESIDENT: I still think they are doing the experimenting. I think I had better wait until the line is opened and

then probably we will have an interchange of letters with the Premier of New Zealand and so forth.

Q And some first day covers?

THE PRESIDENT: That's right, yes.

Q Is there any likelihood you will have a statement to make after this conference this evening?

THE PRESIDENT: No.

Q In your talk with Governor Murphy, what aspects of the Philippines question came up?

THE PRESIDENT: Nothing current; nothing of immediate interest.

Q Was there any new development in the Philippines situation in your talk yesterday with Mr. Sayre?

THE PRESIDENT: We talked yesterday about the progress of the trade agreement negotiations. The Philippine delegation is arriving here the end of this month and they seem to be getting on pretty well.

The general theory -- there is no reason you should not know this -- the general theory on which we are working, and that is the general agreement on the principles because when you come down to details you have different views that have to be reconciled before you can get an agreement -- the general theory being that over a fairly long period of years, say between now and 1960, we will

work out a gradual scaling down of the present trade relationship to the point where the Philippines and ourselves will have the same trade relations as we have with every other independent country. That is based, of course, on the continuance of the present law, which is independence for the Philippines in 1946. Then there will be a further period of about fourteen years, something like that, during which they will work into the status of any other foreign government.

Q That will be 1960?

THE PRESIDENT: Yes.

Q In the interim, will the Philippines have the same relations with us as Cuba, with preferential tariffs and that sort of thing?

THE PRESIDENT: No, it is a different thing. We have a trade agreement with Cuba which, however, is open to other nations. That is an entirely different thing.

Q Haven't we preserved in all our other trade agreements a differential? Don't we give Cuba preferential treatment over other nations?

THE PRESIDENT: I think other nations can come in on that except for certain quotas under the sugar legislation.

Q Anyway, there would be a preferential for the Philippines during that first period?

THE PRESIDENT: Yes, but it is not a continuing preferential along the same basis year after year. Each year it works towards the 1960 period when it will be on the same terms as every other nation.

Q This would start after 1946?

THE PRESIDENT: Starting right away.

[The Duffie]

AcB
9-15-55 Q Would that require an amendment of the Tydings-Duffy Law?

THE PRESIDENT: No.

Q That provided for import duties -- taxes going on in 1940, 5% to 25%.

THE PRESIDENT: Yes, it would change that.

Q This leaves the political position approximately the same?

THE PRESIDENT: Yes.

Q The U. S. Tariff Commission pointed out that some of the industries of the Philippines would be crippled by the time they obtained independence in view of the fact that they got preferential treatment.

THE PRESIDENT: That is it, and this gives them a period of fourteen years longer to get on their feet. Let us take a simple thing: Suppose the tariff were 14%. It would be increased 1% each year for fourteen years.

Q Have you asked the Secretary of War to get out of the present State and War Building to make more room for the State Department?

THE PRESIDENT: No; they are getting out of whatever the number of thousands of square feet it is -- they are moving certain sections so as to give the State Department a chance to move some of its people back.

Q Have you been advised of the formation of a committee in the Middle West to support the trade agreements progress?

THE PRESIDENT: No. I knew that there were moves on foot in various parts of the country, but I had not heard about that. Where is that, in the Middle West?

Q Yes.

Q One more question about the Philippines: Do you anticipate that between now and until 1946 --

THE PRESIDENT: I don't know enough about the details of it except the general principle that starting as soon as this agreement is made we will scale down on the one side and scale up on the other.

Q Under the law this scaling process would begin in 1940 or 1941?

THE PRESIDENT: Yes, along there.

Q Do you contemplate any new air bases to take care of possible military or naval expansion?

THE PRESIDENT: No. Has Miami been asking for another one?

Q Probably Portland, Maine. (Laughter)

THE PRESIDENT: If Portland, Maine, wants one we will send them one of these Civil War monitors the way we did in 1898.

(Laughter)

MR. STORM: Thank you, Mr. President.

CONFIDENTIAL
Press Conference #425
Executive Offices of the White House

January 14, 1938, 10.40 A.M.

MR. DONALDSON: All in.

THE PRESIDENT: I don't think I have any news in particular. I found the memorandum (Wendell L. Willkie memorandum). I guess it was Pete who was asking about it.

