

DIARY

Book 327: Part 2

Answers to Willkie Speeches
Campaign of 1940

TO: The Secretary

10/20/40

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When beyond the suggestions we have made for the President, I think there is one talk by you that would be extremely effective in the home stretch of the campaign. It is something that could come well from either you or Jesse Jones but, because you represent a much better balance of both viewpoints and because you have gone before the public less frequently, I believe such an expression would be most valuable if made by you.

Attached is a rough draft of the idea. It could be reorganized a bit and polished quickly enough.

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From: MR. SCHWARZ

The terrific tempo with which American industry has responded to the nation's demand for a rapidly-expanded defense establishment has satisfied me once and for all that there is no real cleavage in this country between the institutions we call Business and Government.

We may wish to quarrel at times over minor methods of reaching our goals, but when our security is threatened from without--when we have a vitally important job to do--we know how to pull together, how to harness all of our resources, the resources of industry, of Government and of the morale of our people.

That, of course, is because we know how to make democracy work. We know how to translate into effective action the will of the citizenry.

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During the past several years, there have been many attempts on certain fronts to depict our national Administration as an unrelenting foe of American business. Because of the pressure of many active responsibilities, I had not intended to participate in this campaign rapidly coming to a close. It is those very responsibilities, however, that have given me an insight into the real character of the relationship between Business and Government in the United States. I therefore feel an obligation to the shareholders in the two institutions--and all of us have some stake in both--to give voice to a pledge of faith, based on actual experience, in the economic future of the nation.

The current demonstration of national unity in our defense effort by industry and labor, by military and civil authorities, by agriculture and consumer and by patriotic Americans in all walks of life is but the final evidence that has reassured me in my conviction.

The management of the Treasury Department has caused me to have many dealings with business men in connection with the problems of taxation and with many bankers in the administration of their affairs and in working out the sale of large amounts of Government securities. More recently, given the added assignment of co-ordinating foreign military purchases with our domestic needs, I have come to know better a number of industrial leaders.

And I have found that we have never been very far apart.

We were close enough together in 1933, when we faced a national situation almost as vital as that with which we are confronted today. There was co-operation in those months; there was unity of purpose and action. And there were no recriminations as we all joined in the task of recovery from the breakdown of 1929.

What happened then? What happened to end the honeymoon and develop carping criticism of the Administration program and caustic defenses by the agencies of Government charged with bringing about economic improvement?

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Undoubtedly, there has been intemperance on both sides. Undoubtedly, there have been impatience and short tempers because we have not all viewed every one of our problems in precisely the same light. Some measures considered as temporary by one group have been regarded as permanent needs by another. Some reforms occasioned by the malpractice of a small minority have hurt the pride and probably even complicated the business processes of many industries. Yet all the time our fundamental aims have been identical.

Now, with the better perspective of a decade of fast-moving history, perhaps we can analyze the emotions that have beset us.

First of all, I think we have failed to keep in mind the basic fact that both Business and Government are merely our ways of getting things done, methods organized by large numbers of people living and working together. The Constitution of the United States is a great popular charter set up for the transaction of public business. In our more modern day, we also grant charters of incorporation to many kinds of private enterprise. The success of either still depends ultimately on the satisfaction of the customer, be he voter or consumer.

That is another way of saying that, in the long run, we are governed in this country by public opinion. And I have a profound regard for the sober second thought of the American people. We may occasionally indulge in an impulsive reaction to some incident but we generally settle down to a pretty sensible attitude toward our affairs.

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The impulsive reaction to the commercial catastrophe of 1929 was a great wave of resentment toward both Business and Government. But by 1932 we learned that much of our private enterprise unfortunately had become too remote from the public, while the machinery of Government, thanks to our quadrennial elections, had remained more elastic. Denied any ready expression through business organizations, a people who had been idealizing an industrial civilization pushed the pendulum in the other direction and, through a change of administration, demanded a Government-sponsored recovery.

And many were the leaders of industry, you will remember, who temporarily lost faith in their own methods and looked to the program of the new administration for salvation.

Then the mighty national recovery effort, a splendid example of unified democratic action, began to take hold and many business men took heart. Freed of anxiety, some became eager to chalk up the disaster to experience and return immediately to the old way. Most of them welcomed the reforms of the New Deal directed toward recurrence of the collapse and willingly prepared to adjust to those reforms.

A disillusioned public, however, still had to be reckoned with and its insistence was upon more complete protection, even if that meant more regulation. Thus it was possible for the unreconstructed "individuals" of the business world to identify themselves with their less recalcitrant colleagues and to argue convincingly that the time had come to call a halt to the Government's program.

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It made no difference what the facts were. As a selfish few began to "sell" their idea, the belief of enough business men in the manufactured alarm was ~~enough~~^{sufficient} to do the damage. The wheels of industry slowed down again, but this time the result brought no public condemnation of the Government. So from the alarmists there arose a new cry in the land.

Men who had once been indifferent to the pleas of the unemployed for jobs that would provide confidence in a next meal and a place to sleep now were calling for "confidence" themselves, begging to be cajoled into venturesome enterprise, to be encouraged to set loose the driving force of private capital.

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Their chorus didn't sound like one to be expected from an institution that had "confidence" in itself, like an aggregation of "rugged individuals."

"Confidence" in what? Nobody bothered to explain.

"Confidence" in the old ways of doing business?

They dared not ask for that. "Confidence" that opportunities for excessive profits would again be possible? That was not the current temper of the people.

There were none but bogey men to frighten American business but they took on something like real personality when the theme was played over and over--the theme that there were reasons to fear the Government approved by the majority of the voters.

This Administration has never lost sight of the interdependence of the institutions of the people, Business and Government, and so it became absurdly necessary to arrange "breathing spells." New efforts for sincere co-operation were gleefully greeted with the unfortunate label of "appeasement" by industrial leaders who had forsaken much of their aggressive spirit. They had cried for help and, as soon as help was proffered, called it "appeasement."

But even such an eloquent minority has not been able to stem the tide of recovery. Time has healed many a wound and, after ten years in which to catch its breath after 1929, this nation has approached its full stride of activity.

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Finally knit together even more firmly by external forces, the business of production and distribution and the business of government have united to equip a defense establishment in an industrial effort superimposed upon the ordinary economy of the nation.

And, when the President called, the rational, fair-minded leaders of our industrial life came at great personal sacrifice to contribute of their talent to the national effort. For, when it was all boiled down, they knew in their hearts that Franklin Delano Roosevelt had no grievance against business generally but was rather the man who had kept the American system of honest private enterprise alive.

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I am satisfied that the impact of events overseas has caused us to abandon the luxury of name-calling and mistrust. I am satisfied that the American people once again have complete faith in the ability of Business and Government to co-operate for the welfare of all of our millions. I am satisfied that, especially now that a tremendous industry is needed, they applaud the course their President has taken to restore our productive capacity. I believe that next month at the polls they will ask him to continue the good work.

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GROUP MEETING

October 21, 1940
11:00 a.m.

Present: Mr. Sullivan
Mr. Graves
Mr. Thompson
Mr. Cochran
Mr. Pehle
Mr. Foley
Mr. Haas
Mr. Young
Mr. Bell
Mr. Gaston
Mr. Schwarz
Mr. White
Mrs Klotz

H.M.Jr: I just want to say to those of you, the regular employees, Civil Service employees of the Treasury, for the next two weeks my mind is going to be on the campaign and I can't handle details that I do normally. Therefore, I am going to do it this way: I will make a point of seeing Mr. Bell at least twice a day or as often as he thinks necessary, but I am going to ask him to have a 9:30 meeting every morning and anything that is strictly Treasury business, take it up with Mr. Bell and he can boil it down and I will see him as often as he wants to. You (Bell) can call me in the morning, or something like that, but you take care of the Treasury business, and that leaves me free to do the campaign work. It would be helpful.

Bell: All right.

H.M.Jr: And we might just as well start it right now, so I - there are certain people that I want to talk certain things over with now, those people on the political front, and I would like Gaston and Foley and Sullivan to stay.

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Now, you fellows can be perfectly frank and honest. Chick, if you want to stay, you are invited.

Schwarz: I would like to.

H.M.Jr: George?

Haas: I have some material for you.

H.M.Jr: And it is damn good, too. Harry?

White: I didn't get your question, Mr. Secretary.

H.M.Jr: The question is, I am working out stuff for the President, politically, and a man is invited to stay or not, as he pleases, and I asked George if he wants to stay and I am asking you (White).

White: If it is anybody's fight, I am in it.

H.M.Jr: So, Dan, if you will take the crowd that is left into your room, and if there is anything they want later on, I will see you. I will take anything important now. Have you got anything important?

Bell: Well, I have got this United States Housing financing that I would like to talk with you about some day - some time today.

H.M.Jr: All right.

Bell: Then I have another question which I think you ought to handle. I think we ought to make some studies of paper. If there is ever an embargo on silk in Japan, I think there will be some difficulty and I would like to make arrangements with the Bureau of Standards to study nylon and rayon.

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H.M.Jr: You do it. I will see you at 3:00. The one exception on the English Purchasing Commission, Phil, I will still handle that because Mr. Bell isn't familiar with it anyway, see, so whenever Mr. Bell is through at 3:00, I will see you (Young) after that, you see. I will give Mr. Bell 3:00, and Young, you follow him.

So let's handle it, and I think if you will see the crowd every morning - I think I would have a staff meeting and let everybody go in there, and you just clear the stuff, and that leaves me free to grind out the stuff for the President's speeches, and so forth and so on.

Bell: Well, we will just have it understood that we will meet at 9:30, with no call.

H.M.Jr: Everybody.

Cochran: Do you want any cablegrams, Mr. Secretary?

H.M.Jr: I think we had better not.

RE POLITICAL SPEECH

October 21, 1940
11:10 a.m.

Present: Mr. Gaston
Mr. Sullivan
Mr. Schwarz
Mr. Haas
Mr. White
Mr. Cairns
Mr. Duffield
Mrs Klotz

H.M.Jr: Now, I don't know just how this is going to work, but I will tell you people, I called up George yesterday on the theory that - I offered to make a couple of speeches myself. Well, the President wanted me to and was very anxious to have me do it, but in order to keep the thing regular, I spoke to Eddie Flynn this morning and told him that I was willing to, and let me know whether he does or doesn't, see, because there is the question of radio time. It is up to him. I am not going to go over his head, so until I know - I don't know.

Now, Hopkins - you see, I came on down on the train and - I showed this stuff to - shall we let Huntington sit in on this?

Foley: Sure.

H.M.Jr: Well, he took up this thing I was so enthusiastic about and Raymond Gram Swing for four hours worked on it, and it was just the lousiest thing I ever saw, unbelievable. I mean, my daughter Joan, eighteen years old, could do a better job on it after he spent four hours on it. This outline I was very enthusiastic about and still am. I gave it to the President.

(Mr. Cairns entered the conference)

Huntington, of all the lousiest jobs I have ever seen, my eighteen year old daughter could

have done a better job than Raymond Gram Swing. What he spent four hours on, God only knows; I don't!

Cairns: I thought it needed a punch in it, but I thought it could be done here.

H.M.Jr: Well, there is no use even working over it. Anyway, this outline is very interesting. It is what Roosevelt says they need in the Daily News, if you need any confirmation. They closed their half. "Roosevelt Plus Third Term Equals War; Willkie Plus National Defense Equals Peace." That is the thing the Republicans are highlighting. I read the speech that he is to give Wednesday night, the President, and that is unbelievably terrible and I told Hopkins so, and in talking here, Hopkins says he can't get the President to sit down and write a speech, he won't give it the time. So what he said he wanted was us to turn out here a finished speech for him on National Defense. Well, that is pretty hard. I said I could give him an outline and he said that was no good.

In listening to the President talk about the National Defense thing, he hasn't got the answer on an outline. The President wants me to talk, but in order to keep the thing regular I called up Flynn. I don't think Flynn is going to let me talk, which is all right. I am not going to go down and beg him to talk, because I'm not going to talk unless I can get a decent audience, but I made an offer to go anywhere that he wants to send me. Nobody can do more than that.

If the President wants to use this, and I get a call for it, naturally I will give it to him. We want to get him re-elected. But in the meantime, in case he

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doesn't, I want this prepared for me to use.

Coming back to the old thing, it seems as though there ought to be somebody who can take this because this is the stuff the people are crying for and put it into 120 times 14 number of words.

White: That is very brief.

H.M.Jr: Well, that is what I go, 120.

Gaston: I am willing, and Harry is willing, to do what we can do.

Schwarz: I am willing.

H.M.Jr: Here is the thing under this - I will get Duffield on the phone.

Now, this thing, amplified into sixteen or seventeen hundred words - everything is here that I want to say. I think what I ought to do is to let different people take it and write it and then let me take it and see what I can do on the theory I am going to get a call, you see, and he says to let him use part of it and I use part of it. And then I will take - I will sit down and dictate something.

Have we got copies of this outline?

Foley: Yes, there is one on my desk.

H.M.Jr: Give Huntington a copy, and then you (Gaston) take a copy, you see, and I will keep my copy and we will see what we can do.

Now, on the National Defense thing - well, let me come to that in a minute. These

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statements here - "promote the business of the people." Well, the thing that I thought I would do is to take the various tables which can be listed. Let's take a look at the business of the people. What are the facts? What has happened to the business? I have got those.

What has happened to the farmer? You (Haas) didn't get the Agriculture Department index of the net position. You are going to get that, George?

Haas: Yes. I have got that income thing.

H.M.Jr: No, you haven't got it. Take a look at this.

Haas: I know I haven't got what you have in mind. It didn't show any. It wasn't a good story.

H.M.Jr: Well, the business profits is a good story, production is good. Did you have the payroll thing?

Haas: Yes. It is an all-time high in terms of --

H.M.Jr: Well, I can start this one. I can start working on this one myself. I am just going to dictate and then take a look at it.

Haas: The Wall Street Journal this morning summed up Willkie's statements, I think, very well. He says, "When you try to boil them down, they boil away."

H.M.Jr: That is all right, but after I get a little rest, I am going to tackle this, the answer plus this.

And now let's just talk a minute - I have got the material here except on the National Defense, which they have asked us to do.

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Well, Herbert, just so we don't get mixed up and don't do the same things, supposing I continue the work with Huntington Cairns on this neutrality thing.

Gaston: Yes, keeping out of war.

H.M.Jr: Huntington, see what you can personally do.

Let's take this defense thing, you (Gaston) and I, see.

Gaston: Yes.

H.M.Jr: The way I thought of handling this thing was this - is something along this line, if you will make a couple of notes.

Gaston: Yes.

H.M.Jr: I will give you these figures here. The War and Navy appropriation, the contract authorizations, during this year, is 17 billion dollars.

Gaston: Contract authorizations?

H.M.Jr: I will give you this thing or you can get a copy of it from Philip. Total appropriation and contract authorization comes to 17 billion, you see. My thought was something like this. After all, we have asked - the President has asked for and has received the authority to spend a total of 17 billion dollars, you see. I am going to use round figures.

Now, how did he go about doing this? Well, the first thing he did was in order to do this thing, he put in Mr. Stimson in the War Department and Mr. Knox in the Navy, in order to make this a non-partisan effort.

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Sullivan: Right.

H.M.Jr: That is number one. Number two, he got together the National Defense Council, and then I have got his permission, if we are going to do it, to list the people - I am going to talk as though I was Franklin Roosevelt - "that I have invited to come down and assist me," and I told George to get that list of names of the people and the corporations that they represented. Have you got it under way, George?

Haas: No, I misunderstood you. I thought you were going to get it from Knox.

H.M.Jr: Yes.

Haas: Then I know what I should do.

H.M.Jr: And list the people.

"Now, in 1939, the people were down here - when the Vice President of Chase was down here, for instance, I included Chase Bank. The total business these people did represents so many billions of dollars, or the total business of defense done in the United States." I think it is going to be quite high.

Haas: It is going to be quite large.

H.M.Jr: It is going to be very big. "And I have asked these people to come down to assist me. I have given them a free rein, and the letting of the contracts is going forward just as fast as this roll of honor of American business men will permit. These are amongst the most patriotic business men in the country. They have offered me their one hundred percent services. They have given up thousands

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of dollars in salaries. No business men in the world could be more patriotic than this group of men. They have let everything drop to come down and assist me to rearm this country for defense. And here is this roll of honor, and I want to take this opportunity to let the public know who these patriotic people are." Repeat it over and over again. Lay it on with a trowel. "These are the people and all my department heads moved heaven and earth to give these people the cooperation they want, and as a result of that we are moving forward just with unbelievable speed."

Now, I think when they see it - half the people don't know. I don't suppose you people, for instance, know that the President of this big refining company is down here, and that Mr. Clayton, the biggest cotton broker in the world, is here, and Mr. "X", Mr. "Y", Mr. "Z", and so forth and so on, because they are hidden. But I would list this whole roll, George, and get this from Mac, and no fooling, and then get the size of the business. I think we want to say it like this, "Mr. Stettinius, former President of the American Steel; Mr. Knudsen, former President of --" Put it right in. "Mr. Stettinius gave up a salary of \$75,000 or \$100,000 to come down here. Mr. Knudsen gave up so-and-so to come down here. Mr. Vance, Chairman of Studebaker," and so forth and so on, and not say business isn't cooperating, but just lay it on on the affirmative side, "Why, these people are marvelous. We are getting along beautifully," all on the friendly stuff.

Gaston: Do the same thing on the tax thing.

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H.M.Jr: What do you mean?

Gaston: Well, the tax hasn't interfered. These business men are patriotic and ready to close contracts and we are closing contracts just as fast as humanly possible. Mr. Willkie underestimates the patriotism of the American business men.

H.M.Jr: I don't know whether I would even refer to Willkie. It is just as though Willkie never had attacked me.

Gaston: I would leave him out.

H.M.Jr: I would let somebody take item by item and answer him for me, Jesse Jones or somebody, but just on the affirmative side, "Look what a swell job I have done."

Sullivan: Who could do more and who else could anybody get?

H.M.Jr: Well, no, that I would leave for the voters to say. That I would leave for the voters to say. But gentlemen, as the President put it, he put it this way this morning: just as soon as France fell, he went to work to get this money. Now, nobody thought that France was going to fall. It didn't look as though there was any reason why we should get 17 billion dollars authorization, but we have got it, but as soon as France fell, "I, the President, decided that we needed this thing to defend ourselves, to make ourselves so strong. Now this thing is going forward with unbelievable speed and the one thing that the - the answer to anybody that wants to attack us is smoke coming out of the chimneys." That isn't original, I heard somebody say it, but it is good.

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Gaston: Nobody suggested that these appropriations be made before the President suggested them, but on the other hand, when the President suggested them, they accused him of hysteria.

H.M.Jr: If you don't mind, I wouldn't get in an argument on this speech. If you would write it my way.

Gaston: I have no idea of getting in any argument.

H.M.Jr: I may be wrong, but if you wouldn't mind carrying it out this way, that the President should say, "Look what a grand job I have done. Gentlemen, this is what I have done and I say that everything has been done just as promptly as possible and here is this galaxy of stars of American business, who have given up these big salaries, these marvelous patriotic citizens who have come down to help us."

And incidentally, when the newspaper publishers see all these people and the amount of advertising they control, it may give them a "Stop, Look and Listen" sign. I would like to go around the room and you can argue with me. I have put it the way I feel how he should do it.

We will start with you, Mrs. Klotz.

Klotz: I agree with you on that.

H.M.Jr: On the defense thing?

Klotz: Definitely.

H.M.Jr: Do you like it?

Klotz: I am with you, yes.

H.M.Jr: All right.

Harry?

White: It is an interesting thought. I think it is certainly worth trying. Whether they would want to stress so much the fact that they have made these sacrifices in coming down is a secondary point, but I do think that a general line of, "When the emergency appeared, I started crack off the bat and got everybody who had any competence down here, and this is whom we have got and this is what we are doing," all on the positive side. I think that has possibilities. It should be worked on. I don't know what it will look like, but I definitely think it is worth trying.

H.M.Jr: All right.

Cairns: I agree with Harry that it is worth trying. The answer is that it is a trick. I mean that is what the papers will immediately say.

White: They are liable to say, "Sure, you got these good people down and then hamstrung them in every way," but that is what we have to meet in the way in which it is presented. I mean that is the --

H.M.Jr: But they haven't been hamstrung.

White: I mean that you have got to tie up, they are coming in with the results.

Cairns: You have got to eliminate them from the election, because the editorials the next morning will say this is an Administration trick to take the natural opponents of the Administration

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out of the picture by bringing them down to Washington.

H.M.Jr: If they do it, then they are on the defensive.

Cairns: You mean the business men?

H.M.Jr: Yes. What are all these people doing down here? I will bet you when we get the list you are going to be amazed at the list of the people that are here, because I only see them by accident.

White: There are a great many on subcommittees, too.

H.M.Jr: The list is going to be perfectly amazing.

Gaston: Will they come out then with a list of these people in a joint statement for Willkie?

H.M.Jr: All right, then the answer to offset that thing is for him to say, "I don't care who they vote for for President. Their policies don't interest me. I never asked them whether they are Democratic or Republican. Of course, I take it for granted - any more than I would ask an Army officer who he is going to vote for, but I know these fellows are patriotic. When I appoint Mr. Dykstra, I don't ask whether he is going to vote for me or not. I don't ask Colonel so-and-so."

Gaston: We can take care of that in a speech in advance by saying he didn't ask their politics.

H.M.Jr: "When I put General Drum at the head of the first Army Corps, I didn't ask him whether he is for me, but I know he is interested in the United States and the defense of the United States." The defense, that is the thing I want to put in there.

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- Cairns: I would make that point in the speech.
- Foley: I think that is the place to make it, right in the speech, because this is a coalition movement, it isn't a partisan movement at all.
- H.M.Jr: In the speech goes the part about bringing Stimson and Knox down. The coalition part has not been stressed and neither of them will object.
- Foley: And you can mention that Judge Patterson was on the Circuit Court of Appeals, a life job, the Assistant Secretary of War.
- H.M.Jr: A life-long Republican. And don't forget about the President of Dillon Read.
- Gaston: Not merely because of the great ability of these two men we selected for the Cabinet, but because we wanted it to be a non-partisan effort.
- Foley: Joe Alsop told me that Arthur Krock and Martha were out to his house to dinner the other night and Martha said she was getting sick of having her house used as a political headquarters, that Arthur spent his evenings calling the National Defense Council and trying to get those people to come out for Willkie, with little apparent success.
- H.M.Jr: I think you can say that, "Any more than I don't ask Army or Navy officers how they are going to vote, I don't ask these people."
- Gaston: These are the American business leaders who can contribute most to the national defense.
- H.M.Jr: And when you give up a hundred thousand dollars, that is nothing to be sneezed at.

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- White: I am not sure that they need to be patted on the back for their sakes. What needs to be stressed, it seems to me, is that very point that when the emergency was national defense, ceased to be a political issue, "I went out and got the best men in the world." The fact that they were making sacrifices should be mentioned but not stressed too much.
- H.M.Jr: This is the answer, that all business is against Roosevelt. How can they be against him when they are down here working for him?
- Foley: They can't be against 17 billion dollars, that is the answer to that.
- Schwarz: That is the practical answer.
- White: The truth, unfortunately --
- Cairns: We won't make that point.
- Schwarz: Without being argumentative about it, Mr. Secretary, I think somewhere in there there should be an answer to the charges of business, of the Administration opposition.
- H.M.Jr: No, sir, this is no - no answers to arguments, all on the positive side. The President wants to put it, and I want him to make a positive speech.
- Gaston: Don't you think we want a little in there about how the New Deal program for the last eight years has contributed to national strength and has fitted us to meet this emergency?
- H.M.Jr: Possibly.

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Schwarz: Yes, that is good.

Haas: Here is one way, Mr. Secretary, you might work something out. I am not argumentative at all, but as I read over those statements of Willkie yesterday, you would think we are in a depression. They had no recovery, nothing. I was surprised.

(Telephone conversation with Mr. Sidney Sherwood follows:)

Not recorded

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Haas: I was making a statement about - concerning Willkie's statement on production, recovery, and so on. One of the important aspects of defense is that you are able to increase production. He maintains that the New Deal just can't, only he can, and I don't think the public realizes where we are now in production. He says the last seven and a half years have been a depression. Well, here you are - the September Federal Reserve Board index is an all-time high above 1929.

H.M.Jr: What is it?

Haas: It is one twenty-five. The public doesn't realize that and you can keep constantly putting out these statements. They will believe him rather than true facts. I think that might be put in there without being argumentative at all, just as an element in there.

(Unrecorded telephone conversation with Mrs. Morgenthau)

H.M.Jr: Mrs. Morgenthau says that Mrs. Pratt has asked you for certain figures.

Haas: Yes, she has. I was talking to Herbert about it. We can go ahead and get them. I was trying to check with Herbert and see if it was genuine or not.

H.M.Jr: You mean Mrs. Pratt?

Klotz: Mr. Haas had to check with Mr. Gaston to make sure it was Mrs. Morgenthau who wanted it.

H.M.Jr: Will it be in the mail tonight?

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Haas: They want it special delivery in the mail tonight. We can get it if you will approve giving it out. Some of it may not be the type of thing the Army and Navy will want to publish, for military reasons. I can take it up with Herbert.

H.M.Jr: They want it for an advertisement. The LaGuardia people are paying for it. What is it, George?

Haas: She wanted the total number of men, grand total, in the regular Army, National Guard and Reserves, 1921 through to June 30, 1940. She wanted the total number of ships and the tonnages, Naval ships, 1933 each year through June 30, 1940. She wanted the number of airplanes, Army and Navy, as of June 30, for each year, 1933 to 1940. Then after June 30, 1940, she wanted the number of Naval ships completed - I mean between June 30 and now, the number of Naval ships completed, contracted for, and the appropriations in dollars and in numbers of ships. Now, that will have to come right out of the Navy. Maybe Phil Young could get it, but in the first place, I didn't know whether this woman that called in was genuine or not, but that is settled.

H.M.Jr: She is.

Haas: The other thing is, Phil Young, through his contacts over there, could probably get this, but then the question - it is a question of policy as to whether it should be released.

H.M.Jr: The thing to do, don't use Phil Young, but put it up to Forrestal and tell him what it is for and let him get it for you.

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Haas: Forrestal?

H.M.Jr: Forrestal, see. What?

Haas: Okay.

H.M.Jr: Just call up Forrestal and tell him who you are and then tell him Mrs. Morgenthau wants this information for an ad the LaGuardia people are putting in, see.

Haas: Sure. That would be - then he passes on the policy?

H.M.Jr: But you have got to get it in the mail to them tonight. Let him get it, or Knox. The Navy thing is the hardest. How about the Army stuff?

Haas: The Army stuff is not available in the published material, either, but that doesn't - there is somebody over there in the Army I can call up.

H.M.Jr: Well, Major Smith takes care of me in the general staff. Ask McKay how to get hold of him. Tell him what it is for. Between Major Smith - tell him what it is for - and Forrestal, you can get it.

Haas: Okay.

H.M.Jr: Does that help you?

Haas: Yes, that fixes it up fine.

H.M.Jr: Well now, Herbert, supposing you forget Coast Guard for a couple of hours, see, and go into seclusion.

Gaston: You are conservative.

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H.M.Jr: All right. Then you are going to work on this thing and put the old bean on it. George, give this crowd a copy of this - you (Schwarz) did this, didn't you, selected excerpts?

Schwarz: Yes.

H.M.Jr: So we don't fall all over each other, I have shot my bolt for the moment, but let me go over this thing and see which things I can easily answer and which I can't, see.

Sullivan: I would like to make a suggestion on that speech, if I may.

H.M.Jr: Go ahead.

Sullivan: I think one of the most important things you said was when you talked about how no one anticipated that France was going to fall, and I think one of the troubles today and the reason Willkie is getting so far with his lack of defense talk is because we have been reading every day in the paper about London being bombed for the 39th consecutive night and we seem incapable of remembering the situation that existed six months ago, and I think in the introduction to sort of work up to that and try to get us to take our minds twelve or fifteen months back would be very helpful, and along that line, perhaps as good a way to do it as any other I can think of right now is that in the summer of 1939, the President was accused of all kinds of hysterics and in trying to get the embargo repealed and everybody threw everything they had at him and Bill Bullitt and Kennedy were sending back crazy reports over here just trying to arouse the

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American public, and he plead with them and one of the leaders of the Foreign Affairs Committee said, "Mr. President, my information on the affairs in Europe is more reliable than that of the State Department, and there isn't going to be any war and we are not going to repeal embargo," and that held up --

H.M.Jr: You know who said that.

