

CONFIDENTIAL
 Conference #647-A,
 Conference on National Defense,
 Held at the Executive Offices of the White House,
 May 30, 1940, 12.15 P. M.

Present: Advisory Commission to the Council on National Defense:

Edward R. Stettinius, Jr.
 William Knudsen
 Chester C. Davis
 Ralph Budd
 Leon Henderson
 Miss Harriet Elliott
 William H. McReynolds
 (Absent: Sidney Hillman)

Secretary Morgenthau
 Secretary Woodring
 Attorney General Jackson
 Secretary Edison
 Secretary Ickes
 Secretary Wallace
 Secretary Hopkins
 Director Smith
 (Absent: Secretary Perkins)

Senator Barkley
 Representative Rayburn

General Marshall
 Admiral Stark

Secretary Early
 General Watson
 Captain Callaghan

THE PRESIDENT: This carries me back a long ways, twenty-three years, twenty-four years and the situation is a little bit like the World War period but it differs also in a great many respects. In 1917 we undertook to complete national mobilization. There had been practically nothing done before the sixth day of April when we actually went into the war. We had no system, we had no plan and there was imposed on the country rather slap-dash methods. The duty of organizing an Army of between four and five million men, and almost doubling the size of the Navy, and

there was evolved from it a system which on the whole worked fairly well but was very weak in a great many other particulars.

We paid very little attention in those days to certain economic factors. Well, for example, in the spring of 1917, because of the two previous years when we were not in the war but theretofore, a very vicious spiral had begun, in fact it had got so far under way that it was practically impossible to check it. It related to all kinds of things that people buy and it upset very greatly the whole scale of wages, methods of employment and everything else.

Just for example, before we got into the war wheat was selling for $2\frac{1}{2}$ dollars a bushel. Well, that affected every family in the United States. It is a perfectly absurd price, of course, because the wheat farmers at that time were perfectly capable of making a good living with wheat selling at, say, a dollar and a quarter, just half of what it actually was selling at. Cotton was up around 30 cents a pound and the whole life of the South was completely changed. The colored field hand, because of the price of cotton, the tenant farmer, was buying silk shirts. It was not just the worker in the factories. The negro field hands were buying silk shirts. Right, Henry (indicating Secretary Wallace)? It was a terrible situation.

Copper, which at the beginning of the war had been selling at a nice profit, around 9, 10 or 11 cents, was up to 28 cents a pound. The result was that the copper miner was getting 15⁰⁰ and 20 dollars a day. And, as fast as the cost of living went up, labor demanded, I suppose rightly, a higher wage. And the economics of that period became fantastic. Nothing had been thought out on those lines. That is the reason that we have added to this Commission of seven, we put on this Commission of seven, certain people who will have the duty of trying to keep

the economic level as constant as it is possible to keep it.

We have, for instance, Miss Elliott, who is going to -- who has a lot of experience on consumer protection, and Miss Elliott's -- I am starting down at the bottom of the list, in a sense, things like price control at the bottom because that is a thing that affects, ultimately, production, but in the first instance, it affects the lives of the people of this country. There won't be very much work for Miss Elliott to do, except in the beginning, except to get from the different departments all of the daily and weekly figures from all over the country on what the cost of the consumer goods is to the consumer and to stop, before anything gets too far out of line, a shortage, an increase of price that ought not to be justified, and keep in constant touch with the figures.

I do not believe that there is an awful lot of Government action that is needed at the present time. We have got surpluses in almost everything. The shelves are still pretty well stocked, the retail shelves all over the country, but it is something we have got to watch like a hawk to keep it from getting out of line. Now, that is Miss Elliott's job.

In the same way, Mr. Leon Henderson's job is price stabilization in what might be called the non-consumer goods in their raw state, copper and cotton and wheat and steel billets, et cetera and so on.

We haven't got much of a problem at the present time because those articles today are not selling out of line but they may, and he has got to watch that like a hawk to see that they do not sell out of line.

In the same way, in the same general subject, Mr. Davis will handle the farm products end of it on an over-all basis and will try to keep farm products in line with the general economy and see to it at

least that the farmer gets, during this coming period, as much a proportion for his money, for the continuation of his life, as other people are getting. The Secretary of Agriculture, who is here, will say, "We ought to get a little more because the farmer is still out of line." He is. We have had this theory of parity now for a great many years; both political parties have tried to bring the farmer up to what is known as "parity," which means essentially that we have taken an old period, 1908, 1910, in there, where the ratio that the farmer was getting, by way of his share of the national income, was in those days a good deal higher than it is at the present time. We have got to bear in mind that it is the Government objective, not partisan in any way because all parties have agreed on it, we have tried to get the farmer as close up to parity with the industrial worker, the minute man, et cetera, as it is possible to do.

Well, that will be, roughly, the job of Mr. Davis, working in very close touch with the Department of Agriculture.

Then we come to -- let us see -- now we come to another phase, which is not immediate, and that is Mr. Ralph Budd's job of adviser on transportation. I suppose the easiest way is to tell you what happened: Last August, I think it was, realizing that something like this might happen, I asked Mr. Willard, who is a very old friend of mine, who ran the railroads during the war for the Government, to come down here and tell me what sort of a setup he thought we could put into effect, and he said he thought it depends entirely on whether the railroads are going to be taken over by the Government or not. I said that would be the last possible resort; I don't want to set up a system by which the Government would have to take over the railroads. Then Mr. Willard said, "I think the railroads are in much better shape than they were

in 1917." He said, "I also know that every railroad president in the United States, and general manager, wants to make a success of transportation in case of a crisis, a national emergency or war, realizing that, by gosh, if they don't, the railroads will be taken over by the Government." Says Mr. Willard, "And every railroad president knows the Government the next time will never hand them back." "Well," I said, "I think that is a pretty good line." And I think that Mr. Willard was absolutely correct.

So I got hold of -- oh, I asked Mr. Willard what kind of a setup he would create and he outlined a setup which he put into the form of an illustration. He said, "I would like to have one room with a double desk in it. I would like to have the Government man on one side of the desk and the representative of the railroads on the other side of the desk. I'd like to have Ralph Budd on one side of the desk as the Government man, and John Pelley on the other side as the representative of the railways." So I talked to Ralph Budd and I asked John Pelley and this particular setup was all arranged -- when was it, last August or September?

MR. RALPH BUDD: September.

THE PRESIDENT: All right. Well, all I had to do was to get on the telephone. Ralph Budd turns up and here he is.

The idea is, and this will come later on, not now, as a necessity for the Army, the Navy or air work, Mr. Stettinius' work on raw materials all kinds of materials just short of the finished product, and Mr. Knudsen's work on the finished product, the moving of the material from the mine to the Lake carrier, to the steel mill, to the finishing mill, to the airplane engine plant and, when that is completed, out, delivery to the Army or the Navy.

Now, as a matter of fact, to carry this out the theory is that everybody concerned with production, even down to the last, will keep Mr. Budd, as the Government man, in touch with the needs for railroad cars and Mississippi barges and canal boats, coastwise shipping and everything else because transportation means every form. Oh, yes, busses and trucks, too. That is a very important factor. We did not have them in the World War much. Mr. Budd will get this advance notice of when shipments are to be made, he will pass a slip across the desk to John Pelley. Is that right, Ralph?

MR. BUDD: Yes.