Of course we have been working on the subject since this memorandum was left. This is away back in November, November 23rd, and there has been a lot of water which has gone over the dam since then. This whole memorandum, of course, is based on treating the utilities as a whole, not differentiating between the four inches and the ninety-six, and we have got a new definition now in the minds of the public. It is the same old story about trying to lump all business together. We have got away from it now, but this memo was based on the old-fashioned idea of lumping all the utilities into the same category. There is nothing particularly new about it. It is marked, "Confidential" so I cannot give you the thing textually.

Q Will you work on this one now? (Giving the President a newspaper clipping containing the memorandum referred to)

THE PRESIDENT: Sure; I did not know it had come out.

That is fine. I had no objection to its coming out but the darned thing is marked "Confidential" so I did not know.

Q It came out while we were in Florida.

THE PRESIDENT: In the first place, this memorandum indicates that it expresses his own personal views and proposals, acting on behalf of The Commonwealth & Southern Corporation. It does not speak for anyone else.

It goes on to say, "In my judgment, the greatest immediate requirement of the utility industry is a large inflow of common capital indispensable for much needed additional construction."

I think that is perfectly true in regard to the operating companies, a great majority of the operating companies.

(Reading) "I have certain suggestions which I believe will immediately stimulate such investment and make possible a large construction program with a considerable increase in employment.

"One of the factors of great importance to the investor in the utility industry is a stable method of property valuation. You have recently recommended what I understand to be the 'prudent investment' method. The utilities of the country

have issued most of their securities
under court rulings which have required that
in fixing the value of utility properties, the
reproduction cost must be one of the elements
considered."

Of course, that immediately brings up one subject which he does not mention in this and that is the amortization of securities. If, as a practical purpose, the securities of the operating companies which had been issued under the former rulings of the Supreme Court had been amortized, you would not have very much difficulty with the capital structure at the present time.

(Reading) "I think the chief objective is to find a method that will induce the investment of capital in the industry. I am fearful that the retroactive application of any new method would be disturbing to the capital market."

Again speaking of the operating companies, if an amortization or sinking fund had been set up on the senior securities when they were issued which, of course, we think now is a sound thing, you would not have any trouble in the way of disturbing the capital market.

(Reading) "On the other hand, the utilities, if informed in advance, can adjust themselves to a new method to be applied in the future.

"In order to reconcile conflicting ideas, therefore, while at the same time avoiding such disturbance, I have to suggest the following formula:

- 1- That the utilities immediately eliminate from their capital structures all write-ups heretofore claimed by the Federal Trade Commission."

Again you have to differentiate between the operating company and the holding company and, frankly, I don't know enough of that particular Federal Trade Commission report -- it was not on all of them, it was on some of them -- to give an intelligent answer to that particular suggestion. Some of it may be all right and some may not. Of course it would have to be gone over again before you would get to a final decision.

(Reading)

- "2- That the utility valuation under the rule established by the courts apply either up to this date or to the date of the commencement of your first term as President and that after such date and for the future the prudent investment method be adopted."

Of course that is impossible because if the thing is wrong now or has been wrong since the 4th of March in 1933, I cannot see where you have any right morally

to compound a felony by law, with the Government saying that the crimes of the past will be entirely forgotten and forgiven and that we will leave the water or the wind in the existing capital. Two wrongs do not make a right. I think that is perfectly obvious.

(Reading) "But an understanding as to the method of valuation is, in my judgment, only one of the clarifications necessary in order to establish a relationship between the government and the utilities which will restore investment confidence in the industry. There are certain questions in the mind of the prospective utility investor -- "

Again the question of the utility investor --

(Reading) " -- with reference to such things as the action to be taken under Section 11 of the Public Utility Act of 1935; the procedure of selling power to be practiced by federal agencies such as the Tennessee Valley Authority, and the accounting practices to be followed by those agencies; the future policy of the Federal Government with regard to the making of gifts and loans to municipalities to build duplicate utility systems.

"In order to answer these questions in the public mind, may I suggest the consideration of the following program:

- 1 - Clarification of the Public Utility Act of 1935 as follows:
 - (a) Retention of all its regulatory provisions over financing and accounting practices, issuance of securities, relationship between operating companies and holding companies, etc.
 - (b) Modification of the 'death sentence.'"

Of course, there you come right down to the heart of it. In other words, he wants the four-inch tail to be legalized for all time to come. We cannot agree on that, ever.