Sullivan: Bill Borah.

H.M.Jr: I thought it was Ham Fish.

Sullivan: No, and that is what held up the construction of additional facilities here for five months. He saw this thing coming and did what he could and they refused to move along.

Schwarz: I think that is a very important point, Mr. Secretary, and I was going to suggest in an approach to this thing we point out up until the fall of France the Government machinery we had was doing everything that was provided for, and it was only when it became a national effort that we needed the business men.

(Telephone conversation with Forrestal follows:)

October 21, 1940
11:46 a.m.

.....

James
Forrestal:

Yes.

H.M.Jr:

And they need certain information which the Navy may or may not wish to give and George Haas, who is head of my statistical Section, has that.

F:

Has he?

H.M.Jr:

If he came over to see you and told you what it was, you could tell him, they can or cannot have it?

F:

You bet.

H.M.Jr:

Now, they want it in the mails tonight. What time could you see George after lunch?

F:

2:30

H.M.Jr:

He'll be at your office at 2:30.

F:

All right.

H.M.Jr:

And as one Dutchess County Democrat to another.

F:

O.K. (Laughs). What's his name?

H.M.Jr:

George C. Haas - H-a-a-s.

F:

Haas. O.K.

H.M.Jr:

Right?

F:

Fine, Henry.

H.M.Jr:

Thank you and thanks for calling on the Stephens matter and I'd like very much to see you.

F:

Well, anything of that kind I think that I'll just inform your secretary so that you know what stuff we've got, you see.

H.M.Jr:

Well, I appreciate it.

F:

All right, Henry.

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Foley: He called up this morning to see whether or not --

H.M.Jr: 2:30, George.

Foley:you wanted to follow up on the appointment of a committee composed of Defense, Army, Navy and Treasury on contracts.

H.M.Jr: I had what's-his-name up there for four hours last night, Purvis, at the house.

Gaston: That list, you know, may run 15 minutes. You say 800 words?

H.M.Jr: 800 on the start.

Gaston: If you name them, it will take 20 minutes, at least.

(Mr. Duffield entered the conference)

H.M.Jr: These are the Democratic members of the Treasury.

Gaston: There is just a little question of whether we can go any farther.

H.M.Jr: This is one horse, one rabbit, 50% Wall Street, 50% Treasury.

Schwarz: National unity.

H.M.Jr: Don't ask me which is the horse and which is the rabbit.

Duffield: I was pointing out Harry. He was sitting next to me.

Gaston: It may be the best stuff, but it is going to run long and take up a lot of the speech. If

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he has got three quarters of an hour, though --

H.M.Jr: He has got an hour. I won't repeat myself now. I want Gene to stay behind, for a few minutes. Let's adjourn now and we will meet again - I will tell you now - at around 4:30, this same gang. That will mean Gene, just the word "gang."

Gaston: Have you got some data?

White: You want us to work with Herbert on this President's speech, is that it?

H.M.Jr: Well, I am giving Herbert the National Defense, and Huntington, what we did to keep out of war. Each leader and each fellow and - I want to go over this thing here with Gene. I will just check off the ones I can answer now. Supposing if you want to stay, Harry, you stay with Gene a couple of minutes.

Gaston: Have you got some data for me or has George got some data for me?

H.M.Jr: No, this is the only thing, but I don't - this is just the appropriations. I want to keep the originals here.

Gaston: Have you got any copies of that, George?

Haas: I can have some made.

H.M.Jr: I am not going to let it off my desk.

Haas: I can give him copies.

Cairns: How long do you want the first part?

H.M.Jr: Well, anything - it is 14 times 120.

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Klotz: 1680.

Cairns: Is this one speech?

H.M.Jr: Yes, this is a speech in itself. Say, 1700 words.

Schwarz: That is about the length of that first part.

Cairns: Yes.

THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE

FEDERAL RESERVE BUILDING

WASHINGTON, D. C.

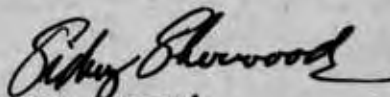
October 21, 1940.

Memorandum for Mrs. Klotz:

In compliance with the Secretary's request on the telephone this morning, I am sending you herewith the Handbook of the Advisory Commission to the Council of National Defense and also a directory of the personnel of the Industrial Materials Division of the Commission. You will find the previous connection of the staff personnel indicated.

We have no way of finding out whether the previous connections have been severed except by personal inquiry of the individuals concerned. We know that Mr. Stettinius has resigned from United States Steel and that Mr. Knudsen has resigned from General Motors. Unless otherwise indicated, we assume that the other business men on the staffs have not severed their previous business connections.

I will send you a more complete list later on today.


Sidney Sherwood,
Assistant Secretary.

HANDBOOK
of
THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE

September, 1940

Office of the Assistant Secretary
Federal Reserve Building
Washington, D. C.

HANDBOOK
of
THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE

September, 1940

Office of the Assistant Secretary
Federal Reserve Building
Washington, D. C.

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**ADVISORY COMMISSION TO THE COUNCIL
OF NATIONAL DEFENSE**

WILLIAM H. McREYNOLDS

Administrative Assistant to the
President, in charge of the Of-
fice of Emergency Management in
the Executive Offices of the
President and Secretary of the
Advisory Commission and the
Council of National Defense.

<u>Commissioners</u>	<u>Function</u>
Edward R. Stettinius, Jr.	Industrial Materials
William S. Knudsen	Production
Sidney Hillman	Labor
Leon Henderson	Price Stabilization
Chester Davis	Agriculture
Harriet Elliott	Consumer Protection
Ralph Budd	Transportation
Donald Nelson	Coordination of Purchases

Service and Coordinating Divisions Under Supervision of the Secretary

Sidney Sherwood	Assistant Secretary
Frank Bane	Director of State and Local Cooperation
Charles Palmer	Defense Housing Coordinator
Stacy May	Director of Bureau of Re- search and Statistics
Robert W. Horton	Director of Information

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Liaison Committee

William H. McReynolds, Chairman
Joseph P. Harris, Special Consultant

Sidney Sherwood
William J. Barrett
William W. Knight, Jr.
Maxwell Brandwen
John Hamm
Paul A. Porter
Caroline Ware
Karl W. Fischer
Ernest A. Tupper
Charles I. Gragg
Alvin Roseman
Carl Henry Monsees
Robert W. Horton

Assistant Secretary
Industrial Materials
Production
Labor
Price Stabilization
Agriculture
Consumer Protection
Transportation
Research and Statistics
Coordination of Defense Purchases
State and Local Cooperation
Coordination of Defense Housing
Public Relations

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Consumer Division	30-33
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Coordinator of National Defense Purchases	37-39
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THE ADVISORY COMMISSION
TO THE COUNCIL OF NATIONAL DEFENSE

Creation and Authority. The Advisory Commission to the Council of National Defense was appointed by the President on May 29, 1940, on nomination of the Council. The Act of Congress of August 29, 1916, creating the Council of National Defense, provides for the establishment of an Advisory Commission of seven members.

Purpose. It is the function of the Advisory Commission to facilitate the production of materials and machines to meet the materiel requirements of the military branches of the Government on schedule, and to investigate problems affecting production and the effects of the defense program upon the economic life of the country. Particular attention is given to situations or "bottlenecks" which may prevent the production of adequate materials to meet the requirements.

Under the Act of Congress of 1916, it is the duty of the Council, and hence of the Advisory Commission acting in behalf of the Council, "to supervise and direct investigations and make recommendations to the President and the heads of executive departments" with regard to:

1. The location of railroads and transportation facilities for military purposes;
2. The mobilization of military and naval resources for defense;
3. The increase of domestic production essential for the support of the armies and the people;
4. The development of seagoing transportation;
5. The assembly of data as to production and availability of military supplies;
6. The giving of information to producers and manufacturers as to requirements of supplies;
7. The creation of relations which will make possible the immediate concentration and utilization of the resources of the Nation.

Organization. Each member of the Advisory Commission is designated as an Adviser to the President in a major aspect or part of the defense program, and is directly responsible to the President for conducting investigations, making recommendations, and facilitating the progress of the defense program within his assignment. The Commission meets regularly twice a week to consider actions by the Commission as a body.

OFFICE OF THE SECRETARY

William H. McReynolds, Administrative Assistant to the President in charge of the Office of Emergency Management in the Executive Office of the President and Secretary of the Advisory Commission and the Council of National Defense, is in charge of the administration of the Commission and has direct supervision of the divisions which serve the entire Advisory Commission.

Staff of the Office of the Secretary

Sidney Sherwood
Margaret Holmead
Jackson Lusby
W. D. Wright
Maurine Mulliner

Assistant Secretary
Chief of Personnel
Fiscal Officer
Chief Clerk
Recording Secretary

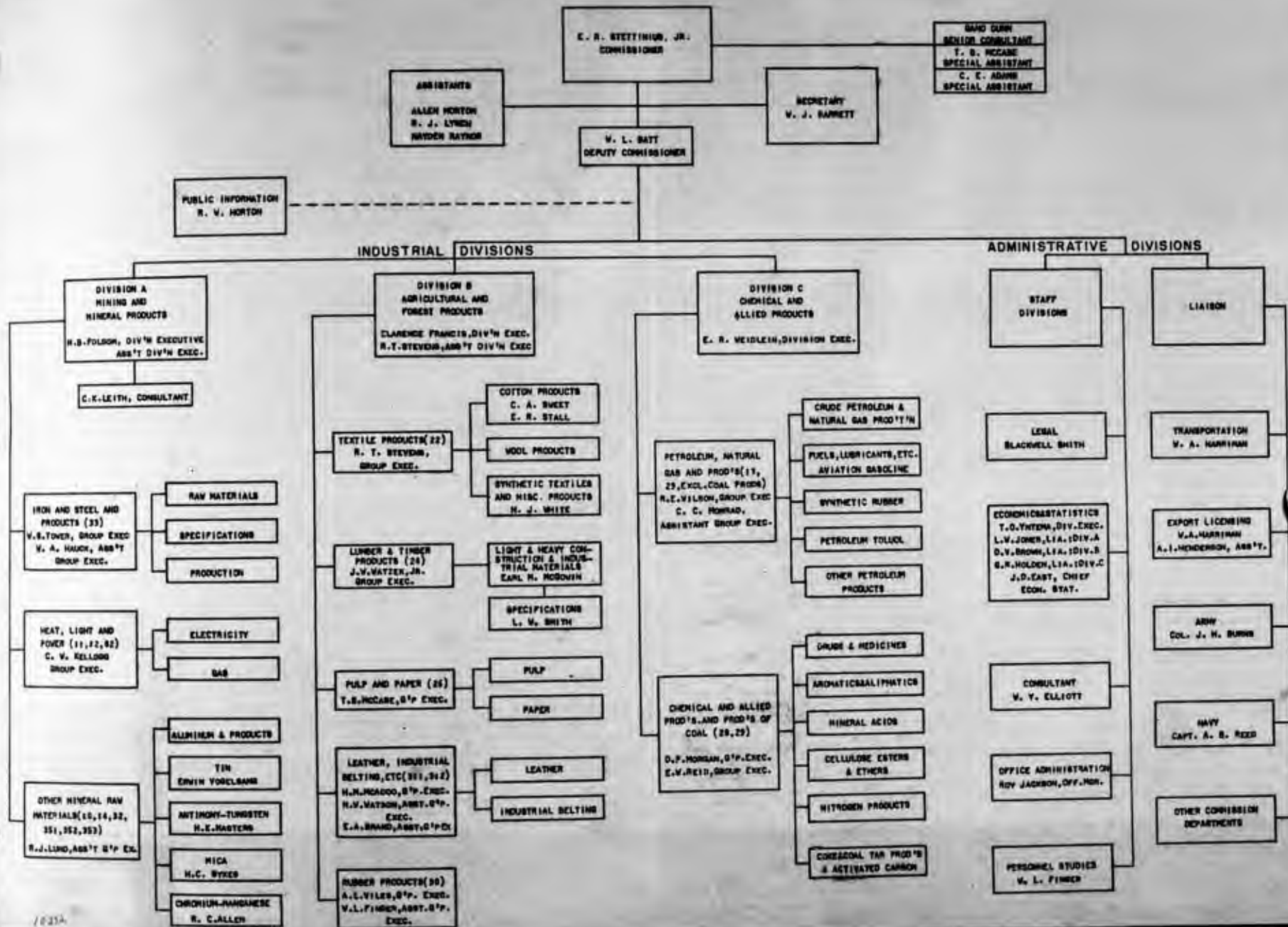
Consultants to the Secretary

Lyle Belsley
Joseph P. Harris
Bernard L. Gladieux

Technical Consultant
Special Consultant
Special Consultant

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INDUSTRIAL MATERIALS DIVISION



INDUSTRIAL MATERIALS DIVISION

Edward R. Stettinius, Jr., Commissioner

Purpose. The Industrial Materials Division has the responsibility to facilitate the securing of the required supplies of strategic, critical, and essential materials and to build up the needed stock piles. Strategic materials are those essential to military operations which are not ordinarily produced in this country, such as rubber, tin, silk, tungsten, antimony, manganese, and chrome ore. Critical materials are those of which the domestic supply is likely to be inadequate, while essential materials are those presenting less of a problem of meeting the military requirements. Certain other activities, such as heat, light, and power supplies, the chemical industry in its several branches, and the aluminum industry, have also been included in this Division.

The line of demarcation between this Division and the Production Division is the point where materials are cut up. This means that materials such as hides, armor plate, sheet steel, etc., are the responsibility of the Materials Division.

Organization. The Division is organized into the following sections: (1) Mining and Mineral Products, (2) Agricultural and Forest Products, and (3) Chemical and Allied Products. Each of these three units is further broken down into subfields, as indicated on the organization chart.

Activities. The procedure of the Division is first to secure from the Army and Navy a statement of the requirements which usually have to be broken down further in terms of the raw materials. The next step is to check these requirements, whether they be tin, manganese, copper, wool, armor plate, etc., with the available supply. Where scarcity or difficulty of obtaining sufficient quantities to meet the Army and Navy needs is indicated from these statistics, the individual or group in this organization responsible for the particular item undertakes immediately to develop ways and means of building up and maintaining the necessary stock pile or bringing about industrial expansion needed to meet the program.

As an illustration of the procedure which the Division follows, the case may be cited of a recent conference on light armor plate. The principal producers were invited to attend the meeting, which was held jointly with the Army and Navy, and to come prepared with specific information as to their capacities to produce the several key types of armor plate. At the meeting they were advised specifically of what the requirements of the defense program were, and the various problems incident to meeting those requirements were discussed and agreements reached whereby the industry would undertake the necessary expansions. Similar conferences are being conducted in many fields, and unqualified cooperation is being secured.

Accomplishments. To meet the increased requirements of aluminum for airplanes, the Aluminum Company agreed to expand its plant in Tennessee.

but reported that it would be necessary to have additional power. The staff investigated the situation and recommended to Congress an additional appropriation of \$25,000,000 this year to the TVA in an expansion program which will increase the capacity by 25 per cent.

In view of the possibility that the source of rubber supply from the Malay Peninsula and the East Indies might be cut off, considerable study has been conducted of the rubber supply and the possibility of manufacturing synthetic rubber. A Rubber Reserve Corporation has been created under the RFC, and a buying committee from the industry is building up reserve stock, taking into account the market prices. Synthetic rubber may become an important factor in case crude supplies are cut off. This Division has been studying the synthetic rubber production question and has determined upon tentative arrangements for engineering plant capacity sufficient to test the possibilities of the several processes and also have a small stand-by supply which can be expanded if occasion demands.

Large purchases of tin, chrome ore, antimony, tungsten, and graphite have been made, and very material progress has been made in building up stock piles in this country. Negotiations are under way for the building of a tin smelter in this country to safeguard the supply of this essential war material. The stock pile of manganese is being increased, and arrangements are pending with Brazil to increase the supply from that country by rehabilitation of the railroad over which manganese ore is hauled and by giving priority to manganese ore.

The creation of a reserve sufficient to take care of 100 days' supply of the new 100 octane gasoline has been recommended. This fuel yields about 20 per cent greater power than ordinary aviation gasoline. The petroleum industry is now producing very substantially in excess of current consumption, and the recommended reserve is being built up.

Because of the large quantities of wool required for uniforms and blankets, it is an essential material. Progress has been made in building up the stock pile, and negotiations are under way for the storing of large quantities of Australian wool in this country in order to have an adequate reserve on hand. In the World War I there was a great deal of difficulty in securing adequate supplies of optical glass for scientific instruments, but present indications are that the needs of the defense program will be fully taken care of. The largest producer in this field is expanding its plant to double capacity this autumn.

Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Edward R. Stettinius, Jr.	Commissioner	Formerly Chairman, U.S. Steel Corporation
C. E. Adams	Executive Assistant	Chairman, Air Reduction Corporation
Gano Dunn	Senior Consultant	J. G. White Engineer- ing Company

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	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Arthur Kudner	Special Consultant	Arthur Kudner Advertising Agency
T. B. McCabe	Special Assistant	Scott Paper Company
Allen Morton	Assistant to Commissioner	Vice President, Koppers Company, Baltimore
R. J. Lynch	Assistant to Commissioner	U. S. Steel Corporation
Hayden Raynor	Assistant to Commissioner	U. S. Steel Corporation

Administrative Staff

Blackwell Smith	Legal Counsel	Wright, Gordon, Zachry and Parkin, New York
Thomas Hewes	Assistant Legal Counsel	Hewes, Prettyman, Awalt and Smiddy
T. O. Yntema	Section Executive, Economics and Statistics	University of Chicago
Douglas V. Brown	Economic Adviser	Massachusetts Institute of Technology
J. D. East	Chief Economic Statistician	U. S. Steel Corporation
Grenville R. Holden	Economic Adviser	Eastman Kodak Company
Lewis Jones	Economic Adviser	Bennington College
W. A. Harriman	Transportation Liaison and Export Licensing	Union Pacific Railroad
Alexander Henderson	Assistant on Export Licensing	Cravath, DeGerfordiff, Swaine and Wood
William J. Barrett	Executive Secretary and Liaison	Metropolitan Life Insurance Company
Roy Jackson	Office Manager	U. S. Steel Export Company

Mining and Mineral Products Section

William L. Batt	Section Executive	SKF Industries, Inc.
Marion B. Folsom	Assistant Section Executive	Treasurer, Eastman Kodak Company

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
C. E. Leith	Technical Consultant	University of Wisconsin
Walter S. Tower	Group Executive, Iron and Steel Products	President, American Iron and Steel Institute
W. A. Hamck	Assistant Group Executive, Iron and Steel Products	Inchons Steel Company
C. W. Kolligs	Group Executive, Heat, Light, and Power	President, Edison Electric Institute
John O. Parker	Consultant on Power Committee	Vice President, Consolidated Edison Company
Robert L. Hallett	Specialist - Tin	Technical Director, National Lead Company
Kevin Vogelzang	Specialist - Tin	Tin Broker, Representing Malcolm Bowley and Co.
Harris L. Masters	Specialist - Antimony, Tungsten	Vice President, Charles Hardy, Inc.
Howard C. Sykes	Specialist - Mica	Chairman of Board, Mica Insulator Company; Chairman, Eugene Munsell Co.
R. C. Allen	Specialist - Manganese	Partner and Executive Vice President, Ogilby, Norton & Co., Cleveland
<u>Agricultural and Forest Products Section</u>		
Clarence Francis	Section Executive	President, General Foods Corporation
Robert T. Stevens	Group Executive, Textile Products	J. P. Stevens & Company
Karl R. Stall	Specialist - Cotton Products	President, F. W. Poe Manufacturing Company
Charles A. Sweet	Specialist - Cotton Products	Wellington Sears Company
Arthur Besse	Specialist - Wool	National Association of Wool Manufacturers
R. J. White	Specialist - Synthetic Textiles and Miscellaneous Products	Head of Viscose Division, duPont Company

<u>Capacity with Commission</u>	<u>Previous Connection</u>
John W. Watssek, Jr.	Group Executive, Lumber and Products
L. W. Smith	Assistant Group Executive, Lumber and Products
H. M. McAdoo	Group Executive, Leather
H. A. Watson	Assistant Group Executive, Leather
E. A. Brand	Assistant Group Executive, Leather
A. L. Viles	Group Executive, Rubber Products
W. L. Jinger	Assistant Group Executive, Rubber Products
Earl M. McGowan	Assistant to Group Executive, Lumber and Timber Products

Groesett, Watssek & Yates

National Lumber Manufacturers Association

President, U. S. Leather Company

Executive Vice President, Tanners Council

General Attorney representing Tanners Council

Rubber Manufacturers Association

Rubber Manufacturers Association

W. F. Smith Lumber Company

Chemical and Allied Products Section

<u>Division Executive</u>	<u>Mellon Institute</u>
E. R. Weidlein	
Robert E. Wilson	
C. G. Monrad	
D. P. Morgan	
Ernest W. Reid	

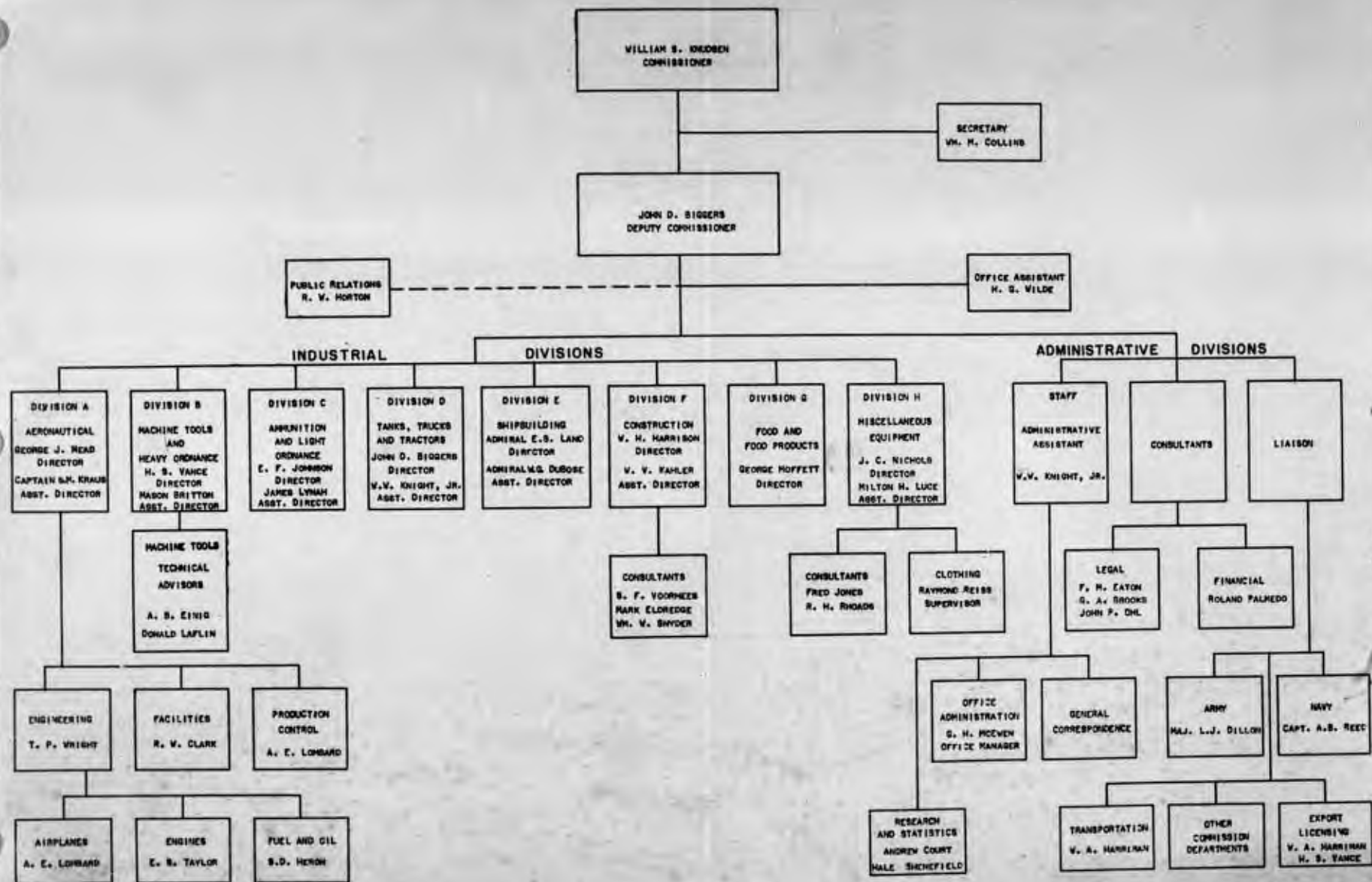
President, Pan American Petroleum & Export Co.

Carnegie Institute of Petroleum, Natural Gas, and Technology

Investment Counsel, Scudder, Stevens & Clark

Mellon Institute; Union Carbide & Carbon Co.

PRODUCTION DIVISION



PRODUCTION DIVISION

William S. Knudsen, Commissioner

Purpose. The Production Division has the function of facilitating the production of airplanes, engines, munitions, trucks, tractors, tanks, ships, and other machinery and finished products (other than raw materials) needed for defense. All important contracts of the Army and Navy for these items require the approval of the Commissioner. The actual purchasing is carried on by the regular procurement agencies of the Government.

Organization. The Division is organized into the following sections: Aircraft; Machine Tools and Heavy Ordnance; Ammunition and Light Ordnance; Tanks, Trucks and Tractors; Shipbuilding; Construction; Food and Food Products; and Miscellaneous Equipment.

Activities. Each of the several sections secures from the military branches information upon their requirements under existing and pending appropriations, and these are studied in the light of existing capacity of industry. The Division works closely with the several industries involved and their trade associations, passing on to them detailed information on the anticipated requirements, and consulting with them about their ability to meet these requirements and about the plant expansions which may be necessary. Many conferences have been held with manufacturers to inform them of the program, to discuss problems, and to secure their co-operation. The Division assists in the negotiations concerning plant expansions. Up until July 25, 1940, contracts totaling \$1,700,000,000 had been approved.

Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
William S. Knudsen	Commissioner	President, General Motors Corporation
John D. Biggers	Deputy Commissioner	President, Libbey-Owens-Ford Glass Company
William M. Collins	Secretary to Commissioner	Secretary to Mr. Knudsen, General Motors Corp.
H. George Wilde	Assistant to Deputy Commissioner	Wood Struther & Company, New York

Administrative Staff

William W. Knight, Jr.	Administrative Assistant	President, Ford Building Company, Detroit
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	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Ray A. Graham	Assistant to Mr. Knight	Graham Motors, Inc.
Fredrick M. Eaton	Chief of Legal Staff	Wright, Gordon, Zachry and Parlin, New York
George A. Brooks	Legal Staff	Legal Staff, General Motors Corporation
John P. Ohl	Legal Staff	Wright, Gordon, Zachry and Parlin, New York
Raymond Palmedo	Financial Counsel	Lehman Brothers Corporation, New York
Andrew Court	Chief Statistician	Automobile Manufacturers' Association

Aircraft Section

George J. Mead	Director	Formerly Vice President and Chief Engineer, United Aircraft Corp. (retired)
Capt. Sidney M. Kraus	Assistant Director	U. S. Navy
T. P. Wright	Chief of Aircraft Structures Section	Director of Engineering, Curtiss-Wright Corp.
Wesley A. Kuhn	Assistant to Chief of Aircraft Structures Section	Pratt & Whitney, East Hartford, Conn.
A. E. Lombard, Jr.	Assistant to Chief of Aircraft Structures Section	California Institute of Technology
E. S. Taylor	Chief of Engineering, Aircraft Structures Section	Massachusetts Institute of Technology
S. D. Heron	Assistant Chief, Aircraft Engines Section	Research Laboratories, Ethyl Gasoline Corp.

Capacity with CommissionPrevious ConnectionMachine Tools and Heavy Ordnance Section

E. S. Vance	Director	Chairman, Studebaker Corporation
Mason Britton	Assistant Director	Vice President, McGraw-Hill Publishing Company
A. B. Kinig	Machine Tool Technician	General Manager, Motch and Merryweather Machinery Co., Cleveland
Donald M. Laflin	Machine Tool Technician	Giddings and Lewis Machine Tool Co., Fond du Lac, Wis.

