

CONFIDENTIAL

Press Conference #452,
Executive Offices of the White House,
April 19, 1938, 4.15 P.M.

MR. DONALDSON: All in.

THE PRESIDENT: I don't think there is any spot news but I am going to make a suggestion which I think may be helpful. If, in the course of the next couple of weeks, you see a long string of people coming through this office, you needn't be surprised because most of my time will be given over to preparing for relief and recovery. There will be Hopkins and the National Youth Administration and CCC and Public Works and a half a dozen others, highways and so forth. They will probably all be coming in here very frequently because that is the principal business we have got on hand at the present time, getting things in such shape that when we get the appropriation we can shoot it as fast as possible.

Q Mr. President, have you made up your mind yet on the question of helium exports to Germany?

THE PRESIDENT: Not yet; still under advisement.

Q In connection with this string of people, it is reported that you asked Henry Ford to come down and that he has accepted.

THE PRESIDENT: So Steve (Mr. Early) told me. It is a very interesting report.

Q Has that got to do with the string of people?

THE PRESIDENT: No, it has not got to do with the string of people.

Q Is he coming down?

THE PRESIDENT: I don't know a thing about it.

Q What about your message on monopoly and the other one?

THE PRESIDENT: I am still working on it.

Q Does this phosphate situation call for a message?

THE PRESIDENT: Yes; that is in the works too.

Q That will be coming along?

THE PRESIDENT: Yes.

Q Over in the Amen Corner we were not quite sure of your reply on the Henry Ford invitation.

THE PRESIDENT: I don't know anything about it.

Q Do you plan to go to Boston on the seventeenth of June for the Bunker Hill Celebration?

THE PRESIDENT: No; I am going on the eighteenth and cannot make both days.

Q Will there be other than officials in that string?

THE PRESIDENT: I suppose so.

Q You did not ask Henry Ford to come here?

THE PRESIDENT: No.

Q The eighteenth of June -- what about that?

THE PRESIDENT: The eighteenth of June, there is a wedding in the Roosevelt family. (Laughter)

Q There is a small item in that message you sent to the Congress that several people asked about and that is the \$25,000,000. for public buildings, a comparatively small item when contrasted in its size against some of those other larger ones. Anything in particular about that?

THE PRESIDENT: No, except that we got way behind on public buildings, as you all know, and we have been trying to catch up on public

buildings which pay their own way.

Q Mr. President, did you confer with Representative Scott before he introduced his resolution asking the Secretary of State to name the nations which have violated treaties with us?

THE PRESIDENT: I cannot answer your question, yes or no, in that form. He came to see me, as you know, the other day and he talked with me about a resolution, that is all. I did not give approval or disapproval at all. He merely told me he was going to put it in. That is all there is. That is where it started and where it ended.

Q The inference was drawn from his statement that you had approved of it or that the resolution had Administration backing.

THE PRESIDENT: I don't think he said that.

Q That was the inference.

Q What did you talk about with Acting Secretary Welles?

THE PRESIDENT: Just routine. He is Acting Secretary of State.

Q Can you tell us whether the public buildings will pay their own way?

THE PRESIDENT: Well, they are buildings where you have enough Government need for Government space to save, in rental, the cost of the building or the interest thereon and at the same time better serve the public convenience. That means essentially this: it means that you do not put a post office in a village that only has postal receipts of \$500. a year, but you do put it into places where it is justified on business grounds, with also the added factor that in choosing the places, obviously we want to give work and that means putting them in places where

there is the greatest need for work.

Q Have you any here for Washington?

THE PRESIDENT: I don't know; we are talking about that now.

Q In connection with your stream of visitors, can you tell us in one, two, three fashion what the objectives of the newest integrated program are?

THE PRESIDENT: Read the message. I thought I tried to make it clear, first in the message and then in the radio speech, and I had hoped that you had got it.

Q My purpose is to determine the difference between this program and the previous program, if there is any.

THE PRESIDENT: There are a great many differences because conditions are different today than they were then.

Q Have the public utility conferences been dropped? We haven't heard anything of them for a long time.

THE PRESIDENT: I wouldn't say they have been dropped; we are still conferring about it.

Q Editorial writers are saying that there is still private capital to be touched.

THE PRESIDENT: I have been writing to people and talking to people. I talked to quite a lot of people in the course of the last two weeks about it.

Q Any progress made?

THE PRESIDENT: Yes.

Q Will there be a substantial flood control program as part of your relief and recovery program?

THE PRESIDENT: I think we asked for \$37,000,000. more than the exist-

ing amount in the budget.

Q I mean, don't you expect, out of the general WPA allotment, to use very much for it?

THE PRESIDENT: No.

Q It would be confined to that \$37,000,000. plus the other?

THE PRESIDENT: Yes.

Q Have you an understanding with McNutt as to when he intends to return here?

THE PRESIDENT: I haven't the faintest idea.

Q Can you tell us anything about the conference this morning with Senator Berry?

THE PRESIDENT: Nothing in particular. We talked about WPA work in Tennessee.

Q Anything to say about your conference with Chairman McNinch?

THE PRESIDENT: I don't think there is anything new. It was just routine stuff -- communications and power.

Q On the projected messages on monopoly and railroads and tax exemptions, do you anticipate that they will all be acted on this session of Congress or will there be a study period?

THE PRESIDENT: I don't know; wait until you see the messages.

Q We are thinking of a summer vacation period.

[Accord]

Q Any comment you can offer on the Anglo-Italian Court?

THE PRESIDENT: Yes, by Jove, there is. I forgot it. I will see if I can find it. I have a perfectly good comment. Here it is right here. If you want, Steve can get it mimeographed for you. I wrote it out so there won't be any question about the exact language.

"As this Government has on frequent occasions made it clear, the United States, in advocating the maintenance of international law and order, believes in the promotion of world peace through the friendly solution by peaceful negotiation between nations of controversies which may arise between them. It has also urged the promotion of peace through the finding of means for economic appeasement. It does not attempt to pass upon the political features of accords such as that recently reached between Great Britain and Italy, but this Government has seen the conclusion of an agreement with sympathetic interest because it is proof of the value of peaceful negotiations."

I think that covers it all right.

Q That is for quotation?

THE PRESIDENT: Yes.

MR. STORM: Thank you, Mr. President.

VERY CONFIDENTIAL

Press Conference #452-A, held with
the Associated Church Press (about 35),
Executive Offices of the White House,
April 20, 1938, 2.20 P.M.

DR. JOHN VAN SCHAICK: (after introducing the individual members)

Well, the first man that has something burning in his soul to
ask the President should speak up or forever hold his peace.

(Laughter)

Q I would like to ask, if you feel at liberty to answer, if there is
truth in what Paul Anderson and Irving Brandt and even Colonel
McCormick have indicated, that from here on it is going to be a
fight for the New Deal, that you are definitely lined up with the
Progressives and that it is going to be a fight?

THE PRESIDENT: I would not say from here on out because it has been
going on all of my lifetime. It has been going on with a good
deal of vigor for the past five years and I think it will con-
tinue as long as I live and as long as most of us live. I think
it is a matter of principle.

Q The reason I ask the question is that Colonel McCormick has indi-
cated that we have won two victories -- we have killed the Court
Bill and the Reorganization Bill and it is a question of repeal-
ing some of the other Acts, such as the TVA Act. (Laughter)

THE PRESIDENT: I guess so. (Laughter) But they are not going to do
it, so that is all right. (Laughter)

Of course, on the Reorganization Bill -- this goes a little
bit into the field of all of us: As you know, the Reorganization
Bill was originally suggested by President Benjamin Harrison, and

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every President ever since because we have a machinery here, administrative machinery, that is awfully old-fashioned and sort of grew up like Topsy. What we want to do is to put it on the same kind of an efficient basis that we would run an industrial plant or a private charity or even the financial end of a church. We want to make it efficient.

One of the suggestions that the three people who drew up the original bill, Louis Brownlow and Professor Merriam and Luther Gulick, made was that certain functions that are in the wrong place at the present time should be put in a better place. For example, the Bureau of Education, which has certain specific powers given it by the Congress and certain specific sums of money given to it each year by the Congress, is today in the department which happens to have as its main functions the building of irrigation ditches, the running of national parks and taking care of Indians. Now, why the Federal Bureau of Education should have been put into that department, I don't know; I guess it just got stuck there, put in there because there was no other place to put it. So, in their proposal, they proposed setting up a new department of the Government that would handle what might be called the humanities, the problem of relief, the problem of public health, handle the Bureau of Education, handle the art projects of the Government, handle the cultural end of Government and the health and educational ends of Government. But, all of a sudden, there broke out -- I don't know who started it, but I do know who carried it on and one was the gentleman from near Detroit who talks on the air and who claimed that this was an attack on the educational system of the Nation

whereupon, immediately, the Members of the Congress, the House and the Senate, were flooded with telegrams that this bill would give the President of the United States a chance to grab all the church schools of the Nation, the Protestant church schools and the Parochial schools, although I don't know what the President of the United States was going to do with them when he did grab them. (Laughter)

Of course, they entirely overlooked the fact that it does not make much difference whether it is in the Interior Department or the Welfare Department or the Navy Department, for that matter, all he can do is to carry out the laws that have been on the statute books for a great many years and do it inside of a definite sum of money that has been given to carry it out. I have nothing to say about it.