(Reading) "2 - Determination of the following policies for the Tennessee Valley Authority and other similar federal projects:"

Well, there are a whole lot of them, six of them, in this memorandum and the answer is two-fold: In the first place, we are all agreed that the percentage of territory, population and power affected by Government projects is somewhere between 12 and 15 per cent of the total, and the other 85 per cent is not affected by any Federal power manufactured at the present time.

That is an old story.

In those areas, the 12 to 15 per cent of the Nation, we are trying to work out -- for instance, Mr. Ross, out on the Columbia, is trying to work out a satisfactory arrangement with the local utilities.

The other point raised is as to the loan and grant methods to municipalities that want to put in their own power plants. The very simple answer on that is the Government recognizes the right of any municipality to put in its own power plant if the vote is so determined. That is just plain American form of government. You cannot get away from it and they do not pretend they can. Even Mr. Willkie said, "Of course not; they have the right to do it if the state gives them the right." It is not a Federal problem at all.

Q What they say is that you are subsidizing them with that 45 per cent grant?

THE PRESIDENT: All right; if they want to complete a new highway, we give them WPA labor; if they want a new sewer system built, we give them WPA labor; if they want a new water works, we give them WPA labor. I think the Supreme Court has made it fairly clear that there is not very much difference. You cannot draw the line in one place and not draw it in the other.

Q Isn't there a difference in the sewers and the highways?

They do not compete with private industry from the practical standpoint.

THE PRESIDENT: Well, I am talking about Constitutional law. That is plain Constitutional law.

Q Yes, I realize that, but you are also talking about a very practical --

THE PRESIDENT: Well, on the practical end, of course the ideal is this: That if a municipality wants to build its own power plant, it will offer a fair price for the existing private utility, and if the utility turns it down -- turns down a fair price and they ought to offer a fair price -- if the utility turns it down, they have got to be paralleled. That is perfectly simple.

Q Mr. President, to go back to your phrase of a moment ago, "water and wind in the capital structure of these corporations", do you know of any device, short of a wringer, that can reduce that at the present time?

THE PRESIDENT: In the case of operating companies or holding companies?

Q Either. Either are in the same condition.

THE PRESIDENT: Of course there isn't a universal rule but, in the case of the operating companies, the amount of

wind or water is comparatively small. In talking with operating company executives, in the cases we have talked about, the individual cases, we have come to the conclusion that the amount of wind or water is so comparatively small that some method can be found for forcing it out without hurting the operating company. Now, in the case of the holding companies, you have an entirely different picture, entirely different, that being such a very large percentage of water.

Q Do any of the holding companies amortize?

THE PRESIDENT: That I don't know. I would say, offhand, that a great majority of them do not.

Q I believe there is something like twenty-five municipal plants that may be created now by following the Supreme Court decision on the PWA case. Is it the intention to allow grants to those municipalities where they already have existing private facilities?

THE PRESIDENT: Under the old law --I think this goes back to 1934 -- their applications were treated just like all other applications and, where it looked as if the bonds, the loan end was sound, the thing went through just like any other local improvement. Then the thing was taken to the courts and the money was hung up on a peg for them. In other words, we had a moral obligation to go through with the original

allotment if the Court said we should. Now the courts have said that we should, that it is the Constitutional thing to do. So, we are taking the money off the peg and giving it to them under the original allotment, in good faith.

Q Doesn't that in each case, or in most cases at least, permit competition with private capital?

THE PRESIDENT: I don't know. They may be buying out in a great many cases. I think you will find that probably in a great many of these cases of municipalities building their own plants, that they will not duplicate lines, that they will work out some form of purchase from the local private company.

If you remember, in the case of Knoxville, they worked out in that case with the Electric Bond & Share subsidiary a price and the price was approved by 98 per cent of the bondholders, 97 per cent of the preferred stockholders and 95 per cent of the common stock holders. The thing was all ready to work, all ready to go through whereupon, although there was full knowledge that they had spent months of this, and with the full knowledge of the Electric Bond & Share officials in New York City, they got the local ice company and some of the minority two per cent of the stockholders to throw the thing into the Court, where it has been tied up ever since.

There was a substantial agreement on the price in that case and you will find a good many other cases where there was substantial agreement on the price.

Q You were making a contrast between operating and holding companies and you said that in the case of holding companies there is an entirely different situation and then somebody asked you a question. Have you concluded your statement about that?