Ammunition and Light Ordnance Section

H. F. Johnson	Director	General Motors Corporation (retired)
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Tanks, Trucks and Tractors Section

John D. Biggers	Director	President, Libbey-Owens-Ford Glass Company
William W. Knight, Jr.	Assistant Director	President, Ford Building Company, Detroit

Shipbuilding Section

Adm. Emory S. Land	Director	Chairman, Maritime Commission
Adm. William G. DuBose	Assistant Director	David W. Taylor Model Basin, Carderock, Maryland

Construction Section

W. E. Harrison	Director	Vice President and Chief Engineer, American Telephone and Telegraph
W. V. Kahler	Assistant Director	Chief Engineer, Illinois Bell Telephone Company

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Stephen F. Voorhees	Consultant	Senior member of firm - Voorhees, Walker, Foley and Smith, New York
Mark Eldredge	Chief Business Specialist	Director, Electrical Division, Memphis Gas, Light and Water Division, Worcester, Mass.
William W. Snyder	Business Specialist	Expediting Section of Projects and Statistical Division, PWA

Food and Food Products Section

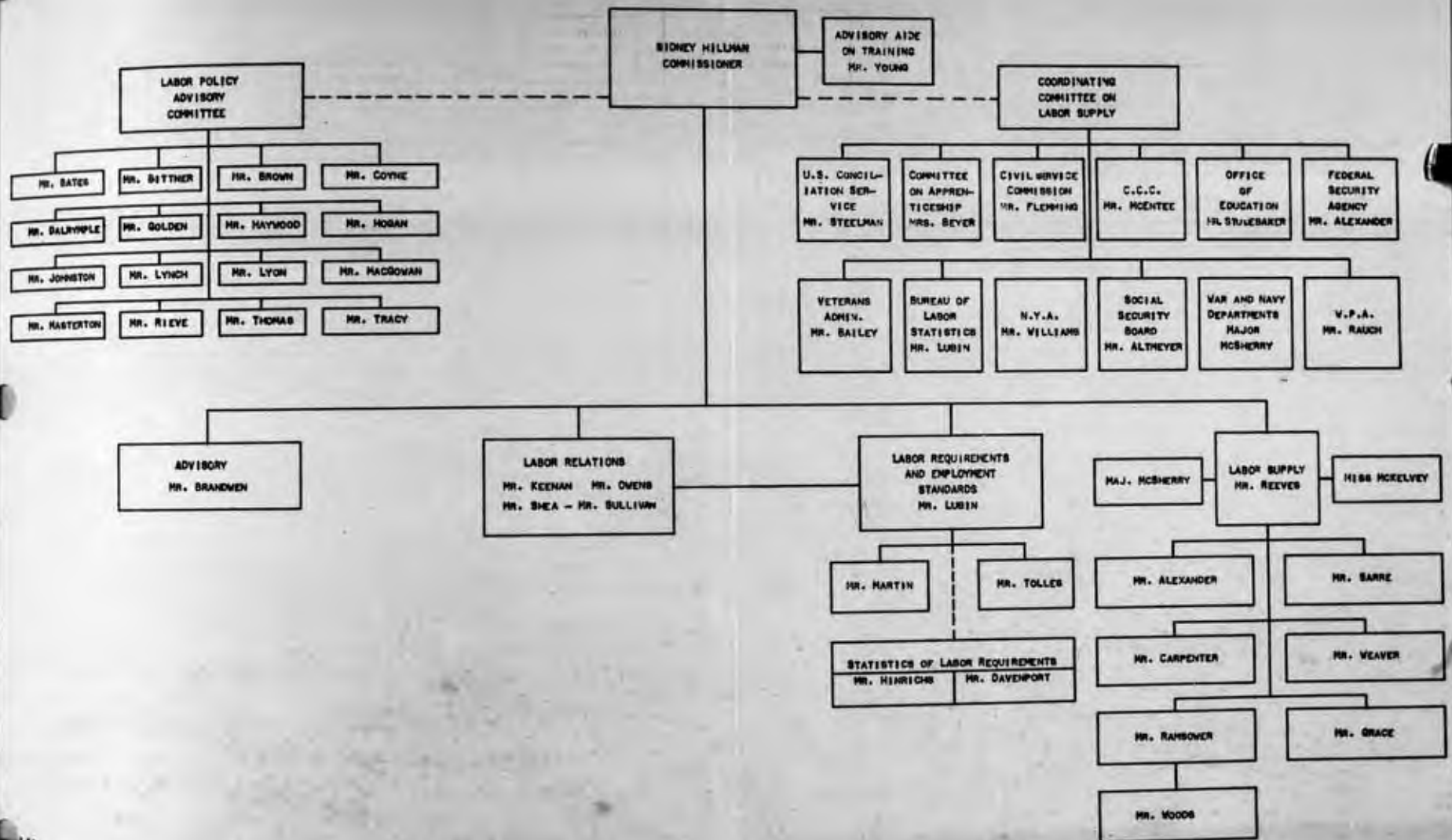
George Moffett	Director	President, Corn Products Refining Company
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Miscellaneous Equipment Section

J. C. Nichols	Director	President, J. C. Nichols Co., Kansas City, Mo.
Milton H. Luce	Assistant Director	President, Egg White Products Co., Kansas City, Mo.
Raymond H. Reiss	Supervisor, Clothing Section	President, International Tailoring Company
R. H. Rhoads	Consultant	Kansas Industrial Development Commission, Topeka, Kansas.
Fred Jones	Assistant to Mr. Nichols	Owner, Fred Jones Automobile Distributors, Oklahoma City, Okla.

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LABOR DIVISION



LABOR DIVISION

Sidney Hillman, Commissioner

Purpose. The functions of the Labor Division are (1) to study and ascertain the labor requirements of the defense program, (2) to see to it that sufficient labor is available to meet these requirements, and (3) to facilitate good standards of employment and good labor relations.

Organization. The Division is organized into two principal sections: (1) Labor Requirements, Employment Standards, and Labor Relations; and (2) Labor Supply. In addition, the Commissioner has appointed a Labor Policy Advisory Committee of sixteen members, representing the American Federation of Labor, the Congress of Industrial Organizations, and the Railway Brotherhoods. A Coordinating Committee on Labor Supply, consisting of representatives of the various Government agencies concerned with employment and training, has also been created.

Activities. The Labor Requirements and Standards of Employment Section investigates the labor requirements for the defense program, breaking down these estimates into occupations and skills required. It utilizes the facilities of the Bureau of Labor Statistics. This Section will also investigate and make recommendations of labor standards in defense industries, particularly for use in negotiated contracts.

The Labor Relations branch of this Section follows labor disputes affecting defense industries, assisting the Division of Conciliation of the Department of Labor and other existing governmental agencies engaged in labor relations activities whenever such assistance is necessary to effect a settlement of labor disputes.

The Labor Supply and Training Section has made arrangements for coordinating the activities of the various Government agencies which have facilities for training workers that may be needed for the national defense program. Representatives of the various agencies concerned, namely, the Office of Education, the National Youth Administration, the Civilian Conservation Corps, the Apprenticeship Committee of the Department of Labor, the Social Security Board, and the Works Projects Administration have been appointed a consultative committee to recommend practical policies for meeting the needs for labor.

A comprehensive vocational training program has been initiated during the summer of 1940 by the Advisory Defense Commission and the Office of Education under an appropriation of \$17,281,340. Already over 80,000 persons are taking courses in such subjects as machine-shop practice, welding, aircraft sheet metal work, heavy sheet metal work, pattern making, and drafting. This is the first step in a comprehensive program to develop highly skilled workers needed in the defense industries. A program for training within industries themselves is being developed.

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Staff

16.

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Sidney Hillman	Commissioner	President, Amalgamated Clothing Workers of America
Maxwell Brandwen	Executive Assistant to Commissioner	Attorney

Labor Requirements, Employment Standards, and Labor Relations Section

Isador Lubin	Executive Assistant	Commissioner, Bureau of Labor Statistics, U.S. Department of Labor
Edwin Martin	Economic Assistant	Bureau of Labor Statistics, U.S. Department of Labor
H. Arnold Tolles	Economic Assistant	Wage and Hour Division, U.S. Department of Labor
Joseph D. Keenan	Assistant to the Commissioner, on Labor Relations	Secretary, Chicago Federation of Labor
John Owens	Assistant to the Commissioner, on Labor Relations	President, District #6, United Mine Workers of America; President, Ohio State Council
Timothy Shea	Assistant on Railroad Labor Problems	
Daniel J. Sullivan	Assistant on Labor Problems	Division of Labor Relations, P.W.A.
E. D. Bransome	Consultant on Labor Relations	Vanadium Corporation of America

Labor Supply Section

Floyd W. Reeves	Executive Assistant	University of Chicago
Will Alexander	Administrative Assistant	Vice President, Rosenwald Fund

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	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Martin Carpenter	Administrative Assistant	Bureau of Employment Security, Social Security Board
Alonso Grace	Administrative Assistant	State Commissioner of Edu- cation, Hartford, Conn.
Thelma McKelvey	Special Assistant	Special Assistant to the Administrator, N.Y.A.
Major Frank J. McSherry	Administrative Assistant	General Staff, War Department
H. C. Ramsower	Administrative Assistant	Director, Agricultural Extension Service, Ohio State University
H. A. Sarre	Administrative Assistant	Director of Personnel, Federal Works Agency
Robert C. Weaver	Administrative Assistant	Special Assistant to Administrator, U. S. Housing Authority
Ralph H. Woods	Administrative Assistant	State Director of Voca- tional Education of Kentucky

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COMMITTEE ON TRAINING WITHIN INDUSTRY

Labor Representatives:

Michael Colleran, General President
Operative Plasterers' and Cement
Finishers' International Assn.
Machinists' Building
Washington, D. C.

E. C. Davison, General Secy-Treas.
International Assn. of Machinists
Machinists' Building
Washington, D. C.

Clinton Golden, Regional Director
Northeastern Region
Steel Workers Organizing Committee
1500 Commonwealth Building
Pittsburgh, Pennsylvania

John Green, President
Industrial Union of Marine and
Shipbuilding Workers of America
534 Cooper Street
Camden, New Jersey

Marion Hedges
International Brotherhood of
Electrical Workers
Tower Building
Washington, D. C.

Walter Reuther
United Automobile Workers of America
281 West Grand Blvd.
Detroit, Michigan

Employer Representatives:

Harold Falk, President
Falk Corporation
Milwaukee, Wisconsin

E. J. Robeson, Personnel Manager
Newport News Shipbuilding and
Dry Dock Company
Newport News, Virginia

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COMMITTEE ON TRAINING WITHIN INDUSTRY (Continued)

Employer Representatives (Continued):

Robert E. Gross, President
Lockheed Aircraft Corporation
Burbank, California

W. G. Marshall, Vice-President
Westinghouse Elec. & Mfg. Co.
Pittsburgh, Pennsylvania

J. A. Stephens
Director of Industrial Relations
United States Steel Corp. of Delaware
Pittsburgh, Pennsylvania

M. S. Burke
United Aircraft Corp.
Pratt & Whitney Aircraft
East Hartford, Connecticut

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COORDINATING COMMITTEE ON LABOR SUPPLY

Dr. Will W. Alexander
Assistant to the Administrator
Federal Security Agency

Mr. Arthur J. Altmeyer, Chairman
Social Security Board

Mrs. Clara Beyer, Chairman
Apprenticeship Committee
Labor Department

Mr. Arthur S. Flemming, Commissioner
Civil Service Commission

Mr. Isador Lubin, Commissioner
Bureau of Labor Statistics
Labor Department

Mr. J. J. McEntee, Director
Civilian Conservation Corps

Major Frank J. McSherry, General Staff
War Department

Mr. Fred R. Rauch, Assistant Commissioner
Division of Employment
Works Projects Administration

Dr. John W. Studebaker, Commissioner
U. S. Office of Education

Mr. Aubrey Williams, Administrator
National Youth Administration

Mr. Chesley W. Bailey
Senior Administrative Assistant
Veterans' Administration

Mr. John R. Steelman, Director
U. S. Conciliation Service

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ADVISORY COMMITTEE ON LABOR POLICY

Harry C. Bates, President
Bricklayers, Masons & Plasterers'
International Union of America
Bowen Building
Washington, D. C. (AFL)

Van A. Bittner, Regional Director
Steel Workers Organizing Committee
1900 Engineering Bldg.
205 West Wacker Drive
Chicago, Illinois (CIO)

H. W. Brown, International President
International Assn. of Machinists
Machinists Bldg.
Washington, D. C. (AFL)

John P. Coyne, President
Building & Construction, Trades Dept.
American Federation of Labor
901 Massachusetts Ave., N. W.
Washington, D. C. (AFL)

S. H. Dalrymple, President
United Rubber Workers
503 United Building
Akron, Ohio (CIO)

Clinton Golden, Regional Director
Northeastern Region
Steel Workers Organizing Committee
1500 Commonwealth Bldg.
Pittsburgh, Pennsylvania (CIO)

Allen S. Haywood
CIO - Utility Workers Organizing Committee
1113 Broadway
New York City (CIO)

Samuel J. Hogan, President
National Marine Engineers Beneficial Assn.
313 Machinists' Building
Washington, D. C. (Transportation)

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ADVISORY COMMITTEE ON LABOR POLICY (Continued)

A. Johnstone, Grand Chief Engineer
Brotherhood of Locomotive Engineers
1116 Brotherhood of Locomotive Engineers Bldg.
Cleveland, Ohio (Transportation)

George Q. Lynch, General President
Pattern Makers League of No. America
Machinists' Building
Washington, D. C. (AFL)

A. E. Lyon, Grand President
Brotherhood of Railroad Signalmen of America
4849 No. Western Avenue
Chicago, Illinois (Transportation)

Charles J. MacGowan, Vice-President
International Brotherhood of
Boiler Makers, Iron Shipbuilders,
Welders and Helpers of America
220 South State Street
Chicago, Illinois (Transportation)

George Masterton, General President
United Assn. of Journeymen, Plumbers
and Steamfitters
Machinists' Bldg.
Washington, D. C. (AFL)

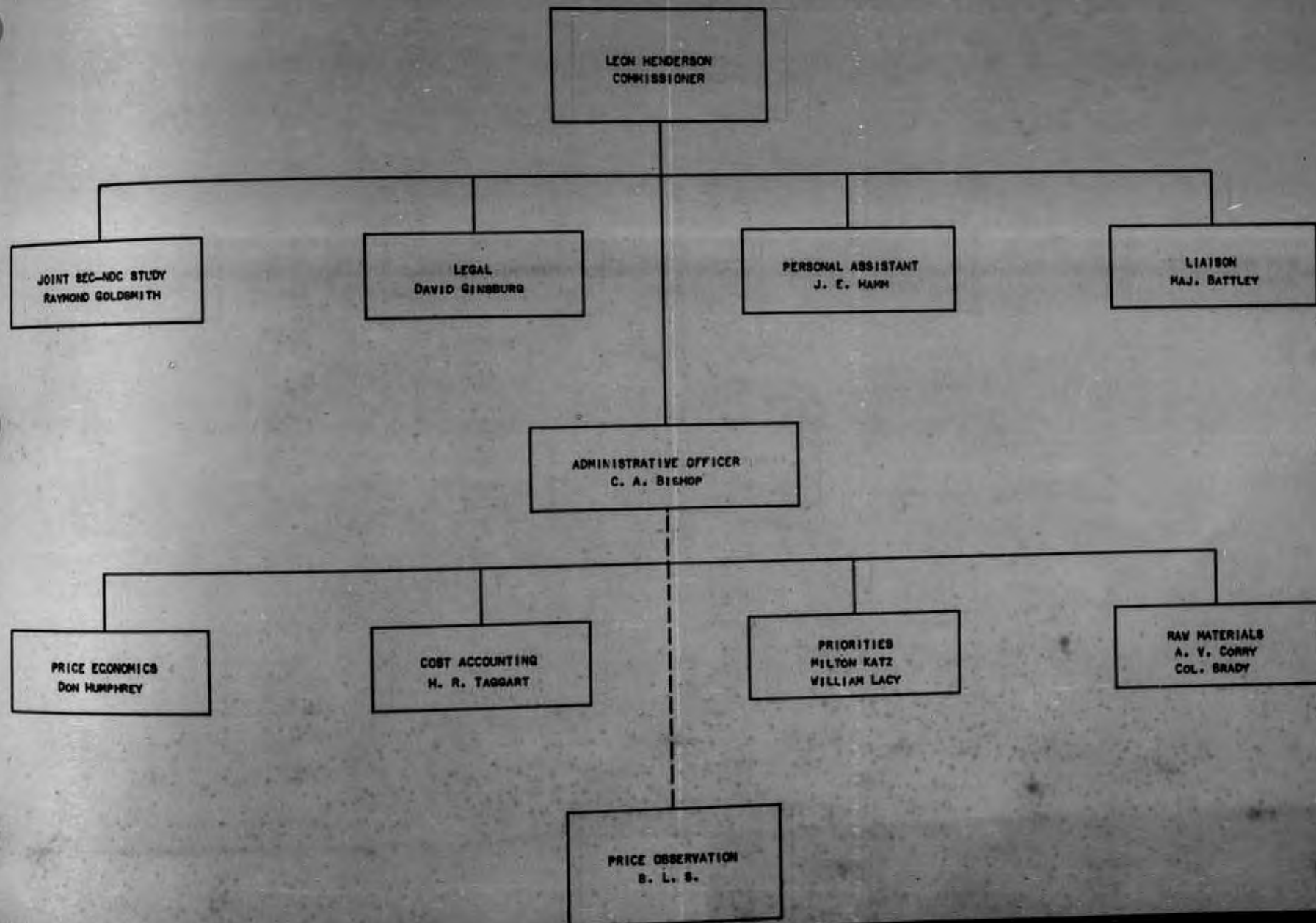
Emil Rieve, President
Textile Workers Union of America
44 East 23rd Street
New York, N. Y. (CIO)

R. J. Thomas, President
United Automobile Workers of America
281 West Grand Boulevard
Detroit, Michigan (CIO)

D. W. Tracy, President
International Bro. of Electrical
Workers
1200 - 15th St., N.W., Washington, D. C.
(AFL)

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PRICE STABILIZATION DIVISION



PRICE STABILIZATION DIVISION

Leon Henderson, Commissioner

Purpose. The Price Stabilization Division is charged with the duty of observing price trends, making studies of all problems affecting prices, and recommending legislation, policies, and procedures to prevent unwarranted price increases such as occurred in the World War.

Organization. The Division is organized under the following major sections: Price Economics, Cost Accounting, Price Observation, Priorities, Raw Materials, Capital Markets, Legal, and Administrative.

Activities. The following studies are under way:

1. Price fixing proposals in the Army Industrial Mobilization Plan. These studies are proceeding on several different levels: (a) economic implications; (b) alternative proposals; (c) administrative procedures; and (d) forms of legislation. Other aspects of the plan are also being reviewed in order to determine their impact on price.
2. A joint study of capital markets and their role in emergency and wartime financing in cooperation with the Securities and Exchange Commission.
3. Priorities and their direct relationship to prices and price administration.
4. The economic organization within the belligerent countries.
5. Cost problems arising under the Vinson-Trammell and Maritime Commission Acts. A special study is under way of the general cost considerations in negotiating contracts for defense materials and facilities.
6. Amortization for income tax purposes and financing new plant facilities, particularly through the use of Government capital.
7. Strategic and critical materials with view to anticipating the extent of the defense program's impact on prices.
8. Continuous observation of important individual commodity prices and the general price level is being maintained through special arrangement with the Bureau of Labor Statistics.

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Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Leon Henderson	Commissioner	Securities and Exchange Commission
John E. Hamm	Personal Assistant to the Commissioner	Russell Sage Foundation
David Ginsburg	Legal Adviser	Securities and Exchange Commission
C. A. Bishop	Executive Assistant	Pennsylvania Economy League
Milton Katz	Priorities Section	Harvard Law School
William S. B. Lacy	Priorities Section	Securities and Exchange Commission
Herbert F. Taggart	Accounting Section	University of Michigan
Andrew V. Corry	Metals and Minerals Section	Consulting Engineer
George S. Brady	Substitute and Secondary Materials Section	Industrial Engineer
Don B. Humphrey	Price Economics Section	Department of Commerce
Major J. F. Battley	Liaison with U. S. Army	War Department

Consultants

Clarence Avildsen	Industrial Methods	Avildsen, Reinhard & Co.
J. M. Clark	Price Theory	Columbia University
Calvin Hoover	Foreign Economic Organization	Duke University
R. H. Lansburgh	Industrial Engineering	Philadelphia Committee
Floyd Odium	Financing	Atlas Corporation
Randolph Paul	Taxation	Lord, Day and Lord
George Renard	Purchasing	National Association of Purchasing Agents

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AGRICULTURAL DIVISION

Chester C. Davis, Commissioner

Purpose. The function of the Agricultural Division is to collaborate with the Department of Agriculture and other existing agencies in the adjustment of agriculture to the defense program with the objective of

1. Preparation to produce what is required.
2. Development of plans for protective action to offset unfavorable effects of defense and international moves.
3. Adequate use of farm population through placing of defense plants and orders to use reservoirs of employable agricultural labor and through the training program of rural youth.
4. Organization of food industries for such direction and regulation as might become necessary in the event of maximum effort.
5. Cooperation with the Bureau of Agricultural Chemistry and Engineering in development of new products useful for defense purposes to be manufactured from farm raw materials.

Organization. The Division is organized under the following sections: Rural Labor and Plant Locations; Food Supply; Foreign Trade; New Uses for Farm Products; Economic Analyses and Program Planning; Phosphate-Nitrate Supplies; and Rural Youth Training. The functions of these sections are as follows:

Rural Labor and Plant Location

To collaborate with other divisions of the Commission and established agencies of Government, including the War and Navy Departments, in the development of plans and standards for the utilization of the labor supply in rural areas in connection with the defense program; to supervise the preparation and presentation of data pertaining to sites for new defense plants in non-industrialized areas.

Food Supply

To establish relations with manufacturers and distributors of farm products; to cooperate with the Food Section of Mr. Knudsen's Division; and to keep in touch with the several

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current activities of existing Government agencies which are developing plans for direction and regulation of these industries in event of maximum effort.

Foreign Trade

To originate plans and collaborate with existing agencies in the movement of surplus agricultural commodities into export by means of exchange transactions in connection with the acquisition of strategic materials; refugee relief through the Red Cross and other agencies and by other means.

New Uses for Farm Products

To study the needs of the expanded defense program to ascertain what materials can be produced by new uses of farm products, and to cooperate with the regional laboratories of the Department of Agriculture in their development.

Economic Analyses and Program Planning

To develop independent analyses on specific problems and maintain liaison with the Commission's Bureau of Research and Statistics and the research facilities of the Department of Agriculture and other agencies; to collaborate with the Department of Agriculture in the development of plans for supporting farm prices against the prospect of a drastic decline due to curtailed export outlets or other factors; to determine the economic environment in which agriculture will find itself because of international conditions; to recommend or suggest methods of acquainting farmers with the problems ahead and to develop plans for agriculture's participation in the event of maximum effort.

Phosphate-Nitrate Supplies

To study the effects of expanded munitions production on supplies of mineral plant foods essential for the preservation and up-building of soil fertility in the United States.

Rural Youth Training

To consult and cooperate with the industrial training organization of the Labor Division of the Defense Commission.

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Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Chester C. Davis	Commissioner	Governor, Federal Reserve Board
Paul A. Porter	Executive Assistant and Legal Adviser	Washington Attorney for Columbia Broadcasting System
E. K. Thompson	Administrative Assistant	Assistant to Secretary, Federal Reserve Board
Carol S. Piper	Secretary	Secretary to Mr. Davis, Federal Reserve Board
J. B. Hutson	Deputy Commissioner	Assistant Administrator, Agricultural Adjustment Administration

Rural Labor and Plant Location Section

J. K. Galbraith	Chief	Economist, American Farm Bureau Federation
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Food Supply Section

George W. Livingston	Chief	Vice President, Miller's National Federation
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Foreign Trade Section

Raymond C. Miller	Chief	U. S. Commercial Attache, Paris and Brussels; Export-Import Bank
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New Uses for Farm Products Section.

To be filled

Economic Analyses and Program Planning Section

Dr. H. B. Boyd	Chief	Economist, Agricultural Adjustment Administration
Dr. J. P. Cavin	Consul	Economist, Bureau of Agricultural Economics

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Capacity with CommissionPrevious ConnectionPhosphate-Nitrate Supply Section

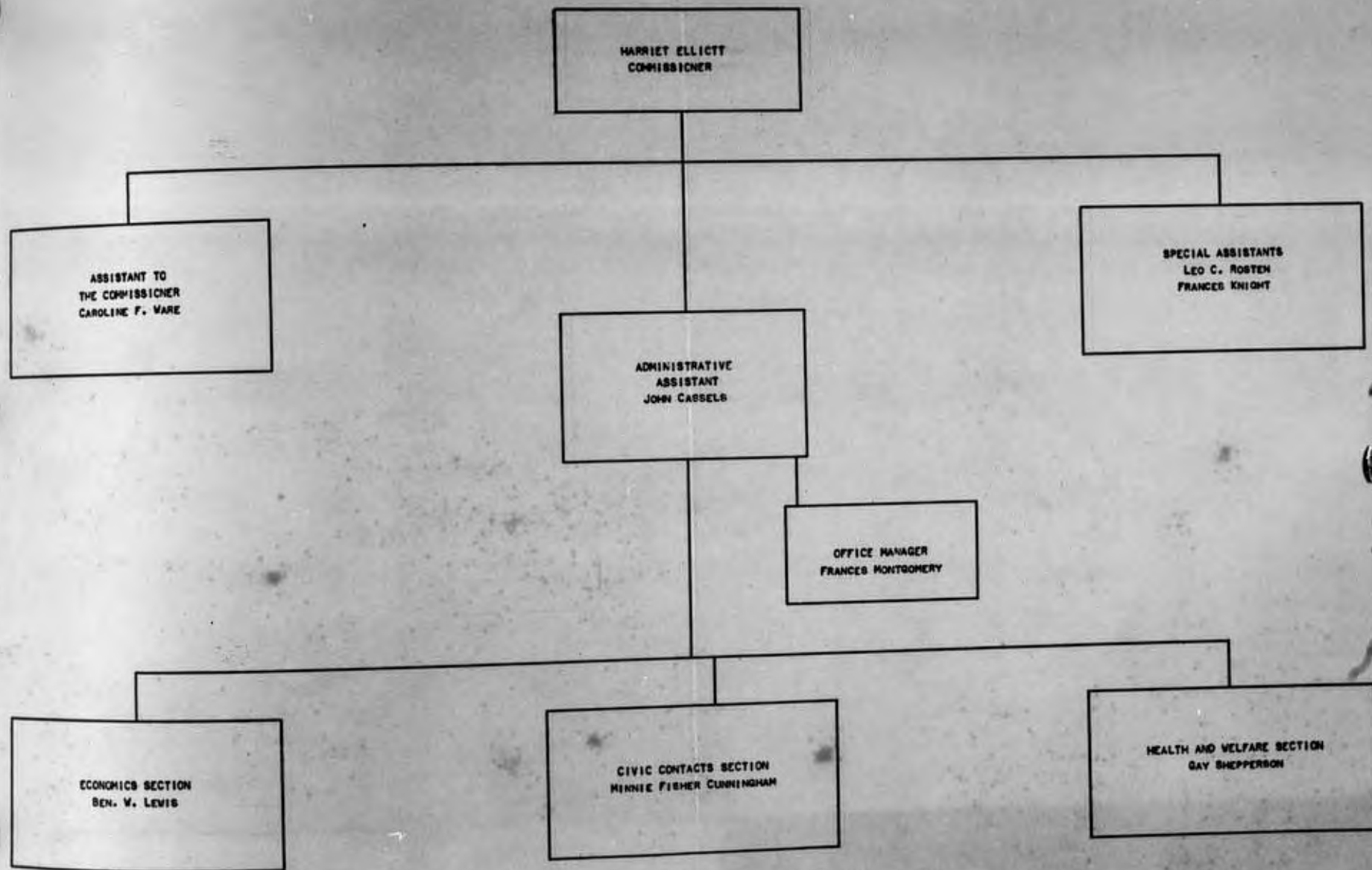
To be filled

Rural Youth Training Section

To be filled

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CONSUMER DIVISION



CONSUMER DIVISION

Harriet Elliott, Commissioner

Purpose. The Consumer Division is charged with responsibility for studying all aspects of the defense program as it affects consumers and for making recommendations for consumer protection. This office is responsible for knowing the needs of consumers and for seeking to insure adequate supplies to them. It is responsible for the coordination of the defense activities of the Government in the fields of health and welfare, and for the promotion of a healthy and effective population. These functions require the Division to keep closely in touch with the development of the defense program, advising on matters affecting consumers, and to deal with public and civic organizations, disseminating information and promoting activities designed to maintain the flow of goods to the consumer and to promote national health and effectiveness.