THE PRESIDENT: And John Pelley will see to it that there is no bottleneck on the railroads, with the certain knowledge -- he is telling the particular railroads involved, "Remember, if you do not clear this bottleneck, if you do not clear this stuff, the Government will take you over." (Laughter) And we think it is going to work awfully well. Now, as a matter of fact, at the present time there is no transportation problem, absolutely none.

MR. BUDD: No.

THE PRESIDENT: But if this thing gets worse, there will be, so Mr. Budd's primary job at the present time is to get the machinery all ready in case there is a much heavier demand on transportation facilities than exists today, so that he can put this clearance machinery at work on pressing the button.

And, of course, it means also that Mr. Budd will take up with the different railroads the problem of additional railroad equipment, either new equipment or the further repair of old equipment.

Then we come down to employment. Mr. Hillman is not here today because he has got a bad case of flu. He will be here on Monday. As I

said to the Press, off the record the day before yesterday, Mr. Hillman is a very old friend of mine and he occupies the psychological position of being exactly half way between John Lewis and Bill Green. (Laughter) You know him, do you not?

MR. STETTINIUS: Yes.

THE PRESIDENT: A good man to work with; very quiet, sensible and, I think, as good a man as we can get. But his problem is not just a problem of union labor. His problem is going to be primarily employment in the widest sense of the term.

Now, as I said to Mr. Knudsen before you came in, a part of this general economy is going to save the Nation money if we can cut down on relief. Relief is costing us a billion dollars, a billion and a half dollars, and it is costing the states and counties and cities another very, very large sum and I want to save money at one end, all I can by cutting down and using that saving to pay, in part, for the munitions that we have to order.

Senator Barkley is here and Congressman Rayburn, the Majority Leader in the House. That does not mean that I am not going to ask for the full appropriation of a billion dollars (for relief) to last until the first of February. That has gone through the House already and is now before the Senate because I think we ought to have the available funds in case we need them. I hope with the pickup that a great many people on relief can be given employment but it is not a certainty yet.

Mr. Hillman will also have general charge of the personnel training in noncombatant work. Now, that means using, building up a great many existing agencies of the Government. It means that we are putting in, I hope -- mind you, a good many of these laws have not finally passed;

most of them have passed one House or the other -- we are proposing to put into the CCC camps noncombatant training.

Well, I will illustrate: One of the great needs is the need for cooks. Now, that sounds silly. We need 10 or 15 thousand cooks, military and naval camp cooks. We haven't got enough male cooks in the United States. We have got to train them; that is noncombatant work. We have got to train a lot more people to be radio mechanics and radio operators. We have not got near enough. That is noncombatant work.

We have got to train automobile mechanics who would not be militarized but we need more automobile mechanics for ground work, for garages and all those things. I am not talking about automobile production. I am talking about the repair gangs that go with a very large mobilization -- Army and Navy. The CCC will be used for that.

Secretary Hopkins, in the last three weeks, has been handling the personnel angle of this whole program and we have already sent to Congress a deficiency estimate of \$32,000,000 on that end of it.

Then, we will use the NYA, the National Youth Administration, which already is doing a very large training, vocational training of mechanics, et cetera and so on. It is the elementary part of it, at least it is something to build on, and they will continue that end of the work, the NYA. Then, the CAA, the Civil Aeronautics Authority, is going ahead with the base training of fliers. This year that organization is turning out 10,000 boys who have had the base course and this coming -- from now on they are going to expand the same system, which is running very well -- in other words, I do not like to start a new organization if you have got something you can build on -- and with the help of a very distinguished civilian committee they are going to try to train 50,000 pilots in the base course.

Now, from this civilian training, from a good part of it, these boys and some girls, I hope -- going to put them in if we can -- will graduate to what might be called the post graduate courses. On the raw materials -- not the raw materials but the unfinished material end of things -- some of them will graduate into steel production. Others will graduate into the finished product, automobile production, airplane production, gun plants, and some of them will graduate into the Army and Navy. Some of these fliers and pilots and some of the mechanics will go to the post graduate schools that are run by the Army, San Antonio and several other places, and the Navy down at Pensacola.

Then we come to the two other, the two other "sections," I suppose is a good word for it, beginning at the bottom and, mind you, probably, as I said before, consumer protection, transportation, stabilization and farm products will require relatively, and at this time comparatively small staffs; it is a coordinating job, it is largely a statistical job, so you will know just where the information stands at any time. The employment section will be a good deal bigger, necessarily, and the other two, industrial materials and industrial production will have to be pretty large sections.

Mr. Stettinius will handle all of the materials, as I illustrated, from the mine up to the unfinished steel shaft for a destroyer or the engine block, and then it will be taken over on the production end by Mr. Knudsen's division.

I said to Mr. Knudsen this morning that this is a coordinating job in a way but, at the same time it is a good deal more than that. It is getting things done.

Now, to go back and illustrate the Government relationships to this Commission:

You who are in private business know, I think, that the Government has all kinds of safeguards that have been built up over a period of years so as to prevent the stealing of money by Government employees and it has worked awfully well. In addition to that they put in the Civil Service fifty, sixty years ago, and we want, especially when we are not at war -- we don't want to break down Civil Service or the safeguards. You have to go through a lot more paper work than you would in a private corporation. You have to, because of the enormous size of the Government's business -- \$9,000,000,000 this year; it is a big business -- you have to coordinate with a lot more groups than you do in any private industrial company, because they do so many more things, the Government does. And on that end of it, you know, I have appointed the best qualified men I know of, who have been in the Government for a long, long time, and Mr. McReynolds as secretary to you gentlemen.

If you want to know about Government methods -- even people who have been here in the Government, specializing on one thing, they have got a lot to learn. Leon Henderson will have to learn a lot from Mac (Mr. McReynolds). So will Chester Davis, he will have to learn a lot from Mac because, when you are on one particular kind of work for the Government you don't know very much about what is going on in the others. When I was Assistant Secretary of the Navy I hadn't the foggiest idea of how the Department of Agriculture was run. I have learned that in the last eight years from Henry Wallace.

So Mr. McReynolds, with his secretarial staff, will act as a clearinghouse to help you in shortening, cutting red tape and shortening the delays that ordinarily, quite frankly, go with Government business. And he is very good at cutting corners.

And then you will run into another question which you can always

handle through Mac and that is the question of legality about this, that or the other thing. That is why I asked the Attorney General to come in although he is not on this so-called Council of National Defense, and neither is the Secretary of the Treasury, and neither is the Director of the Budget. But there are certain things you will want information about as to legality, whether you can do this or can't do it, and through the secretary you will be able to get, I can assure you, a quick judgment, even though it is a snap judgment from the Attorney General, without delay.

When it comes to a question of finances, you can take it up, either directly or through Mac, with the Director of the Budget, Harold Smith, or the Secretary of the Treasury. In other words, I think we have got the machinery that will save everybody time and work in together.

Then on another phase, your relationship to the Army and Navy -- that is very, very important.

The final determination of the character of Army and Navy materiel has to be made by the people who know best about it, in other words the Secretary of War, the Secretary of Navy, Chief of Staff of the Army and Chief of Operations of the Navy, and we civilians have to be bound -- and the Congress -- in effect, by what they say they need for military operations. We have always done it that way, with certain exceptions where an important committee of the Senate goes twice up to the proving grounds to see a crackpot inventor set off an explosive that does not work. Of course if the members of the Senate want to go up and see pyrotechnics of that kind, it is entirely up to the Senate. Am I right, Alben?

SENATOR BARKLEY: I think so, yes.