THE PRESIDENT: Except this: I suppose the easiest way of putting it, of putting the holding company case is this: What we are trying to do, frankly, is to eliminate the power in the four per cent tail. I have had these people come in to me, heads of operating companies, and say, "We are ready to shoot."

(I say) "Can you raise the money locally?"
"Sure we can."

(I say) "Well, why don't you?" "Because the holding company in New York does not let it go through; they want to do the financing there."

You will find lots of cases there where the president of the operating company is in good shape to go ahead and the holding company is holding it up. That is another reason for the term, "holding company."

Q To hold up. (Laughter)

THE PRESIDENT: Now, of course, you cannot have a generic statement about all holding companies because they all differ, each one, from the other. Some of them have quite a lot of equity, without any question, and others have very little equity as in the case where about six hundred million dollars worth controls thirteen billion dollars worth of utility capital, and that just can't go on. I think they all recognize it.

Q Is bankruptcy the way to eliminate the power?

THE PRESIDENT: No; oh, no. There are various ways out.

Q Sir, are you leading up to eliminating holding companies entirely?

THE PRESIDENT: Yes.

Q Is that a fair question?

THE PRESIDENT: Yes. Now, an investment trust is a different thing from a holding company. I give you that as a suggestion -- as long as the investment trust does not vote its stock.

Q You said all holding companies. Is that even of the first degree?

THE PRESIDENT: Why have any at all?

Q Does that extend to other lines of industry?

THE PRESIDENT: Yes.

Q How could that be done, Mr. President?

THE PRESIDENT: You take on the question of banking holding companies, that is another very good illustration. You find a situation in a good many parts of the country where in a very large geographical area practically all of the banks are controlled by some holding company. The little local bank is going. It is a bad thing. Why can't a bank in a community that is able to support a bank run itself under proper supervision by the Federal Government, which we give them today? They have depositors' insurance and a careful check-up at all times.

Q Will legislation be proposed, Mr. President?

THE PRESIDENT: I don't know; I haven't got to that yet.

Q Will it be by the taxing power, Mr. President?

THE PRESIDENT: I told you that I haven't got to that yet.

Q You suggested that in your message of June, 1935?

THE PRESIDENT: Yes.

Q Mr. President, does that mean the branch banks?

THE PRESIDENT: No.

Q You know there are chain banks?

THE PRESIDENT: That is a very different thing.

Q Mr. President, is this what you call docking the dog's tail?

THE PRESIDENT: I would not call it that. I'd say, "cutting

the muscle in the dog's tail."

Q It might be a case of cutting the tail off right back of the ears, Mr. President.

THE PRESIDENT: (He may not have heard the question.) I would hate to destroy his looks, you know; he could have a perfectly good tail if you cut the muscle in it.

Q Mr. President, you said a few minutes ago that money had been hung on the peg for some of the municipal plants. Do you intend to appropriate any more money for the same purpose?

THE PRESIDENT: No.

Q No more?

THE PRESIDENT: I have not got anything in the Budget at all on it.

Q Have you made any decision with regard to your supplemental national defense program?

THE PRESIDENT: I have been too busy. I am going back to the House now, as soon as the Conference is over, to write it.

Q Can you tell us whether that will include items for the Army as well as for the Navy, or simply Navy?

THE PRESIDENT: You are ahead of the game; wait until Monday or Tuesday.

Q Apart from the specific vacancy on the Supreme Court and

apart from personalities, do you see any reason why a woman should not sit on the Supreme Court. (Laughter)

THE PRESIDENT: No, I do not.

Q I have been sitting up again all night, Mr. President.

(Laughter)

THE PRESIDENT: You sat up all night thinking about it?

(Laughter)

Q You would not talk about vacancies and personalities.

THE PRESIDENT: It was very well phrased; you are good.

Q One of the papers carried the story that you are to talk with eight additional of the Nation's business leaders.

THE PRESIDENT: Oh, yes; they will be coming in and coming in.

Q Today, sir?

THE PRESIDENT: Some today.

Q Mr. President, have you had any reports indicating any change in the business situation?

THE PRESIDENT: That is too general a statement. You had better go and ask the Central Statistical Board about that. It is a mighty long subject. Some places are picking up, in others they are standing still and in one or two they are still going down. The general trend is a good deal better than it was before Christmas.

Q Would you care to comment on the visit of three of our cruisers to Singapore?

THE PRESIDENT: No, I don't think so.

Q What was the outcome of your conference with the Southern Governors?