Organization. The Division is organized under the following sections: Economic Studies, Civic Contacts, and Health and Welfare.

Activities. The Economics Section, in cooperation with other divisions of the Commission, is engaged in studies of various problems affecting the supply of goods to consumers, such as consumer requirements, prices, costs, commodity inventories, location of industry, foreign trade, and similar subjects. The Health and Welfare Section is being organized in consultation and cooperation with principal government officials concerned. Its function is to coordinate the health, child welfare, security, and nutrition activities of the Government as they relate to emergency defense. The Civic Contacts Section cooperates with civic organizations, disseminating information about the defense program, and assisting them in planning activities in its support. Conferences with civic leaders and other groups are held from time to time.

Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Harriet Elliott	Commissioner	Dean of Women, Woman's College, University of North Carolina
Caroline F. Ware	Assistant to the Commissioner	Graduate School of Social Sciences, American University
John M. Cassels	Administrative Assistant	Director, Institute for Consumer Education

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Leo C. Rosten	Special Assistant	Director, Carnegie Foundation Motion Picture Research Project
Frances Knight	Special Assistant	Senior editor of research, WPA
Frances Montgomery	Office Manager	J. R. McCarl, law office

Economics Section

Ben W. Lewis	Chief	Oberlin College
Victor Abramson	Economic Adviser on Price, Production, and Priorities Policies	Brookings Institution
Ruth W. Ayres	Consultant	Economic Adviser, Mayor's Milk Committee, New York City
William H. Bray	Assistant to Chief	Cornell University
McClellan Butt	Economic Adviser on Prices	Antitrust Division, Department of Justice
Miriam Camp	Junior Economist	Department of Agriculture
Katharine Jacobson	Price Economist	Consumers National Federation
William H. McPherson	Economic Adviser on Labor Costs	Oberlin College
Arthur E. Nilsson	Economic Adviser on Costs and Prices	Oberlin College
Shorey Peterson	Economic Adviser on Problems of Industrial Location and Transportation	University of Michigan
Henry J. Tasca	Economic Adviser on Foreign Trade	Geneva Research Center

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Capacity with CommissionPrevious ConnectionCivic Contacts Sections

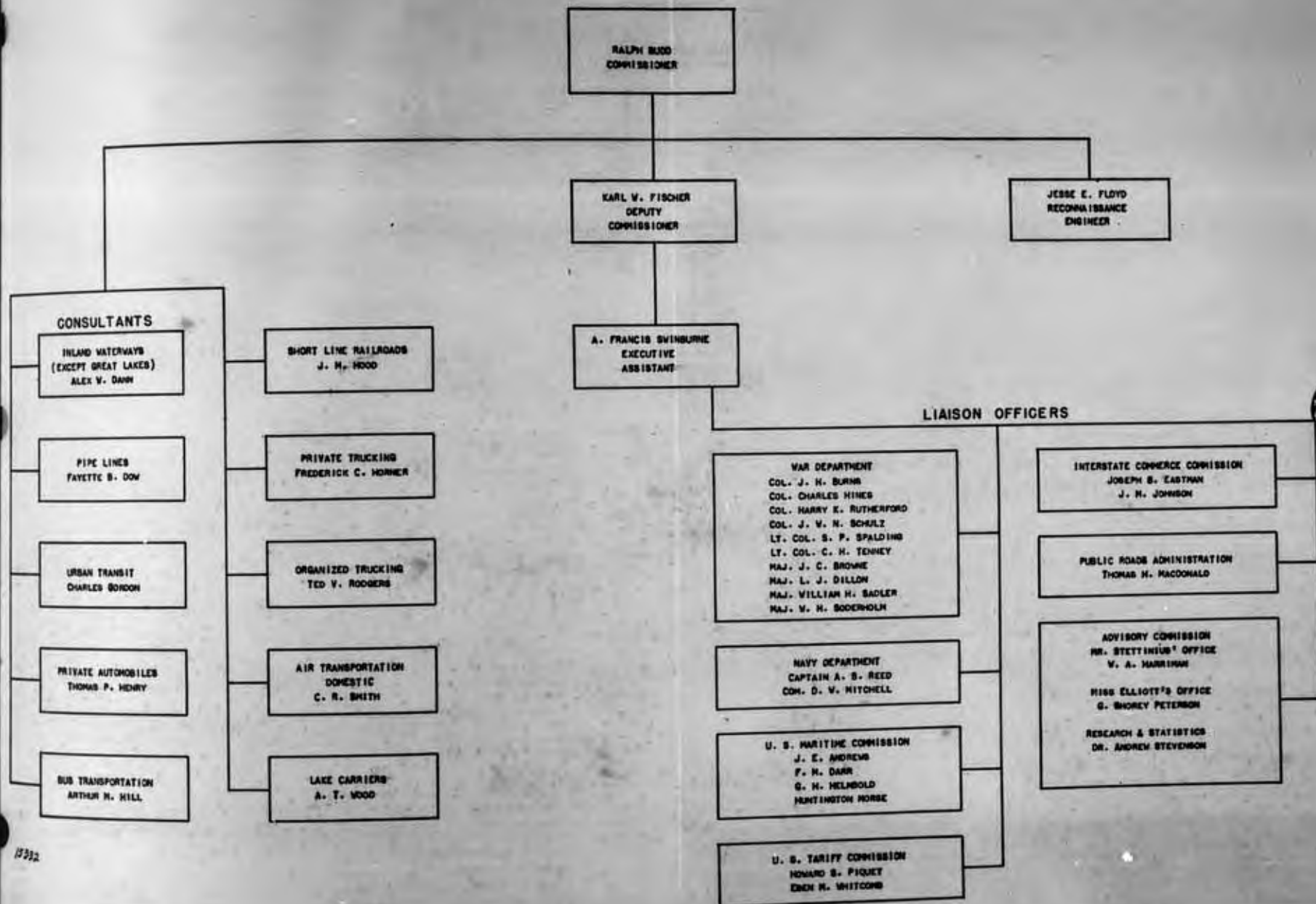
Minnie F. Cunningham	Chief	Senior Information Specialist, AAA
Karl D. Olsen	Associate Information Specialist	Cambridge University fellow
Frances H. Williams	Adviser on Negro Contacts	Secretary on Interracial Interests, National YWCA
Gladys L. Baker	Assistant to Chief	Division of Program Surveys, Department of Agriculture
John Western	Assistant Information Specialist	Social Security Board

Health and Welfare Section

Gay Shepperson	Chief	WPA Administrator, Georgia
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TRANSPORTATION DIVISION



TRANSPORTATION DIVISION

Ralph Budd, Commissioner

Purpose. It is the function of the Commissioner of Transportation to facilitate the coordination of the transportation facilities of the country to meet the requirements under the defense program, to conduct investigations of transportation problems, to anticipate possible shortages, and to make appropriate recommendations.

Activities. The Commissioner has established relations with each of the major forms of internal transportation through their trade associations, and has appointed consultants in each field. The facilities of the trade associations have been placed at the disposal of the Commissioner, and their full cooperation secured. Because of the surplus of transportation facilities now available, each group and the individual industries in each group are willing and anxious to secure additional traffic. The Division has not found it necessary to set up a considerable staff, since it may call upon the trade associations for information and assistance in the coordination of transportation facilities.

While no great effort has been made to increase the existing transportation facilities generally, the Commissioner has called upon the railroads to undertake to increase the number of freight cars available for use from 1,645,386 on June 1, 1940, to a total of 1,700,000 and to reduce the number of bad order cars to 5 per cent. This request is receiving favorable attention by the Association of American Railroads. Effort is also being made to reduce the use of transportation facilities for storage purposes, which greatly impeded the flow of traffic during the World War.

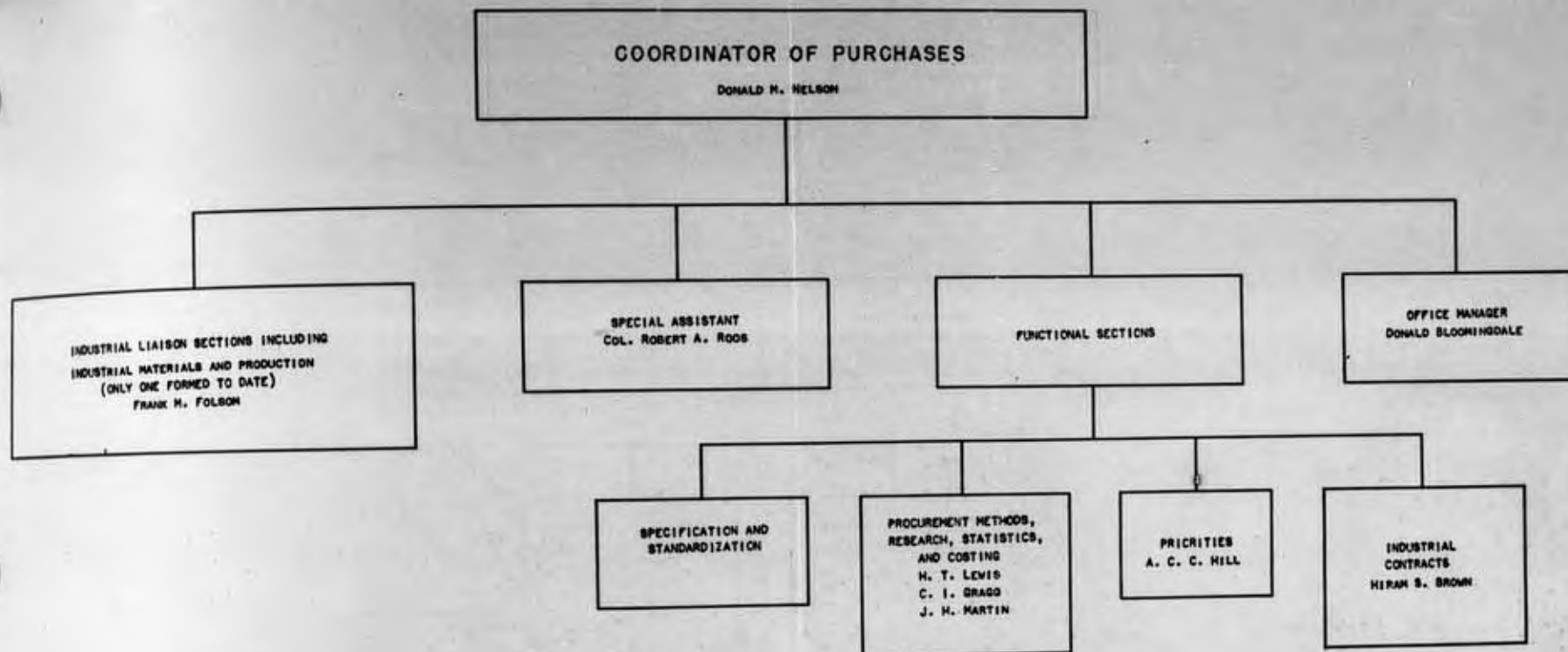
Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Ralph Budd	Commissioner	President, Burlington Lines
Karl W. Fischer	Deputy Commissioner	Land & Tax Commissioner, Burlington Lines
A. Francis Swinburne	Executive Assistant	Chief Clerk, Car Service Division, Association of American Railroads
Alex W. Dann	Consultant on Inland Waterways (Except Great Lakes)	President, Union Barge Line

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	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Fayette B. Dow	Consultant on Pipe Lines	Washington Representative, American Petroleum Institute
Thomas P. Henry	Consultant on Private Automobiles	President, American Automobile Association
Arthur M. Hill	Consultant on Bus Transportation	President, National Association of Bus Operators
J. M. Hood	Consultant on Short Line Railroads	President, American Short Line Railroad Association
Frederick C. Horner	Consultant on Private Trucking	Assistant to Chairman, General Motors Corporation
Ted V. Rodgers	Consultant on Trucking	President, American Trucking Association, Inc.
G. R. Smith	Consultant on Airways	President, American Airlines, Inc.
Charles Gordon	Consultant on Urban Transit	Managing Director, American Transit Association

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COORDINATOR OF NATIONAL DEFENSE PURCHASES

Donald M. Nelson, Coordinator of Purchases

Purpose. The Office of the Coordinator of National Defense Purchases was created by Executive Order on June 27, 1940. The Order specified that this office should undertake the following duties in cooperation with the Advisory Commission of the Council of National Defense:

- (1) Establish and maintain liaison between the Advisory Commission, the several departments and establishments of the Government and with such other agencies, public or private, as the Coordinator may deem necessary or desirable to insure proper coordination of, and economy and efficiency in, purchases by the Government of supplies, equipment, munitions, and other material requirements essential to the national defense;
- (2) Determine the most economical and effective methods of purchase of repetitive items common to several agencies and to assign the purchase function to the agency or agencies best qualified to perform it, provided that the War and Navy Departments shall have authority for making purchases necessary for the national defense, subject to such coordination as may be required to establish priorities;
- (3) Collect, compile, and keep current statistics on purchases made by Federal agencies;
- (4) Coordinate the research in procurement specifications and standardization now conducted by the different Federal agencies;
- (5) Determine and keep current combined immediate material requirements of all Federal agencies, and estimate future requirements so as to facilitate purchases and to cushion the impact of such orders on the national economy;
- (6) Review existing laws and recommend to the President such new legislation and simplification of existing legislation as may be necessary to make Government purchasing more efficient and effective;
- (7) Investigate the necessity for and make recommendations to the President relative to the granting of priority to orders for material essential to the national defense over deliveries for private account or for export.

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Organization. The office is organized under the following major sections: Specification and Standardization; Research, Statistical, and Costing; Priorities; Industrial Contacts.

Activities. The Purchasing Coordinator maintains close contact with the defense procurement agencies, the several divisions of the Advisory Commission, and other agencies of the Government dealing with procurement problems, and in cooperation with these agencies conducts investigations of a wide variety of problems affecting procurement. Some of the problems which are being investigated include priorities, method of financing procurement, profit control legislation, negotiated contracts, cost definitions, specifications, central provision of information on procurement, and geographical distribution of purchasing orders. The investigations are undertaken at points where conflicts or delays are anticipated, and are designed to establish policies or procedures which will remedy the situation. An Industrial Contacts Section has been created to assist manufacturers and others in dealing with the Government by providing them with a central place to which they may come for information and advice, and for direction to the proper officials or agencies of the Government.

Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Donald M. Nelson	Coordinator of National Defense Purchases	Executive Vice President, Sears, Roebuck and Co.
Donald Bloomingdale	Office Manager	Personal Secretary to Honorable Joseph Davies, U. S. Ambassador to Russia
Col. Hiram S. Brown	Assistant to Coordinator	Retired Army Officer
Frank M. Folsom	Assistant Coordinator	Executive Vice President, Goldblatt Brothers, Chicago
A. U. C. Hill, Jr.	Assistant to Coordinator	Guaranty Trust Company
Howard T. Lewis	Assistant to Coordinator	Harvard Business School
Charles I. Gragg	Assistant to Coordinator	Harvard Business School
John H. Martin	Special Assistant	Harvard Business School
Col. Robert A. Roos	Assistant Coordinator	President and General Manager, Roos Brothers, California

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DIVISION OF STATE AND LOCAL COOPERATION

Frank Bane, Director

Purpose. The functions of this Division are as follows:

1. To serve as the channel of communication between the Council of National Defense and Advisory Commission and the State councils, and through the State councils with local councils in each State.
2. To keep the State and local councils currently informed regarding the national defense program as it develops, particularly with respect to the specific activities in which the cooperation of State and local agencies is required from time to time.
3. To receive from defense councils in the States reports upon problems of coordination requiring federal attention, recommendations for necessary adjustments in programs, suggestions regarding new activities, proffers of facilities or services, and be responsible for their routing and follow-up to insure appropriate disposition.
4. To clear information between defense councils in different States regarding matters of council organization, administration and activity.
5. To advise the Commission concerning the most effective utilization of the facilities of State and local governments in the defense program.

Organization. The Division is now being organized.Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Frank Bane	Director	Executive Director Council of State Governments
Lavinia Engle	Assistant	Social Security Board
Hubert Gallagher	Assistant	Assistant Director Council of State Govern- ments
Alvin Roseman	Assistant	Social Security Board

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DEFENSE HOUSING COORDINATOR

Charles F. Palmer, Coordinator

Purpose. Under the direction of the Commission, the Defense Housing Coordinator is responsible for planning the defense housing program and for its prosecution through private industry and the appropriate Federal agencies concerned with the planning, construction, and financing of housing. Thus it will be his responsibility to channelize and coordinate those activities of Federal agencies that will be concerned with defense housing, to insure an effective and integrated program. Among other matters, the Defense Housing Coordinator will be expected to anticipate housing needs that may arise as a result of defense activities and to take whatever action may be necessary to avoid any housing shortages. He will determine, after survey, whether the construction of necessary additional housing facilities should be undertaken by private enterprise or by public agencies, and in appropriate cases he will assist such public or private agencies in formulating the plans, terms, and other conditions and arrangements for such construction. He will, in addition, review plans for erection or expansion of plants or for the procurement of large stocks of materials in the light of housing needs which they may create. He will also review the legislation relating to or affecting defense housing activities and will recommend to the Commission such additional legislation as may be required to insure an adequate program.

Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Charles F. Palmer	Coordinator	President, Palmer, Inc., Atlanta; Chairman, Atlanta Housing Authority; President, National Association of Housing Officials
Jacob Crane	Assistant Coordinator, In Charge of Program Formulation.	Assistant Administrator, U. S. Housing Authority
R. L. MacDougall	Assistant Coordinator, In Charge of Program Execution	Work Projects Administrator of Georgia

Staff

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Carl Henry Monsees	Executive Assistant to Coordinator	Chief of Field Service, National Association of Housing Officials
Samuel J. Dennis	Principal Housing Statistician	Acting Chief, National Income Division, Bureau of Foreign and Domestic Commerce
Carl L. Bradt	Principal Program Planner	Executive Director, Detroit Housing Commission
William V. Reed	Principal Program Planner	Senior Project Planner, U. S. Housing Authority
Mathias Niewenhous	Liaison Officer	President, Niewenhous Co., Incorporated - New York
James P. Todd	Administrative Assistant	Management Division, U. S. Housing Authority

Consultants

Gustaw Ring
 Harold Hynds
 David Cushman Coyle

Association Consultants

S. M. Buckingham	Manager, Cleveland Terminals Building Co., and representing National Association of Building Owners and Managers
Herbert U. Nelson	Executive Vice President, National Association of Real Estate Boards

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Association Consultants

Coleman Woodbury

Director, National Association
of Housing Officials

Miles L. Colean

Research Director, Housing
Survey, Twentieth Century
Fund

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BUREAU OF RESEARCH AND STATISTICS

44.

Stacy May, Director

Purpose. The Bureau of Research and Statistics serves the other divisions of the Commission, supplying information and conducting research studies upon request. Wherever possible, requests for information are directed to existing research and statistical agencies of the Government and outside, and the Bureau undertakes special studies only when there is no other agency which can readily supply the desired information. The Bureau also maintains a statistical service for the Commission and prepares periodic progress reports upon the defense program.

Organization: The following sections have been created: Operations Control, Economic Research, Program Progress, Industrial Capacity, Consumption Problems, Military Requirements, Civilian Requirements, Statistics and Information, and Office Management.

Activities: The Operations Control Section. Acts as assistant to the Director. Makes assignments to the staff of requests for services of the Bureau. Clears completed reports before submission to the Commission.

The Economics Research Section. Conducts general economic research, involving such things as prices, production, distribution and inventories, plant location, financing plant expansions, amortization rates for new plant facilities, foreign trade, etc.

The Program Progress Section. Develops and maintains a record of progress on all aspects of Defense Commission work. Prepares weekly report for information and guidance of the Commission.

The Industrial Capacity Section. Handles all requests from the Commission for economic surveys of situation in particular industries or commodities. Responsible for developing and integrating broad studies of capacities — labor, plant, transportation, power, etc.

The Consumption Problems Section. Analysis of civilian needs in relation to defense requirements and changes in national income and consumption resulting from the Defense Program.

The Military Requirements Section. Developing from Army-Navy files and from outside sources the military requirements, month by month, in terms of items, components, and materials.

The Civilian Requirements Section. Developing from Army-Navy files and from outside sources the civilian requirements, month by month, in terms of finished products and materials.

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The Statistics and Information Section. Handles all requests for spot information. Undertakes special statistical surveys. Develops current statistical record books and chart books for use of the various offices of the Commission. Provides current analysis of the business situation and outlook. Provides library service to all offices of the Commission.

Procedure. Services of the Bureau, except for spot information or in exceptional circumstances, are undertaken only after receipt, in the office of the Director, of a memorandum specifying the nature and scope of the service to be furnished and the time schedule desired. Spot information requests (for the present) are accepted by any member of the staff by phone or in person. Services involving assistance from other agencies are cleared through the following members of this Bureau's staff:

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RE POLITICAL ADDRESS

October 21, 1940
4:30 p.m.

Present: Mr. Foley
Mr. Schwarz
Mr. Cairns
Mr. Sullivan
Mr. Gaston
Mrs Klotz
Mr. Duffield

H.M.Jr: Where are all the documents?

Schwarz: Herbert is on his way in.

Cairns: Did you want mine?

H.M.Jr: I don't know; you tell me.

Cairns: I thought when I was in here I got an extension.

H.M.Jr: That is right, you did. They asked me how I was betting on the election and I said I didn't bet on a sure thing.

Schwarz: They perked up there.

H.M.Jr: Yes. I took in my belt. (Laughter)

Foley: They didn't talk any more about amortization, did they?

H.M.Jr: Not a line.

Schwarz: I didn't get a chance this morning to tell you that John Hanes is going to talk Wednesday noon up in New York. Whether he will talk on that subject or not, I don't know, but he has announced a talk.

Foley: John Hanes?

Schwarz: Yes.

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Foley: Where?

Schwarz: New York. I have arranged to get a copy as soon as they are available.

H.M.Jr: Can't he get a spot in the evening?

Schwarz: He is not a headliner.
(Mr. Gaston entered the conference)

H.M.Jr: Where are all the documents?

Gaston: I haven't got any documents.

H.M.Jr: All right.

Gaston: I have got about 1500 not very good words. I am just getting into it.

H.M.Jr: Well, I am glad to see you all. Shall we adjourn until 9:00 tomorrow morning?

Gaston: I guess so. I have got a lot of informational documents that Chick has been getting together for me.
(Mr. Sullivan entered the conference)

Schwarz: They need to be translated, though.

H.M.Jr: It is all right.

Gaston: We are trying to write something fast, and it will have to be rewritten.

H.M.Jr: We will just adjourn school until 9:00 tomorrow morning.

Gaston: All right.

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H.M.Jr: Coe says he is looking up some stuff.
(Laughter)

Foley: Caught her.

Klotz: It was just between the two of us.

H.M.Jr: So I gathered.
(Mr. Duffield entered the conference)
Excuse me for butting in.

Gaston: Stuff?

H.M.Jr: I still say school is adjourned. All right.

October 21, 1940
4:42 p.m.

H.M.Jr: Hello.

James
Forrestal: Henry.

H.M.Jr: Yes, Jim.

F: This idea may be worth nothing, but would there be any chance of getting independent Republican movement in Dutchess County to have McCracken be a write-in candidate against Fish?

H.M.Jr: Gee, I don't know.

F: Huh?

H.M.Jr: I don't know.

F: Think it worth trying?

H.M.Jr: Oh, anything is worth trying. Sure, sure.

F: Yeah. You know him yourself, don't you?

H.M.Jr: McCracken?

F: Yeah.

H.M.Jr: Not well enough. As a matter of fact, I think that he's a little bit timid on this election because - on account of his trustees. I'm not sure that he's come out for Roosevelt.

F: Well, I think that he's - you're not sure he would come out for him.

H.M.Jr: No.

F: Well, but he wouldn't have to if he ran on this platform. See?

H.M.Jr: I see. Well, I don't know him - I tell you who does and who - would be Mrs. Poletti - she's a trustee and Mrs. Berle is a trustee of Vassar.

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F: Bob Lovett is a trustee.

H.M.Jr: Well, any one of those three, I mean, Mrs. Poletti or Mrs. Berle or Bob Lovett if you know him.

F: Well, I know him very well.

H.M.Jr: Yeah. Could you put it up to him?

F: Yeah.

H.M.Jr: I think it's a swell idea.

F: O. K.

H.M.Jr: I think it's swell.

F: All right.

H.M.Jr: Good-bye Dutchess County.

F: (Laughs). All right.

RE POLITICAL ADDRESS

October 22, 1940
9:00 a.m.

Present: Mr. Cairns
Mr. Gaston
Mr. Bell
Mr. Foley
Mr. Schwarz
Mr. Sullivan
Mr. Haas
Mr. White

H.M.Jr: Well, who wants me to do which first? I will read yours (Cairns).

Cairns: It doesn't look so good in the cold light of morning.

H.M.Jr: You are not nervous, are you? Why don't you read it.

(Mr. Cairns read attached draft of address)

Bullitt did what you suggested. He produced a secret letter. It is too bad he didn't keep that from the President.

Cairns: Well, I am sure the President must have some more, even more startling.

H.M.Jr: Yes.

I think it is really very good.

Gaston: It is excellent.

H.M.Jr: I think it is wonderful.

Cairns: It needs a spark.

H.M.Jr: That is all right. Let me just call up the White House.

(The Secretary left the room for a moment)

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H.M.Jr: They are going to let me know.

All right, Herbert, suppose you let me read yours.

Gaston: I am ashamed to read it after Huntington's. I realize this is badly organized. I started writing without an outline and without preparation. I just started cold on it. I would probably have done better and saved some time if I had outlined it first.

(Mr. Gaston read attached draft of radio address)

H.M.Jr: That is okay.

Gaston: That will give you something to work on.

White: I think between these two you have got a very good speech.

H.M.Jr: I want the two now.

White: Is it your thought that these will be separate speeches?

H.M.Jr: They are supposed to be one.

White: Yes, I think each of them has some excellent paragraphs.

H.M.Jr: Considering the shortness of time, I think it is amazing.

Gaston: That doesn't follow Harry Hopkins' ideas of fighting back, and I think he is wrong.

H.M.Jr: What I would like to ask you is this - I think it is all right.

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White: How much time are you going to have?

H.M.Jr: Well, a certain person is doing this for the President, and I am going to see him.

White: Are you going to have somebody else?

H.M.Jr: Yes, and I will find out what he wants.

Gaston: Sam?

H.M.Jr: No, I am pledged not to say.

Gaston: That makes it a game for me to find out.

H.M.Jr: No, I am pledged on my word of honor not to say. It is not Sam and it is not Harry.

White: I should think they could go ahead --

H.M.Jr: I am going to see this person now, see, and then I am going to ask him what he wants, and after he gets the draft together, I am going to ask him to let me have his draft. He has been asked to have it ready by Thursday morning.

White: I feel fairly convinced that between these two --

H.M.Jr: Let me see this person and see what his reaction is, and then I will be back in an hour or so.

Gaston: We will do what he wants us to.

H.M.Jr: That is the point. One thing I would like you (Schwarz) to do, if you read Willkie's speech this morning, you will notice one of the things he talks about is how the Diesel engine was developed over seven to eight

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years, but he is 90% sure of General Motors. He also speaks of the first railroad and the first streamliner. The president of General Motors and the president of Union Pacific are both here working for Mr. Roosevelt.

Schwarz: It was Burlington, and that president is also here.

H.M.Jr: Will you get it for me? When I am back in an hour and a half - the way I want it, just cut the thing out of the paper, the thing he refers to, and then if I could have a memorandum saying well, the company that developed this Diesel is General Motors, the president of which is here, and the railroad which did it is the Union Pacific, which is here, and then I will send that across to Steve Early. Can you have that?