That is just an illustration of the kind of false information that this country is up against all the time, engendered by political motives. I hope it is engendered by that and not by hard feeling.

DR. VAN SCHAICK: Well, you have a group of people here that are a little out of that. The Church Press is a little more independent. There were two or three matters that came up in our meetings. One was that we felt, as Protestants, a very keen desire not to have public money come to us, as Protestants, and we thought the same thing ought to apply in any democratic country to any church school. We say that with a good deal of feeling. But that was merely one of the subjects. The other was neutrality. We hope that you have been thinking of the way our neutrality laws

have been operating, have been working out. For example, in Spain, they have worked out against the Loyalists.

THE PRESIDENT: They have not, as a matter of fact, in that particular case but the neutrality law -- I am talking off the record -- but the neutrality law at the present time is so rigid that, acting on it in accordance with its rigidity, may mean a complete lack of neutrality.

I will give you two cases but, for Heaven's sake, don't print any of this because I am not supposed to talk about foreign affairs in this way.

In the case of China, for instance, I am told that when a state of war exists I have to issue -- I shall issue a proclamation that a state of war exists -- "I shall." Now, frankly, I have been beating around the bush on this Chinese thing solely based on the fact that diplomatic relations have not yet been severed between China and Japan and the reason I have been beating around the bush is in order to try to keep this country neutral. If I had applied neutrality in the war between China and Japan, it would have benefited Japan and hurt China, and that is not neutrality.

Now, that is an interesting fact, yet you and I know as a matter of fact that there is a war going on there and that hundreds of people are being killed every day. But I have taken the position, because they have not severed diplomatic relations, that I do not have to call it a war.

In the case of Spain, that is a thing that is very, very little understood. If I were, tomorrow, or if I had last month or

the month before declared that war was not going on in Spain -- mind you, I have to find the fact one way or the other -- what would have happened? It would have meant that the Franco forces, which are in control of the ocean, completely in control, would have been able to get direct shipments of munitions from this country, right into the revolutionary camp because they have complete control of the seas. By the same token, if last week or the month before I had said that there isn't any war in Spain -- I have to find that fact -- the Barcelona government could not have gotten anything from this country direct because it would have been captured by the Franco people who control the ocean. That would not have been neutrality; I would have been playing into the hands of Franco.

As the situation is today, undoubtedly there are bombs and munitions of various kinds going from here via Germany or Holland or Belgium or even England, going out from here to there and being reshipped, without our knowledge but of course we have a pretty good guess that they are going from there to Franco. It is a long, rather arduous route around. At the same time, there is also a good deal of American munitions going to France, consigned to France, and we know pretty well that it is going from France into the Barcelona government.

So, actually, as a matter of fact, we are maintaining neutrality in the highest sense, which is not to help one fellow more than the other.

Does that explain something new? It is a new point of view from what most people are getting.

Q If the embargo on arms to Spain was lifted, it would not help the Loyalists, in your judgment?

THE PRESIDENT: No, it would not; it would help Franco because the Loyalists could not get them except through France.

Q There is a concerted movement, we have been led to believe, to try to have you lift the embargo?

THE PRESIDENT: I know it, it is by the people who sympathize with the Government of Spain and of course they have never thought the thing through.

Q We are a little keen to have the Civil Liberties League get a little more money to find out some more facts.

THE PRESIDENT: I am a hundred per cent with you. I think on the Civil Liberties end, it ought to be a continuing proposition, year in and year out, to present cases, not only the type of case that has been investigated so well but a lot of other things. As you know, there are subversive forces in this country. I suppose the easiest term to apply is to call them the Fascist element in the United States, who are able to get very large sums of money quickly into their possession and sweep the country off its feet with some kind of a great publicity move before the country has an opportunity to think about it one way or the other. They get this tremendous mass of stuff thrown at them, one way or the other, through newspapers and by letters, and it sweeps them off their feet. They can either rush a thing through or block something which, in their mature judgment, they would not be for at all. That is where it affects the civil liberties of the country. I think Beebe is doing a fine piece of work on that.

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[Union?]

Q (Dr. Van Schaick) I saw him this morning. It is very fine of you to say so.

THE PRESIDENT: Any other thought?

Q I would like to ask you, how great is the danger of Fascism in this country? We hear about Fascism baiting in the United States.

THE PRESIDENT: I think there is danger because every time you have the breaking down or failure of some process we have been accustomed to for a long time, the tendency is for it, because of the breakdown, to get into the hands of a very small group. I am not going to repeat anything about sixty or eighty families, but (laughter) you come down to where the Vice President himself has kept harping on it all the time, then any large movement does ultimately have to be financed or taken care of through New York City, whether we like it or not. I will give you an example:

One of our southern states that I spent a lot of time in has a very large power company down there, the Georgia Power Company. There are a lot of people in Georgia that want to own and run Georgia power, but it is owned by Commonwealth and Southern in New York. They need some money. Georgia has plenty of money with which to extend electric light lines to the rural communities, and the officers of Georgia Power Company themselves want it Georgia owned or Georgia run. But they have to go to New York for the money. If it were not for that we would not have any utility problem and all of them would be owned in the districts which they serve and they would get rid of this control.

You take the new lumber companies that haven't started on this wonderful process of making print paper out of yellow pine.

One reason for the low wages of the workers in the pulp mills of Mississippi, Georgia, North Carolina and South Carolina is that practically all profits go north, they do not stay south. If the profits stayed south, the whole scale of living would go up.

I am greatly in favor of decentralization and yet the tendency is, every time we have trouble in private industry, is to concentrate it all the more in New York. Now that is, ultimately, fascism.

Q Mr. President, we are very much interested in the amount of territory that will be taken in by this expanded Navy or the enlarged Naval program. How far would you extend a defense program, say, with an enlarged Navy?

THE PRESIDENT: I would have to get you to give me two definitions first.

Q I am for it. (Laughter)

THE PRESIDENT: What would you do at the present moment -- I am not talking about 1945 -- in the case of an attack on the Philippines by some nation? The American flag is flying there. What would you do if they were attacked?

Q As long as we had them and they were attacked, I would protect them.

THE PRESIDENT: Then that shows you the limit of the American Navy in the Pacific. That is No. 1, so that answered that end. If the flag was flying there we would protect them, even though we want to get out just as soon as we possibly can. As long as the flag is flying we cannot let another nation walk in there and say, "Get out tomorrow."

Now, another thing; this is a threefold question: Suppose

certain foreign governments, European governments, were to do in Mexico what they did in Spain. Suppose they would organize a revolution, a Fascist revolution in Mexico. Mexico is awfully close to us, and suppose they were to send planes and officers and guns and were to equip the revolutionists and get control of the whole of Mexico and thereupon run the Mexican Government, run the Mexican Army and build it up with hundreds of planes. Do you think that the United States could stand idly by and have this European menace right on our own borders? Of course not. You could not stand for it.

That means we would have to have a big enough Navy to keep them from getting into Mexico. Mind you, the Mexican flag is still flying. Mind you, it is not the Spanish flag, it is not the Italian flag or the German flag. We probably all agree that we could not stand for a foreign nation doing that under the guise of a Mexican flag.

Q Isn't the three thousand miles sufficient?

THE PRESIDENT: Yes, it is a long distance across the ocean. We would not be attacked from across the ocean if they came from Mexico.

Q Yes, but there isn't any reason now for any European nation to come across and establish such a conflict in Mexico.

THE PRESIDENT: They did it in Spain.

Q I know, but that is across the Atlantic.

THE PRESIDENT: It is three days from Germany and Mexico is only seven days from Germany.

Q Would you feel -- this is a hypothetical question -- would you feel at the beginning of such activity that the Monroe Doctrine would

be operative so they could be checked at their inception rather than later?

THE PRESIDENT: Absolutely, and I will give you an illustration: In 1861 we were engaged in a war between the states and certain European nations, the French and the Austrians, combined and they sent an army into Mexico and they sent an Emperor into Mexico. We were awfully busy. We did not do anything about the Monroe Doctrine, we had too many troubles of our own. It went on for four years and finally, at the end of the war between the states, the Administration turned its face towards Mexico and said to France and Austria and Maximilian, "I am awfully sorry, you people have to get these French troops out of here in a hurry." We sent Sherman's army, or an army commanded by Sherman, down to Texas. But they had four years to get control of that country and they would be there yet if we had not done something.

Venezuela is a good deal closer to Europe. How far is Venezuela away from the United States? It is further than Mexico. As to Cuba, we would obviously do as we did in the case of Mexico. Venezuela is South America. It is only four hundred miles, it is an hour and a half by some of these modern planes, an hour and a half further than Cuba. We ought to agree that we ought to enforce the Monroe Doctrine in Venezuela. Cleveland did.

How about Brazil? It is half way to Europe. Brazil -- would we do it in the case of Brazil? Well, you have a principle established. Does the principle only apply nearby and not to the rest of the Americas? We are trying to keep an independent continent, north and south.

Let me tell you about Iowa: I have a Chinese friend who was in college with me. He is a merchant in Canton but I hear from him once a year. I got a letter from him the other day. "Do you remember me telling you about my brother away in the interior, about three hundred miles southwest of Hankow? He was very prosperous, with an awfully nice home and a fine family. He had always been a pacifist. He has opposed a Chinese Army to protect the Nation of China. He said, 'We are so big, there is nobody that would dare to trouble us.' I have never agreed with my brother."