THE PRESIDENT: But, in the last analysis, the Army and Navy officers and

heads of their departments have got to determine the needs and the character of the needs. And sometimes they make awful mistakes. I was talking to Mr. Knudsen this morning. One of the first times I ever saw him was up in Detroit, during the war. I think it was the summer of 1918. The Navy had decided that they wanted more mass production in ships and so somebody made the terrible mistake, not of giving the job to Mr. Ford but of designing a ship that was completely unsafe and which, if you turned too short or too fast, would tip over. It was called the Eagle boat and Mr. Knudsen did a perfectly grand job in turning them out -- couldn't have been improved on. But the design was awful. It is the easiest way of telling that story. We have been trying to get rid of them ever since.

MR. KNUDSEN: That wasn't up to us, Mr. President. (Laughter)

THE PRESIDENT: No, the design was entirely the fault of the Navy Department. We have to admit it. However, taking it by and large, the Army and Navy do know more about these designs than any of us and we have to depend on what they tell us. Now, when you come down to this work, either of the materials section or the production section, it falls really into three jobs: The first is requirements. You have to know what the requirements are. Then you have to put them on the schedule. It is a question of priorities. That comes into that, and speed. And then, the third is deliveries.

Now, you won't have -- it will be up to you entirely -- you won't have any trouble when you get these things to the schedule stage, because, after all, that is your business. If you can once get the thing scheduled and under way, then with your inspection and follow-up, you can get your deliveries. But, I said this morning, you are going to have to ^[a] little trouble in the beginning in getting your requirements

listed.

The total of this program is going to be approximately \$4,000,000,000. The regular Army and Navy Appropriation Bills, which were larger this fiscal year, carried a total of about \$2,000,000,000. Of course that did include pay of the Army and Navy and food for the Army and Navy and clothing for the Army and Navy. But then, some of these other appropriations include the same items. On top of that, another billion dollars I have already asked for, and a fourth billion dollars that will go up to Congress tomorrow for the Army and Navy. Out of the total of that four billion dollars -- I don't know -- I have not had broken down the amount that goes to pay and food -- have you any idea on that, George, General?

GENERAL MARSHALL: I do not know; the earnings (?) and closely allied products alone will run up to about \$700,000,000.

THE PRESIDENT: Yes. So the first job is to go through with the requirements and make the Army and Navy agree exactly what those requirements are. Now, there are a lot of kinks to be ironed out, a great many, especially on aircraft engines. And, during the past three weeks, because we did not have this Commission, the Secretary of the Treasury has been acting as a sort of clearinghouse, because he had been acting as a clearinghouse beforehand on the allied purchases, so it was logical he would act as a clearinghouse on the procurement of engines and planes. So he will work -- that, of course, is a finished product -- with Mr. Knudsen. He will tell him exactly what has been done up to now. He will tell about our efforts to simplify.

The Army had twelve or fourteen training types of engines; the Navy had four or five. The reason for that was a perfectly natural one: The Army wanted to keep the little plants going during the past couple

of years. They wanted to keep them in production and therefore accepted engines that were of a slightly different type and planes that were of a slightly different type. But our thought as of today is that we should simplify and get down to as few different types of planes and engines as it is possible to do.

Then, as I say, on that end of it Mr. Morgenthau and Mr. Knudsen will exchange views and you will get from him everything that has been done up to date on that line. The same way with machine tools, which is very, very important. We have done some preliminary spade work but that part is not straightened out entirely yet.

Then, there is another phase, just to illustrate what we have been doing, and that relates to certain of what they call critical raw materials and that falls into Ed Stettinius' field. Starting three weeks ago, I turned that over, because there were so many departments interested in it, to Harry Hopkins and he has got that in very good shape.

There are, roughly -- what are there, Harry, twelve?

MR. HOPKINS: There are fifteen of them.

THE PRESIDENT: There are now fifteen critical raw materials. Now, of course, if you read some columnists, you would say this country is going to fold up if you did not have a three-years' supply of all these materials on hand.

The problem is much simpler. Out of fifteen different things, twelve of them are very small, both in volume and price, and there is before the Senate and House today, in two different -- three different -- four different bills, a total of \$60,000,000 for the purchase of these raw materials. Well, there are things, for instance like three million dollars' worth of quinine for the Army and Navy and Public Health Service

because we haven't got a big enough stock of that. That comes almost entirely from the Dutch Indies. We are trying to buy it now through the Procurement Office and we hope to get in under the wire before the Japs or the Germans take them.

And then there is an item in there for mercury. We have not got enough mercury in this country in storage. There is an item of four or five million dollars for chromium -- things of that kind, all relatively small.

Those are being handled, those twelve items, that comparatively small total of \$60,000,000, by the regular Procurement Service of the Government, to which was appointed yesterday Mr. Nelson of Sears Roebuck, to the head of it. And, mind you, a great many of all these articles that are needed by the Army and Navy, a large portion of the purchases will actually be done through the regular Procurement office, which is buying -- I don't know what -- three or four billion dollars' worth of goods of various kinds every year.

Then that leaves you three critical raw materials -- tin, rubber and manganese.

Well, let us take the case of manganese: I don't think the steel people are very much worried about that problem. We are getting most of our manganese from the Straits Settlements at the present time because it is the cheapest place to buy. There is some in Brazil and there is a lot of high-class manganese in the United States. Now, we can't ask the steel companies to lay in a large stock of manganese at a very high price. They now have somewhere around six months' supply on hand.

MR. STETTINIUS: Six months on rubber.

THE PRESIDENT: Is that it?

MR. STETTINIUS: Two years on manganese.

THE PRESIDENT: You see, manganese is not a very serious problem, but we are going to set up a corporation, a Government corporation, and lend it the money through the RFC, and try to get a little more manganese in storage in this country.

At the same time, through Stettinius' organization, he has got to have a study made of how long, in case we get into a long war, how long it would take to put our own manganese mines into operation --

MR. STETTINIUS (interposing): Right.

THE PRESIDENT: -- and be ready to give an order and have those mines in operation by the time the storage supply gave out.

The next item, rubber, there again nearly all of that comes from the Dutch Indies and may be cut off by water, and we have got only a six-months' supply and you cannot blame the tire manufacturers because rubber is selling at a pretty high price and they don't want to get stuck with an enormous supply and then suddenly have the price cut in half. So we are going to finance that through Jesse Jones and have a corporation to buy the rubber and get it here, if it is possible to get it here, from the East Indies and create, in effect, a revolving supply of rubber, which will be turned over to the rubber manufacturers. To put it another way, we guarantee them against a loss on their own raw materials.

So that setup is ready to go as soon as the bill goes through giving Jesse Jones the right to organize those three corporations.

Did that go through the Senate yesterday, Alben?

REPRESENTATIVE RAYBURN: The House Committee reported it yesterday.

SENATOR BARKLEY: That has been reported out of committee.

THE PRESIDENT: So -- one other thing: Stettinius has got to start in with

the scientists because we might be cut off entirely on rubber, and we have only got a six-months' supply on hand -- to produce in this country rubber substitutes which can come from the Guana (?) -- some kind of a plant -- and I think it was Mr. Ford that proved it could be made from goldenrod at a much higher cost and, of course, it can be made synthetically from oil residuum -- now, we ought to be ready, in case we get cut off from the supply of natural raw rubber that comes from Brazil but mostly from the East Indies -- to make our own home grown supply of rubber.

On the question of tin, it is very much the same situation. We have a supply of tin on hand. I do not remember what it is -- six or eight months.