THE PRESIDENT: Oh, we talked over a great many things including the cutting down of the forests in the South, including wages and hours. There seemed to be a very favorable reaction to all the things we are working towards, including wages and hours and the saving of the forests.

Q Freight rates?

THE PRESIDENT: No, we barely mentioned freight rates.

Q Do you favor anti-lynching legislation?

THE PRESIDENT: I have not referred to it at all. I should say there was enough discussion going on in the Senate.

Q Are there any developments with respect to the St. Lawrence Waterway Treaty that was proposed some time ago?

THE PRESIDENT: Nothing lately, no.

Q Do you look for any soon?

THE PRESIDENT: I don't know. The only way I can answer that is off the record: Not definitely; it depends in a larger degree on Canada at the present time.

Q Do you have a conference this morning with Owen Young?

THE PRESIDENT: Yes, I think I have one this morning. Yes, it is with Mr. Young, Mr. John L. Lewis, Mr. Lamont, Mr.

Phillip Murray, Adolph^f Berle, and Charles Taussig. I think there are other conferences planned but no date.

Q Are those gentlemen coming together?

THE PRESIDENT: Yes.

Q Can you give us the names of some of the others who are coming?

THE PRESIDENT: No, because the dates have not been arranged.

Q Who is Murray?

THE PRESIDENT: Phillip Murray is president of the United Coal Mine Workers.

Q Is it correct that there is a possibility of working out an agreement with Canada, without a treaty, on the single proposition of preserving Niagara Falls?

THE PRESIDENT: That I don't know. I frankly do not know.

One difficulty on that is that, as I remember it, but I am not sure, the present plan for preserving the crest of the Falls, which is dropping away -- this plan was made about five years ago -- did include the diversion of additional water. If the two things can be separated, we may be able to do something for the scenic preservation of Niagara Falls without a treaty.

Q Mr. President, in connection with this conference, with the presence of Lewis and Murray, is there any particular

angle that this group has been working on before they came here?

THE PRESIDENT: I do not know. I am going to do the asking.

Q Will Ambassador Davies remain in this country until his assignment to Brussels becomes effective, or will he go back to Moscow?

THE PRESIDENT: I am assuming that he will go back to Moscow.

Q You said that some things were being worked out between TVA and Ross and Bonneville to get along with the local utilities. Can you tell us a little bit more on that point?

THE PRESIDENT: I saw some kind of a statement by J. D. Ross in the paper this morning that he has given out out there. I think that covers it pretty well. He has the power to sell. If they want to go ahead and start a utility in a municipality, the power is available, but they ought to try to buy out the existing one at a fair price.

Q Have you had any reports or discussions on the Hawaiian statehood application?

THE PRESIDENT: No, I haven't had a word.

MR. STORM: Thank you, Mr. President.

(The Press Conference adjourned
at 11.05 AM)

CONFIDENTIAL

Press Conference #426

Executive Offices of the White House

January 18, 1938, 4.30 PM

MR. DONALDSON: All in.

THE PRESIDENT: I don't think there is any news at this end.

Q In your judgment have the difficulties of getting local cooperation on flood control reservoirs become so manifest as to justify a one hundred percent Federal financing?

THE PRESIDENT: That is too general a question. I think you will have to come down to specific cases.

Q Would you mind restating your flood control policy?

THE PRESIDENT: That is too general a question. It would take several hours. I would have to make a speech on it. What are you driving at? What do you want to know?

Q A bill was introduced this week modifying the 1936 Act so as to authorize full Federal financing of reservoirs.

THE PRESIDENT: They are discussing that on the Hill at the present time. Congressman McCormack introduced the bill. You see, it is much clearer and quicker to come to the point. Judge Whittington is considering it and it will be brought before his committee, the theory being this: That in the future Government policy will be to draw a

line between those flood control works which hold back the water, such as a reservoir and dam, and contribute thereby to something that will produce future income, such as water power or reclamation or irrigation, those being income producing, and in those cases to change the Government policy so that the Government would own the land overflowed and the site of the reservoir, thereby having control of the water which would be gradually let out, either for power or irrigation, the Government thereby getting a return, there being no question about the right, title and interest of the Government to that water.

The other category would be the category of levees which do not return any dividends to the Government and which are merely to keep water from overflowing the land while it is in the process of going past a given point. In that case the community, being benefited without any possible return in the way of income, would continue under the present policy to pay a portion of the cost of the land that would be temporarily overflowed, spill basins and the land the levee goes on, things of that kind.