It is a Christian family. And the other day he said, "I am very sorry to tell you that my brother and his wife and four children were killed." They lived in the Iowa of China, the Iowa of China. Those planes came over and dropped a bomb on the house where they were cooling off. They killed three hundred people in the nearby village and two minutes later they were gone. They had wiped out one of the rural communities of the Iowa of China. He never thought it could happen, I never thought it would happen and his brother in Canton never thought it would happen.

We know today -- it was in the papers -- that in 1918, before the war ended, the Germans were building a Zeppelin with the perfectly definite objective of sending her out in the spring of 1919 by way of the Great Circle Route, over Iceland, Greenland and down to New York, to drop a cargo of bombs on New York City. We have known that from the documents we picked up afterwards.

Q How can we ever defend a territory going down from Maine, through the Virgin Islands, and all the territory embraced by the Monroe Doctrine and around towards the Philippine Islands and coming

back to the United States?

THE PRESIDENT: Well, of course if you have one enemy, we are all right.

But suppose you have two enemies in two different places, then you have to be a bit shifty on your feet. You have to lick one of them first and then bring them around and then lick the other.

That is about the only chance.

DR. VAN SCHAICK: Thank you very much, Mr. President.

CONFIDENTIAL

Press Conference #452-B, (Off the record conference with members of the Society of Newspaper Editors), Dining Room of the White House, April 21, 1938, 9.00 P.M.

(The president of the Society, Mr. Alfred H. Kirchhofer, of the Buffalo Evening News, introduced the members to the President.)

THE PRESIDENT: I can hardly realize that another year has gone by since we had a gathering in this room. I think this is a little larger one. My impression of last year is that I asked questions and you fellows got into the most awful row among yourselves.

(Laughter)

I am not going to ask any questions but I am going to tell you what I said to the D.A.R. today. (Laughter) I am going to preach the same sermon to you that I preached to them. It is a perfectly good text. I said that I probably had a more American ancestry than nine out of ten of the D.A.R. I had various ancestors who came over in the Mayflower and similar ships -- one that carried the cargo of furniture -- and furthermore that I did not have a single ancestor who came to this country after the Revolutionary War; they were all here before the Revolution. And, out of the whole thirty-two or sixty-four of them, whichever it was, there was only one Tory. (Laughter) Well, they began to wonder if they ought to applaud that or not. And, I said, now I will come down to the text. It is just as good for you people as it was for the D.A.R. I am putting you in the same category.

(Laughter) I said, Here is the text: Keep in the front of your heads all of the time, dear ladies, first, that you are the descendants of immigrants. And they did not know whether to applaud that

or not. Secondly, that you are the descendents of revolutionists. They did not know whether to applaud that or not. So there is the text and I won't expound on it any further.

Now shoot. (Laughter) (There was no response from the audience.)

Perhaps if nobody wants to shoot, I will read an editorial to you. (Laughter) Probably none of you have read it. It is from a magazine called "Editor and Publisher." And it is based on something that Bill White said. Where is Bill?

Q He is here. (Laughter)

THE PRESIDENT: It is entitled "Our Business Clinic." It says,

"For a clear-headed diagnosis of current business troubles, we commend among the many appearing in this issue that of William Allen White, the Sage of Emporia. The famous editor of the Gazette, who said a few weeks ago that he had seen yesterday and today and was not afraid of tomorrow, cuts with keen words through the hysteria which has bedevilled the land for 10 years.

"Mr. White is correct when he says --"

I won't forgive him for this -- the connotation of it --

" -- that Roosevelt, Stalin, Mussolini, and Hitler --"

Now, Bill! (Laughter)

Q (MR. WHITE) Don't you want me to add Garner? (Laughter)

THE PRESIDENT: Bill, the V.P. is a great friend of Doc Townsend, whom I pardoned the other day. It is all right. (Laughter) Anyway, these four famous gentlemen, including Roosevelt,

" -- can all pass from the scene and that the fundamental world problem would not be changed."

Amen.

"It is a problem as ancient as recorded history and it has sharpened its business edge in the age of steam, electricity and machines. It is the problem of giving to each his share of the world's production. It cannot be solved by any single panacea. It cannot be solved in a year, a decade, or possibly a century, and human nature being what it is, we sometimes believe it may not be capable of any solution.

"Meanwhile, we've all got to live. We want comfort, according to our lights, and our ideal of comfort may range all the way from a soft mattress to a Diesel yacht."

Not an incorporated yacht. (Laughter)

"No one of us can write what he thinks is his fair share of the nation's produce; none knows how he wants his share paid. But we all want, and keep on wanting, and eventually we can hope to arrive at a compromise with Utopia that will be better than what we have.

"History may appraise Mr. Roosevelt's collision --"

I am glad he did not say "collusion."

" -- collision with the established order as an over-idealistic and impractical attempt to hasten that happy day, but it may also damn those who followed their selfish (and wholly) normal instinct of self-preservation in opposing him. And long before the historians begin tossing their dry bones around, the strange animal that is homo americanus may reach the conclusion that his savage assault against the President of the United States of the past few weeks was unreasoning and largely unreasonable.

"It is as futile to expect an armistice in politics this year as it is to look for a solution of the problem Mr. White states -- but why not let us have an abatement of hatred and vilification? They have not affected the business decline, except possibly to deepen it and to delay the rebound. They will not keep us from dictatorship, if we are bent on that nitwit experiment. They may hasten dictatorship, if political frenzy is carried to the extent of libeling a President, defeating a bill that had only superficial faults, and then calling the defeat a vote of 'no confidence' in a

man who received 70% of the popular vote 17 months ago. Dictators goosestep into power on the heels of governments which lose public confidence, and Mr. Roosevelt, despite his self-admitted lack of qualifications, may be forced to the job by his foes. If not he, someone far less qualified.

"Let us chuck politics and alibis out the window, and get down to business again."

And so we are down to business again.

Well, last year I asked all the questions and I decided this year I would not ask any of them except by way of reply to questions that could only be answered by counter questions. That is fair. Now, don't all shoot at once but here I am.

Q Mr. President, do you sense any growth of racial intolerance in the United States?

THE PRESIDENT: I should say less than there was ten or twenty years ago. I think, in other words, it would be harder to start a movement based on racial intolerance today than it would have been ten or twenty years ago. I still think it can be done. It is always a possibility but I think we are wiser and there is less sectionalism. I think we have learned a lot.

Q Mr. President, do you think the South -- what we call the solid South, will stay Democratic very long?

THE PRESIDENT: Will the solid South be Democratic very long? The South is a funny place, I have lived there a long time.

Q I have just come through the South and I lived there fifteen years every winter. That is why I asked the question.

THE PRESIDENT: I am glad you asked the question. You and I remember things that have happened in the South in our lifetime, before

you and I went down there. We remember the days of Tom Watson in Georgia. That was an appeal to prejudice. It was an appeal addressed to a very, very ignorant vote. We have to recognize that fact, because the average boy or girl in my State of Georgia -- I am talking about the average in the days of Tom Watson -- had had no high school and, as far as the grade school was concerned, they had had an average school year of three or four months. That was the condition. They did not read the daily paper, they did not read a magazine. They were getting the lowest form of pay in the entire nation, and they were therefore completely susceptible to the demagogue. And, in Georgia, we have had our demagogues, as we all know. You can still have demagogues in Georgia. It is only two or three years ago that we had Gene Talmadge. He was the red gallus demagogue. They have had a lot of demagogues in South Carolina. They had old Ben Tillman and they have had some since then. They have had them in Alabama and a lot of them in Mississippi. They swept the state, Vardaman and all those people.

The South, because it is still educationally behind the rest of the nation, is peculiarly susceptible to the demagogue. Fair? Fair statement?

Q Yes.

THE PRESIDENT: I think it is a pretty fair statement to make.

Q May I offer a comment on the general question of whether the South will be Democratic again or not? Some months ago a friend of mine -- I am from Montgomery, Alabama -- was in the State of Ohio. Somebody asked him if the solid South is still voting Democratic

and he replied, "No damn yankee is going to stop us; it is going to be the ruin of this country."

THE PRESIDENT: Let me put it this way: I think the South is going to remain Democratic but I think it is going to be a more intelligent form of democracy than has kept the South, for other reasons, in the Democratic column all these years. It will be intelligent thinking and, in my judgment, because the South is learning, it is going to be a liberal democracy. The South cannot be fooled any more by the kind of things that we published in southern magazines this past winter. The Southern Pine Association, aided and abetted by a large number of newspapers in the South, editorially and in their news columns, on the question of the Wages and Hours Bill, carried a full page ad and some of you people ran them and got paid for them. The ads were entitled, "Farmers! to arms!" And you ran them. They were paid for by the Southern Pine Association. That was a definite, deliberate inciting of the farmers of the South to take up arms. It was wholly indefensible; it was an unpatriotic act for any newspaper to publish that headline. Now you are getting it straight from the shoulder. "Farmers! to arms!" How did you dare publish an advertisement of that kind in your paper? How did you dare do it?

And then, what did it say? It went on to tell lie after lie. The chief feature of the ad was this: "If a wages and hours bill, putting a floor under wages and a ceiling over hours, goes through, you farmers, Georgia and Alabama, you will have to pay \$3.00 a day to your field labor." That is a lie and every editor who ran that ad knew it was a lie. Go on.