MR. STEPTINIUS: A year, sir.

THE PRESIDENT: We probably can get more out of scrap stocks in this country than we are getting now, but still we have not got enough tin. That comes from the Straits Settlements. It might be cut off. There is still another market, Bolivia, which is a higher cost market and that, because of German activities down there, might be cut off from us. That is a little bit of a difficulty. We have no tin in this country and it is largely a metallurgical question of trying to substitute for certain articles that have a tin base today -- to substitute other metals.

MR. STEPTINIUS: We have no tin refinery, which is just as important.

THE PRESIDENT: And we have no tin refinery either.

So that part, these critical war materials, I think we are pretty well on top of in purchasing all we can get now, but we have not yet carried through the study of putting our own machinery at work to create what the Germans would call "ersatz" materials and supplies.

Now, it is my thought that you will find, all of you, that the Army-

Navy Munitions Board has available a perfectly grand mass of materiel and I think that you should, as a Commission, have certainly a liaison with the Army-Navy Munitions Board, through some member of that Board, an Army officer and a Naval officer, or that you may want more than that. On some of these sections perhaps Mr. Knudsen ought to have, on the production end, two people from the Munitions Board and Mr. Stettinius on his end ought to have two people from the Munitions Board. Some of the others won't want any -- Chester Davis, on the agricultural end, probably won't need anybody from the Munitions Board, and on the two price sections, I don't think you will need anybody from the Munitions Board because you will be keeping in touch with the proposed orders when they have been decided on, in other words when you get past the requirements stage.

MR. HENDERSON: I have a certain knowledge of what they have been doing over a period of time.

THE PRESIDENT: Yes and you (turning to General Marshall) have got plenty of people that know that arrangement?

GENERAL MARSHALL: We can arrange that very simply.

THE PRESIDENT: Now, just one word -- my Lord, I seem to have talked an awfully long time -- one word about the present situation. I will tell you all that I know in the international situation in a very few words:

It is extremely serious for England and France. We are not saying so out loud because we do not want to intimate in this country that England and France have gone. It would hurt their morale terribly if we mention it out loud, but it looks very serious.

The German personnel and German materiel is so infinitely larger -- I do not say superior in efficiency but so infinitely larger -- than the combined personnel and materiel of England and France that, just on

the doctrine of chance, they will win.

It means two possibilities, if and when that happens -- it happens with the aid of all the resources of Italy because it looks today as if they will come in somewhere, sometime in the next two weeks, maybe next week, maybe the week after, but it is reasonably certain that Italy will come in. That will mean the complete domination of Europe by the Nazi forces, with the Fascists acting as their lieutenants. It will mean the complete domination of Africa, which is wholly owned by European nations, and a very definite desire on the part of the people who run Germany to destroy the power of the British Empire and England especially.

It does not mean of necessity that they will be coming over here but it means possibly that they would set up an economic union, a tariff union, which they would control entirely and then say to the people outside, "Yes, you can join that tariff union on our terms." They could say very readily to nations where they have a large infiltration, like South America, they could very well say, for example to the Argentine, "If you will join our economic European union, we will take all of your meat, your wheat and your corn, on which, the export of which you live on. We will take them on our terms; we will guarantee to take them. We will pay for them but there is no such thing as foreign exchange in the old sense, based on gold or anything like that, so we will pay you in goods which we will decide on. We may send you steel rails from Belgium, which is part of our tariff union, production union. We may send you toys or steel from Germany; we may send you knives from Sheffield, England, because we dominate the entire economy of England, Scotland and Wales. And if you don't want to take it, if you don't want to join this union of ours, you don't have to."

Of course that puts it squarely up to the Argentine, which has a

very large German population already. If they do not accept, there is no place else in the world where they can sell their beef, corn and wheat. Stuck! That is one of the things we have got to face.

That will be a peaceful process in the sense that the Germans and Italians send no armed forces over to our hemisphere. It will mean they will make no attempt or effort to take possession of Canada or the British West Indies or the French West Indies. Therefore, technically, they would not be violating the Monroe Doctrine and, through a peaceful process of control, they would, in effect, dominate all of South America, Central America maybe, and they might even ask us to join the customs union. I can see a picture of what would happen in this country if they said to the South, "We will take all your surplus cotton, take 6,000,000,000 bales of your cotton and we will pay you in steel rails or we will pay you in cheap German automobiles." Of course it would mean a complete revolution of thought, political thought, economic thought in this country as to whether we will retain the tariffs and keep the equivalent of 6,000,000,000 bales of cotton, translated into terms of automobiles or steel rails or anything else, whether we will accept that and go on a straight barter basis of export and import or whether we would retain our present methods. And I think the country would be split right across the middle on it and I don't know what the circumstances would be or what the answer would be.

On the other hand, a victor of that kind may think at the beginning that he is not going to conquer the whole world but, when the time comes and he has conquered Europe and Africa and got Asia all settled up with Japan and has some kind of a practical agreement with Russia, it may be human nature for victors of that kind to say, "I have taken two-thirds of the world and I am all armed and ready to go, why shouldn't I go the

whole hog and control, in a military way, the last third of the world, the Americas?" And there is no one of us can guess definitely as to what will be the decision on the part of Germany and Italy if they completely control all of Europe, including the British Isles. We don't know. That is the reason for this program. It is because we don't know. That is the primary reason. A good many other victors and conquerors in the world have said, "I only want so much," and when they got that they said, "I want only so much more," and when they got that they said, "I want all the whole known world."

So there is the situation and that is what we have got to prepare for.

One more thought comes to me and that is this: that in all this production work, I think we have got to bear in mind not that we are filling an order. We have got to do more than that. We have got to say to ourselves, all of us, "We are filling a specific order that is given to us by the Congress of the United States but, at the same time, we are preparing all the plans and, perhaps, even doing construction work against the time when that particular sized order is going to be doubled or trebled." In other words, on the question of -- what? airplane engines, we may be able to get the engines we want from existing plants but we have got to think of the possibility and, perhaps, prepare for it, where we may have to turn out infinitely more engines than this particular order calls for. That brings in a military consideration. Nearly all, so many of our plants are situated on the seaboard, on the Eastern seaboard, some things on the Western seaboard and, from the military angle, on additions to present production I think we are all agreed that we want to put them in the Middle West or the north part of the Middle South, just for ordinary precautionary purposes.

I do not think I have got anything else -- if you want to ask questions I will be delighted to answer them.

REPRESENTATIVE RAYBURN: When are you going to send this additional estimate up to the House?

THE PRESIDENT: Tomorrow morning, if I can get through with the Army and Navy. I think I can. What I am going to do, Sam, is to send it up in rather general terms, without giving, probably, a specific figure. The Army estimates run around 700, 750 million dollars more, and they cannot probably, of course, be spent, all of it, in the coming fiscal year, and this thing will have to be broken down by the Army before the Appropriations Committees.

REPRESENTATIVE RAYBURN: That won't require any additional legislation like we are passing this week or last week -- this week on the Army and Navy?

THE PRESIDENT: I don't know; how about that?

GENERAL MARSHALL: Not for the Army, sir.

THE PRESIDENT: You don't think so?

GENERAL MARSHALL: No.

THE PRESIDENT: And the Navy I haven't seen yet.

REPRESENTATIVE RAYBURN: That is the deficiency program?