Now, that is all under discussion in Judge

Whittington's committee, and I cannot give you the answer. They are discussing it. It seems a plausible and reasonable thing to do.

Q What about a state that has to take care of the water from a number of other states above, such as Louisiana?

THE PRESIDENT: Well, all the other states above have to take care of it too.

Q Mayor Kelly of Chicago, according to his talk with us, had a very interesting visit with you today. Can you tell us anything about it?

THE PRESIDENT: What did Mr. Kelly and Pat Nash say when they went out?

Q They mentioned something about discussing a Senator.

THE PRESIDENT: Didn't they say something else? They told me they were going to put it on some other ground. (Laughter)

Q They said they had no candidate themselves, Mr. President.

THE PRESIDENT: That is all right.

Q Senator Dieterich announced his candidacy this morning and thereupon, very shortly after, Mayor Kelly --

THE PRESIDENT: Both Kelly and Pat Nash told me they were going to mention something else and I have forgotten what it was.

Q Evidently they did too. (Laughter)

THE PRESIDENT: Well, I can't violate that agreement. I would have to talk about the same thing they talked about, only I have forgotten what it was.

Q They said they had canvassed the Illinois political situation with no conclusions.

THE PRESIDENT: No, there was something else and I have forgotten what it was.

Q Public works?

THE PRESIDENT: No, it was not public works.

Q Is there anything to be said about that Illinois situation?

THE PRESIDENT: No.

Q Mr. President, I think Mr. Lillienthal of TVA left you a message this morning that he made public later on at his office. Can you comment on that?

THE PRESIDENT: I cannot because it is in here, on top of my basket, and I have not read it yet.

Q A group of business men and labor leaders were in here last Friday. I don't know how it got out but it was widely circulated that they asked you for a specific program.

THE PRESIDENT: They did not ask me that, so it is all right.

Q Can you tell us what progress you are making with these people?

THE PRESIDENT: We are getting on very well.

Q Making progress?

THE PRESIDENT: Oh, yes.

Q Did you believe what Governor Earle had to tell you yesterday? (Laughter) He told us that it was unbelievable.

THE PRESIDENT: Well, he gave me some of the most amazing figures I have ever seen. I take it that some of those figures are taken from the books of the company and of course I have no means of verifying them. They were obtained, as I understand it, by a State Commission that investigated the subject and, roughly speaking, as I remember them from the back of my head, the valuation of those coal properties when they were still vested, the ownership of them, in the railroads was around -- do you remember what it was?

Q I think it was a million three hundred thousand dollars but that was for one company.

THE PRESIDENT: No, it was a hundred and twenty-two million dollars or something like that. I think you have the figures. I believe it was about a hundred and twenty-five million dollars or something like that.

After those properties had been segregated -- these are taken from the books of the company -- they were jumped to four hundred and eighty-five million, and

apparently was the same property, with this exception, as I remember it, that they had added about eighty-five million dollars of new properties which, on the basis of the old valuation of a hundred and twenty million or a hundred and twenty-two million dollars would have brought a total book valuation of about two hundred million dollars whereas they were carried on the books of the company now at four hundred and eighty-five million dollars or something like that.

~~Q~~ You will have to check on the figures; he gave them to you. And, on top of that, they had taken a hundred and seventy-one million dollars as depletion.

Of course the net answer is that if those figures are taken from the books and are correct, those properties today would have a valuation of two hundred million dollars.

Q He only gave us the figures on one company.

THE PRESIDENT: No, these were the figures on seven or eight companies they looked into.

Q You said they took a hundred and seventy-one million dollars in cash or how?

THE PRESIDENT: That was a depletion of a hundred and seventy-one million dollars.

Q Well, Mr. President, what sort of action, either legislative

or judicial, is planned or being talked of to restore the anthracite industry to health?

THE PRESIDENT: That is being studied now.

Q Will you discuss with the New England Governors tomorrow the possibility of Federal payment of one hundred per cent on flood control?

THE PRESIDENT: I will tell them what I told you, that the bill has been presented and that the Chairman of the Committee personally seems favorable to the proposal and that is all I can tell you.

Q Will you have with you at that conference any of the people from the Bower Commission or the War Department?

THE PRESIDENT: No.