Q Mr. President, where in your opinion is this strife between the two major labor organizations tending from a social and economic standpoint?

THE PRESIDENT: Where is what?

Q Where is it leading, the strife between the two major labor organizations?

THE PRESIDENT: Oh, I don't know. When you get that kind of a very personal row, it will end in two wings of labor that will become fairly well established and become fairly permanent, or it may end in their working out some kind of a compromise and agreement between the two. In other words, as I said to you last year, this is in the evolutionary process, similar to that which organized labor was going through in other countries twenty and thirty years ago. It is evolutionary. Probably five years from now we would not recognize or will have forgotten the existing situation.

Q We all want to see renewed confidence and renewed investment on the part of private enterprise and the consequent absorption of unemployment. Do you not think that the repeal of the undistributed profits tax will help a lot?

THE PRESIDENT: I will ask you a question. (Laughter)

Q I do not think that is fair, Mr. President. (Laughter)

THE PRESIDENT: This is an actual case and I am going to ask you what you think of it: Here are two brothers and they both inherited, each of them, \$5,000,000. One brother bought the other brother out. So the brother that was bought out from the cotton mill, which they jointly owned, went up to New York. He went up to New York about ten or twelve years ago and put his \$5,000,000. into

investments. He got Scudder, Stevens and Clark to tell him how he ought to invest his \$5,000,000. They gave him a list of a certain percentage of Government bonds and municipals, State bonds, public utilities, some real estate mortgages, some preferred stock and some common stocks, in accordance with the best advice that an investing firm can give you. He received on his \$5,000,000. investment about \$200,000. a year income by way of coupons and dividend checks and, on the whole, his investment has turned out pretty well. He has been getting his income and he has been living, because he is a simple man, on about \$50,000. of it. But, because he had an income of \$200,000., he had to pay in State and Federal income taxes about half of it to the Government, different kinds of Government. He had about \$100,000. left and, as I say, he only spent \$50,000. of it and he put the other back into what you and I would call "savings." But the taxes he paid were about \$100,000. a year and he figured that he did not want to engage in active work. He was very much interested, as a matter of fact, this particular fellow, in art and literature. He never kicked, he paid his \$100,000. in taxes year after year.

He came down to see me. Of course, he was in the upper brackets all right. He came down to see me about two years ago and said, "I am going to ask a question. My \$5,000,000. is working. I own mortgages, stocks, bonds that are actually producing goods, building buildings, maintaining places for people to live in, building new buildings, starting new enterprises. I am paying half of my total income to the Government every year." He said, "Do not ever mention this to my brother. His \$5,000,000.

is in that old family cotton factory and he has made, since we parted company, about \$200,000. a year profit. Like myself, he is a man of comparatively simple tastes and he spends about \$50,000. a year. He only declares a dividend to himself of \$50,000. a year or perhaps \$60,000. a year. His tax that he pays to the Government is about \$10,000. His property, his ownership in business, is the same as mine and his property earns the same return. But, because he owns this cotton mill, he only declares enough in the way of dividends to keep himself going and he leaves all the rest there to accumulate. The net result is that he is accumulating and putting to work \$140,000. or \$150,000. a year, but that is capital rolling up. All it costs him is \$10,000. a year. I have a diversified list of investments and my tax is \$100,000. a year. Mr. President, do you think that is equitable?"

I pass that question on to you.

Q Mr. President, don't you have a section in the Revenue Act to take care of cases like that?

THE PRESIDENT: No.

Q It is there in the law.

THE PRESIDENT: You have had, since 1913, a Section 102. Cordell Hull introduced it when he was a Member of the House in that year and that section says that the Treasury Department shall have the right to tax any undistributed earnings which, in the judgment of the Treasury Department, are not necessary for the surplus of the business. For twenty-five years, or not that long, for about fifteen years the Treasury Department took cases of that kind to the courts and they lost in about 99% of the cases that they

brought, because the Court said, "Who is the best judge as to what the surplus should be? Why, obviously, the owner of the business. Therefore, we are not going to take the ples of the Treasury. We are going to take the statement of the owner of the business." In other words, it was a completely unenforceable section.

The present Senate Bill attempts to strengthen it by saying that the burden of proof should be on the private company.

Now, you have a choice to make: The Treasury Department, that knows probably more about collecting taxes than any editor in the United States, or the President, says that that change in the law is what we used to call in Dutchess County, "B. S." You probably know what it means -- utter rubbish. You won't be able to prevent the thing you are trying to avoid by putting the burden of proof on the owner of the business. It is utterly absurd. Now, you and I may think it is beautiful language but the experts who have to collect the taxes, they tell the people of the United States and the papers of the United States that they cannot collect under it. There is your answer.

Q -- Mr. President, do you think that the incident which you have elaborated is typical?

THE PRESIDENT: I am glad you asked that question. Every person who admits the principle comes down to me and I cite an instance or two, or five, or ten, or twenty, and their answer is, "That is the exception." Now, those exceptions in terms of dollars in our lifetime are not exceptions in terms of dollars, they are the rule. In terms of the percentage of corporations that do that,

yes, they are in exception, but they are not exceptions when it comes down to the amount of money involved.

Q. If there is a rat in the hayloft, why burn down the whole barn to get the rat out?

THE PRESIDENT: Exactly. That is a very good illustration.

The treasurer of a company came in to see me the other day. He raised that question, both on the undistributed earnings tax and on the capital gains tax. I said, "You admit the principle?" He said, "Certainly." I said, "The principle ought to be the principle of nondiscrimination. It ought to mean the principle that by the use of the corporate method you ought not to be able to do things that you would not do if you were in business as an individual or a partnership; that you ought not to avoid the payment of taxes through a perfectly legal tax avoidance method." He admitted the whole thing, and then I said, "Well, do you think that I ought, because there is a tremendous agitation at the present time, to say, 'Don't burn down the barn to catch the rats!'" as you say. He said, "Certainly, there come times when you have got to forget principle."

I pointed out another case to him and he said, "That is an exception." This a case of a man who owned a newspaper, a very successful newspaper. The paper had built up a large surplus, what was supposed to be a wholly adequate surplus. Now, let us assume that it was an adequate surplus, and that the paper ought to have had that surplus in order to make sure that for a lean year or two it would be able to keep going. The assumption is that the surplus was an adequate one. He died, and because most

of his money was in the newspaper, when it came to paying the State and Federal inheritance taxes, his family, his executors and trustees did not have the cash to pay it with. Well, that often happens because we Americans do not look forward to what they call "death duties" in England. The average rich man in England makes provision in various ways for death duties. But does your American, like most of us that you know, make provision for paying inheritance taxes when he dies?

Well, the trustees did not have the cash to pay it. So they said to themselves, because, after all, they were trustees not only for the estate but essentially for the paper itself, they said, "Buy some of our preferred stock that we own in the paper out of your surplus." And then, transforming themselves into the owners of the paper, they said, "All right, we will pay you such and such a sum out of our surplus for that preferred stock." As the owners of the paper, they paid to the trustees, who were themselves, enough cash out of the surplus to pay the inheritance tax. As trustees, they delivered to themselves as the owners of the paper, a certificate for X number of shares of preferred stock, which they then proceeded to tear up and put into the wastepaper basket. The estate owned essentially all of the newspaper before that transaction and after it was all over they still owned essentially the same proportion of the newspaper. In other words, while this particular owner of the paper, in my judgment, had never anticipated anything like that being done, he had, in fact, used that surplus, built it up year after year at a price of 12% tax on earnings, whereas, if it had been distributed to him, he

would have paid about 55% on the earnings of the paper.

That is principle, just plain common or garden variety of principle. A newspaper pointed that out that has demanded the entire repeal of the tax on undistributed earnings.

Q In the specific case that would have thrown that newspaper into borrowing money in Wall Street or from the banks and would have destroyed the -- you would have put it right in the hands of Wall Street. We do not want them to control the American press.

THE PRESIDENT: If this man, knowing that some day he was going to die, had done one or two things -- if, out of his annual income, he had taken out insurance on his life, which is one of the English methods, and building up a policy to take care of his inheritance tax when he died --

Q (interposing) Which would have been taxed --

THE PRESIDENT: -- the paper would not have had to dip into this surplus and would not have had to go and borrow the money in Wall Street. On the other English method, if he had set up a special trust fund out of his income and paid the inheritance tax out of that, they would not have had to borrow money or sell preferred stock to the paper.

Q In the specific case you are mentioning there, under the income tax rates it would have been utterly impossible to set up a fund which would amount to a sufficient --

THE PRESIDENT: (interposing) He would have taken out insurance. The British manage to do it.

Q Who can do it?

THE PRESIDENT: The British.

Q Do the British have the undistributed profits tax?

THE PRESIDENT: They have something that is the equivalent of it.

They do not call it that.

Q Mr. President, in the matter of a surplus tax: In my town we have an industry which started out with eight hands and a boss. He is dead now. He had a million when he died. From year to year he put the surplus which he had into the business and one year he had \$222,000. So he conceived the idea of building a nice building in our town. He wanted a building in our town -- you know I live in a little town in Wisconsin -- and he built this nice building out of the surplus. He had to borrow some money and paid 8% on it, but in two years more his surplus amounted to a sufficient amount so that he took it over and owned it in fee simple; he had a warranty deed for it.