Schwarz: Yes, sir.

H.M.Jr: You could get that from Bob Horton, I should think.

Schwarz: I will get it.

H.M.Jr: I think it is interesting that two things he cites - Bell was going to do something on his reference to debt. I don't know how to answer that.

Schwarz: Mark Sullivan says the President is going to answer that.

H.M.Jr: Let me just speak to Bell and ask him if he has thought about how to answer that.

I will be back later. I saw your man, Coe. How are you feeling?

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White:

When I am here, I am all right. When I am not all right, I won't be here.

H.M.Jr:

I spoke to Coe. Let me go on and see that the door is locked for 15 minutes after I leave so that nobody can follow me. I will be back and I will be seeing you again, but I think both Gaston and Cairns deserve compliments on what they turned out. I will be back later.

I want to speak to you tonight about a problem which I believe is more important to every individual American than any other problem which has arisen in the United States during the present Administration. I want to talk to you about keeping out of the wars that are raging today in Europe and in Asia.

War for the United States would be a catastrophe for every man, woman, and child in this country. It would mean the killing and maiming of our finest young men, the disruption of the lives of their dependents, the disorganization of our whole economic structure, hysteria in which all the liberties and rights we have sought to build up for one hundred and fifty years would be endangered, and an aftermath which none can foretell. We who lived through the days of 1917 know something about this, and we know, too, that if the United States enters this war the days of 1917 will not only be repeated, but probably will be worse.

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I want the people to know that this administration feels today and has felt since it first took office that war for the United States would be an unmitigated calamity and evil, and must be prevented even at the price of painful sacrifice.

There are those who during the present campaign have sought to plant in the minds of the people the idea that the Democratic Party is a war party and that day by day the Administration has sought to bring the United States closer to the raging storms in Europe and Asia. I am sure that the people know that that accusation is false. Tonight I want, as briefly as possible, to show how false it is.

After the war feeling of 1917 had receded and after the disillusionment which followed Versailles, a search for the factors and forces which carried America into that war was begun. This Administration determined that if it were possible by legislation and by Executive action to prevent those same factors from leading the nation into a new war, there would be no repetition of 1917.

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There was disagreement, of course, on what forces had been responsible; but the Administration decided to err, if at all, on the side of safety. It determined to discourage all practices which reasonably could be supposed to have led us to war in 1917.

With those principles in mind, the Congress passed and I approved the Neutrality Act of 1935. That, let me remind you, was five years ago.

Prior to 1917, there was no prohibition against American citizens traveling on vessels that flew the flag of belligerents, and in those years American citizens did travel on vessels belonging to the warring powers. I need not recall to you the feeling which swept this country after the "Lusitania", the "Arabic", and the "Sussex" had been sunk on the high seas with the loss of the lives of American citizens. This Administration determined that if that led us to war in 1917, it would not happen again. Accordingly, in the Neutrality Act of 1935 it was written into law that the President could take steps to prohibit, under severe penalty, American citizens from traveling on vessels belonging to belligerent nations.

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Before 1917, American vessels regularly engaged in the munitions trade with the warring powers. This, of course, was in accordance with their absolute rights under international law. But you and I know that, as the warring nations became more and more desperate, American vessels were sunk with the loss of American lives and American property. In the Neutrality Act of 1935, it was provided that American vessels could not engage in the munitions trade with foreign belligerents. Even though it meant further sacrifices on our part, this Administration was determined to stay at peace.

There was talk, too, during the twenties and the thirties that by becoming an arsenal of that belligerent power which controlled the seas, we had automatically become involved in the war of 1917. It was realized by the Administration that the trade in arms is a matter which so vitally affects our foreign relations that the Government cannot afford to remain in ignorance of its ramifications. Therefore, it was provided in the Neutrality Act of 1935 that all

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persons engaged in the munitions and armaments trade must register with the Secretary of State, and before any arms or munitions could be exported from the United States a license for such export had to be secured.

After the enactment of the Neutrality Act of 1935, this Administration did not rest on its oars. Much had been made of the fact that the huge loans by American citizens to the Allies prior to the World War gave the United States a stake in the outcome of the war. It was alleged that the sale of Allied bonds by certain powerful American financial concerns, acting as agents for the belligerent nations, gave these financial concerns such an interest in the outcome of the war that they willingly used all their immense power to bring the United States to the aid of the Allies. With the firm resolve that no pocketbook interest should influence the peace policy of the American people, we enacted

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the 1936 Neutrality amendments which effectively precluded belligerent countries from obtaining credits here which might give any class or group of our citizens a financial interest in the outcome of the war.

In the Neutrality Act of 1937, the provisions that I have discussed above were strengthened and re-enacted. Furthermore, it was decided to surrender another right in the hope that by so doing there would be less likelihood of involvement in war if it came. During the World War many nations, in order to defend their merchant vessels against submarine attack, armed those vessels. The result of such arming was that merchant vessels were often attacked without warning. In the Neutrality Act of 1937, the United States served notice on the world that American vessels would not be armed. There could be, therefore, no excuse, so far as American vessels were concerned, for any nation to fail to observe the orderly practices of visit and search prescribed by international law.

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All of you know that when war came at last in the fall of 1939, I immediately called a special session of the Congress in order that any final steps that could be taken to prevent our involvement in war should be taken then. In the Neutrality Act of 1939, which resulted from the deliberations of the Congress at that special session, the United States, in order to prevent involvement, made the greatest sacrifice of its rights under international law that any nation has ever made for such a purpose.

The salutary provisions of former neutrality acts, about which I have already spoken, were continued. As a result of new legislation, there is no American property on the high seas bound for hostile territory. We sought in this way to avoid any incidents in which American property would be destroyed. We made it unlawful for American vessels to carry cargo or passengers to hostile territory. We wanted no American vessels sunk and no American lives lost.

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To put it in plain English, if the European belligerents would keep the war in their own backyard, we would stay away.

All this we willingly and gladly did in the interests of peace.

We dealt also in the 1939 Neutrality Act with another source of danger. During the World War it was the practice of the vessels of many foreign nations to fly the American flag with the hope that by this deception they would secure immunity from attack. The result of that practice was, of course, that the desperate belligerents failed to give immunity to vessels flying the American flag even when they were American vessels. In the Neutrality Act of 1939, it was enacted into law that any foreign vessel which flew the American flag was to be denied the use of the ports and territorial waters of the United States for three months. May I add, that in the only case where misuse of the American flag during the present war has come to our attention, we have not hesitated to apply that sanction.

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The Administration has rigidly enforced all the provisions of our neutrality laws. I know that the strict application of the neutrality laws has often worked hardships on American business men and American traders; but we were determined not to depart from the peace policy of the Administration. If there were hardships, we expected American business men to bear them patriotically in the interest of avoiding involvement in war.

The Executive branch of your Government has not hesitated to use the discretionary power vested in it to prevent involvement. Immediately after the outbreak of hostilities in Europe in the fall of 1939, I issued a Proclamation in which I called upon all nationals of the United States to observe the duties of a neutral under our statutes and treaties and under international law. As other nations have become involved in the European conflict, I have again and again reiterated that demand.

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Acting pursuant to the authority given to me in the Neutrality Act of 1939, I have from time to time roped off large areas of the high seas as combat areas through which American vessels and citizens cannot travel even on their way to another neutral nation. In so doing, I tried again to err, if at all, on the side of safety. Wherever I felt that there was a possibility that hostile action might result, I sought to include that place in a combat area. This meant giving up trade with the whole European continent save Portugal and a part of Spain. I acted in the belief that it was better to sacrifice trade with most of Europe than to risk involvement in the war.

The outbreak of the war in Europe found thousands of American citizens in belligerent countries. If this Government could prevent it, we wanted no American citizens to be caught between the fires of the belligerents or to be the victims

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of total war. Accordingly, we set ourselves to the task of bringing all Americans out of the war zone who wanted to come. In the first six weeks of war, we succeeded in repatriating 80,000 Americans.

We were fully aware that the steps we had taken to insulate ourselves from the European war depended in large measure for success upon the cooperation of the other American powers. Those nations, too, realized that insulation from the ^{war} conflagration required the cooperation of their neighbors. Therefore, it was possible in the fall of 1939 for the foreign ministers of the various American Republics to meet together in the Republic of Panama with the end in view of effecting solidarity of the Western Hemisphere in a resolve to keep the war from our shores. As the result of that meeting, there was issued the Declaration of Panama in which we American Republics asked the European belligerents to keep the war from our front doors. We defined a neutrality zone in which we

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urged the belligerents not to engage in hostilities. We hoped that the belligerents might be willing to accord the American Republics a small portion of the sea in which to carry on their peaceful pursuits. I am sorry to say some of the belligerents have not respected our request, but it cannot be said that we did not make the attempt.

Furthermore, at the Panama meeting, resolutions were adopted outlining steps to be taken to preserve neutrality. I can assure you that this Administration has conscientiously abided by these resolutions.

Nevertheless, I knew that in spite of all the measures we had taken to protect ourselves from a foreign conflict, much more remained to be done. There were loose in the world certain forces which could be met and kept from our shores only if we, as a nation, were strong enough to make attack or aggression against us

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unprofitable. The fate of the peace-loving people of Norway, Denmark, Finland, and Holland was final proof, if any were needed, that it was not enough to sacrifice rights. It became evident that if we were effectively to protect ourselves from war, we had to make ourselves so strong that no nation or group of nations would entertain the idea of making war upon us. It was not only necessary that we stay away from the war, it was also necessary that we insure that others would not bring the war to us.

This Administration realized that to make ourselves strong would require further sacrifices, and we did not hesitate to make them. Even at the beginning of the Administration, when the dark cloud of the depression was over all the land, and when we were beset on all sides by demands to save American business and American labor from complete collapse, we sought to improve our defense position and to make available larger sums than before to the improvement

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of our armed forces. Subsequently, we enacted legislation to conserve our resources of tin, helium, and other strategic materials, which are necessary to any nation which is strong in its defense. There has been criticism of the manner in which the Administration acted to acquire certain bases in the Atlantic, from which our naval and military forces could better defend you and me from attack. May I say that the importance of making America safe from war is so great to me that I would willingly have used much stronger methods if necessary to acquire that safety for the American people.

Very recently many of you have had impressed upon you another sacrifice that we must make to save America from war. You have had to register for the conscription of a citizen army. The time that you will have to spend in training and in learning the arts of war will be a great hardship to many of you. None of you have a greater distaste than I have for peace-time conscription.

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None of you have a stronger dislike for militarily minded nations. I do not wish to see this country saddled with a military caste. One thing, however, I know -- so long as the present aggressive forces are loose in the world, our citizenry, if it is to be safe and if it is to keep war from our shores, will accept the duties of soldiers and free men.

Finally, I want to emphasize that your Government has sought to put its own house in order. We have tried to act toward other nations as a good neighbor. No aggressor nation can point to us and say - we do only what you also do. This has helped to make us strong, for it has brought about the solidarity of the Western Hemisphere and a confidence on the part of our neighbors that we are their friend and protector.

As I have told you before, I hate war. I want every citizen of the United States to know the steps and measures his

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Government has taken to make certain that we do not go to the war
and that the war is not brought to us.

What we have done has been done for peace and only for
peace. If I can prevent it, there will be no cross-marked graves,
no shattered boys, no Gold Star mothers in the United States. When
I lay down my office, I want to be able to say to every American,
"There is no blood on my hands." I give you my solemn pledge that,
except in self-defense, the United States, through my Administration,
will not go to war.

What I have to say to you tonight is political. It is political in the sense that the government of the United States is a political matter. It is political in the sense that every four years the people of the United States have to consider whether the policies that have been in effect in their government for the four year period that is nearing an end and the service of those persons who have been executing those policies should be continued; and now we are on the verge of making that decision.

You should not have to make so great a decision without a full report on important matters at this time from those whom you chose four years ago to serve you, even though you have been getting reports from time to time as the work progressed. Nor should you have to make this important decision without hearing fully and listening attentively to those who propose to change policies and to change the officers who execute policies. You should listen, and I hope you have listened, with especial and concentrated attention to opposing candidates; for after all you do know something about those who have been in

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office, and you may know very little about the opposition except what they may tell you of what they propose to do. That may be little or it may be much, but at least it is material upon which you must base judgment.

Of those matters as to which you are entitled to a fair report none is more crucial than the subject of National defense. I propose to tell you as simply and frankly as I can what we have done to meet the developing menace of attack upon us and upon the system of self-government that has made us great as a Nation and great as a people and that we value more than life itself.

This report is the more necessary because, I am sorry to say, there has been lately an attempt to make what should be a united, non-partisan National effort the subject of partisan controversy. I regard this as unfortunate. For reasons that none of you can fail to understand I had hoped that we might keep our defense program as far removed as possible from campaign controversy. For controversy does not promote unity of effort and I had hoped that we might present a united front

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to the world.

About the existence of a menace to our freedom there is very little argument today. For seven years we have watched the increase of the power and the aggressive spirit of governments that deny the validity of everything we held vital to human progress. We have seen these governments extend their power by intimidation and by bloodshed over weaker countries, one by one. Appeasement did not slake their appetite for conquest, but only strengthened their lust to extend their system. We heard them say "Give us this and we will be satisfied" and we saw them take it time after time and move on to new aggressions; so that we saw that their promises were only an instrument of policy, meant to be disregarded.

Knowing that a world in flames would surely hold the greatest peril for us we began to strengthen our defenses. Relying, as we always have relied and must continue to rely, on the navy as our first line of defense, we built a stronger navy. We reorganized our army and gave intensive study to the best means for putting it on a war basis when the need should arise.

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Early last year when the illusory peace of Munich had been followed by the cynical seizure of all of Czechoslovakia, we foresaw the possibility and even the genuine probability that a great struggle which would engulf all Europe would soon follow. We -- and by this word "we" I mean the responsible leaders of this Administration -- were not able to persuade all with whom we had to deal of the imminence of the danger. Some in high places told us they had better information than the official representatives of the Government were able to gather.

I advocated all the steps possible to protect us from being involved and to insulate us as far as possible from the shock of war; but I approved the plan of Secretary Hall that we repeal the total embargo on the sale of arms to belligerents. Why did I do this? Because I saw, what all the world should have seen, that the aggressors were arming swiftly, far more swiftly and aggressively than those who might have to resist them. The assurance of American arms to the non-aggressors then would have been a powerful argument

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and instrument for peace. That argument was not made. We did not repeal the arms embargo then. And why did we not repeal it? I may as well be frank: Because a stubborn opposition that was not awake to the danger in which the world -- including us -- then stood would not permit its repeal. They ridiculed the danger and opposed acts to meet it.

But the great Nations were still nominally at peace and we were able to help the non-aggressors to prepare. Britain and France saw menacing them the greatest air fleet ever assembled, greater than the military air fleets of all other nations put together. They came to us with a plea for military planes. They had the money to pay for them. We helped them to get them. The facilities of American airplane and airplane engine plants were greatly expanded as the result of the orders they placed. This was done without interfering in the slightest degree with production for our own military and commercial needs. Whole new plants were built. American airplane capacity -- particularly military plane capacity -- was multiplied. If this had not been done,

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American aircraft capacity today would have been far, far behind what it is today. These foreign contracts not only built up plants and tooling, but they also developed quantity production and created a great body of skilled labor.

In the diplomatic field we were not idle at this time. We did not sell any country down the river at this or any time. We did not sell democracy down the river. But we were active, so far as it was possible for us to be active with any promise of effect. We were active for peace. We reasoned with the heads of nations and implored them to work for peace. We implored them to respect the rights of other nations and to submit their differences and their demands to frank negotiation. We pleaded as America has always pleaded, for respect for international obligations.

Though the skies looked black, we never up to the moment when the catastrophe actually came relinquished our efforts or gave up hope. I use the great name of America here in the broadest sense.

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We counseled continuously with the other nations of the western hemisphere and their voice was one with ours. This was so because it has been our policy, as it has been theirs, over the last eight years, to strengthen our mutual ties of friendship. The friendship of the Americas has ceased to be a platitude and has become a reality which I can tell you sincerely is one of the strongest elements in our position today.

We did not succeed because we dealt with forces so besotted with the doctrine of force and so exultant at the gains it had made that they were immune to reason. The great war we had feared broke out in September of last year, after Germany had seized upon the most shallow of pretacts to invade and destroy Poland.

I called the Congress into special session and at my request the embargo on the sale of arms and instruments of war was repealed. To have adopted any other course would have been to favor the Nations that had intended war and had built up their armaments for attack.

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At the same time, with provisions that the sale of arms should be on a cash and carry basis, that Americans should not travel to belligerent countries or into danger zones, and that American ships should not go into combat areas, we did everything possible to save the United States from becoming involved.

In my budget message of January, 1940, I asked for greatly increased appropriations for the National defense, a total of nearly two billions of dollars. We proposed to add to a navy then the equal of any in the world and to add to the facilities for training and expanding our army. But a few months later Norway and Denmark had been overrun and on May 10 came the invasion of Holland and Belgium. Four Nations that had sought by every means in their control to live at peace with their powerful neighbors had been overrun and it had become crystal clear that not peaceful intent or peaceful policy or international agreement or world opinion -- that nothing except the power to resist could protect any Nation from aggression.

We saw the development of arms that could strike across the

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ness. We saw the malignancy of a system of government -- government by force -- which is the open foe of our own democratic system. We should have been false to our country if we had not drawn the necessary conclusion.

We resolved to arm to meet any menace known to the world. We knew that we had the resources of men and materials to do it. We began rapidly expanding our plans, our detailed plans for defense. We did not ask for a great blank check to be spent as rapidly as conditions would permit. In a special message to the Congress on May 16 I asked for an additional \$1,182,000,000 to be spent according to a concrete plan and as the plans were evolved I approved further requests for the Army and the Navy. On May 31 in another special message I asked for an additional \$1,277,000,000.

The heroic retreat through Dunkirk and the collapse of France only made the lesson to us clearer. Britain had become the last stronghold of free government on the continent of Europe. To meet her urgent need we sold to her arms, ammunition and ships which we

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could replace, and we went forward with redoubled vigor with our own preparations. The experts of the Army and the Navy, with a swiftness and a sure grasp of the complexities of the latest methods of warfare revealed in the European struggle that is, I think, without parallel in military history, translated into a concrete balanced program the requirements for the greatest peacetime expansion of defensive material we have ever been called upon to make. Thus I was able to send a special message to the Congress on July 10 calling for defense appropriations in the amount of \$4,800,000,000 to round out the program, except in the single matter of the immediate training of a citizen army.

It is useful, I think, to recite this history if for the sole reason that it tends to inspire confidence in the capacity of a Democratic government to act, and to act decisively and without hysteria in a great emergency. I don't believe, and I don't think you believe, that it furnishes any basis for the assertions of partisan extremists,

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at one time that we have been hysterical because we foresaw peril and counseled haste, and at another quite contradictorily that there hasn't been haste enough.

But there is more to the history of these efforts. It is the story of the suppression of partisanship in the interest of the defense of America, of the voluntary and priceless service of the leaders of industry and workers alike — the story of the unity that democracy can command in an emergency. It is a story that fills me with pride and gratitude as I tell it; pride in America and gratitude to Americans.

Quite early this year we began calling key men in American industrial life to Washington for consultations on defense. At the time of the invasion of the low countries many were spending a large part of their time here and some who were important figures in crucial industries had established themselves in offices here and were giving their full time to defense problems without recompense.

On May 29 the Advisory Commission to the Council of National Defense was created. It included, as you know, the then Chairman

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of the Board of the United States Steel Corporation, the President of General Motors Corporation, the President of one of the great American railroads, the Burlington Lines, the Dean of Women of the University of North Carolina, the President of a great labor union, the Amalgamated Clothing Workers of America; a member of the Board of Governors of the Federal Reserve System and one of the Commissioners of the Securities and Exchange Commission. Of the seven members of the Commission only two were from the Government service; five were from the outside, three were industrial leaders, one a leader of labor and one an educational leader.

What is not so well known is that these seven have called to their help in Washington some two hundred other persons who are giving their full time to the service of their government without pay. It would be unfair to give you the names of any of these patriotic Americans and the industries and institutions they represent without giving them all to you, which I simply haven't the time to do. Their

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names constitute an honor roll of American trade, American industry, American labor, the American bar and American education. It is an honor roll in a double sense, for here are men and women who represent the very core of American industry and all the essential activities of American life.

They were summoned to Washington with the simple word "You are needed" — and they came without question or delay. They and those who selected them were chosen without thought of political partisanship and their service has been on a basis of pure patriotism. They were chosen only as men and women who had the knowledge and the ability to help in pushing forward the defense program; and that they are doing in a way that is certain to bring new credit to American ingenuity, American drive and American technical knowledge, qualities in which we do not take second place to any people in the world.

As a part of the program of National defense I sent to the Congress on June 20 of this year the names of two men to fill vacancies in the positions of Secretary of War and Secretary of the Navy. For

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the first of these two vital positions in our defense planning I named Henry L. Stimson, who was Secretary of War in the Cabinet of President Taft and Secretary of State in the Cabinet of President Hoover and had been a Colonel of Field Artillery in the last great war. For the second I named Frank B. Row, a highly successful newspaper executive whose record included service as a volunteer cavalryman in the war against Spain, service as an officer in the field in 1917 and 1918, and his candidacy on the Republican ticket for the Vice Presidency of the United States in 1936.

I chose these two men for their knowledge and ability to handle these great and responsible posts at a peculiarly critical time. I chose them because they had the vision to see the need of a great defense and had the will to push it through. I chose them also because I knew them to be unselfishly devoted to the Nation's interests. Finally, I chose them because they were Republicans. The reason for that last consideration was very simple. It was not due to any thought

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of dividing responsibility or shifting responsibility for our defense effort. It was much less subtle than that. It was to unite responsibility and to unite effort. I wanted our defense program to be, not a partisan effort and a partisan responsibility, but a great National effort which should unite all Americans of all kinds of political belief, which should unite patriotic Americans of all walks of life.

It has united them. A Nation united is behind our defense program. Don't let any misguided partisanship mislead you on that. I would be more scornful of those who tell you that the defense program has been bogged down in needless delays if I thought any possible aggressor who might attack us was being deceived. But I know they are not being deceived. They know better. They know that no Nation has ever moved more swiftly to build an impregnable defense. They know that here a democracy is vindicating its ability to defend itself.

The evidence is in the willingness with which the Congress has voted appropriations running into many billions. The evidence is in the quick and ready response of leaders in all walks of American life

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when we called upon them to render volunteer service. The evidence is in the speed and absence of haggling with which American manufacturers have shown their willingness to expand and tool their plants in anticipation of orders and to trust their Government to see that they get a square deal. The evidence is in the eagerness of workers to be trained and to share in the war effort. The evidence is in the alacrity with which young men -- millions of them -- have offered themselves for training for military service on their country's call.

I do not intend to confuse you with figures on the defense program, but some of the salient facts are these: The Congress has voted actual appropriations for the fiscal years 1940 and 1941 in an amount of more than ten billions of dollars. To these are added authorizations to enter into contracts which bring the total of expenditures now authorized to more than 19 billions of dollars. The work of the experts of the Army and the Navy in enlarging and bringing up to the latest design and requirements their plans for ships, guns,

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tanks, ammunition, buildings, clothing and all the manifold other items that will be needed in the well-rounded plan for complete defense, and the work of the experts of the advisory commission in seeking out and providing for the facilities to manufacture these things has made it possible up to date to award contracts in the amount of more than eight and a half billions of dollars. These contracts are not based on guesses about possible production. They are contracts awarded to the most experienced and successful of American manufacturers with the approval and on the recommendation of the greatest industrial geniuses this country or any country in the world possesses.

But these figures show only a part of our effort. We are accumulating materials, we are training skilled workers and we have acquired new outlying naval bases to protect our coasts and the Panama Canal.

A divided Nation, a discontented Nation, a weak Nation could not do these things. We are not divided, but united. We are not weak, but strong.

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Let us run the risk of being accused of partisanship by saying not only that we are strong, but that we are much stronger because of the policies we have pursued in the last seven and a half years. We have improved and added to our material resources. We have strengthened our financial system. We have built many thousands of miles of good roads. We have improved our rail transportation systems and built a great air transport industry. We have made great improvements in healthful living conditions. We have kept men at work enlarging their skills and teaching them new skills. We have enabled them to work under fairer conditions and with better security for the future. We have fed the country. We have increased farm income. We have brought our industrial production to the highest level it has ever attained.

By all these things we have added to our material wealth and strength and we have built up a factor of strength in improved morale, in the betterment of our human resources, that is surely not less important.

America is united. America is strong for the defense of the

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land and for the defense of American ideals for human progress.

-00-

RE POLITICAL ADDRESS

October 22, 1940
11:00 a.m.

Present: Mr. Cairns
Mr. Foley
Mr. Haas
Mrs Klotz
Mr. White
Mr. Duffield

H.M.Jr: I have got to have this at 4:00 o'clock.
I want the documentary stuff to go with each one of these things. Now, certainly there is the Neutrality Act and all of that stuff. Each thing referred to here, I want the document and then the statistics. I will rely on you (Haas), but I want it in the order - it can be put into a loose-leaf folder or something.

Ed, if the legal division will get out the references, can you - you have got all the statistics referred to, haven't you?

Haas: I am not just sure what is referred to. I assume we have them.

Cairns: I have got all this stuff. I took it up this morning.

H.M.Jr: Including the statistics?

Cairns: No, just the first page.

H.M.Jr: Well, I want it done in the order that it is here, so if you don't get it all by 4:00, I can send it in two parts, but I would like you fellows to stop everything, you see, and try to get it by 4:00.

Foley: That is easy.

H.M.Jr: All right. Well now, can you, the three of you, come back here again at 4:00 o'clock with this stuff, or what you have got?

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Foley: Sure.

H.M.Jr: There are some things difficult there. Now, for instance, making money quickly available for defense. I think the quicker you get at it - you (Cairns) think you have the documents?

Cairns: I have got it for all of my speech.

H.M.Jr: How about protection against shocks from abroad?

Cairns: I had Harry White's stuff.

H.M.Jr: Oh, is Harry White in on this, too?

Foley: Well, that is where that material came from. Coe went up with Huntington to see Swing.

H.M.Jr: White and Coe, was it?

Cairns: Harry wasn't there.

H.M.Jr: Isn't some of this Haas' stuff?

Haas: Well, it is not mine unless you passed on what I gave you.

H.M.Jr: No, this was done before Sunday, you see. I asked you on Sunday.

Haas: No, I am not familiar with this at all, Mr. Secretary.

H.M.Jr: Oh, you are not? I am sorry. You are not familiar with this?

Haas: No, sir.

H.M.Jr: Then I will get it from Harry.

Foley: This is the outline that Huntington and Coe and Gene got up Sunday morning.

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H.M.Jr: Oh, Gene is on this? He is in the building.

Haas: If they don't have these figures readily available, I have practically all of them worked up in tables.

H.M.Jr: I had forgotten. I can't remember all this stuff. It is you, Huntington, and Coe and Duffield?

Foley: That is right.

(Mr. White entered the conference)

H.M.Jr: Is Duffield with you?

White: Yes. Do you want him?

H.M.Jr: I sent for him. I told them. Is he outside?

White: No, he is in my office.

H.M.Jr: I told him. He is coming.

Harry, this party who is working on this wants the documents on which this outline was based and he wants it by 4:00 o'clock.

White: Oh, that is easy.

Cairns: I will take care of the whole first page.

Foley: Coe supplied the material here.

White: Yes, we will get it.

H.M.Jr: Do you need any statistics from Haas?

White: I think not, beyond what he may have already given us, but if so, I will call on him.

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- H.M.Jr: Now, I would like the thing to be put up in a form so it flows in the same order.
- Foley: We will assemble it with an index on the front and tabulate the thing so you can refer to it. We will set it up right.
- H.M.Jr: That is right. If you could do two copies.
- Cairns: You want two folders?
- H.M.Jr: Two. One for me - you don't have to have two ribbons, just one ribbon.
- Cairns: I am going to put in the original documents. We will never get it done at 4:00 o'clock.
- H.M.Jr: I don't care about two. One copy is enough.
(Mr. Duffield entered the conference)
- Cairns: I am going to give you the original documents, because I couldn't get it done by then if I had to copy the Act.
- H.M.Jr: Do you need Gene on this?
- White: I think Gene is more valuable on what he is doing. This is merely a question of turning it over to somebody. One question, for example, when it states, "setting up stock of tin, rubber, manganese," you want the Executive Orders from which that originated? Is that what you had in mind?
- H.M.Jr: I think so.
- Foley: Where is the argument to support each of these items?
- White: It isn't an argument, it is the original document.