Q Have you received an appeal for Federal intervention with respect to labor troubles in Puerto Rico?

THE PRESIDENT: No.

Q The United States Public Health Service in cooperation with the Works Progress Administration has made a study of illness and sickness among families in the United States --

THE PRESIDENT: I saw that in the newspaper.

Q -- and concluded that if you are poor and get sick you get sicker and poorer. Do you think the Government has any responsibility to break into that vicious circle?

THE PRESIDENT: The Government is making distinct progress in that line right along.

Q Mr. President, are you anywhere nearer your anti-trust message?

THE PRESIDENT: No.

Q Do you contemplate any action based on the Neutrality Act in view of the severance by Japan of relations with China?

THE PRESIDENT: I think I will have to refer you to the State Department. I have not heard anything except that they told me that it was not a severance of diplomatic relations. Am I right?

Q (There was no response to the President's question.)

Q Did Mr. Willkie's proposals do anything to advance the solution of the public utilities problem?

THE PRESIDENT: I don't know. It depends on what paper you are writing for.

Q (Mr. Lyle C. Wilson, of the United Press), I am not writing for any particular one. (Laughter)

Q Going back to the conference of last Friday, the Securities and Exchange Commission said that there are a good many kinds of holding companies. Can you define the type you had in mind? Did you mean all types?

THE PRESIDENT: I was talking to Steve (Early) about it before you came in. If I were to give you a dictionary definition, you could take a particular instance and say, "Would it fall within this category or not?", and you would find all reasons why it did or did not, to the right or left of it.

Q Then you did not have in mind all types of holding companies?

THE PRESIDENT: I say that it would be rather silly to give a definition of types of holding companies at the present time. The law in regard to public utility holding companies does give a definition.

Q Would you abolish those that could come within that definition?

THE PRESIDENT: I am simply giving you a statement of what the law is in that particular category.

Q Section 11-B of the Public Utility Holding Act would permit only top holding companies or perhaps intermediate holding companies. In your statement last week, did you refer to top holding companies? Do you favor their elimination as well?

THE PRESIDENT: Read what I said. Steve got a copy of what I said and it is much easier for you to read it.

Q Mr. President, when may we expect the national defense message?

THE PRESIDENT: I don't know. They expect the bill to go through, I think, on Friday.

Q And not until after that?

THE PRESIDENT: Not until after the bill has gone through.

Q Can you tell us what you are going to talk to the Business Advisory Council tomorrow about?

THE PRESIDENT: I don't know. I suppose any topic they want to take up.

Q Can you tell us, Mr. President, what you are going to talk about with the automobile people and the automobile finance people on Friday?

THE PRESIDENT: Again I suppose the answer is anything they want to talk about. It is a pretty wide field.

Q In that connection, Mr. President, it has been suggested that the Government might buy up a lot of used cars and convert them into scrap iron to make a lot of battle-ships out of. (Laughter) Is that being seriously considered?

THE PRESIDENT: I got a letter from a fellow on that this morning and I referred it to Admiral Peoples in the Procurement Division. (Laughter)

Q Mr. President, coming back to the Neutrality Act, you last told us, I believe, that you were on a 24-hour basis relating to that. Does that still stand?

THE PRESIDENT: Oh, yes.

Q Can you tell us something about the mission that Governor McNutt is on in the Far East? The story is that you sent him out.

THE PRESIDENT: I think it is very, very simple. He said he was coming home. He had wanted to talk to Admiral Yarnell before he came back to this country and he had expected Admiral Yarnell to be in Manila a month or two ago. Admiral Yarnell, however, was unable to come to Manila so he said that if we had no objection he would come by way of Shanghai and see Admiral Yarnell on his way to this country. *

Q He is stopping to survey some Japanese colony in one of the Philippine Islands that is largely populated by Japanese.

THE PRESIDENT: I don't know. There isn't any island largely populated by Japanese that I know of.

Q He is speaking of the Port of Davao on the Island of Mindanao. Davao has been the site of quite a good sized Japanese colony. The Japanese have tried to control the hemp industry and that is the industry of that particular port.

Q Has he any special mission in seeing Yarnell?

THE PRESIDENT: Not at all; absolutely none.

Q Is there any purpose in Commissioner McNutt coming in at the present time?

THE PRESIDENT: If you had been in the Philippines as long as he has you would want to come back here for a while yourself. (Laughter)

MR. STORM: Thank you, Mr. President.