Now, under this surplus taxation, it would not have been possible comfortably for him, with a tax on this surplus, to do those things, because the tax would have taken such a proportion of the savings out of that business that he would not have been able to do those things. And whatever things they want to do now in the expansion of this business, they are held back by this tax. Now, I do not say that this is wrong; I do not discuss it from the standpoint of its being a tax which is a robber tax. Of course I think it is, but then that is a difficult matter to prove.

(Laughter)

You and I disagree and we can disagree normally. But he can't do that (referring to the putting up of new buildings). The president of this organization spoke to me a few days ago and

he said, "I would like to build a new building but I am damned if I can do it under the new tax system because it takes away from me --"

THE PRESIDENT: (interposing) Sure.

Q Now, the things you have mentioned, these few things, they are extraordinary.

THE PRESIDENT: They are customary.

Q They are not customary.

THE PRESIDENT: They are customary.

Q All right, I will agree with you.

THE PRESIDENT: The man who owned that paper, he made \$220,000. a year.

What was that? That was a profit on his money, wasn't it?

Q I wish I could do that.

THE PRESIDENT: So do I. It was a profit on his money. If he did not happen to have it in this one thing, a newspaper, on this \$220,000. he would have had to pay about \$120,000., as, for example, if he had had that income from fifty different newspapers. In this case he happened to own one newspaper and therefore he asks that that \$220,000. pay only a 12% tax instead of a 55% tax. Principle?

Q Yes, but he might have had some expansion. I am going through, right now, all of this agony of a man who died and owned a newspaper and I happen to be the fall guy and right now I am trying to straighten this inheritance tax out and God knows what we will have when we get through. We might have enough to pay one man, one in the Newspaper Guild, one salary for one week. But what I am trying to impress upon you, Mr. President, from your place here in Washington, where you look over this country, where you see my

State with all of those small industries, who have to build up little things, --

THE PRESIDENT: (interposing) Right.

Q -- from time to time must have to build up a little surplus for expansion and to make more people work in those places. We have got 2,721 factories gone out of business since March 4, 1933, Mr. President, in my State.

THE PRESIDENT: How many went out between 1929 and 1933?

Q No, I have got them all dated from cheese factories down and we need this surplus so that we can build up there without extraordinary taxes to take it away from people who want to use it for expansion.

THE PRESIDENT: Has anybody called your attention to the House Bill?

Q Yes, I am sorry I have, too.

THE PRESIDENT: It says this: It says that the average standard corporation tax is to be greatly increased over what it is now. It is to go as high as 16%. Now, you are a corporation. You are making \$25,000. a year. You can soak the whole of the \$25,000. You are talking about these heartrending, sob-sister stories about the little corporation that is just getting by. With the little corporation, under the House Bill up to \$25,000. a year profit, which is not to be sneezed at, you can put all your earnings back into the property. You do not have to distribute any of them. You pay the normal corporation tax of 16% and then from there on, up to the corporation that makes \$75,000. a year, you get a special preference because you are a little fellow.

Let me go on the air sometime and talk about these little

fellows, little corporations, the little small fry that are only making up to \$75,000. a year. Why, they are poverty-stricken, just paying \$75,000. a year. And, because they are so small in their profits, they get a special exemption, too. They can distribute almost all of their profits without any penalty whatsoever.

And then when you get to the corporations that make over \$75,000. a year, of course the average citizen in this country figures out that that is a pretty successful corporation. Then what happens? If they don't distribute all their earnings, mind you, they get a 30% exemption right away to start with, and if they do not distribute the other 20%, they are subject to a 4% penalty, which raises their tax to the enormous sum of 20% a year instead of 16%. Now, has that been brought out? It has not.

Q I want to say, Mr. President, that out of a report of the earnings of some 6400 industries in the State of Wisconsin, only eleven earned in excess of \$75,000. a year. You see, the rest of them are poverty-stricken.

THE PRESIDENT: Then the House Bill only affects eleven out of 6400 in the State of Wisconsin?

Q We would like to make more, Mr. President.

THE PRESIDENT: It affects only eleven.

Let us go one step further. The Senate Bill eliminates that 4% for withholding dividends from distribution, eliminates that tax entirely, and substitutes for it an additional 2% on all of your 6,000 corporations in the State of Wisconsin, making a flat 18% corporation tax instead of 16. With this net result -- that I have only seen mentioned in about half a dozen major papers in

the United States -- that your 5,989 corporations in Wisconsin will have to pay 18% on their earnings instead of 16% and, by the Senate Bill, you are helping eleven on the condition that they do not want to distribute 70% of their earnings.

Q Mr. President, I might say that I am opposed to both bills.

THE PRESIDENT: Yes, all right. But we are talking about a practical proposition. Under the Senate Bill you will obtain \$30,000,000. more revenue from corporations as a whole than you will under the House Bill. Did you ever print that? In other words, corporate industry in the United States is soaked \$30,000,000. more by the Federal Government under the Senate Bill than it is under the House Bill. Now, that is an interesting fact. You are soaked \$90,000,000. more to the smaller corporations and \$60,000,000. less to the larger corporations, or a net increase in the burden on industry under the Senate Bill of \$30,000,000. more than under the House Bill.

Q Mr. President, do you see any hope of the House and Senate conferees getting together on the tax bill?

THE PRESIDENT: I hope they will, very much. If you were sitting here in my place, as President of the United States, what would you do? Would you say, like my friend of this corporation, in this kind of a situation, "Forget principle"? Would you say that?

Now, we can work this thing out if we approach it from the point of view of giving to the public both sides of the case. I want principle in this country maintained.

Now, coming to the second phase, if you don't mind, capital gains: Back in -- some of you people are a little bit older than

I am; I think Bill (William White) is a little bit older than I am -- wasn't it in 1888 that the Democratic platform contained a recommendation for income taxes?

Q (Mr. White) I do not remember. I have had such hard work earning a living that I never looked into the philosophy of taxation.

(Laughter)

THE PRESIDENT: Well, anyway, it became one of the major party items. The main thought was an income tax based on the ability to pay. It may have been 1884, in one of the Cleveland administrations, they passed an income tax on the graduated basis. That is to say, the more you made, the higher you paid. It was declared unconstitutional by the Supreme Court and it was reintroduced into every Democratic platform, in 1892, 1896, 1898, 1902, 1904, 1908, 1912 and finally a Constitutional amendment was passed levying a tax on income from whatever source derived.

The Congress in 1914 passed an income tax law and a capital gains law. Both of them were based on the theory that there are a great many people in this country who increased their income by different means, some from rents and royalties, some from dividends, some from the interest on bank accounts or bonds, and some of them from trading operations in real estate, in stocks or in bonds. The first income tax law that was held valid incorporated the principle of a graduated capital gains tax as well as a graduated income tax on the theory that both of them were taxation of increases in wealth. That, I take it, has been a fairly consistent principle of the American people from that date to this. It happens to be a quarter of a century.

The House Bill recognized what was probably the fact, that the existing capital gains tax was too high. They therefore reduced it, and they reduced it to what was considered a fair differential, a fair graduation of rates that you paid on capital gains. I was entirely willing to go along with it as long as they maintained the principle. That is the principle and it is the American principle. The Senate, however, abandoned the American principle, adopted and held for a quarter of a century, and said this -- and I will give you an illustration: The other day I had two men come to visit me, both of them old friends. One of them has got -- he is about as rich as I am, which does not mean much. Last year, a few years ago, he bought a couple of hundred shares of stock and he has got a nice little profit, even today. He thinks the company is doing well, but he does not want to hold it. He has a \$5,000. capital gain in it and he is willing to pay his 15%. The other man who came in has a block of 10,000 shares of a certain stock that he bought at 20 and can sell tomorrow for 70. He has a net profit in that of \$500,000. He is all for the Senate Bill because the Senate Bill would only tax him 15% on a half million dollar profit, just like the little fellow, who has a \$5,000. profit. Therefore the Senate Bill is a complete negation and abandonment of what has become an established American policy.

Now, what do I do? Do I say again, "Oh, well, let us encourage business, to Hell with principle"? And a lot of you are asking me to do it.

Q What you refer to as principle is not principle in a moral sense;

it is just a theory on one sort of taxation.

THE PRESIDENT: Well, I don't know. I think it goes a little deeper than that.

Q Is it a moral principle?

THE PRESIDENT: I do think so.

Q That is what is meant by principle.

THE PRESIDENT: I think it is a moral principle. In other words, I think that the man with an income, whether it is from capital gains, or stock, or bonds, or a newspaper, who is making a million dollars a year -- and we know a good many people in this country who are doing it; there are somewhere around fifty or sixty at the present time who are making a million dollars a year or more -- I think he ought to pay a larger percentage of his income to his Government than the man who is making a salary, as a managing editor, of \$10,000. a year.

Q Well, I do not think anybody disputes that.

THE PRESIDENT: I think that is principle; I do not think it is a theory of taxation.

Q Isn't the argument for the abolition of capital gains the general benefit the country would have from increased transactions rather than the benefit of saving taxes for the comparatively few taxpayers who actually sell things at a profit?

THE PRESIDENT: "The hands of Esau!" Now, this same fellow who has got a profit of fifty points on 10,000 shares of stock -- I have known him for a great many years -- I said, "You want to sell it and keep your profit? What will you do with it?" He said, "I have got two or three pretty good lines." I said, "What do you

mean 'lines'?" He said, "I have watched two or three things that I can go into, things that I think have got a big future ahead of them where I can get in on what you and I would call the ground floor."