THE PRESIDENT: Yes. - We want to eliminate, of course, from the Army and Navy figures things that are all second and third priority. I want to stick to the first priority and it will take at least until the autumn, probably November, before those orders can possibly be let and I think, as we all know on the doctrine of chances, that if this world situation continues the Congress will be back here after election day.

SENATOR BARKLEY: What you are sending up tomorrow is in addition to the \$1,182,000,000 asked for in the pending bill, and that is either authorized or based on authorizations anticipated in the pending bills, Naval

and Army, which are now on the calendar in the Senate and House too?

THE PRESIDENT: And, of course, you can authorize the contracting for certain sums which would mean that the greater part of the money would not come out of the Treasury until a great deal later.

SENATOR BARKLEY: You spoke of \$4,000,000,000 a while ago?

THE PRESIDENT: Yes, it will be about a billion more.

SENATOR BARKLEY: How is that broken down? You have got your \$1,182,000,000 --

THE PRESIDENT (interposing): It is mostly on three or four related items; aircraft; aircraft guns to go on the aircraft, both Army and Navy; anti-aircraft guns for both the Army and Navy; ammunition to go with it; certain things like tanks, which run up to \$90,000,000. Those, I think, are the principal items. It is guns, ammunition, tanks and aircraft. That is the bulk of it, and both services.

ADMIRAL STARK: Plus some Naval ships which are already authorized, if you approve them.

MR. KNUDSEN: Mr. President, may I ask a question?

THE PRESIDENT: Yes.

MR. KNUDSEN: In the physical setup of this Committee, is that Committee charged with setting up the details of its own operation?

THE PRESIDENT: Yes.

MR. KNUDSEN: Where do we go finally, here?

THE PRESIDENT: No, Bill. Mac, what are you going to do?

MR. McREYNOLDS: The Federal Reserve Board has offered us quarters in their building.

THE PRESIDENT: Good.

MR. McREYNOLDS: If you will let us go that far away.

THE PRESIDENT: It is one of the most beautiful buildings in Washington and directly opposite the Army and Navy buildings.

SENATOR BARKLEY: It is a very cold looking building.

THE PRESIDENT: Well, after these boys and girls get into it, it won't be cold.

MR. HENDERSON: The best lunch in town -- better than the White House lunch.

THE PRESIDENT: Sure; I haven't got any aircooling here.

MR. DAVIS: Does the Committee have any other functions as a whole Committee?

THE PRESIDENT: Except to coordinate your work.

SENATOR BARKLEY: I have been asked several questions about the status of this Commission. Of course the Act of August 28, 1916, is still in effect, providing for the Council on National Defense. During the World War they created a War Industries Board, which was an offshoot of that.

THE PRESIDENT: It was an offshoot of the Council of National Defense in 1916.

SENATOR BARKLEY: Is this Commission of the same nature, that it is supposed to operate in connection with or as an offshoot of the Council of National Defense?

THE PRESIDENT: Of course the Council of National Defense is one of those paper things that is pure fiction because it contains six members of the Cabinet at the present time. It is essential that the Secretary of the Treasury be on that and the Attorney General on that. The only two people who would be left off would be the Secretary of State and the Postmaster General who have nothing to do with this end of the work. Now, obviously, we are not going to have that Council of National Defense meet at all. It will meet as part of the Cabinet. But they will be available to this Commission at all times in their respective duties, in their different departments.

SENATOR BARKLEY: The question that has been asked is under what Act --

THE PRESIDENT (interposing): Under the Act of 1916 which sets up, first, this Council of National Defense, which is pure fiction, and the Advisory

Commission to the Council of National Defense, which is this body. And, when they were appointed originally in 1916 they were the coordinating body, just as this is, for the whole works. And the Council itself never sat except in Cabinet.

Now, we are just repeating that and, as I said the day before yesterday to the Press and as I said this morning, at the present stage we are still at peace, we are not at war. We are not trying to raise and equip between four and five million men for the Army and 500,000 men for the Navy -- we have not reached that stage.

Now, if we should get into the war this particular Council is going to have a great many more problems that may require certain additional machinery -- if we get into the war ourselves.

MR. KNUDSEN: Where do we head up at the moment?

THE PRESIDENT: At the moment you head up in the Federal Reserve Building and Mr. McReynolds will start there --

MR. KNUDSEN (interposing): I beg your pardon; I meant, who is our boss?

(Laughter)

THE PRESIDENT: Who is your boss? Well, I guess I am. (Laughter)

MR. KNUDSEN: All right. (Laughter)

THE PRESIDENT: And I have asked Congress for a million dollars' appropriation right away for the Council.

As I say, some of it will be very small in its starting. Two or three, the employment end, the industrial production end, the industrial materials end will require a very large staff and it will be up to you to pick your own staffs.

When it comes down to clerical help, of course I think we will not have very much trouble -- we are not bound by the Civil Service.

MR. McREYNOLDS: Not on this appropriation.

THE PRESIDENT: And, of course, you will be able to get a certain number of people from Government departments and bring the rest in.

MR. STETTINIUS: Would you refer to them as dollar-a-year men?

THE PRESIDENT: No, they will get paid.

MR. KNUDSEN: I would much prefer that they get paid.

MR. STETTINIUS: With a few exceptions: as far as we are concerned, we do not care.

THE PRESIDENT: Yes, and it is a good thing you don't have to put them in uniform.

MR. HENDERSON: On this maximum compensation of \$6,000 on these employees, will it require confirmation?

MR. McREYNOLDS: No, not as it is drawn.

MR. HENDERSON: On the basic Act, I will risk you a nickel that it does.

That is a big risk, Mr. President, with Mac.

MR. McREYNOLDS: Make it a coca cola.

THE PRESIDENT: We ought not to, as a matter of fact, because we run into all kinds of difficulties -- it upsets the rest of the Government -- we ought not to pay more than \$10,000 because that is practically the top pay of the heads of all commissions, all the others in Washington. That is a sort of standard top limit and the standard top limit of the House and Senate too.

MR. McREYNOLDS: No, we cannot pay competitive prices against industry.

THE PRESIDENT: One word: Of course we have this fifth column thing, which is altogether too widespread through the country. In the bringing in of new people we have got to be pretty darned careful. Well, I will give you an illustration on fifth column: The Secretary of Labor the other day had recommended to her very, very highly, a technical man who was pretty thoroughly familiar with the whole subject of employment and she

was going to appoint him. Luckily, she called up somebody in the Federation of Labor and she was warned against him. We followed the thing down and found the particular man she was going to appoint was absolutely, 100 per cent affiliated and associated with the Communist movement in this country. You have to be careful on that. Also be careful not to get pro-Germans. There are a good many Americans who love efficiency and are pro-Germans for that reason. We even have them in the ranks of the officers of the Army and Navy and we have to be pretty darned careful about the inside, about the heart of the fellow we are getting, as well as his head.

ATTORNEY GENERAL JACKSON: If any employee or prospective employee is desired to be investigated, we will get a very prompt report from the Federal Bureau of Investigation, as Mac knows. So far as that can be guarded against, it can be guarded against by an investigation of employees who are coming in.

THE PRESIDENT: That is right, and the Department of Justice can carry out an investigation of that kind very quickly.

MR. HENDERSON: The Government departments utilize that now.

ATTORNEY GENERAL JACKSON: Some do and some don't.

THE PRESIDENT: Some do and some don't. They don't all utilize it.

MR. BUDD: May I ask one more question to clarify the situation? As I understand it, each of us will set up such organization as he needs now and enlarge it as the future may require and, presumably he will function with as much or as little as he needs to function, only occasionally coming together as a commission?