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H.M.Jr: And if you could say under this order so much tin and rubber have been bought.

White: Well, we will get Procurement on some of this.

H.M.Jr: Let's go to it. I want it by 4:00. Does this mean that what Duffield was doing stops for the time being?

White: No, if he is willing to go on with Coe, and then I can get started on this and join them from time to time.

H.M.Jr: Okay.

White: If he is willing to.

Cairns: Coe selected that stuff.

H.M.Jr: Thanks. I will see you all at 4:00 o'clock.

THE WILLKIE CAMPAIGN SONG

Tune: "Coming 'Round the Mountain"

They'll be going back to Harvard when he comes;

They'll be going back to Harvard when he comes; --

All the corny college comics

With their phoney economics --

They'll be going back to Harvard when he comes.

They'll make room for Wendell Willkie when he comes;

They'll make room for Wendell Willkie when he comes; --

There'll be many less New Dealers,

Less Professors and Free Dealers --

They'll make room for Wendell Willkie when he comes.

So we'll all get down to business when he comes;

Yes, we'll all get down to business when he comes --

We've had seven years of guessing,

Now it's time to start progressing --

With the work of Wendell Willkie when he comes.

(Addition by Mr. Sullivan)

But don't try to hold your breath until he comes;

Oh, don't try to hold your breath until he comes; --

We had high hopes for Harbie Hoover,

We were sure of landing Landon --

And I guess it's just in dreams that Wendie comes.

No Service Publishing Co., Washington, D. C.

Text of Wendell L. Willkie's Address at the Chicago Stadium

CHICAGO, Oct. 22 (AP)—Following is the prepared text of a speech by Wendell L. Willkie, Republican presidential candidate, at the Chicago Stadium tonight.

Fellow-Americans and people of Chicago:

A man cannot stand before an audience like this in these critical times without a deep sense of humility. These are days when much is at stake in every choice we make. We must not alone think to abide by difficult decisions.

For that strength we must look to each other. I say it to you from the bottom of my heart: stand with us now and in whatever is to come.

I know that there is in your minds, as there is in mine, grave concern for events beyond our shores. Over there, except on one small, heroic island, democracy has fallen. This fact is almost unbelievable. People who lived lives not unlike ours, who had aspirations similar to our own, who loved peace just as much as we do, who believed in justice and freedom, people of that sort are now slaves to bloody dictators who have gone back to the Dark Ages for their basic philosophy of government.

In this fateful hour I stand before you as a candidate for President of the United States.

With regard to those events beyond our shores, I will make you a solemn promise. I promise that that responsibility of government known as foreign affairs will be provided by me from partisan politics.

To fill the post of Secretary of State I shall choose the ablest man in the United States on foreign affairs. I shall choose him for his knowledge, his ability and his integrity—and not for any other consideration whatever.

That man will make use of the ablest career men in the diplomatic service—men who have devoted their lives to the study and practice of diplomacy.

To Keep Playboys at Home

And we shall send out to represent us in the capitals of the world, ambassadors chosen for their diplomatic qualifications. It is safer to keep the playboys right here in America.

I judge you that our party will not pay off its financial obligations with the safety of the American people by appointing springtime ambassadors. I have never seen any man that much. And I never shall.

Tonight we are gathered together on historic ground.

A short distance away, in the old Wigwag on May 18, 1860, Abraham Lincoln was nominated in a free and open convention.

And then in 1932, right here in this hall, there was adopted by the Democratic party the platform of that year—one of America's great liberal documents.

I for one believed that Democratic platform of 1932. I still believe in the principles that it laid down.

I also believed at that time the

statement of the Democratic candidate of 1932. In his acceptance speech, he said: "That admirable document, the platform, which you have adopted, is clear. I accept it 100 per cent."

Now, my fellow Americans, there is a secret hidden in democracy. Those who hate democracy do not know that secret. Those who love democracy must find it and must guard it with their lives.

That secret is good faith. Democracy lives in the faith that people keep with one another. It lies in the faith that their leaders keep with them and the faith that their government keeps with them. Without good faith a liberal document is worthless. Without good faith no law—no, not even the Constitution—can stand.

I want to examine tonight the good faith of those who have been responsible to us, as our government, for the last seven and a half years. I want to examine that record standing here where the promises were made. And I want to examine it in the light of the world situation—the threat against democracy—that I have already mentioned.

Looks at the Record

The Democratic platform of 1932 declared:

"We favor the maintenance of the national credit by a Federal budget annually balanced."

Then it went on to say:

"We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices."

That was the promise. The candidate accepted it. He pledged to reduce the cost of this Federal government by 25 per cent. Since that day he has reiterated, eleven times, a promise to balance the budget.

But, not once—not once—in eight years has the Federal budget even approached a balance. So far from abolishing useless commissions and offices, the New Deal has multiplied them as never before in our history. It has increased the number of employees on the government pay roll from 600,000 to more than a million.

The Democratic platform of 1932 said:

"We advocate a sound currency to be preserved at all hazards."

That was the promise. But six weeks after taking office, Mr. Roosevelt suspended the gold standard. In the autumn of 1933, he set out to experiment with a fluctuating commodity dollar. That unsound experiment was disastrous and had to be abandoned. Not even the most ardent New Dealer would be detected if.

But even today, the President retains in his own hands the power to alter the value of the dollar at any moment, and the monetary policy of this nation is officially declared to be on a "twenty-four hour basis."

The Democratic platform of 1932 said:

"We advocate . . . an international economic conference designed to restore international trade and facilitate exchange."

That was the promise. But on July 3, 1933, Mr. Roosevelt killed the London economic conference. He repudiated the progress of stabilization which he himself had instructed our delegates to present.

The third-term candidate, when he was running for his first term, said: "I propose to use this position of high responsibility to discuss up and down the country . . . the duty of reducing taxes . . . that I pledge you, and nothing I have said in this campaign transcends in importance this covenant with the taxpayers of this country."

That was the promise.

Cites Broken Promises

But under his administration, the Federal tax burden has been greater. Taxes have been lifted to levels that have been exceeded only in one year, during the World War.

The third-term candidate, when he was running for his first term, promised to put an end to unemployment. He promised the revival of business. He promised economy in government expenditures. And when he was running for his second term he reiterated those earlier promises.

But not one of those promises has been fulfilled.

Recently the third-term candidate has accused me of deliberately falsifying the record.

That seems to me a strange accusation. From what I have seen of the record, and I have studied it closely, any misstatement of the facts would be a charitable act.

But I want to review the record. I want to review it with this point in mind. No statesman, no matter how farsighted, can foresee everything. Maybe the breaking of those early promises worked out for the good of all of us. I do not say that that would excuse the bad faith. But it might induce us to be lenient.

Beginning in 1929 there was a world-wide depression. It affected every nation on earth.

Now we have figures showing the degree of industrial recovery from that depression by eighteen leading nations up to the outbreak of the war. These figures show that in revival of industrial production the United States stood seventeenth on that list of eighteen nations. It was next to the bottom of the list. Even Latvia did better.

Furthermore, we have just completed the first decade in our history in which we have failed to grow. Never before has that happened in America. But while we were thus stagnant almost every other nation in the world reached and passed the levels of 1929.

Failure to recover has meant a terrible loss to American workers. In the seven years before the New Deal, they were paid an average of more than twenty-one billion dollars a year. In the seven years under the New Deal, they have been paid an average of less than seventeen billion dollars a year. They lost four and a half billion

dollars every year—a pay cut for all of labor of 21 per cent.

And the farmers took a cut—an average cut—of more than a billion and a quarter dollars a year. And that includes all government payment under the New Deal.

Now that is all on the record. Nobody is falsifying anything. The truth is that the New Deal's failure has cost labor and farmers billions upon billions of dollars.

I know that my opponent will reply that during some of that time the nations of Europe were building armaments. That is perfectly true. I hope he does make that reply. Because I should like to reply to that reply.

Delay an Armament

I should like to know why, since 1935, we have not been at least getting ready to build armaments. I should like to know why we suddenly became aware, in this year of 1940, when it is so terribly late, that we lack defense equipment and cannot even manufacture it.

This is the record. We have stopped growing. Our national income is smaller. Our workers get less. Our farmers get less. More than nine million of our citizens are without jobs. We have little equipment for our Army, and we have only a few hundred modern military airplanes.

Yet in these seven and a half years we have spent more than sixty billion dollars. We have doubled the national debt. And the government defense program has almost got us.

That is the record. I challenge the third-term candidate to prove it false.

Now, when a baseball team remains for years in last place or close to it, it does not take the customers long to figure out what is wrong. They know that something is the matter with the management of that team. And they are likely to want the manager changed.

What would you think of the manager of a baseball team who had his team in the cellar, or next to it, for eight years in a league of sixteen teams, and who then claimed that he was the only indispensable man to manage that team?

But that is what happened last July right here in this hall.

It was in this very auditorium that the third-term political machine staged some of its most brilliant effects.

It was here on this very platform that Senator Foster M.D. of Alabama, placed the name of the third-term candidate in nomination.

It was here that the voice of the Commissioner of Sewers boomed out the cry for a third term.

It was here that the name of Thomas Jefferson was hoisted, and the promising voice of men who had long been honored in the Democratic party were drowned out by the overbearing bellowing of the Rally-Week machine.

Nearby, in the twenty-seventh ward headquarters, those self-styled liberals, Harry Hopkins and

Harold Ickes, conferred with bosses Kelly, Hague and Flynn—behind bullet-proof windows.

That is the way the third-term candidate was chosen. That is the way the people of America were asked to give their confidence to the New Deal party.

In the history of American politics there is no record like this. No man purporting to represent the American people have ever been so cynical, so callous, so brazen in their disregard for democratic ideals as these men have been.

And I cannot believe, I simply cannot believe that the American people will smother these men again as guardians of their democracy in the critical hour that we face.

As we look out upon the world today there is one blessing that we all profoundly desire. We desire to remain at peace.

The New Deal promises to keep us out of war. The third-term candidate says that he hates war. He said on Sept. 11: "I have one supreme determination—to do all I can to keep war away from these shores for all time."

That is the promise.

My fellow citizens: In the light of the record I challenge it. The third-term candidate has not kept faith with the American people. How are we to know that he will begin to keep it now?

Men and women of America, it is my ambition to re-establish good faith between the American people and a disheveled high office.

In this crusade that I am leading I have been out among the people. I have seen them by the millions. I have seen their faces.

I want to tell you about an incident that happened to me.

It is the kind of incident we are not supposed to talk about in these critical days. Nevertheless, I will talk about it.

It happened while I was being driven in a parade through a city. In one of those parades I saw a little girl in the crowd. She was being pushed around by the crowd. And she was holding an American flag.

It was very difficult for her to stand up—the crowd was pushing her so much. But she kept holding on to the flag, trying to hold it up in the air.

It was a simple thing and I do not know why it was so vivid. But when I saw it I could see clearly what that flag meant. I

saw clearly what it means to every one of us who have ever held it.

That is what I think it means. It means freedom. It means that men shall live together on this soil as free men, holding in their own hands the power of government.

It means strength. We must have within us, and we must exercise, the power to make things. We must produce. We must build. We must be prosperous. We must be confident of our arts and of our enterprises.

It means new horizons. As long as that flag waves America must grow.

And finally, it means good faith. Under that flag we must keep our promises—our promises to our friends, our promises to the people. By our good faith toward one another we can fill all the obligations of that flag. By our good faith we shall hold it up above the jangling crowd.

That is what the flag means. And when we make that meaning clear, to ourselves and to all the world, then, and not until then, can we be confident of peace.

SPEEDY REDUCER

Mr. Gaston's #1 draft

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Mr. Willkie in a speech in Chicago attacked a phase of this Administration's monetary policy, declaring that it was "disastrous" and that "not even the most ardent New Dealer tries to defend it."

It was an artful statement. He quotes a platform declaration in 1932 in favor of a "sound currency to be preserved at all hazards," but he doesn't attempt to deny that we have maintained a sound currency, obviously because he knows that the record wouldn't support him. The facts are well known that the United States dollar is today the standard currency of the world and the soundest currency in the world.

This Administration's monetary policy stopped a disastrous deflation and has not resulted in inflation. The buying power of the dollar has remained extraordinarily stable.

Does Mr. Willkie mean that, like the last Republican President, he would have done nothing to stop the cruel spiral of deflation that began in 1929 and was still in progress in 1933 and would have permitted all American property and production to "go through the wringer"? That would have been of benefit to the speculator, but nobody else.

Or is he simply renewing the old complaint of his associates in Wall Street that monetary control has been taken away from Wall Street and put in the hands of the Government, where it belongs? The elected representatives of the people have on three separate occasions registered their approval of giving the President ample power to protect our currency from attack.

Monetary speculators have complained bitterly about this. Now Mr. Willkie complains.

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Draft #2 by Dr. White and Mr.
Gaston with notations by HM,Jr.

Mr. Willkie in his speech in Chicago yesterday criticized the monetary measures of this Administration.

He objects to the revaluation of the dollar which took place in the first year of President Roosevelt's Administration and which helped restore prices and raise incomes.

He objects to the fact that our monetary system is no longer rigid and unresponsive to changing economic conditions as it was in 1932.

He chooses to forget ^{or ignore} the chaotic state of monetary affairs which Mr. Hoover turned over to President Roosevelt on March 4, 1933. At

~~that time neither Americans nor foreigners had confidence in the dollar. We had tremored in Willkie's that at that time~~
Banks were closing, deposits were being withdrawn by the millions every hour, currency was being hoarded and our gold reserves were being depleted while capital was fleeing the country in panic. ~~We were in the midst of one of the most disastrous deflationary periods the United States has ever experienced.~~

When Mr. Willkie attacks the successful monetary policies inaugurated by President Roosevelt in that period does he mean that like the last Republican president he would have done nothing ~~to stop that panic.~~

Does Mr. Willkie mean that he would have preferred to let American property and the American farmer and working man go through the wringer for the benefit of the international monetary speculators, or is he simply renewing the old complaint of his associates in Wall Street that monetary control has been taken away from ^{the} ~~the tip of~~ Manhattan and put in the hands of the government where it belongs? Congress has never

- 2 -

agreed with the Wall Street contention that monetary control belongs to the New York banks. ~~On two separate occasions~~ in 1937 and again in 1939, the elected representatives of the people have seen fit to continue the grant of monetary powers given the President by Congress in 1934.

Mr. Willkie apparently forgets that the monetary powers granted to the President are as essential to the defense of our monetary system as the navy is to the defense of our shores.

Proof of the wisdom of our monetary policy is the fact that the dollar is today the standard currency in international trade and the soundest and most sought after currency in the world. Whereas in 1932 there was a flight from the dollar, now for the last six years there has been a steady inflow of capital seeking the security and refuge that only the United States dollar can give.

100

Dr. White and Mr. Gaston
worked on this #3 draft.

Mr. Willkie in a speech in Chicago Tuesday night criticized a phase of this Administration's monetary policy, declaring that it was "disastrous" and that "not even the most ardent New Dealer tries to defend it."

It will be news to most Americans that our monetary policy needs defense. It has resulted in our possessing a currency whose value is unquestioned anywhere in the world, one that is the standard of international trade.

This Administration's monetary measures stopped a disastrous deflation and have not resulted in inflation. The buying power of the dollar has remained extraordinarily stable. Mr. Willkie seems to have a memory conveniently short. He has apparently forgotten what was happening in 1933 -- prices collapsing, profits disappearing, banks closing, gold being hoarded, capital fleeing the country, homes and farms being put on the auction block.

Does Mr. Willkie mean that, like the last Republican President, he would have done nothing to stop that cruel spiral of deflation and would have permitted all American property and production to "go through the wringer"? That would have been of benefit to the speculator, but nobody else.

Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from Wall Street and put in the hands of the Government, where it belongs?

The United States dollar is the soundest currency in the world. Does Mr. Willkie or anyone else dispute this?

Draft #4.

102

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Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from Wall Street and put in the hands of the Government, where it belongs?

Draft #5.

104

Mr. Willkie in a speech in Chicago Tuesday night criticized a phase of this Administration's monetary policy -- the steps taken to arrest the deflation in 1933.

These steps were a part of monetary action that has resulted in our possessing a currency whose value is unquestioned anywhere in the world, one that is the standard of international trade. The United States dollar is the soundest currency in the world.

The Administration's monetary measures stopped a disastrous deflation and have not resulted in inflation. The buying power of the dollar has remained extraordinarily stable. Mr. Willkie seems to have a memory conveniently short. He has apparently forgotten what was happening in 1932 and 1933 -- prices collapsing, profits disappearing, banks closing, gold being hoarded, capital fleeing the country, homes and farms being put on the auction block.

Does Mr. Willkie mean that, like President Hoover, he would have done nothing to stop that cruel spiral of deflation and would have permitted all American property and production to "go through the wringer"?

Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from Wall Street and put in the hands of the Government?

Draft #6.

106

Mr. Willkie in a speech in Chicago Tuesday night criticised a phase of this Administration's monetary policy.

The fact is that our monetary policy has resulted in our possessing a currency whose value is unquestioned anywhere in the world, one that is the standard of international trade. The United States dollar is the soundest currency in the world.

The Administration's monetary measures stopped a disastrous deflation and have not resulted in inflation. The buying power of the dollar has remained extraordinarily stable. Mr. Willkie seems to have a memory conveniently short. He has apparently forgotten what was happening in 1932 and 1933 -- prices collapsing, profits disappearing, banks closing, gold being hoarded, capital fleeing the country, homes and farms being put on the auction block.

Does Mr. Willkie mean that, like President Hoover, he would have done nothing to stop that cruel spiral of deflation and would have permitted all American property and production to "go through the wringer"?

Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from Wall Street and put in the hands of the Government?

*his friends in placed in the hands
of the people of U.S.*

Final draft, #7.

108

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Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from ^{his friends on} Wall Street and put in the hands of the Government?

*again placed in the hands of
the people of the United States.*

110

As it was handed to the newspaper
men at the Secretary's press
conference at 10:30 on Oct. 24, 1940

Mr. Willkie in a speech in Chicago Tuesday night criticized a phase of this Administration's monetary policy -- the steps taken to arrest the deflation in 1933.

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Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from his friends in Wall Street and again placed in the hands of the people of the United States?

October 23, 1940
9:00 a.m.

RE POLITICAL PRESS RELEASE

Present: Mr. Gaston
Mr. Sullivan
Mr. Foley
Mr. White
Mrs. Klotz

H.M.Jr: Have you read today's speech?

Gaston: No.

H.M.Jr: Well, it is hot stuff. I haven't read today's paper. You know that his speech - they give it two solid pages. I mean, it is a question and answer thing. I will get you another copy.

Gaston: I know in general what he says.

H.M.Jr: This is what I want to read to you.

"That was the promise. But six weeks after taking office, Mr. Roosevelt suspended the gold standard. In the autumn of 1933, he set out to experiment with a fluctuating commodity dollar. That unsound experiment was disastrous and had to be abandoned. Not even the most ardent New -" this paper slips there.

Now, "That was the promise. But six weeks after taking office, Mr. Roosevelt suspended the gold standard. In the autumn of 1933, he set out to experiment with a fluctuating commodity dollar. That unsound experiment was disastrous and had to be abandoned. Not even the most ardent New Dealer tries to defend it.

- 2 -

"But even today, the President retains in his own hands the power to alter the value of the dollar at any moment, and the monetary policy of this nation is, officially declared to be on a '24-hour basis.'

"The Democratic Platform of 1932 said:

"'We advocate.....an international economic conference designed to restore international trade and facilitate exchange.'

"That was the promise. But on July 3, 1933, Mr. Roosevelt killed the London economic conference."

Now, what I thought was to do something like this.

(Mr. White entered the conference.)

H.M.Jr: How are you feeling?

White: Pretty fair.

H.M.Jr: Harry, in this thing here, Willkie talks about how we changed the value of the dollar, you see. He criticizes Roosevelt for changing the value of the dollar. Now, what I thought was that I would say something like this, prepare a statement. "Mr. Willkie, from his speech - 'Not even the most ardent New Dealer tries to defend it.'" That was the point which was left out in the New York Times. What I thought of saying is this - bringing it back, I would say, "I would like to point out first to Mr. Willkie that this power which the President has, which he criticizes, was twice or three times renewed by Congress, by the elected representatives of the people. Mr. Willkie is quite right, we have said repeatedly that we have kept this country on gold on a 24-hour basis to protect our internal economy."

White: Does he say that?

H.M.Jr: No, I am saying that. "To protect our internal economy against shock from external -" I mean, this is party stuff. The point I want to get -

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then goes on - I would like to say this. This ought to be a cinch. "I want to ask Mr. Willkie a question. If by chance he had been interested - if by chance -" or something like that. "I fail to find any record of Mr. Willkie expressing himself in '33 or '34 on the gold content of the dollar, but I would like to ask him a question, that if he had been at that time an elected representative of the people, would he have kept the price of gold at 20.67?" I am just thinking along those lines. "Mr. Willkie by implication says that he would fix the price of gold. That has been the cry of the - of Wall Street. That has been the cry of Wall Street. Once a Wall Street lawyer, always a Wall Street lawyer."

Now, that is the whole point. I want to build a statement around that. "That has been the cry of Wall Street. Once a Wall Street lawyer, always a Wall Street lawyer." We will build a statement around that of not more than a couple of hundred words.

White: What do you have in mind, giving it out to the press?

H.M.Jr: Tomorrow morning, my regular press.

White: Or a formal press release?

H.M.Jr: I would want it written, but, "That is the cry of Wall Street. Once a Wall Street lawyer, always a Wall Street lawyer." He is asking for it. No one has sent any messages to me, would I stay as Secretary of the Treasury if he comes in so that is hopeless. I might just as well go overboard. You see the bid he has made for Hull.

Gaston: I didn't know just what that meant.

H.M.Jr: Sure. Mrs. Morgenthau thinks before the week is over he is going to announce that he would take Hull. Then I hope the so and so will turn him down.

Gaston: That was a lousy statement of Jim Farley's.

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- H.M.Jr: Well, it is better than none and I give Lehman the credit for it. What do you think, gents?
- White: Well, I haven't read his statement but I think that he can be effectively answered in a couple of hundred words and I think the matter of Wall Street can be brought in.
- H.M.Jr: I mean the point that I want to make is, which he slurs over, "As you and I know, the emergency powers contained in this gold act of '34 -" did we have that extended two or three times?
- White: I think twice. No, I think three times over the whole seven years. 1934 - I think three times.
- H.M.Jr: Well, "Three times the Congress of the United States has given this power to the President and he has never abused this power." Herbert, you can let yourself go on that.
- Gaston: There are two things that appeal to me most. One is the point of the cruelty of the old American system of letting this deflation go on which would result in failure to --
- White: That is the sort of thing he is apparently advocating.
- Gaston: Then where in the world has there ever been a currency so sound and so stable as this?
- H.M.Jr: He mentions that. He talks about our currency as the least sound.
- Gaston: We can tell him to produce any index he wants to on that subject.
- H.M.Jr: Now, having opened this, should I get down on my knees to get radio time or do it at my press conference? I got pretty good coverage at the press.
- White: I wouldn't ask for radio time.
- Gaston: I wouldn't ask for radio time, because this subject

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is not worth it. A long speech on this subject just gets people agitated. It isn't worth it.

H.M.Jr: But I think there is a swell answer on this. He has just opened up on this thing.

Klotz: Why can't you do it at your press tomorrow morning?

H.M.Jr: I can tomorrow morning.

Klotz: Because, gee, those boys have been swell.

H.M.Jr: And this little trick which I have of sending these news commentators a telegram which I pay for myself, I get on five or six times in 24 hours. You know that, don't you?

White: No, I didn't know that.

H.M.Jr: I send these telegrams and I get on the air four or five times in 24 hours after my press conference. We have checked it. I would rather be on at eleven o'clock at night and seven in the morning on the news commentators, than I would - well, like broadcasting tonight where there are five important political speeches.

Klotz: And everybody listens to the news.

White: I agree with you. This has got to be disposed of and treated as though it were something not worthy of an extended discussion, merely point out --

H.M.Jr: If I handle it tomorrow morning, I will make the papers.

White: Oh, I am sure we can get a good statement today.

H.M.Jr: I am available tonight.

White: Yes, we can begin on it right away.

H.M.Jr: I am free tonight. This oughtn't to be very hard.

White: It ought to be so stated as to close the episode.

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H.M.Jr: I think what Herbert said is just - come on now - "By any chance, Mr. Willkie, would you have permitted this cruel spiral to continue?"

Gaston: Yes.

H.M.Jr: And just keep on the gold thing.

White: I would.

H.M.Jr: And - do you like that thing, "Once a Wall Street lawyer always a Wall Street lawyer"?

White: If it would be banker, it would be better, but lawyer and gold - the connection --

H.M.Jr: "Once a Wall Street lobbyist, always a Wall Street lobbyist."

Gaston: This would serve the speculator but nobody else.

H.M.Jr: Why not, "This is what the international speculator wants." What is the matter with "Once a Wall Street lawyer, always a Wall Street lawyer"?

Klotz: I never heard that before.

H.M.Jr: I have coined it, I made it.

White: Wall Street lawyer would be all right --

H.M.Jr: That is what he is, Mrs. Klotz.

Gaston: I make an exception. He never has been a lawyer. He hasn't been a lawyer for 20 years. He has been a so-called public relations man. He has been a public utilities lobbyist. He calls himself a public relations man.

H.M.Jr: Well, I like that. You improve on it. "Once a Wall Street lawyer, always a Wall Street lawyer." What's his name, Gregory, talked to me and he said, "You know, Mr. Morgenthau -" it is the Tribune. Don't quote him. He says, "Once a Wall Street man, always a Wall Street man." He says, "That is the trouble with Johnny Hanes, he can't change his spots."

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Klotz: That I can understand, in that connection.

H.M.Jr: Well, call him "Once a Wall Street speculator, always a -", no, he isn't. A Wall Street man.

White: Well, we will try it and see whether it can be worked in.

H.M.Jr: "Once a Wall - once a Wall -".

White: The trouble is, in the minds of the public the question of the dollar is not sufficiently tied up with Wall Street. It will have to be pointed out in there, the connection.

H.M.Jr: What I want to say is this: "What Wall Street has been advocating for years is that we go back and fix the price of the dollar so that our hands are tied and we once more are at the mercy of the rest and bring in - this is a matter of strengthening home defense," and so on.

White: And there you can say that Willkie by his statement shows once a Wall Street man, always a Wall Street man.

Gaston: He is speaking the same words as those people who want the gold turned back to the Federal Reserve Banks, to the banks of the country, to transfer the monetary control to Wall Street. That is the crowd that he is with.

White: It is transferring the monetary power back to Wall Street.

H.M.Jr: I want to bring in Wall Street. To turn the supervision of the people's money from Washington back to Wall Street.

Klotz: That is different, if you want to say that.

H.M.Jr: Sure, "Mr. Willkie, when Mr. Roosevelt came in and did this, the control of money was moved from Wall Street to Washington. Now, what you are advocating is that the control should be moved back again to Wall Street to your friends."

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Gaston: We can refer to the fact that --

H.M.Jr: Make it dirty, boys, make it dirty.

Klotz: This is. What you say now is very dirty.

Gaston: The constitutional power to regulate the value to the money isn't in Congress but the President has brought it back and delivered it into their hands and they have checked and approved everything that he has done.

H.M.Jr: No, that has been the argument, that is was taken out of their hands. I wouldn't say that, but I would say that the -- that the control of money was moved from Wall Street to Washington. Now, "What he is advocating is that it should be returned from Washington back to Wall Street."

White: It is that note that must be struck, because if he doesn't like it, he has to be on the defense. "I don't want to return the power to Wall Street," you see, and that immediately puts him in a bad place. It has to be something of that character. It is a little bit dirty, but that is the sort of thing --

H.M.Jr: Well, that is what he did yesterday. He said, "Don't anybody dare say that employment is going to increase from national defense," you see.

(Mr. Sullivan entered the conference.)

H.M.Jr: So we can't call him a lawyer, can we?

Klotz: No, you had better be careful. (Directed toward Sullivan).