"Well," I said, "they are going concerns?" "Yes."

And I said, "You want to put your money to work?" "Yes."

"So you would put your money in as new capital in these firms, this half million?" He said, "I will go out and buy my stock on the Stock Exchange, as I did before."

I said, "Is that putting new capital into these companies? No, you are only transferring ownership from A to B. That is not putting new money to work."

Now, half the people, when you come down to it and analyze it, fall into that category. You are not putting your money into new business, you are going and buying something from somebody else.

Q Can you tell us about your expectations on private spending and private investment?

THE PRESIDENT: Let me put it this way: Somebody at the Press Conference the day before yesterday asked me what was new about this new program. I said it was a new phase. It is going to work, provided the country gets the truth told about it, provided we get all angles presented to the public, provided the element of fear is eliminated with the help of everybody in the United States.

In other words, if we work together on this thing, it is going to work. If we do not work together on it, it may fail. At the present time, the responsibility for that rests more essentially on the Press of the country than it does on the business

of the country.

Q What would you suggest that the Press tell business?

THE PRESIDENT: I would not tell business anything.

Q Treat them rough. (Laughter)

Q Mr. President, do you think the American Press -- we are newspapermen here and not stock market speculators and not anything like that -- do you think the American newspapers have been unfair?

THE PRESIDENT: I do not think they have been unfair but I think they have been more responsible for the inciting of fear in the community than any other factor.

Q I would like to ask you, Mr. President, in what particular?

THE PRESIDENT: I will give you, if you want, examples. I can multiply them about a thousand times.

As my old friend up the river says, I broke out of the papers the other day some clippings. Here is an example: The other night, oh, three nights ago, two nights ago, there was an A.P. story. Well, I never expect an A.P. story to give my side in the lead. I have not for years and I have always managed to survive.

Q Do you think the A.P. is unfair to you?

THE PRESIDENT: I am not saying they are unfair. Listen, let me finish: Every time, for example, that there is a debate in the Senate -- well, you have got, what is it, 11, 12, 13, 14 Republican Senators, 3 or 4 Progressives like George Norris and La Follette, and you have got, oh, a half dozen, 6 or 8, old-line Democratic Senators who, if they lived in the North, they would not be Democrats anyway. All the rest are Democrats.

Now, what happens? You have got a very small minority, less

than a third who are not Democrats and Arthur Vandenberg gets up, somebody else gets up, Carter Glass gets up, and makes a speech. Then the majority of the Senate hops all over him and makes some speeches on the other side.

Now, what is your lead? I know the mechanics of the thing. Your lead is based on speeches coming from less than a third of the Senators every time.

Now, on your Press associations, especially the A.P., they will, in their second or third paragraph, mention the fact that Alben Barkley or somebody else replied, and they will give them space, but your lead and the headlines of 85 per cent of the larger papers of the country will feature the speech of the Minority Member of the House or the Senate.

The other day, there was a party on the air. There was Vandenberg and on the Democratic side there was Senator Hill of Alabama. Well they each, I think, had whatever it was -- half an hour on the air and the first I knew about this fact -- I very rarely listen on the radio and I had not arranged it in any way -- so the next afternoon I got the first edition of the New York Sun and I read the headline, "Huge Recovery Plan Attacked by Republicans; Vandenberg Denounces Roosevelt Relief Program; Says Pump Priming Means Bigger Debts, Bigger Deficits." Then there is the Washington headline, A.P., and it goes on. This is the main story, right-hand column. And it goes on, "continued on page 7" and talks all about what Vandenberg said. And then it goes on and talks about what John Hamilton gave out.

"Well," I said to myself, "that is funny for the A.P. I do

not believe they left out what Mr. Hill said, but there is not a peep, there is not a mention of Lister Hill in the Sun." So -- it happened to be on my bed that night -- I happened to pick up another New York paper and this story carries the whole of the A.P. story. Now, this A.P. story in its lead mentions the anti-New Deal attacks of the Republicans, it mentions Hamilton in the second paragraph and eventually, in the third paragraph, it talks about the feeling in the Congress. In the fourth paragraph it talk about the Administration side. That was left out of the Sun story. The fifth paragraph, it talks about my weekly conference with the Congressional people -- that was left out in the Sun. The sixth paragraph, (reading) "The Vandenberg speech was made during a broadcast with Senator Hill of Alabama. Hill said --" And then Hill's remarks were carried in the seventh, eighth and ninth paragraphs. In other words, outside of the lead, the A.P. did give you a truthful newspaper story. It did not mention Hill in the lead but, further down in the story, it said what Hill said. And the New York Sun deliberately cut out what the A.P. had said to them. If you people think that is fair newspaper editing, I do not. Now, you find hundreds of cases of that kind.

Then, there are papers that have got their special bureaus in Washington. You know perfectly well that the special bureau chiefs down here, they write what the owner of the newspaper tells them to write, and they leave out half of the truth. They give a one-sided picture to the American people.

Q In the Sun of the previous day, did they not carry, in full, your Address to the Congress and your radio remarks of the same day?

THE PRESIDENT: Oh, they have to do that. That is not what I am talking about.

Q Can you name an instance in the history of the world where continuous borrowing has led to anything less than a great catastrophe?

THE PRESIDENT: Yes. Read the history of England during and after the Napoleonic War. Read the editorials and get the figures and facts. You can get them from the London Times. It is an amazing story.

Q William Allen White said, "Treat the businessmen rough."

Perhaps he means from the Kansas point of view. I am from the New England industrial region. I have never seen industrialists in our section more down in the mouth over the troubles they are facing, and it comes primarily from the taxation, from the things that we have been discussing here. They have surpluses which they have been in the habit of keeping through generations, in looking out for the rainy day. May I ask, under this load of taxes, who is going to hold the umbrella over those corporations in the rainy season that seems bound to come? Is the Government to hold the umbrella or who is to hold it?

THE PRESIDENT: That is what I would call an extremely unfair question because they are allowed to put 30 per cent back and any amount up to 100 per cent at a 4 per cent tax. That is not going to prevent them.

Q If the going is good, but unfortunately the people up there are not like people, your friends, who are buying stock at twenty and selling it at seventy.

THE PRESIDENT: Your corporations in New England are, unfortunately, not earning the \$75,000., which would be exempt, therefore they are not exempt at all.

Q I think there are a good many Washington correspondents who are accredited from Washington papers. I have never got an order from my publisher, in all the fifteen or sixteen years, to write a story one way or the other. I might have written your story wrong, but I never got an order. I think it is true of the bulk of them.

THE PRESIDENT: It is true of a great many. But, do you know the number of people who have resigned all over the country because they could not go along with the orders they have got. We get them every week. I have got a letter here from an exceedingly good editor who was fired for writing a pro-Administration editorial -- two of them. However, he is now asking for a job. He says he will take a hundred dollars a week.

Q He will get it, too, won't he? (Laughter)

Q (Mr. William Allen White) I think I have a little comfort for you. Seven years ago I was down here on another visit here, and a man tapped me on the shoulder and said that the President wants to talk to you, and here, in this hall, walking up and down, was the President. And he was talking about conditions and grumbling with his hands behind his back. He said, "Look here, here is the New York World; here is the New York Sun."

Now, what is the difference between a Republican paper abusing a Democrat and the Democratic paper abusing a Republican? I would forget it. That is the way they make their money and that is the way they want to run their paper. It cannot hurt you and it gives them some comfort. (Laughter)

THE PRESIDENT: Well, there are two points I would like to make on that: You never saw me walking up and down with a long face because of

anything I ever read in any newspaper. There is a difference from the incumbent of seven years ago.

Q It was the same intestinal disturbance. (Laughter)

THE PRESIDENT: Number two, I do not think, taking it by and large and speaking seriously, that the New York World at that time, and other papers that brought out unfair attacks on Mr. Hoover, did the Nation very much good. I do not think it is to be condoned because of the fact that editors and papers and candidates -- and candidates -- did it in the past and that, therefore, it is all right to do it again.

Q (Mr. William Allen White) I don't either; I did not think so then and I do not now.

THE PRESIDENT: I do not think it helps the country. The point that I get back to, the point that I made before, is that the Press can be largely responsible for cutting out the petty stuff and getting their shoulders in behind national recovery, if they want to do it. They won't hurt me. Oh, no! It is a much bigger thing than any individual. But they may hurt about 125,000,000 people. They have a very great responsibility. The responsibility is based on a very simple effort that I hope the Press will make, and that is to tell the whole story, both sides, evenly, equally and fairly, without recriminations, without the kind of petty stuff that we have been so accustomed to, both from the New York World of the old days and the Chicago Tribune, let us say, of these days. It does not do the country any real good. As I have said, now for the fifth year, you are only hurting the Press. People like to read the Walter Winchells and the Paul Mallons and

the other columns; they like to read the amusing stories, the Pearson and Allen stuff, and so forth and so on. But, in the long run, they are getting to the point of saying, "Oh, hell, it is funny, it is grand; I love to read it every morning but what can I believe? I have read so much of this sort of stuff now for years and years." And I want to tell you, with due solemnity, that we are beginning to get a phrase in this country that is not good for this country; it is bad for this country and it is bad for the newspapers: "Oh, that is one of those newspaper stories."