THE PRESIDENT: I would do it fairly often. Now, you take on the question of railroads. There is an example. I do not think we want to upset at the present time the railroad scale of pay or the railroad employees or the

railroad retirement provisions. Let us hold things right there.

Now, if you were to get from one of the brotherhoods, for example, the idea that perhaps you ought to have a brotherhood man in with you as one of your assistants -- they are not difficult people to work with -- and if anything comes up in regard to people on railroads, that is the thing you ought to consult with Sidney Hillman on so that his section would know the problem of employment in transportation as a whole. Now, that is why I think the seven of you ought to meet fairly often.

MR. BUDD: My thoughts coincided with that exactly, sir. It so happens that in the matter of railway labor -- I think I speak for the entire industry -- we feel, just as you have said, that we ought not to make any changes now. There is machinery set up, of course, which, when we are not at war, goes ahead according to the legal provisions. On the operating end of that machinery, it just happens we have had notice of a desire to change --

THE PRESIDENT (interposing): Yes.

MR. BUDD: -- and we are answering in accordance with the law. But our whole attitude is that that ought not be be upset now. Perhaps your suggestion that we get in touch with Sidney Hillman on that particular thing as soon as possible is a good one.

THE PRESIDENT: On that, just as another illustration, don't forget, on your transportation as a whole, probably you ought to have some liaison man with the Maritime Commission. Just as Sidney Hillman would probably want a liaison with the Maritime Labor Board, in the same way you probably ought to have somebody, an assistant, on the busses and trucks end and on the canals and barge lines.

MISS ELLIOTT: May I ask one question in connection with the consumer problem? As I understand it, you think there is an adequate supply now, that there

is no concern about the consumers' needs for the moment?

THE PRESIDENT: I think that is so at the present time.

MISS ELLIOTT: Then the major question here is watching out about prices?

THE PRESIDENT: And supplies.

Q Suppose, for example, that through the Government agencies here it might be indicated that prices were getting out of line. Who has the authority to do anything about that?

THE PRESIDENT: You tell it to Chester Davis first and he takes it up with the Secretary of Agriculture, you see, on agricultural things. That is --

MISS ELLIOTT (interposing): Shoes?

THE PRESIDENT: Shoes? Well, I suppose shoes you will take up with Mr. Stettinius.

MR. STETTINIUS: Production is shoes.

THE PRESIDENT: I guess shoes would be production (Mr. Knudsen). Hides, of course the consumer does not buy. Shoes he does buy so you take that up with Mr. Knudsen.

MISS ELLIOTT: That would be the question. Perhaps my relationship would come out in the meetings of the Committee, as they coordinate.

THE PRESIDENT: Yes, so you could present your problem to other people on the Commission.

ATTORNEY GENERAL JACKSON: I think that problem, dealing with consumers' goods and agriculture, they could keep in touch with the antitrust division of the Department of Justice, because there are certain proceedings pending and some contemplated that affect that field.

THE PRESIDENT: Then you should have, also, possibly through the secretary's office is the easiest way, a liaison man with the Procurement Officer of the Government, because most of these things for the Government, not for the consuming public, are bought through the procurement of the Govern-

ment.

When will Mr. Nelson be here?

MR. McREYNOLDS: Tuesday morning.

There will be many occasions for the different members of the Commission to consult each other individually. We would waste lots of time by having the Commission meet too often. We don't want too many occasions for that.

MR. STETTINIUS: Once a week.

THE PRESIDENT: Yes. Then I thought in the beginning, when we are getting the lining up of the different fields of work, if you could come in here about once a week for the first few weeks until the thing gets going.

MR. STETTINIUS: Yes.

THE PRESIDENT: I did not appoint anybody chairman. I think it is entirely up to you. You can have a chairman or you can have Mac call the meeting order, call it together informally, or you can have a chairman. I don't care.

MR. STETTINIUS: Well, Mac is pretty good.

MR. McREYNOLDS: How many members will be here this afternoon? I suggest we meet over in the State Department. I have a room next to my room, Room 234. If we could meet at three or half past?

MR. STETTINIUS: Room 234, State Department, at 3.30?

MR. McREYNOLDS: Yes.

THE PRESIDENT: Fine. That is pretty good. I think you have got things going.

(The Conference concluded at 1.15 P. M.)

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May 30, 1940, 1.35 P. M.

Q A rather poor holiday.

THE PRESIDENT: Oh, yes; for all of us.

MR. DONALDSON: All in.

THE PRESIDENT: I have been talking steadily for an hour and a half, so I am a bit played out.

First, on the Conference itself, the scheme, the plan of operations was completely outlined, the seven different sections, and it was made clear that all of the seven sections dovetail in together.

Actually, I started at what might be called the lower end, because it relates to the consumer and the public and on that end Miss Elliott's task will be primarily that of watching consumer prices and watching consumer supplies. That is the first task and we do not approach the second until and unless we have to come to it. In other words, consumer prices today are all right; consumer supplies, goods on hand, are all right and we hope to maintain them both on the price level and on the supply level so that there will be no inconvenience to the public or a rise in the cost of living. So Miss Elliott's work will be primarily that of setting up a small organization in conjunction with the statistical departments of the Government to watch those two things.

The same way, Leon Henderson's organization will do the same thing for the basic raw materials. I used the illustration that he will watch the course of prices from the mine through the smelter, through the cost of transportation, to the primary processing factory. That is

more of a statistical job than anything else for the time being.

Then, on transportation, Mr. Budd is setting up the same kind of machinery. The transportation facilities are wholly adequate at the present time but in case of greater needs for transportation facilities, Mr. Budd's job is going to be to make preparations to take care of a much larger tonnage moving, not only on the railroads but also shipping, general shipping, coastwise shipping, barge shipping on canals and inland waterways, the Mississippi River and busses and trucks.

Then we come to the employment end. Mr. Hillman is not here because he has rather a bad case of the flu; he is in bed but he expects to be down here on Monday or Tuesday. The employment factor that he handles relates to -- I think the easiest way to describe it is all noncombatant employment needs. In other words, he will take up all those things where Secretary Hopkins has brought the coordination of the program during the past three weeks -- the civilian base pilot training, the use of NYA vocational training, to turn out mechanics and radio people, et cetera and so on, and the same kind of work that we think will be extended to the CCC Camps -- noncombatant jobs -- cooks -- we talked about that the other day -- radio people, automobile mechanics. I do not mean automobile mechanics to go into the automobile plants but to do the repair work around the country for all kinds of automotive equipment.

Then, finally, agriculture -- Chester Davis probably has very little work to do except to set up a very small organization to keep in touch with agricultural supplies and agricultural prices, to see that we do not run into a jam or a shortage in any one of those things and to see to it that we maintain, with the help of the Department of Agriculture, the effort to keep agricultural prices up as close to the object of

parity as we can. In other words, to maintain what is not a party program in any sense but has been the national program adapted by both parties for many years -- the objective of parity.

Then you come to the last two, the industrial materials that Mr. Stettinius handles and the industrial products that Mr. Knudsen handles.

They are all set to go. They are meeting this afternoon in Mac's office -- McReynold's office -- over in the State, War and Navy Building, and he has already made provision for offices -- whether it will be for all of the seven sections or not I do not know -- over in the Federal Reserve Building, which is very handy to the Navy Department Building and the Munitions or War Department Building. It means you will have to walk a little further than you have been accustomed to walking when you go down there, but it is a good handy place. The Federal Reserve has come through in fine shape and has given us a lot of space they do not have to use.