H.M.Jr: What I am trying to say is, if we can get him to say that he was opposed to cutting the price of the dollar -- increasing the price of gold, there is this whole school of thought of the warm followers and all that.

White: I am surprised that he hasn't made a speech on money and merely refers to it in this.

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H.M.Jr: An unstable dollar is pretty good. Now, look, fellows, you two boys are ideal for this. I want to study - have you got something finished that you have been doing, you and Gene?

White: We have got something there.

H.M.Jr: I mean for me to read.

White: And we have got together all the other --

H.M.Jr: When can I read?

White: Well, you set the time and we will polish it up in the time that you set.

H.M.Jr: Well, this comes first.

White: Well, this shouldn't take very long. I think it would take a few hours, is all.

H.M.Jr: Do you want Gene to help you? He called up last night.

White: He is coming in at ten o'clock this morning.

H.M.Jr: All right, come on, fellows, when do you want to see me?

White: Supposing we have something for you this afternoon. What time would be convenient?

H.M.Jr: Well, I can see you immediately after lunch.

White: Supposing you see us immediately after lunch on this and then about an hour later or half an hour later on the other.

H.M.Jr: Have you (Sullivan) read Willkie's stuff of yesterday?

Sullivan: I heard it last night.

H.M.Jr: Did you? His questions and answers, too? What I am trying to do is answer his question on the gold thing. If you are around, come in at two o'clock and listen. These boys can do it. They

- 10 -

have lived with it now.

Sullivan: He had a statement in the paper last night about taxes trebling. Do you want me to run that down?

White: It might be a good thing at the press conference.

H.M.Jr: Well, if you want to try your hand at something on the taxes --

Sullivan: No, I was meaning to get the information for you. Is this a statement that you were going to make at your press conference?

H.M.Jr: Tomorrow morning.

Sullivan: All right, I will --

H.M.Jr: But I mean this is on the positive side.

(Mr. Foley entered the conference.)

White: That sort of thing, right in the Treasury, I think you can appropriately and effectively, if it is a definite misstatement, dispose of at a press conference.

Gaston: The man under \$5,000.

White: Did it increase three times while you (Sullivan) were here? (Laughter)

Gaston: Well, it decreased to the man under \$5,000.

Sullivan: No, it hasn't.

H.M.Jr: You do the tax thing.

Sullivan: I will get at it.

H.M.Jr: I don't think we have got as good an answer, but on this gold thing and this unstable dollar and changing the price of gold, we can just go to town on that one.

Sullivan: Well, I will get the information. I don't think

- 11 -

it is important because I think the fellow on the street thinks the taxes ought to be higher.

Jr: In reading the thing, I had this reaction. I would like to say, "Well, Mr. Willkie, how would you go about balancing the budget? What would you do on taxes?"

Ivan: I will get the --

Jr: See, what would you do on it?

Ivan: I will get the facts for you.

Jr: I am going to ask him the question, if he had been an elected representative of the people in '33 and '34, what would he have done about the price of gold and put somebody up in the library to see if he has ever said anything on gold or written anything on gold.

te: Okay.

Jr: Someplace somewhere they must have the writings of him, you see.

te: They may have. He has said very little in public.

Jr: Well, maybe up in Democratic headquarters they have kept a record on him. But this is just pie for us here. What I am saying is --

te: Does he say anything about silver?

Jr: No.

te: No?

Jr: No. What I want to say is this: "This is, of course, what Wall Street wants," and so forth and so on, and I want to say this, "Once a Wall Street lawyer, always a Wall Street lawyer." What do you think?

te: He thought you lawyers would object.

ey: It is perfectly all right.

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Sullivan: I feel just the same way about that Wall Street branch of the bar.

H.M.Jr: But to use it, "This is what the money changers want, the speculators want. Now, Mr. Willkie, I suppose, being a lawyer and coming from Wall Street - once a Wall Street lawyer, always a Wall Street lawyer." They say that nobody has called him that yet. If you can give me something dirtier to call him - (Laughter). I told them when they came in here, nobody has come around and asked me if I would stay if he was elected, so my chances are overboard.

Sullivan: Johnny might.

H.M.Jr: Johnny who? Johnny Get Your Gun?

Sullivan: Johnny will have his gun, don't worry. (Laughter)

White: Whether it is a gun or a boomerang, you don't know yet.

H.M.Jr: No one has come around and asked me whether I would stay, but they are doing it in town. That is the amazing thing.

White: I have a little gossip about Lewis. I don't know how good my source is, but I think it is pretty good and it may be obvious what I am going to say, but my information is that he is not going to come out for Willkie. He may not come out for Roosevelt, but he will not come out for Willkie.

Foley: Well, Mike Flynn talked with Bert Wheeler yesterday afternoon and Wheeler said that he was coming out for Willkie, that he had just talked with Lewis and I think Wheeler is helping him with his speech.

White: Well, I think my information came from almost as good a place, if not better, but I got it second-hand.

H.M.Jr: Well, one of you are right.

White: No, there are three possibilities, Willkie, Roosevelt, or just remain on the fence.

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Sullivan: I made a bet with a fellow yesterday who seemed to be on the inside and he told me he was worried. He had been sure that Lewis was coming out for Willkie, but he was afraid now that he wasn't. Incidentally --

White: Afraid now that he wasn't?

Sullivan: Yes.

H.M.Jr: He is a Roosevelt man or a Willkie man?

Sullivan: He is a Willkie fellow. He wanted to bet me that Willkie would carry every New England state. He was just talking and I said, "Well, you don't think that is a fair, even money bet?" and he said, "Well, I do except for the deal in Massachusetts." I said, "What is that?" He said, "Well, of course," he said, "we are very anxious not to defeat Walsh. He is the finest Republican we have in the Senate and in our effort to save Walsh we may lose the State for Willkie," but he says, "outside of that, it is a good bet," and I said, "Well, is it worth \$5.00 that Roosevelt will not carry any New England state except Massachusetts?" And he says, "Make it \$50.00." And we shook hands and then I asked him about Lewis and he said he was very much disturbed that day.

H.M.Jr: That --

Sullivan: Meaning yesterday.

H.M.Jr: That Lewis would not come out for Willkie?

Sullivan: That is right.

H.M.Jr: Personally, I hope he does come out for Willkie.

Foley: Well, we will lose a little.

White: In other words, let's put it this way: He will be able to do much more good for Roosevelt by coming out for him than he would do harm by coming out against him, but he would --

- H.M.Jr: Your statement sounds like, "If you want to bet on Roosevelt up there, 9 to 5, and if you want to bet on Willkie, it is 7 to 5." It makes just as much sense.
- White: No, it makes more sense. His power is stronger coming out for Roosevelt than it is against him.
- Foley: There is a certain left wing element in the CIO, mostly Communists, way over on the left, that he controls and if he comes out for Roosevelt, that crowd will follow him. Now, if he comes out for Willkie, there is some of that crowd that will still stick with Roosevelt. They won't go all the way over with Lewis. He will do less harm to our cause than he will to the other cause.
- White: That is right. There are a lot of people who will be confused if he comes out for Willkie. We are speaking of marginal movements, not any large bulk of the workers.
- Gaston: Maybe he will make them vote for Roosevelt by coming out for Willkie.
- Sullivan: It would have put the damper on Republican contributions if he had come out for Willkie a couple of weeks ago.
- Foley: The statement I don't understand is the statement that there is a deal for Walsh up in Massachusetts. I just see that Willkie crowd losing the Massachusetts electoral vote by just saying Walsh.
- H.M.Jr: After this meeting, would you stay behind a minute, Ed?

November 1, 1940.

Dear Mr. Maloney:

The Secretary very much appreciated your prompt compliance with his request in the matter of securing the full text of Miss Dorothy Thompson's recent radio talk. I am acknowledging the receipt of this manuscript and want to thank you for your courtesy in the matter.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. James J. Maloney,
Supervising Agent,
United States Secret Service,
Treasury Department,
New York, New York.

GHF/dbe

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Mr. James J. Maloney,
Supervising Agent,
United States Secret Service,
Treasury Department,
New York, New York.

GMV/dbs



TREASURY DEPARTMENT
UNITED STATES SECRET SERVICE
NEW YORK, N. Y.

OFFICE OF SUPERVISING AGENT
DISTRICT NO. 2

STATE OF NEW YORK AND TERRITORY
OF PUERTO RICO

October 31, 1940.

Honorable Henry Morgenthau, Jr.,
The Secretary of the Treasury,
Washington, D. C.

Dear Secretary Morgenthau:

There is attached to this letter the copy of radio talk delivered last night by Dorothy Thompson which was secured this afternoon in accordance with teletyped direction of Chief Wilson.

This is being referred to you directly as requested by airmail and special delivery mail.

Respectfully,

James J. Maloney
James J. Maloney,
Supervising Agent.

JJM:RFL
Enclosure.

RE RELEASE TO DELIVERY

A BROADCAST BY JORDAN THOMPSON, FOR THE BUSINESS MEN'S LEAGUE FOR ROOSEVELT, WALDORF-ASTORIA HOTEL, NEW YORK CITY, OVER WABC, COLUMBIA BROADCASTING SYSTEM, 8:30 to 9:00 P.M., October 30, 1940.

I am here on the air again tonight, to appeal, with the voice of reason, to these Americans who are interested in facts, and who are going to make up their minds, in this election, and not go out of their minds before they vote.

The campaign of our Republican friends has been, it seems, carefully designed to rob the American people of their wits. That seems to be the way they think they will elect their candidate. I think their candidate is a great deal better than they do. I think that he is worthy of a more honest, decent, reasonable campaign. The real story of their candidate's campaign is, that about a month ago they decided he was not pulling in the orders so a lot of high pressure sales boys and public relations counsels took him over. These are the boys who have perfected the technique of "selling" the American people anything on the shelves. They are the boys who have tried to persuade us that we all have halitosis, or overrehea, or that if we don't drink orange juice with every meal our bones are going to crumble, that we can cure fatigue with cigarettes, and achieve charm with Lipstick. There is a definite technique in the advertising profession known as "Fear Copy". The idea is first to create the fear, and then offer a genuine antidote. You know this technique, because you have been constantly exposed to it. Dangers are lurking all around us; we have dandruff in our hair, our gums are bleeding, our stomachs are swimming in acid, but cheer up! We will save you. Buy Our Brand!

Putting over the brand is called, in the advertising vocabulary, "Promoting a Product". It is done by "build up". The general theory in the trade is that if an article has a little merit, enough advertising will put it over. The first thing is that wherever you go, or whatever you read, you must be reminded of this product, and be persuaded that your very life depends upon your buying it. Always this campaign is accompanied by slogans, and the theory is that if you repeat a thing often enough, in enough different ways, persistently and insistently, everybody will believe it.

Almost all of the eminent practitioners of this art are now engaged in this campaign for the Republican candidate. One of the most successful of them is now a candidate for the United States Senator for the State of New York. I refer to Mr. Bruce Barton of Batten, Barton, Durstine and Osborn, advertisers. Mr. Barton

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believe that everything in this world has been run over by advertising, including Jesus Christ. He wrote a book a few years ago called "The Man Nobody Knows", to prove that Jesus used the methods of an advertising executive. He called the technique of Jesus -- I am quoting "putting yourself in step with your prospect." Mr. Barton says quite a lot of us go through the world mentally divided against ourselves, to make sure we are making the right investments... Instinctively we wait for a convincing voice, one that shall authoritatively 'I have the truth'. This way lies happiness and salvation. Unquote. He thought Jesus sold Truth by this method, but there was a difference, Mr. Barton. Jesus was not interested in profits, he was interested in the soul of humanity, and the things he believed in cost him his life -- perhaps because he said "Lay not up for yourselves treasure on earth."

Mr. Barton's technique, besides creating fear, slugs the mind into weariness by mere weight of repetition. If you want to see a perfect example of the application of this technique to the field of politics, let us take the dictators. Thus, Hitler was "put across" in Germany and "put over" on a lot of the world by a face, a voice, and slogans, by a technique which he openly credits to American advertising methods in "Mein Kampf". To take an example of the effectiveness of the constantly repeated slogan, based on fear and an antidote, there was that best of all sales arguments "The Communists are Coming Buy Adolf Hitler and Safety!" This was first sold to the German people, then to the British and the French, and when it had fulfilled its purpose, the German Russian Pact was signed and the new world war started.

Now, my friends, this is all very amazing and interesting. It's good for selling products and it's good for selling dictators, but it's not the way to elect a President. In fact, if this becomes the strategy of political campaign, we won't have electing Presidents in this country, for the election of a President, -- an election that means anything more than hollow formality -- depends on the people of this country being able to make a reasonable choice, on the basis of considered opinion, and in view of facts. We have got to look at those fears that are presented, and look at the antidote, and ask ourselves cool questions. Before buying a brand remedy for a disease, we had better have our symptoms competently analyzed to see whether we have really got the disease. And in this campaign, we had better be more careful than usual, because there is no Pure Food and Drug Act to protect us from this particular Republican patent medicine. It's certainly been offered for everything that ails us. Do you suffer from unemployment? Are you afraid of War? Have you incipient symptoms of Dictatorship? Is your weight falling off? Have you had money ever taken in your bank account? Are you unable to sleep on your right side? All Dr. Thompson's Balm will cure that ail. These poor boys are having a

(See next page)

green holiday in this campaign, because it has been a long time since you could produce a legitimate product this way. Too many people died of the remedies in the old days, and there grew up something called business ethics, which demanded that claims for the product had to have some relation to the truth.

And I say now that what this campaign needs is a Consumers' Research Bureau to say to the Public; Ladies and Gentlemen, you haven't got these diseases and you aren't being offered a cure. You are merely being offered a completely unanalyzed brand. What this campaign needs is a good chemist to tell the public what's in the bottle. And that is what I, as a disinterested researcher, propose to do this evening.

Now, as to the technique of creating Fear. The Fear Copy. Did you ever realize before what a terrible condition you are in? I listened to Clare Boothe the other night describing my symptoms. Miss Boothe is the Bossy by Fisher in this campaign. She is the Brande Fraxier of the Great Crusade. She has torn herself loose from the Stark Club to serve her country in this serious hour. She has everything - everything to pull in the orders. The Powers model face that you see on the magazine; the recommendations of Lady Whosis and Ethyl Montgomery-bangs, who "whether from her lovely apartment in the super-Ritz or from the exquisite little yacht that was the gift of Lord Fenwick, or from her perfectly appointed country estate, decorations by Lady Mendi, says to you: 'I use only Willkie.'" Clare is the Snob Copy in this campaign. But she is also Fear Copy. They usually go together, my friends. Snobbery is the result of fearing that one may not be with the "best people." Well, Clare, the other night, tried to scare me to death. She described my symptoms minutely. You poor creature, she said, you are a victim of mounting hysteria. You suffer from emotional illness called "acute fear." You have an "anxiety neurosis." And since Clare knows that her old friend isn't going to take good old Doc Willkie's cure-all, she is apparently prepared to put her out of her misery quickly, to save her from the madhouse.

Thanks, Clare. but my pulse is normal my blood pressure 120, and there is nothing wrong with my eyesight, either. I have met you before, Clare, in various costumes and under various hats. I met your type in London, in the Clivean set, and in Paris salons.

The last time I saw you was in the apartment of the last Prime Minister of France. I have met the ladies of café society who save nations in their time of crisis, and I have visited the nations they have saved. You have had a great function in this campaign: the function of making even clearer where the real issues of it lie. Your very presence contributes to the clarifying of the issue.

But now let's get on with the consumers' research. Let's take a look at these various collective diseases we have got. Symptoms of mounting dictatorship. That's the Third Term issue.

I went out of the Republican camp and into the Roosevelt fold on the advice of the greatest Republican, except Lincoln, who ever lived in this country. His name was Alexander Hamilton. Hamilton was the idol of the New York clubs, the idol of New York society, a war hero, a brilliant lawyer, and the greatest Secretary of the Treasury, until, in Republican eyes, Andrew Mellon became runner-up. I might remark, parenthetically, since this is an informal talk tonight, that there was a difference between Hamilton and Mellon. Hamilton found his country bankrupt in a bankrupt world, and left it solvent in a bankrupt world; Mellon found his country solvent, and helped to bankrupt the rest of the world. That's another story, and not part of my talk here tonight. But somebody ought to bring up the remarkable contributions to world insolvency and world chaos of the financial and trade policies of the three Republican Administrations that preceded Mr. Roosevelt. Hamilton was not that kind of a Republican. The radicals hated him because he took over the worthless debts of the states and paid them a hundred cents on the dollar. Hamilton's friends, of course, ran around buying worthless paper from carpenters and pedlars and by his move made the first great speculative fortunes in America. Hamilton wasn't interested in whether they made fortunes or not - he was only interested in saving America's credit. He could have made an immense fortune on his own inside knowledge - through other people, of course - but he didn't make anything at all, at which point his supporters began to think he might be a dangerous man and slightly hysterical. Now, this Hamilton, who was a very great man, a very great and incorruptible conservative, and one of the finest political minds of his own or any day, was the chief adviser of Washington. He probably wrote, and he certainly edited, the famous Farewell Address, which hasn't got a word in it against a Third Term, but a lot in it against the sort of campaign our Republican friends are making in a time of crisis, left as impartial advice to the American people going to change an administration in a time of acute international crisis. He said that one must not do so - because it would substitute experience for inexperience and lead to change and set off the already settled train of the international. Unquote. You will find these words in the seventy-second paper of "The Federalist," which is the classical treatise on the Constitution and one of the greatest collections of political wisdom in the world. Both Hamilton and Washington were stopped by any five years of office for the President which would force us, against our own sense, to change pilots in the middle of an acute international storm. This is an axiom of wise politics. The only reason for changing the President now would be if we should desire to upset and change the existing foreign policy. Now, whatever Mr. Willkie may be saying on the public platform out of the pens of his copy-writing advisers, Mr. Willkie, up to a few weeks ago, had told innumerable people confidentially that he had no quarrel with the President's foreign policy at all. The machine politicians who want to get votes,

(MORE)

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and his co-writers who are experts on creating fear. Copey persuaded him that only the President's help in the case of war would win the election. So the issue was thrown into the campaign -- to the intense delight of all the newspapers of the United States, who looked forward to this election with glee and who planned it well.

Now, either Mr. Willkie was sincere in saying that he had no quarrel with the President's foreign policy, or he was not. If he is sincere, then it is idiotic to throw away foreign affairs out of the hands of this Administration at this moment -- an Administration that is thoroughly experienced -- and put them in the hands of a man who has made more boners in this campaign than there is time to enumerate, I continued some of them last night. A very basis of this policy is the good neighbor policy toward South America. Mr. Willkie's bright boys probably advised him to play for the Farmers' vote by attacking the import of seven thousand dollars worth of Argentine beef for the army. These same farmers are going to pay heavy taxes for going to defend South America, and they have got a lot more sense than Mr. Willkie's copy writers. They will be quick to understand that it would be stupid at this moment to buy canned beef and throw it into the ashcan than to stir resentment and hostility in Argentina, one of the two most important and powerful countries in the Western Hemisphere -- and that is exactly what the attack did. And if you don't believe it, ask the Argentine newspaper correspondents here in this town. This sort of thing is so frivolously reckless that it does not recommend Mr. Willkie for President, in me.

And if Mr. Willkie's foreign policy -- or the foreign policy of his high press -- is not the same as the President's, then let us insist on a crystal ball statement of it. Because the fate of this democracy in the next four years is going to depend upon the handling of foreign affairs. If we have in power an administration that thinks armaments are a means of regulating labor and not of saving democracy; and if we have an administration that thinks that the dictators are going to win the war anyway and we had better learn planning things with them; either, you can screw this democracy the way the World's Fair was screwed the last year.

I repeat that I don't believe Mr. Willkie thinks that. I know that William Allen White doesn't think he thinks that, because if he did he would not be supporting him; but I say honestly, I do not know what he thinks, after hearing all his speeches, and I do not know what he would do; and I do know that all those who want a policy of reconciliation with the New Order in Europe -- Reconciliation and Collaboration -- are in Mr. Willkie's camp. And the chance is his campaign indicates that he is very easily influenced.

My friends, there is no existing example of a dictatorship established in a Third Term. If the President had wanted to be a

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dictator, or had been able to make himself a dictator with the forces which he can control, we should have had dictatorship before this election, not afterward. I must remind you that Mussolini and Hitler only got themselves elected once. After that there were no other candidates.

I should like to say further that there is no analogy between the change in the administration in England and a change here. Comparing Mr. Willkie to Mr. Churchill is just another of the copy writer's bright ideas. Mr. Churchill is the head of Cabinet Government. If the British people are dissatisfied with him, Parliament can remove him tomorrow. We are going to have to keep what we get for four years. But it was precisely the sort of people, the various groups, who did not want Mr. Churchill who do want Mr. Willkie in this country. Mr. Churchill's support comes from the ranks of intelligent and deeply patriotic conservatives, plus the so-called common people, and the more conservative laborites. That is Mr. Roosevelt's support in this country - not Mr. Willkie's.

But I have another way of looking at this matter of dictatorship. I like to see who is yelling "Dictator! Dictator!" I have a queer idea that dictators are born not made, and that you get dictators when the fellows who really like dictatorship, and greatly dislike democracy, get the upper hand.

Let's take a look at the Supermen in the Republican ranks and see whether there are any folks among them who are by nature hostile to the idea of dictatorship. Well, reading from right to left, there are Henry Ford and James H. Dyer, both of whom have been recipients of Nazi decorations for

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distorted industrialism. There are Tom Girdler and Ernest Weir. There is Colonel Lindbergh. Some of these people have powerful international connections with the dictatorship countries. Mr. Ford's lawyer, in France, for instance, is Gaston du Berger, pro-Fascist, close to the Vichy government and even spoken of as a successor to Laval. Mr. Rieher has been a heavy exporter of oil to Japan, and was, as you know if you read The Herald Tribune, connected with Dr. Wentrick, who came here a few months ago as a special emissary from the Nazi government. I don't say that any of these gentlemen are in favor of an American dictatorship, but I do say that, on the record, they are pretty good at practicing dictatorship themselves in a more limited sphere. Which means that they don't get upset about dictatorship when they see it elsewhere.

Then there's my old friend General Hugh Johnson, who is squaking that a third term means dictatorship. To him I would say: "Come out from behind that barricade—I know you. Why Hugh, I remember when you were the Chief of the N.R.A. and that one-footed eagle had pretty nearly become an American symbol. You used to walk into conferences—conferences in which European men were negotiating. You'd walk in like a Prussian general—not like an American general—and conduct them as though they were international proceedings, accompanied by loud cots and crack-doms and demands for authority to enforce codes with all the powers of the police and law. You really dislike dictatorship. Right? Yes, go on!"

And finally there is John L. Lewis, I've seen that face before too. Only it had a mustache under the nose to hide a very bad mouth. Instead of two mustaches on the forehead to shadow a pair of not very attractive eyes.

And nobody in this campaign is being dictated to, is he? By his boss, or by his job? Want price dictatorship?

Listen: The struggle between dictatorship and democracy is the struggle between ruthlessness and generosity, between force and freedom, between propaganda and truth, between law and terror, between oppression and equality, between tolerance and intolerance, between power and justice. If you want to lick dictatorship in this election just ask yourself on which side are Power, Ruthlessness, Force, Oppression, Propaganda, Intolerance and terror and on which side are Freedom, equality, justice, mercy, tolerance and truth. And when you get into the polling booth, along with your individual conscience and your knee reflex, you will vote for Roosevelt. It's Milliken's folks who know what to do in Roosevelt.

MORE

Why then sold me to the hysterical statements of the
 writers. First an unemployment, when as I told you last night,
 were five million more people working in this country apart from the
 U.S.A. and the C.C.C. than there were in 1929, and what all over the
 country there is a labor shortage. Second, on the idea that this
 administration is unable to run the country. The copy boys had better
 be sure that the industrialists in this country don't naively open
 their mouths on the wrong occasion. It just happens that during the
 last two weeks -- and quite for another purpose than this campaign --
 I have had long talks with one of the leading figures in the motor
 industry and one of the leading manufacturers of airplanes. They both
 told me that Mr. Roosevelt's Defense Commission has been incredibly
 careful and efficient and that what has been done for defense in this
 country in the last three months is nothing short of a miracle. Sure,
 there are vain to vote for Tillie, because that's the way they always
 vote, and because a lot of them have worked up a virulent personal
 dislike of Mr. Roosevelt. But they are not going to vote against Mr.
 Roosevelt because they think that this administration cannot run the
 country. They know better. And then we are told that the Defense
 Commission is inefficient and must have a chairman who can give orders
 to everybody. Well, I have talked with two members of the Defense
 Commission, and they say a chairman is all right -- they have no
 objection -- but as it happens, every decision reached by the Defense
 Commission so far has been unanimous. And personally I would like to
 think twice before I see a chairman of the Defense Commission given
 complete power to pick his own people, complete power divorced from the
 supervision of the elected executive of the nation -- to run American
 industry and later, which is what some of the Republicans think ought
 to be done, that looks to me like a fouring five-year plan set up. And
 I am quite sure that it would be unconstitutional for the same reason
 that the N.R.A. was unconstitutional by unanimous decision of the
 Supreme Court, namely that the government of the American people has no
 right to delegate that power.

Then there is the fear that our armed forces are not
 properly organized. And Mr. Tillie demands a separate air force and
 more for it. I will be silent on a matter like this but I see by the
 headlines that some of the Republican leaders, who in words that it is a
 complete waste of time.

And there is the fear that business is all going to go bankrupt. So I look up the statistics, because you know I am the type who is not taking the patent medicine until I know what's in the bottle -- and I find to my astonishment that this country at this moment is going through the greatest and solidest period of its prosperity in history -- in history, mind you! Hidden away in an unobtrusive place in the New York Times you can find out the fact that our volume of production is at an all time high, that it's free of all cumulative elements, unlike the be-timed 1929. Yes, it's an all time high whether in construction or commodities -- and we are at the beginning of a period of prosperity, not at the end of it. I have to laugh when reading Mr. Krock in the Times. He seems to forget that when trying to agree last March with the aid of the chief statistician of the Dupont organization that there were not nine million unemployed then.

But Mr. Willkie is his candidate, and so conditions are what's terrible, and will be until Old Doc Willkie sets them all right.

Well, my friends, I will let you in on a secret. The millions who want to come in not because times are bad and they want to save the nation. They want to come in because they know that times are bad and they want to be sure that they get what they quaintly call "their share" of the business. And if they get their share -- or what they think is their share -- the feelings will very shortly be very bad for all of us, because that's not the way you get steady prosperity, as most of us can still read far.

Times are going to be good, and profits are going to be reasonable, if Mr. Roosevelt is elected; and the surplus wealth we are going to spend to build up the health of this nation and lift the level of the depressed parts of it. I was, shall I say amused, to hear Miss Booth refer last night to the Democratic South as "that discontented segment of the nation" -- the implication being that only Tobacco and Snappers could vote for Roosevelt. Miss Booth is correct. Even if we are prosperous there are malaria and tuberculosis and emphysema and syphilis in the South, and the highest maternal mortality in the nation, and the highest birthrate. Out of the South are going to come the future citizens of the United States. And more than old democratic party tradition is responsible for the fact that the South will vote for Roosevelt.

And I am going to vote with it, as a Republican from the State of Vermont. I am going to vote right with it, because I must believe that the only way to get our writers and thinkers and statesmen into election. (END)

RE POLITICAL PRESS RELEASE

October 24, 1940
9:15 a.m.

Present: Mr. Gaston
Mr. Pehle
Mr. Foley
Mr. Duffield
Mr. Luxford
Mr. Bernstein
Mr. Friedman
Mrs. Klotz

Foley: He hasn't struck, they believe, a popular note that makes much difference one way or the other, and he left himself an out, too, because he says, "No statesman, no matter how far-sighted, can foresee everything. Maybe the breaking of those early promises worked out for the good of all of us. I don't say that that would excuse bad faith, but it might induce us to be lenient," and to answer the whole thing in a short statement of this kind, we believe, is inconclusive, and if anything is to be done at all it ought - it would require a speech to do it, but it is old stuff and it probably hasn't struck a responsive note and it would be better to let it go.

H.M.Jr: Well, I am going to overrule you.

Foley: Okay.

H.M.Jr: Because here is the thing. He can come back - he has come back twice and said, "Not even the most ardent New Dealer tries to defend it," and I am going to introduce myself to the boys, saying - I am just going to quote him. I will simply say, "This ardent New Dealer --"

(Mr. Friedman entered the conference)

Foley: This is Joe Friedman, Mr. Secretary.