Now, that is an actual fact, and, mind you, I am more closely in touch with public opinion in the United States than any individual in this room. I have got a closer contact with more people than any man in this room. I get a better cross section of opinion.

Do not fool yourselves about "yes men." I have had them ever since I have been in public life. I have paid more attention to the "no men" than I have to the "yes men." I can tell a "yes man" inside of a couple of weeks of association with him. I do not get fooled.

You, all of you -- it is an essential thing -- it is not a derogatory statement on my part -- you cannot get a national picture the way I can. You cannot understand, no matter how hard you study the thing. You cannot understand the rounded aspect of the national problems the way a man right here in Washington can. You cannot begin.

In the first place, nearly all of you are essentially -- you business is a local one. Some of you are connected with chain papers, you rely to a certain extent on the judgment of people who,

again, are in the local field. There is not a newspaperman that comes into my office that understands the ramifications of the national problems. They try awfully hard and they are a grand crowd. I am for them -- I won't say a hundred per cent, but I am for them ninety-five per cent. Among any group, lawyers, doctors, clergy and editors and politicians, there is a certain percentage of people out of a hundred that you cannot trust. In the newspaper game those boys down here in Washington have as high a standard of ethics and morals and fair play as any profession in the United States. I take off my hat to them. But a lot of them labor under a very big handicap. It does not trace back, of necessity, to their editors. It traces back to the owner of the paper, essentially.

Q Are these charges that you lay at the door of the newspapers -- do you find that true of the majority of the newspapers? When you say, "the Press as a whole," we would like to know how many you find that true of.

THE PRESIDENT: It is awfully hard to give figures. In the first place, I would eliminate practically all the country newspapers because that is a different story. But take the newspapers that subscribe to A.P. or U.P. I would say that eighty-five per cent of them have been inculcating fear in this country during the past year.

Q Mr. President, do you think that has been intentional on the part of the owners of the papers? Do you think eighty-five per cent of the owners of the papers --

THE PRESIDENT: Yes, intentional in a perfectly natural human way. The owner of the paper has seen the thing from his own personal view

and, if I were the owner of the paper, I might do the same thing.

Q There has been interest in Congress on the matter of American neutrality. I wonder if you would comment, possibly on the Scott Resolution and also on the broader question of achieving neutrality through legislation?

THE PRESIDENT: This being off the record, I think I can tell you the story the way I told it to Bill Borah (Senator Borah) today.

Senator Borah came down to lunch with me and he has been a good deal disturbed -- a good many of us have -- by the fact that this country has split up and become so emotion^[?]ed over the Spanish situation. Well, we had an extremely satisfactory talk and when I had explained the Spanish thing, he said, "I think you are a hundred per cent right and, if you get a chance, I hope that you will tell the public the story you told me."

Well, I hesitate to do it. I have not had a chance to talk to Steve (Mr. Early). I thought of doing it tomorrow morning at the Press Conference, but I do not know whether, in Press Conference, in formal conversation, the idea can be got across.

Now, as he and I both agreed, the object of neutrality is to prevent the United States from doing two things: first, from becoming involved in a foreign war; that is the first. The second is, in the event of a foreign war, to put the United States in a position where it won't help one side or hurt the other side. In other words, where we will be fair to both sides in the conflict.

Then I went back and I pointed out that, when the Spanish Revolution broke out, after it had been going for a comparatively

short time, they began to kill a lot of people. In other words, from that point, it was war. It was generally recognized by the world as a civil war, which came under the Act.

The Act, however, to my sorrow and to Senator Borah's sorrow, attempted to lay down a mandatory rule. As he said to me today, it is impossible in English language, in the form of a statute, to anticipate every future foreign trouble that may happen because every one is apart from every one that happened before.

Well, we had undoubtedly a Spanish civil war with apparently two equal sides, both sides, both the Spanish Government and Franco had navies of approximately the same size; they were about equal. Therefore, we figured, that being a war and by declaring that there was a war and that therefore the Neutrality Act applied, therefore there would be an embargo by us on the shipment of planes or munitions or guns or anything else. In that way, we would not be favoring either side. For several months that resulted in a fairly strict neutrality. We did not help one side more than the other. Very few shipments of planes or munitions or guns went out of this country and got into Spain on either side.

Then the ^[events] advents of war brought about a situation where Franco got complete control of the sea, which meant immediately -- and he has had it ever since -- which meant in fact that if, by some hook or crook, I could determine that there wasn't any war in Spain and thereby allow the shipment of arms to both sides, both to Franco and to Barcelona, the effect would be that Franco, controlling the sea, could send his ships directly to the United States and load them up with bombs and airplanes and anything else that he could

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buy and take them over right to his own army, because he controlled the sea.

The Spanish Government, the Barcelona Government, because it did not control the sea, would not be able to buy anything by direct shipment to Barcelona or Valencia. Therefore, to have changed the neutrality proclamation in the last few months would have been definitely aiding and abetting the Franco Government.

Now, as a matter of fact, the situation is this: We have also read about this terrible, inhuman bombing of the civilian population in Barcelona. We have also read -- and while I have no information on the subject, it probably is true -- that American made bombs have been dropped on Barcelona by Franco's airplanes. That is possible. If those bombs were of American manufacture, they were bombs that were sold by American manufacturers to Germany, that is to say, either to the German Government, which is a perfectly legal thing to do, or to German companies, which is also perfectly legal, and they were shipped to Germany and reshipped down to Franco's forces.

At the same time, we also know that there have been munitions which have left this country and have been sold in France. That is a perfectly bona fide sale. These sales, either to the French Government, or to French agents, or French companies -- we being at peace with France and they being entirely legal, there being nothing on the face of the sale to show -- in all probability, a good many of these shipments have all gone to the Barcelona Government, so the net effect of what we have been doing in the past year and a half has been as close to carrying out an actual neutrality -- not

helping one side against the other -- as we can possibly do under the existing law.

Now, the same thing applies to the Japanese-Chinese situation. In that case we have not put into effect the neutrality proclamation for the very simple reason that if we could find a way of not doing it, we would be more neutral than if we did. We have found a loophole. Diplomatic relations between China and Japan have not been broken off.

Now, if we declared neutrality, what would happen? Japan could not buy any munitions from us, but they are not buying them anyway. China is buying munitions from us via England, via Singapore, via Hong Kong -- not direct -- through English purchases and, undoubtedly, American munitions are going into China today. But, on the other hand, Japan has complete, free access to all of our raw material markets because they dominate the ocean. They are buying their copper, their oil, their cotton -- they are buying all kinds of things, scrap metal by the shiploads, which is going into munitions, and they would be able, under the Neutrality Act, to continue to buy oil and copper and scrap metal.

Therefore, by virtue of this excuse that they are not at war -- it is only an excuse -- we are maintaining, in fact, a neutral position.

Q We are achieving that, despite the neutrality?

THE PRESIDENT: Despite the neutrality law and that is the trouble of a neutrality law that attempts to tie the hands of an administration for future events and circumstances that no human being can possibly guess at.

Q Would you mind saying what your thought is on the Scott Resolution?

THE PRESIDENT: The Scott Resolution is a perfectly simple thing. It asks the State Department, in effect, to repeat to the Congress what is already known to everybody. That, in the case of Ethiopia, we took such and such a position. That, in the case of China and Japan, we took such and such a position. And, I think it will be answered in that way. We will simply lay the records before Congress of what we have said and done in the last two years.

Q There is something that I do not quite understand; perhaps you would be willing to explain. I think, in your last Fireside Chat, you spoke about certain legislation this Administration got through, the T.V.A., the Wagner Act, the Utility Act and others. I think you admitted they were not perfect. Why has not legislation started so that they would not be one-sided?

THE PRESIDENT: For this very simple reason: The Wagner Act ought to have various amendments made to it, but we are a funny people over here. We at once go to the extreme, both one side, labor, and the other side, the employer. We all get upset and excited and we say things we do not mean and we make over-statements.

Now, in England, when they put social legislation on the statute books, they do it with the knowledge that every year or so they will amend it. Social security (over there) went into effect in 1911 and I think, without exception, every Parliament has amended it. Now, how do they amend it? They have a Royal Commission that looks it over; it is nonpartisan, there are businessmen on it and there are labor people on it. They decide that the thing needs certain improvements made on it. The Royal

Commission makes a report to the Parliament and the thing goes through, almost automatically, without fuss or feathers.

If we had that temperament over here, we would have improved the Wagner Act this year and improved the Social Security Act this year, keeping them out of politics.

Q Perhaps that is what Congress needs?

THE PRESIDENT: I think you are right.

Q Why does the National Labor Relations Board regard itself as a bunch of prosecutors instead of a fact-finding body?

THE PRESIDENT: Well, that is a statement, and I do not know that it is wholly justified. I think it is in some cases but on the other hand, there is another side to the picture.

Let me tell you a story that is known to four or five of you who are here tonight; there is a certain cotton mill in the South. The conditions in that cotton mill -- the conditions of wages are good; the conditions of housing are good. They are well above the average. As long as ten or twelve years ago the owners of this mill abandoned the company-owned house. Pretty nearly every operative in that mill owns or rents his own house. The cotton mill does not own or rent any houses at all. Taking it by and large, the conditions of employment are good. They have had very little labor trouble.