They will meet with me again early next week and they are all "rarin' to go" and that is about the only thing that it is necessary to say. The only thing --

(At this point Mr. Early interposed and said to the President: "I think the illustration between Budd and Pelley, as applied to the whole, was a good illustration.")

THE PRESIDENT: Didn't I use that the other day?

MR. EARLY: Not to the Press.

THE PRESIDENT: I used this illustration about how the thing is working out: In the arrangement I made last summer, in September, largely on recommendation of Mr. Dan Willard, who had run the railroads for the Government during the war, when the railroads were under complete Government management, he and I agreed that we wanted to avoid in every way possible

the Government taking over the railroads again, and that every railroad president knew -- this was his suggestion -- that if the Government had to take over the railroads again in order to make things move, on the doctrine of chances it was a hundred to one that the railroad companies would never get the railroads back the next time. Every railroad president knows that when the Government wants to avoid that from happening. Therefore, to put it -- not literally but I would say as a metaphor (?) -- the idea on transportation is that we would have a double desk with Mr. Budd, representing the Government, on one side. To Mr. Budd would come from Mr. Stettinius, let us say, a demand, a call for X number of freight cars to haul ore from the Mesabi Range to the Illinois plants, steel plants, or ships to carry that ore from the Range to the steel plants.

And, when the steel was to be moved through the final processes of the machine tool people, again Mr. Stettinius' organization would tell Mr. Budd where this steel was that had to be moved, what the tonnage was, and what the date was.

Then Mr. Budd would -- oh, yes, Mr. Budd would then take those movements of freight and pass them across the desk to the railroad representative, John Pelley. He would be on the other side of the desk, but he would be representing the railroads; Mr. Budd would be representing the Government. Mr. Pelley would then clear with the railroads that were involved. He would tell them when the shipments had to be moved and it would be up to the railroads themselves to see that they were moved. And then, in case of any jam, such as we had during the World War, the jams which necessitated something being done to centralize the operations, the shipbuilding company involved in the jam that wasn't getting its shapes and plates on the day they needed them, they would

be the first to make a complaint to Mr. Budd. Mr. Budd would hand the complaint across the desk to Mr. Pelley and it would be up to Mr. Pelley to clear that jam through direct contact with the railroads involved in the jam.

Well, now that is a pretty good illustration of how this whole thing is going to work.

Q Mr. President, could you give us a similar illustration which would illustrate the authority that Mr. Stettinius and Mr. Knudsen would have in the production field?

THE PRESIDENT: In the production field, for instance, as opposed to the materials field, the first thing to do for Mr. Knudsen is to get specifically down on paper the first stage, which is requirements. Now, that involves getting from the Army and Navy the specifications, the types, a decision on, say, automobile engines as to what types we are going to order, whether it is possible for the Army to cut down from fourteen or fifteen different types of training plane engines to two or three types of training plane engines, so as to standardize. And Mr. Knudsen's first job will be to get his requirements listed down.

At the same time, through one of his assistants, on any given article he knows where there is spare production capacity. He then allocates -- oh, yes, wait a minute before you come to that: He has got his requirements and then he comes to his second stage, which is scheduling so that all these things, they will be coming in, the finished products will be coming in, in the order which is necessary for their assembling. That means working out a system of priorities which, of course, we did during the World War through practically a similar organization. That is the second stage, which is the scheduling of the production. And then, finally, the third stage, which is deliveries.

We talked it over this morning and on that we all agreed on that particular terminology for those three steps of production, the requirements, the scheduling and the deliveries.

Q Did Mr. Knudsen definitely announce that he would take a place on this committee?

THE PRESIDENT: That he would what?

Q Has he definitely accepted a place on this committee?

THE PRESIDENT: Oh, yes.

Q I think a lot of people want to know whether the Advisory Commission -- that is the Commission -- would have the same power and authority as its World War predecessor and whether these members will be responsible directly to you as a practical matter or whether they will have to clear through a Cabinet intermediary?

THE PRESIDENT: No, no.

Q Will they report to you?

THE PRESIDENT: Oh, yes. Of course, remember they will have to live up to the law. I will give you an illustration. Mr. Nelson, of Sears Roebuck, is coming here on Tuesday as the head of Procurement. Of course there are an enormous number of articles which will continue to be handled through the regular Government procurement services, just as they were during the World War. Well, take a simple illustration; I do not think we need to set up any additional machinery for the purchase of shoes. I think Procurement is wholly capable of doing that. He will not have to set up any new Government machinery to buy desk supplies, typewriters, pencils, et cetera, and paper. That will be handled through Procurement. In other words, a very large proportion of Government purchases under this program will be handled by the existing agencies that handle it day in and day out, and did during the World War. It is comparatively --

in point of the number of articles, during the World War, the greater -- oh, the overwhelming percentage of them were handled through the regular Government agencies. There are certain things that have to be put into mass production that are not in mass production at the present time, which would not be handled through Procurement and, in most of those cases they have not been handled through Procurement. They have been handled directly by the Army and Navy.

Q Mr. President, I understand you are going to send a Message to Congress tomorrow?

THE PRESIDENT: Yes.

Q Will you say something on that?

THE PRESIDENT: I am sending up a Message to Congress tomorrow of three lines. The first is the civilian training line which has been put together in the past three weeks by Harry Hopkins, acting as coordinator, and is now ready to turn over to Sidney Hillman next week when he gets here. I think I already sent in a deficiency estimate on that, \$32,000,000.

Q How much is that?

THE PRESIDENT: \$32,000,000.

Then, two other things which have come up, been coming to a head now for the past ten days, the additional appropriation for the Army and Navy. The situation, as we all know, has very greatly changed since two and a half weeks ago, two weeks ago last Sunday, I think it was, when we made the final determinations of what would be asked of Congress at that time, based on what the Army and Navy thought were the Priority I articles and enlargements that were necessary at that time. There has been a very great change in the whole world situation and, because of that, it is necessary to send up, substantially, almost a doubling

of the program.

My guess is -- I don't know that I will send any definite figures. I will probably send the Army and Navy people up to the Committee with certain lists of items and let the Committee determine how many of them on the Priority I class should be included in either appropriations or authorizations to contract at this particular time -- in the next two weeks.

Q Mr. President, does that mean that you will have a larger initial expenditure for Government orders than contemplated heretofore?

THE PRESIDENT: Yes, it means spending a lot of money for the actual ordering of tanks and guns, antiaircraft guns, guns to go in airplanes, and a much larger supply of fixed ammunition and an additional supply of powder over what we had put down two weeks and a half ago.

Q Any airplanes?

THE PRESIDENT: And additional airplanes.

Q When you say substantially a doubling of the program, you mean a doubling of the Message program?

THE PRESIDENT: Yes. I think you can make a guess that it will be another billion dollars and it might be -- it depends a little bit on what the committees on the Hill feel should properly go into this Priority I class -- it might come out a little below a billion or it might go over a billion.

Q Before you leave the Council will you discuss the nature of Miss Elliott's work?

THE PRESIDENT: I talked about that, didn't I?

Q I am sorry.

Q On that same question, may I ask one? Will this industrial control you are setting up include price control? You have spoken of a lot of orders

wherever there is production.

THE PRESIDENT: At the present time, no. That is all you can say. As I said the other day at the Conference, and I believe I said it in my Message, we want to avoid the spiral of the World War. If cotton sells at 30 or 35 cents, it upsets the entire agricultural life of the South. If copper sells at 28 or 30 cents, it upsets the entire industrial life of the nation. If wheat goes to $2\frac{1}{2}$ dollars, it upsets the economy of every family in the United States. And if prices go up substantially beyond the present price level -- I mean as a general thing, remembering always that we still think that the farmer is too far below parity -- and that is not a partisan question because both parties are absolutely, 100 per cent, in accord on it -- if the general level of prices gets out of kilter in one angle, that is apt to get another angle out of kilter, and that means, of course, that people who work for wages or salaries, if they see the cost of things that they have to have for themselves and their families going on up, they are going to ask for more wages. And when you get more wages, it means your cost of production goes up and you have to add something to the cost of material. It is the same old vicious spiral and that is one thing we want to avoid.

We haven't got at this time to any question of price fixing because the evil has not appeared. What we will do if it does, I do not know.

Q Just take the case of girders: Suppose the Government wants to buy girders.

THE PRESIDENT: Girders?

Q Steel girders.

Q A big steel company can possibly sell those ordinarily at a cheaper price than the small steel companies because of mass production and could put in a lower bid. Let us say the big steel company is all filled up with orders and your Commission might decide there is plant capacity in a

smaller company, although the price is higher. Is the Government required to take the lowest bid, or can it, without any additional legislation, go over and pay a little more in order to get those?

THE PRESIDENT: The question of paying a little more, yes, I suppose we probably would. But we would not pay any more until it is definitely proved that it was costing the little company actually more to turn out the orders than the big company. It always is not true. You take some of the steel companies at the present time that in the past few years have put in complete new tooling. Now, they are much smaller companies than U. S. Steel or Bethlehem, and because they happen to be newly tooled, it is possible, though they are only a tenth of the size, that their cost will be lower than the two big companies. In other words, each case has to stand on its own merits.

Q In New York, Matthew Woll criticized Mr. Hillman's appointment and raised the question whether there was any place in the Administration for the A. F. of L.?

THE PRESIDENT: All I can say is, off the record, that I am not the least bit concerned. (Laughter)

Q That is off the record?

THE PRESIDENT: Yes.

Q So far as Miss Nelson's (the reporter evidently meant Miss Elliott) job is concerned, will she have any control of forces at all from the consumer's point of view, or will her sole control be from a reportorial standpoint, using public opinion?

THE PRESIDENT: I don't know. As I say, that is one of the things we haven't got to yet. It is not a problem today.

Q Mr. President, in discussing the initial protective force with some of the officers of the Army, they indicated they do not believe the National

Guard is in condition to act immediately in case of an emergency, and that has, I believe, brought up immediately the question of whether the Regular Army will be increased. Is that --

THE PRESIDENT: (interposing) I don't know; I have not talked about that. I could not tell you.

Q With reference to the visit of Mr. Martin of the New York Stock Exchange this morning, was there any discussion of the probability of closing of the Stock Exchange, or Government control of prices there?

THE PRESIDENT: No. Well, there was and there wasn't. I told him that I was a great deal older than he was and the first panic I saw was in 1907, just after I started in to practice law for the firm that was counsel of the Stock Exchange, Carter, Ledyard and Milburn, and I have been through a lot of panics since -- 1914, when the war broke out; 1921, had a pretty bad time; 1929 and 1933, when all the banks were closed and, of course, we had to close all the exchanges because there were no banking facilities-- and then Stock Exchange panics because I had been through so many of them, that always led me to discount the danger to the Nation. They always manage to work out some way and somehow. And we agreed that there are two things that people of this generation who had not had all that experience should remember in case of Stock Exchange troubles: The first was to keep your feet on the ground, and the second was to keep your mouth shut. And we do not think it is a problem; we do not think it is a problem.

Q Is Mr. Martin alarmed over the situation?

THE PRESIDENT: No, no.

Q Mr. President, the way you outlined the functions of this Council, these gentlemen and lady, it sounds very much like a completely voluntary matter and, yet, it is set up under a statute, was it not?

THE PRESIDENT: Oh, no; it is not voluntary.

Q Do they have authority?

THE PRESIDENT: In effect.

Q The law gives them that? You would not have to ask for any more?

THE PRESIDENT: No.

Q Mr. President, was the absence of Secretary Perkins from this morning's Conference significant, in view of the fact you stated that the basic Council did include labor?

THE PRESIDENT: She is away and Sidney Hillman has the flu, otherwise he would have been here.

Q Will you mention the third thing in connection with your Message tomorrow? you mentioned civilian appropriations?

THE PRESIDENT: Army and Navy.

Q Those are the other two.

Q Would you care to comment on the tax program?

THE PRESIDENT: I have not heard a word since yesterday. It seems to be going along. They are having another meeting this morning.

Q This extra billion, is it likely to cause any change in the tax program?

THE PRESIDENT: I do not think so, no. You have got to remember this: A program that started at two billion and then goes to three and then to four -- I am using rough figures -- a very large part of a program of that size won't have to be paid for -- I mean out of the Treasury -- until either late next spring, long after Congress meets, or even in the following fiscal year, so I do not think it need affect the present tax program they have got on the Hill.

Q Mr. President, a tremendous thing in here is this training of civilian youngsters. Is the country and the Government supplied with the necessary money and facilities right now for that training?

THE PRESIDENT: I think so.

Q How many men, do you think, sir, will be needed to train those?

THE PRESIDENT: I do not know; I cannot give you figures. All I can point out is that we are going to expand that portion of the work of NYA; we are going to expand what CAA is doing from 10,000 to 50,000 and we are going to put certain forms of noncombatant training into the CCC. That is as far as we can go and I can't tell you what will happen on the total figures. As time goes on we may have to increase that program.

Q Does this new setup fit into the White House structure under the reorganization program announced last fall?

THE PRESIDENT: Absolutely. I am going to have a couple more assistants down here to keep me in touch with this so they can act as liaison people, legs, legs between me and the different sections and the Commission.

Q Just two more?

THE PRESIDENT: I think I will put in two more and I think I will leave the sixth open for any unforeseen emergencies.

Q Mr. President, have you any comment on Mr. Ford's statement that he could produce a thousand planes a day in one plant?

THE PRESIDENT: No, I do not know enough about it.

Q Mr. President, is it possible for you to say how soon these particular programs will be completed? Can you make an estimate?

THE PRESIDENT: You mean fully running?

Q I mean with all the money spent and the equipment obtained.

THE PRESIDENT: Oh, my, no.

Q When is the dirt going to fly? When will these orders be put in?

THE PRESIDENT: Well, judging by the World War, we did not get into full operation -- of course it was a much larger program, you have got to remember that we were organizing an Army of between four to five million

men and the equipment for the whole thing, and the Navy 500,000 men instead of 80,000 and it was on an infinitely larger scale. We did not get into full production until about May, 1918, about a year and a month after the thing was started.

I cannot tell, but I should say offhand that we are going to beat that, more than cut it in half.

Q Six months?

Q Have you, sir, an estimate of the amount of actual cash money that will be needed by the first of January, for instance?

THE PRESIDENT: I could not tell you, Fred (Mr. Essary). There are too many -- I should say not an awful lot by the first of January --

Q (interposing) Will the tax gentlemen in Congress --

THE PRESIDENT (interposing): I mean payment out of the Treasury. There will be an awful lot of money obligated but actual checks going out of the Treasury, not so much before the first of January.

MR. GODWIN: Thank you, Mr. President.