Not long ago, the United -- what do they call it? -- the Cotton Textile Workers' Union, in pursuance of organization provided for in fact by the law -- it is perfectly legal -- they sent down to this town two organizers. Well, I happened to know one of them and that particular man is just as good an American as

anybody in this room. He is a labor organizer but he is a damned good citizen. He took with him another man; I do not know him but his reputation is exceedingly good. They went down to this town with the specific purpose of seeking to create a union among the textile workers. They got in town about ten o'clock in the morning and they went at the noon hour -- they had a list of eight or ten of the operators. They were going to see them at the noon hour. So they went to the factory and they asked, "Where is so and so? Where can I find so and so?" They were engaged in asking questions, when one of the mill police tapped him on the shoulder and showed his badge and said, "Come with me." He said, "We have not done anything; we are outside and on the street and just asking to see some fellows." "Oh, we know; come with me."

They were taken to the police station and locked up in a cell on the charge of vagrancy. Both of them had, oh, fifteen or twenty dollars apiece in their clothes. They said, "We are not vagrants; we came down here from such and such a city." "But you are organizers." "Of course we are organizers." "Well, you are in a bad place."

They were kept in jail until five o'clock, just before dark, and the judge came in and said, "What are you doing here?" "We are down here to try to start an organization of the textile workers of this mill."

"That is what you think," he said. "Ten dollars fine and out of town before six o'clock, and do not come back."

They did not know what they were fined for but they paid the fine, and as they went out of the courtroom, one of the marshals,

or policemen, went up to them and said, "Which way are you boys going?" They said, "We have got to get out of town and we thought we would go to such and such a town, ten miles away."

"Well," said the policeman, "I will give you a lift; I turn off two miles short."

They rode with him and he said, "This is where I turn off." They got out and started to hike down the road. They went about a quarter of a mile and out of a clump of bushes came some men with blackjacks and they got the worst beating up that any two people could get without getting killed. They spent a week in the hospital and they were served notice by a man who brought the message, "Do not go into that town." Now, those were authorities of that government, town and county.

Now, you do not get those facts and that is one reason why the National Labor Relations Board sometimes tries to bring out facts of that kind. It is their duty to do it. They have a perfect right to go into that town. It is their duty.

Q Mr. President, what would you do in a case like this: There came into Tupelo, from Baltimore, a C.I.O. organizer. He did not know a blessed thing about conditions in that community. There was a cotton mill. The workers were satisfied with the working conditions. They had good houses and all of their children were in school.

Those organizers proceeded to organize a C.I.O. body. Well, the owners of the mill said, "We cannot meet your terms and conditions. We are just barely keeping our heads above water and so, therefore, we will close down the mill. We will simply liquidate."

As a result, 400 workers were thrown on charity.

Well, the people who took the load became tired of supporting those 400 idle workers and a few nights ago they took the C.I.O. organizer out and gave him a fairly good strafing, although not as good as he should have had. They had a woman and they gave her a little beating up, too.

Now, there are 400 people destitute because they came down here and disturbed the conditions.

THE PRESIDENT: Were they a majority of the mill?

Q There were none of them keen about it. There were just a few in there. The majority of them did not want it.

THE PRESIDENT: Did the majority join?

Q No, the majority did not.

THE PRESIDENT: What did the National Labor Relations Board do?

Q The National Labor Relations Board apparently got a man down there to hold a hearing at the mill and he started the hearing after the mill closed.

There you have a case of force and that ought not to be allowed to close the mill. That was ten per cent and they had no right to close the mill.

THE PRESIDENT: The answer is not in beating up. The answer is going to the courts about it. Now the machinery -- heavens above! -- the machinery needs improving, of course it does, but do it the English way. Do not damn everybody about it. Try to get the thing improved.

Q Is it true that the press is taking an unfair advantage of the National Labor Relations Board when it prints that defendants

before the Board were absolutely prohibited from presenting their testimony as they chose to present it? Is that another evidence of the unfairness of the press?

THE PRESIDENT: You will have to give me a specific case on that. I was once a lawyer and I know that by the presentation of testimony you can tie up a case for weeks, if you want to. It is a very simple thing. It depends on the judge. Again, you may be before a court that shoves off too fast.

Q There was an important decision last week. I confess I have forgotten the title. It was a steel concern. They were denied the right to testify.

THE PRESIDENT: Now, you talk about the press. Every month, on the average, since that particular Board has been going, they have handled approximately 200 cases. At the end of the month they give a report on what happens. Out of the 200 cases, you will find on the average that 185 have been settled by some local arbitrator and they never turned up in Washington. That is about 185 out of 200. You will find that another ten, out of the fifteen, are still pending, without any proceeding whatsoever and that, out of 200 cases, there will be five that are not settled or are in the process of being settled. Well, 195 cases out of 200 is a pretty good average.

Now, those figures are given to the newspapers every month. For one solid -- I will put it this way: For the first month after the Board made its report, it was printed in the papers that they had settled 195 out of 200 without fuss or feathers. From that time, there never was a word about that monthly report. About

a month ago, I told the Press about it in a Press Conference and it was printed only because the President of the United States called their attention to it, and pretty nearly everybody sent a story to their papers about it. Half the papers did not print the story. It was not on any first page. Most of the stories were cut from half a column down to a clip on the fourteenth page. Now, those are facts.

Q Do you think it would do any good for the Government to conduct elections in a great many towns where there seems to be uncertainty so that no one knows which side is in the majority and they sit around, not knowing what will happen, because the C.I.O. doesn't work and the other side can't work. Couldn't the Government go in and have an election?

THE PRESIDENT: My opinion is, yes, and that we ought to do it.

Do you remember the Detroit case in 1934, when that automobile strike threatened? Do you remember, I appointed a board of three, that they went out to Detroit and they, this board of three, ran the election themselves? I think it is a good thing to do.

Q I am from Canton, Ohio, and a couple of weeks ago, the National Labor Relations Board decided in a steel case that the company should deal with the C.I.O. if they are in the majority. A couple of weeks ago they decided that the company union should disband itself, yet there is a feeling that it is in the majority. Should the Government go in and decide?

THE PRESIDENT: I think they should do it. When either side raises a question on the actual representation, I think the Government

should have a vote under its jurisdiction.

MR. ALFRED H. KIRCHHOFER: It is with reluctance that we will have to take our leave.

THE PRESIDENT: It is grand to see you. But I do want to repeat, in the utmost friendliness, that this situation is very largely in your hands. And, do not worry, it is nothing in your own lives. [Not?] Now a bit. That part of it is easy. I am thinking about the American public and I am thinking about the newspapers of this country. I do not want them to lose their influence as newspapers giving all the news. I feel very, very strongly about it for the sake of the public and even for the sake of the Press and if, from now on, we can have a presentation from the Press of both sides of the news, it will be a perfectly magnificent thing.

I will tell you a story: A year and a half ago, when John Boettiger went out to take charge of the Seattle Post-Intelligencer, we all knew he had a hot potato. In the first place, he had a paper that ran between three and four hundred thousand dollars a year in the red. That is no joke. In the second place, he had old man Hearst as a boss, which is no joke either. (Laughter)

However, he had got a pretty good understanding out of the old man, Hearst, that he would not have to run those box editorials that Hearst wrote. Well, that was something. (Laughter) That was a gain. Then, in addition to that, he was going to a city that has had more violent labor troubles than almost any other city in this country.

He said, "What would you do?" I said, "Two pieces of advice from a student of publicity. Eliminate your editorial page al-

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together. Nobody reads it."

Now, that is horrid for me to say that to you. Old man Ochs told me a great many years ago -- not so many, about four or five years ago -- that in his judgment only eight per cent of the readers of the New York Times read any of the editorials, and less than half of one per cent read one editorial all the way through. Now, that is Mr. Ochs.

So, I said, "John, cut out your editorial page entirely. Run some features on it, run some cartoons on it, run letters to the editor on it and clip editorials that appeal to you from other papers or weeklies or monthly magazines." (Laughter)

I said, "Number 2: On your news stories, you are a newspaper. You are in a labor dispute town. The next time you have a strike down on the water front, take two of your best men and say to Mr. A, 'You go down and you cover the water-front story for tomorrow's papers and you get in your story, the story of the strikers from their point of view, and write your lead that the strikers claimed yesterday that so and so, and that the leader of the strikers, Bridges' man, said so and so and so and so.' And then say to Mr. B, 'You go down there and you write your story from the point of view of the shippers, the owners of the freight that is tied up, the point of view of the steamship owners whose ships are tied up, and you write your lead that yesterday on the water front the shippers and the shipowners claimed the following:' You run those two stories in parallel columns on the front page and do not make them too long so that the reading public would get both sides at the same time."

Q Did he follow your suggestion, sir?

THE PRESIDENT: He did not. (Laughter)

Q Has he made a big success of his paper?

THE PRESIDENT: He is in the black, probably because he did not take my advice. But I will say this, that he did honest reporting.

Q That was good advice, Mr. President.

THE PRESIDENT: You think it was good advice? Well, anyway he got in the black and that is the main thing.

MR. KIRCHHOFER: We are very grateful to you. We hope we can come next year.

THE PRESIDENT: I enjoyed all the shafts and I think I returned them with interest, so it is all right. (Applause)

(The conference adjourned at 10.40 P.M.)