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H.M.Jr: How do you do.

"....is cheerfully going to defend it." And I changed the end. It will read, "Taken away from his friends in Wall Street and again placed in the hands of the people of the United States."

Gaston: That is all right. It is a little more direct.

H.M.Jr: I don't pretend that this is an answer.

Talk up, Bernie, if you are going to be in the room.

Bernstein: Much of this material - some of the problems were raised in the President's speech last night when he showed the improvement that came about since 1932, expansion, reopening and all of that, and increased earning power, and this whole argument about the stability of the dollar is to be superimposed against the background of that improvement, and I sometimes have trouble arguing about the stability of the dollar and of all of that material that the President was mentioning in his speech last night. It might have been a little helpful if he had just about another sentence or two in his speech, in which he had made a comment about the dollar being so stable.

H.M.Jr: Well, he didn't, and Willkie did.

Duffield: I think it is all right. I think I would do it.

H.M.Jr: I gave it to Gene last night to let him think it over.

Gaston: You are using the one I sent you?

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H.M.Jr: Yes. What do you think, Pehle?

Pehle: My reaction was when I read the statement and read what Willkie said, that Willkie didn't have an issue - hadn't presented an issue which would appeal to the great mass of the voters, and that the people who were going to be casting their votes aren't worried about the stability of the dollar, or at least the people who are in any way concerned about the stability of the dollar and the London economic conference and that phase are going to vote for Willkie anyhow, if they have decided by now, and they aren't going to be impressed by a few paragraphs.

Foley: Well, you thought, John, that if we are going to use this method of replying to Willkie's criticism we ought to limit it to misstatements of fact.

Pehle: Misstatements of fact and issues that really were real issues as far as the mass of the people were concerned.

H.M.Jr: But in my statement I do two things to those who I reach. I tie him up with President Hoover and the 1932 deflation. You have heard what we got last night on it. And then I tie him up with Wall Street by name, his friends in Wall Street. Now, neither of those things have been done. And I tie him up with the depression of '32.

Duffield: With a do-nothing attitude.

Pehle: I think all that is healthy. I don't know whether it is an advantage to the Administration to argue monetary policies particularly.

Gaston: You see, the thing he attacks and says no New Dealer will defend are the steps that

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were taken in 1933 to stop the deflation, and that leaves an opening to say, "Well, you would do, then, just like Mr. Hoover would do; you wouldn't do a thing about it."

- Bernstein: You know, Willkie came back to this problem last night in his speech. He talked about the powers of the President and he keeps emphasizing the power to devalue the dollar and issue greenbacks, and the silver business and all of that, and made one interesting remark. He says because of these powers the Government has such a club over the banks that the Federal Reserve System is simply an appendage of the Treasury. What he means there is the old Federal Reserve Bank of New York. That doesn't run the fiscal policies of the Government any more.
- Gaston: He couldn't make it any plainer than that. That is just swell. I would say leave that alone.
- Foley: That seems to me to be so obvious about most of the things he said.
- H.M.Jr: He says here as a result, "Our private banking system has been subjugated." The answer is yes. "The Federal Reserve System is an appendage of the Treasury." Yes. "This policy has been made by the overwhelming needs of the Government to finance its staggering deficits." Yes. I think it is all right. Do you think it is all right from a public relations standpoint?
- Duffield: Yes.
- H.M.Jr: Herbert, have you got any doubts?
- Gaston: No, I would use it.
- H.M.Jr: And you fellows can prepare the answer to what you think he is going to say.

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Foley: You may have to make a speech on this before you are through.

H.M.Jr: All right.

Foley: Because if he comes back, then there is only one way to handle it and that is to do it in a comprehensive way.

H.M.Jr: That is all right, but certainly I am not going to let him come back and say - twice more and repeat, "The most ardent New Dealer refrains from trying to defend it."

Bernstein: May I make one more suggestion?

H.M.Jr: Make two more.

Bernstein: If he is going to say no ardent New Dealer and you are going to say yes, an ardent New Dealer, and not only an ardent New Dealer but a partner of J. P. Morgan's in 1933 said that what we did was right. Leffingwell did it.

Duffield: We will let him have the Morgans.

H.M.Jr: You can take that one. From now on until election day, I am agin all of them.

October 24, 1940

Dear Missy:

I am inclosing herewith a graphic forecast gotten out by the Standard Statistics Company. The President can find a lot of very useful figures and charts in this book. Will you please draw his particular attention to Page 3.

Yours sincerely,

Miss Marguerite LeHand,
Secretary to the President,
The White House.

Enclosure.

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Enclosure.

Banes Calls New Deal

Policy 'Divide and Rule'

OCT 24 1940
Predicts Effort to Take Over Insurance Reserves

John V. Hanes, who was Under Secretary of the Treasury in 1938 and 1939, told a luncheon of the Manhattan Women's Division of the United Republican Finance Committee yesterday at the Hotel Roosevelt that it was a New Deal policy to answer criticism with character assassination and that "divide and rule" was its philosophy.

Mr. Hanes, who is a member of the executive committee of the Democrat-for-Willkie Committee, appealed for funds to provide radio time for Wendell L. Willkie, the Republican Presidential candidate, to reply to President Roosevelt. He reported his organization has raised \$14,000 for this purpose.

The former Treasury executive said it was his conviction that "the band of little men" surrounding President Roosevelt were following the "pattern of revolution" outlined by the late Dr. William A. Wirt, superintendent of schools at Gary, Ind., in reporting to a House Committee in 1934 that government employees were talking about an overthrow of the American system.

He said the Temporary National Economic Committee had "laid down a terrific barrage" on the insurance companies. He asserted: "An attempt has been made and will be made to take over the twenty-seven billion dollar reserve of the insurance companies to pay off a part of the New Deal bill and to close this avenue of private funds to finance industry so that every one must look to the government for money."

Mr. Hanes said in submitting his resignation to Henry Morgenthau Jr., the Secretary of the Treasury, last December he expressed his conviction that "the country is in the hands of a lot of incompetent men who do not like the American way and want it changed."

October 24, 1940

Dear John:

The October 24th issue of the New York Tribune carries the following statement attributed to you:

"Mr. Hanes said in submitting his resignation to Henry Morgenthau, Jr., the Secretary of the Treasury, last December he expressed his conviction that 'the country is in the hands of a lot of incompetent men who do not like the American way and want it changed'."

I cannot remember your having made such a statement to me. I wonder if the Tribune quoted you correctly.

Yours sincerely,

Mr. John W. Hanes,
Westerleigh,
Purchase Street,
Rye, New York.

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C -

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October 24, 1940

Dear Steve:

I am inclosing herewith a copy of the statement which I read at my press conference this morning. I would appreciate it very much if you would bring this to the attention of the President.

Yours sincerely,

Mr. Stephen Early,
Secretary to the President,
The White House,
Washington, D.C.

Enclosure

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Enclosure

Mr. Willkie in a speech in Chicago Tuesday night criticized a phase of this Administration's monetary policy -- the steps taken to arrest the deflation in 1933.

These steps were a part of monetary action that has resulted in our possessing a currency whose value is unquestioned anywhere in the world, one that is the standard of international trade. The United States dollar is the soundest currency in the world.

The Administration's monetary measures stopped a disastrous deflation and have not resulted in inflation. The buying power of the dollar has remained extraordinarily stable. Mr. Willkie seems to have a memory conveniently short. He has apparently forgotten what was happening in 1932 and 1933 -- prices collapsing, profits disappearing, banks closing, gold being hoarded, capital fleeing the country, homes and farms being put on the auction block.

Does Mr. Willkie mean that, like President Hoover, he would have done nothing to stop that cruel spiral of deflation and would have permitted all American property and production to "go through the wringer"?

Or is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from his friends in Wall Street and again placed in the hands of the people of the United States?

October 24, 1940
9:30 a.m.

CONFIDENTIAL

Present: Mr. Haas
Mr. Graves
Mr. Young
Mr. Gaston
Mr. Sullivan
Mr. Thomson
Mr. Cochran
Mr. Bell
Mr. Pehle
Mr. Schwarz
Mr. White
Mr. Foley
Mrs. Klotz

F.R.Jr: Do you want to hear what I am going to say at 10:30 when they ask me about the New Dealer has tried to defend the monetary thing? I am going to say this New Dealer does so cheerfully.

Bill: We would like to hear it.

F.R.Jr: "Mr. Willkie in his speech at Chicago Tuesday night criticized a phase of this Administration's monetary policy - the steps taken to arrest the deflation in 1933.

"These steps were a part of monetary action that has resulted in our possessing a currency whose value is unquestioned anywhere in the world, one that is the standard of international trade. The United States dollar is the soundest currency in the world.

"The Administration's monetary measures stopped a disastrous deflation and have not resulted in inflation. The buying power of the dollar has remained extraordinarily stable. Mr. Willkie seems to have a memory conveniently short. He has

- 2 -

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"Or, is he simply on behalf of his associates expressing again resentment of the fact that monetary control has been taken away from his friends in Wall Street and again placed in the hands of the people of the United States?"

Is that too strong for your stomach, Harry?

White: "His friends in Wall Street" gives me a little trouble, but the way the election is going, I guess it is all right.

H.M.Jr: Well, I have no hope of staying here after Willkie gets in.

White: If you had, you had better leave them behind.

H.M.Jr: Well, I want to make sure that - what do you think, Dan?

Bell: I - the objection to that is the first paragraph they will make you prove.

H.M.Jr: What paragraph?

Bell: The first part of it, about stopping deflation.

H.M.Jr: Can't prove it.

Bell: I think the election of Roosevelt did more to stop the deflation than the action taken subsequently.

Foley: We can prove that.

Bell: That is all right, because it is political. He is talking about the action we subsequently took.

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Foley: Why don't you say the representatives of the people, or just the people?

H.M.Jr: And again placed in the hands of --

Foley: The people.

H.M.Jr: Instead of the people of the United States?

Schwarz: It is better to have the whole phrase.

H.M.Jr: Do you think so?

Sullivan: Yes.

H.M.Jr: Herbert?

Gaston: I don't think it makes any difference.

H.M.Jr: In the hands of the people?

Gaston: Well, of course it is in the hands of the Government.

H.M.Jr: Would you rather have it, "In the hands of the people"?

Bell: In the hands of those who represent the people.

Foley: The people's representatives.

H.M.Jr: It is in the hands of the people of the United States.

Gaston: That is all right.

H.M.Jr: Okay, she rides.

Gaston: We are the people.

Foley: We, the people.

H.M.Jr: We, the people.

Bell: Is that a press release?

H.M.Jr: I am just going to read it.

- 4 -

Bell: At your press conference?

H.M.Jr: That is right. I like it.

White: Well, they will have a copy of it, won't they?

H.M.Jr: I am going to give them a copy, yes.

Gaston: I have nothing.

Foley: Nothing.

H.M.Jr: Look at all the "No men" around here.

Cochran: I have nothing.

Schwarz: Everything is all right after last night.

H.M.Jr: It seems so. He is leading New York by four votes.

Foley: He is gaining. (Laughter)

H.M.Jr: It is .00009, but it is on the right side.

Pehle: Alphand called yesterday from New York and said that he had been unable to ascertain the amounts which the French diplomatic and consular officers in South America paid regularly for the news service, but that he was writing us a letter saying that until that matter was straightened out, that none of the funds which we gave them to run their diplomatic and consular posts would be used in that way and he felt very anxious that we go ahead and approve the license, although he didn't have that figure. The amount that they asked for was a million 760 a year for all their diplomatic and consular posts except in --

H.M.Jr: How much?

Pehle: A million 760.

H.M.Jr: How much are you going to give them?

Pehle: It amounted to \$165,000 a month, including the usual 10%.

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H.M.Jr: Why - I wouldn't give them the 10%.

Pehle: Didn't you mention the 10% at your press conference?

H.M.Jr: Yes, but I would hold it up pending this - how much did they ask for?

Pehle: They asked for - this is what they asked for plus the 10% that they asked for.

H.M.Jr: Does that 165 include the ten?

Pehle: Yes, sir.

H.M.Jr: What do you think?

Bell: What is the 10% for, commission or something?

Schwarz: Bonus.

Pehle: The reason the 10% was added in the other case was that they insisted that they couldn't put their expenses on a monthly basis and that they would not equalize out and that they would have unusual expenses and other things, so what we did in order to meet that and still keep them on a monthly basis is let them have 10% more in order to even it out, which, of course, will result in their getting more.

White: When do you even it out by making it 10% less?

Pehle: You don't. That was to show how generous we are being.

H.M.Jr: As long as I said it, I would do it.

Pehle: They asked for two months, which is what we had before, meaning that we gave them now - we make available now the funds for October and November and then from then on it will be on a monthly basis.

H.M.Jr: Okay.

Pehle: Should we clear the amount with the State Department?

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H.M.Jr: Tell them about it.

Schwarz: Mr. Secretary, I think in that connection we ought to keep in mind that that is now the only agency that is supplying actual news of this hemisphere to unoccupied France. Up until the time that they were getting that material over there, the remaining French papers had to use the DNB propaganda.

Pehle: That is all I have.

H.M.Jr: Philip?

Young: That letter from Burdette Wright says, "You and possibly the Secretary, might be interested in knowing that we just completed the 200th P-40 airplane, the last plane going out of here five days ahead of contract schedule."

H.M.Jr: Wonderful.

Young: Which is grand.

I have a letter from Northrup which gives an interesting statement. It says, "On August 1st, '39, we had six employees, no factory and no business."

H.M.Jr: When?

Young: August 1, 1939.

H.M.Jr: They had a factory?

Young: "We had six employees, no factory and no business.

"On October 1, 1940, we had 1,209 employees, roughly 216,000 square feet of factory area, and over \$20,000,000 worth of business."

Sullivan: That shows how business is being suppressed and stifled. (Laughter)

Gaston: That is a Douglas subsidiary, isn't it? It became the Douglas El Segundo plant.

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H.M.Jr: I don't know. Got any other good news?

Young: I can find some more. You can find any of those in the aircraft business.

Here is the acceptance by the British on the aircraft.

H.M.Jr: Well, that should be prepared, also, in a letter for me to go to those - to War, Navy, and Knudsen, those three.

Young: I have a copy of it.

H.M.Jr: Will you prepare that for my signature?

Young: And on the first letter you spoke of earlier, do you want to just send them a copy of the first section of Walter Layton's report, which is written for distribution?

H.M.Jr: Okay. This isn't signed, though.

Young: It was sent in with a covering letter from Ballantyne at Mr. Purvis' request.

H.M.Jr: Where is that?

Young: I will give that to you as soon as I get a copy made of it. It is being typed.

H.M.Jr: Anything else, Philip?

Young: That is all.

H.M.Jr: George?

Haas: I have nothing.

H.M.Jr: Harry?

White: If you wanted to see Mr. Duffield and myself, we will have a statement to show you this morning.

H.M.Jr: When?

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White: About 11 or 12, whenever you --

H.M.Jr: Well, unless I get a call from one of the four directions of the compass, as the result of this splendid cooperation of you gentlemen, I will be ready at eleven. What else?

White: That is all.

H.M.Jr: Harold?

I just wanted you (Bell) to know that you told the truth last night when you said I was working on defense.

Bell: I didn't know, but I thought that was a good story.

H.M.Jr: Because Mr. Purvis was at the house from eight to ten last night.

Sullivan: Son of a gun, I thought he knew it was the truth. He said it so sincerely.

Bell: This is the bond order to be issued today.

H.M.Jr: All right. In these days, it is either hot or cold, and this morning we are hot.

Bell: Hot outside, too. There aren't very many days left. Is this afternoon going to be rushed?

H.M.Jr: You mean golf?

Bell: Yes.

H.M.Jr: I think it would be splendid.

Bell: Is your assistant, Mr. Sullivan, tied up, too?

Sullivan: I don't want him to be lonesome, is all.

H.M.Jr: All right.

Bell: That is all.

Thompson: I don't know whether Mr. Gaston told you Charles West

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has resigned. He probably will be back.

H.M.Jr: Not if I know it, no sir. Did you (Gaston) make any deal with him?

Gaston: No, I told him I wasn't competent to make any promises. He didn't ask for any. He is resigning to go to work for the National Committee. He made his resignation effective Saturday. I think he is already up in New York working at the Biltmore.

H.M.Jr: Well --

Gaston: He didn't ask for any assurance.

H.M.Jr: Well, as Ohio goes, so goes West. (Laughter)

Gaston: I think he would be satisfied.

Sullivan: Do you think we have got enough to spare?

H.M.Jr: Mrs. Morgenthau insisted the other night when I said good night to Mrs. Soong, I said, "I will see you Soong."

I like that; "As Ohio goes, so goes West."

All right, before I think of anything worse.

MORGENTHAU LAUDS PLANE PRODUCTION

Deliveries of Curtiss Pursuit
Craft Are Ahead of Schedule,

Secretary Asserts

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WASHINGTON, Oct. 24—Production of war planes in the United States for defense and for British requirements has been speeded up, Secretary Morgenthau said today at his press conference.

Deliveries of Curtiss P-40 pursuit planes from the company's Buffalo plant are several days ahead of schedule, the Secretary added, and other aircraft plants are also meeting their schedules satisfactorily.

"In nearly every instance, both for ourselves and the English, the companies are ahead on deliveries," Mr. Morgenthau said, and British officials were much pleased.

The four-man committee consisting of the Secretaries of the Treasury, War and Navy and William S. Knudsen of the Defense Commission, recently appointed by President Roosevelt to speed up production by bringing about coordination and simplification of design is continuing its work, the Secretary said. The British technicians who will assist in the standardization of British and American requirements for war planes and their armament are on their way.

Mr. Morgenthau commented on criticism in his Chicago speech Tuesday night of the steps taken by the Administration to arrest deflation in 1933. Mr. Willkie had asserted that "not even the most ardent New Dealer" defended it.

"This ardent New Dealer defends it," said Mr. Morgenthau.

The steps taken by the Administration, he added, were "a part of monetary action that has resulted in our possessing a currency whose value is unquestioned anywhere in the world, one that is the standard of international trade."

"The United States dollar is the soundest currency in the world," said the Secretary. "The Administration's monetary measures stopped a disastrous deflation and have not resulted in inflation. The buying power of the dollar has remained extraordinarily stable."

"Mr. Willkie seems to have a memory conveniently short. He has apparently forgotten what was happening in 1932 and 1933, prices collapsing, profits disappearing, banks closing, gold being hoarded, capital fleeing the country, homes and farms being put on the auction block. Does Mr. Willkie mean that, like President Hoover, he would have done nothing to stop that cruel spiral of deflation and would have permitted all American property and production to go through the wringer?"

"Or is he simply on behalf of his associates expressing again resentment of the fact that monetary controls have been taken away from his firm? In Wall Street and again elsewhere in the hands of the people of the United States?"

October 25, 1940

My dear Mr. President:

I am inclosing herewith a clipping from this morning's New York Times. By reading the headlines you never would guess that I had something to say about Mr. Willkie.

We had a very successful supper party at my house last night for Wayne Johnson.

I am inclosing a copy of my letter to John Hanes. I am going on the theory that I am not going to let anybody get away with mis-statements during this campaign if I can help it.

Yours sincerely,

The President,
The White House.

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Yours sincerely,

The President,
The White House.

October 25, 1940
10:08 a.m.

H.M.Jr: Hello.

Robert H. Jackson: Hello, Henry.

H.M.Jr: Listen, you old night-hawk you

J: Why, I stay up until it gets really dark to do my work. (Laughs).

H.M.Jr: Yeah, well, I go to bed.

J: Maybe your work is the kind that will stand daylight. (Laughs).

H.M.Jr: I don't know. I don't know.

J: Well, I pulled in there just - he said they'd just gone.

H.M.Jr: Yeah. That's a fine time

J: That's fine. Yes.

H.M.Jr: Bob, Herbert Gaston has done a perfectly swell letter over his own signature addressed to Hanes and Douglas because he received one of those letters.

J: Uh-huh.

H.M.Jr: Now, not to get wires crossed, I'd like you to take a look at it to make sure it's 100% right, you see, before it goes out, but I think it's a pip.

J: Fine.

H.M.Jr: Foley would walk it over if you'd say what time you could see it.

J: Anytime from now on.

H.M.Jr: Well, you name it and he'll come.

J: Well, whenever he gets here I'll see him because I'm just doing some other - getting some speeches ready and things and I'll just keep everything free.

- 2 -

H.M.Jr: Well, he'll walk over and I thought they ought to - I think this is so much better than the one they gave out up in New York.

J: Uh-huh. Henry, have you heard about this - these letters?

H.M.Jr: Yeah.

J: As a matter of fact that's what delayed me last night.

H.M.Jr: You mean the

October 25, 1940
11:41 a.m.

H.M.Jr: How are you?

William
Douglas: Fine. Henry, is there anything you want me to do.

H.M.Jr: Well, I take it, Bill, you sent a copy to the White House, didn't you?

D: Well, Harry - I was going over there last night and Harry asked if I could - if he could see what I had done and I explained it to him as I had to you and showed him a carbon.

H.M.Jr: Well, you remember when I spoke to you I was under the impression - maybe I was wrong - that you were going to get it to the White House and there was nothing more for me to do.

D: Well, he - Harry did speak to me and ask me if he could see a carbon and I did give it to him, yes, last night.

H.M.Jr: Well, was I to give this original to the President?

D: I don't know. I told Harry that I assumed that I was doing this for you, primarily, and he said that was right, but he said, it'd be perfectly all right to give me a carbon, and I said, O.K., and so I gave him a carbon.

H.M.Jr: Well, supposing I call him up now and see if there is anything more. Is that what you'd like me to do?

D: No - well, I just wondered - you see, I have this stuff - this supporting material here and if there is anything that is wanted, I can put on my diving suit and dive down in and try to get a pearl or two, you see.

H.M.Jr: Well, I think you've done a swell job.

D: Did you like it?

H.M.Jr: Oh, very much.

- 2 -

D: I thought I peppered the thing up a little.

H.M.Jr: Oh, I think you did a swell job.

D: Now, there are so many different angles that you can take, you know, and the President is just so bubbling over with so many different ideas that without more specific instructions it's hard to know just exactly which way to go.

H.M.Jr: Well, as soon as I'm through talking with you, I'll call up Harry. And I think if the President wants anything more he ought to see you direct so that he can - you and he can vibrate at each other.

D: Yeah. Well, I did talk to him last night - not about this but about the whole general thing.

H.M.Jr: Yeah.

D: Well, I tell you, I'll keep this supporting stuff you sent over

H.M.Jr: I think so.

D: until I get indication from you or Harry that nothing more on that is required from me.

H.M.Jr: Right.

D: O. K.

H.M.Jr: Thank you so much.

D: O. K. Good-bye.

10/25/40

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Paul Sullivan, over WJSV at 6:30, said that "In Washington Secretary of the Treasury Morgenthau says deliveries of Curtiss pursuit planes are a number of days ahead of schedule and that other companies are meeting their schedules very satisfactorily."

October 25, 1940

Bill Douglas did this for the President based on the material which I sent him and on Gaston's and Cairns' drafts of speeches which I also gave him.

These days with the world on fire there is one thought uppermost in the minds of all Americans, "Does this mean war for us?"

These days with the barbaric legions of force and hate pounding at the gate of western civilization anxious American mothers ask "Is war the destiny of our sons?"

During recent months as one free people after another have perished at the hands of the aggressors many of our people have asked "Do all roads lead to war?"

These are burning questions. They are important questions. They are questions I want to discuss with the nation tonight. And I want to discuss them not only on the basis of the record of the last seven years. I want also to discuss them in light of my intimate experience with foreign affairs over the years.

To begin with let me say that I, along with the millions of other Americans, fervently pray and earnestly work for peace. I pray and work for peace so that our manpower and our resources may be utilized in building an America of equality and not be consumed in a war machine. I pray and work for peace so that our liberties and rights will not be curtailed by the hysteria of war. I pray and work for peace because America is not bent on conquest and has no grandiose idea that it was ordained to rule the world. I pray and work for peace because as I have said again and again I hate war.

And I will devote in the future as I have in the past my utmost energy to lead the nation down the road that leads to peace.

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And though that road is tortuous and at times seemingly impassable, we shall take no detours for the sake of adventure. But by the same token we shall be fully prepared for any gangsters who infest the way.

These I know are the firm resolves of the American people. And these resolutions are not based merely on American idealism. They are also based on our people's hardheaded, practical judgment and appraisal of their own self-interest.

America as an observer of the ravages of the aggressors has learned an important lesson.

That lesson is that no democracy these days can afford to say "Let's wait and see." The world now knows the tragedy which befell the democracies which followed that course. The world now knows that inaction, drifting, waiting caused by the deep desire for peace are nothing more nor less than invitations for attack by the dictators. The world now knows that the democracy which seeks isolation from the worldwide conflagration without full and complete defense has automatically made itself the next victim of the aggressors.

"Let's wait and see" was not only the policy of the
those who really control
European democracies. It has been the policy of the Republican party.

But that has not been my policy nor the policy of the
Democratic party.

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As you all know my policy has been to move towards peace
 establishing justice for all and by
 through acquiring strength - internal strength by putting America
 back to work, external strength by preparedness for defense.

When the first small clouds appeared on the horizon in
 1933 we began to move, though none could prophesy that those clouds
 would assume cyclonic proportions. And I might add parenthetically
 that the Republican party, judged by their actions and votes in Congress through
 September 1940, still refuse to believe in cyclones.

In 1933 the Republicans had left us with only ships in our
 navy. I started at once to replenish our sea force.

In 1933 we expended million dollars for that purpose;
 in 1934, million; in 1935 million; in 1936
 million; in 1937 million; in 1938 million; in 1939
 million. And to this date in 1940 we have expended billion
 dollars for the navy.

And today we have the finest fleet, ship for ship, which
 ever sailed the seas.

Of this total of billion dollars, was appropriated
 by me from W. P. A. and P. W. A. funds. The balance was directly
 appropriated by Congress.

W.P.A. and P.W.A.
 But when these appropriations were before Congress the
 Republican party never neglected an opportunity to defeat them or to
 pare them down.

-4-

And so I say to Republican propagandists who denounce this program as being "terribly late", that any delay has been due to them and to them alone.

In 1933 I also started to strengthen and improve our land forces. In 1933 we expended million; in 1934, million; in 1935, million; in 1936, million; in 1937, million; in 1938, million; in 1939, million; and to this date in 1940, billion.

Of this total of billions, millions again came from W. P. A. and P. W. A., the balance from direct appropriations by Congress.

But here too the Republican members of Congress never neglected an opportunity to defeat or slow up and delay that program. When as a result of hindsight Republican spokesmen now say that all this was "terribly late", I can only say that what is terribly late is the October 1940 conversion of a few of the Republicans to the necessities of defense.

In 1933 I also took steps to improve our air force. To that end we expended million in 1933; million in 1934; million in 1935; million in 1936; million in 1937; million in 1938; million in 1939; and to this date in 1940, billion.

Of this total of billion, millions once more came from W. P. A. and P. W. A., the balance from direct appropriations

-5-

by Congress. But once more the Republican effort was to oppose and to delay. No Republican unless he ^{was} / utterly irresponsible could say that in this program my administration was "terribly late".

On September 1940, the Selective Service and Training Act became law. Under that Act more than 16,000,000 of America's young men have been registered. That bill was enacted only over bitter Republican opposition. Had the destiny of the nation been in the hands of that party we would indeed be "terribly late" for defense.

If the ^{Republican} purpose is: the preparation of an expeditionary force to send across the seas, we would indeed be "terribly late". But my single purpose has been preparedness for ^{our own} defense.

Nations abroad learned from bitter experience that civilians could not be trained overnight in the arts of defense. It has been my firm resolve that this nation should profit from that experience.

The object of the mobilization of this peace time army is to train our youth, not for the purpose of fighting other people's wars but to defend our own interests. Should an attack ever come we will have the trained manpower and the materiel to protect our shores and our cities and the other vital parts of our country and of this hemisphere from the ravages of an aggressor. Should that dark day arrive we would not be hysterically endeavoring to make an army out of raw recruits. We will be prepared. We will be equipped. We will be fully armed. Any other course would be sheer negligence. I have refused and will continue to refuse to indulge in that Republican luxury.

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Our kind of preparedness is not pleasant. It means a dislocation of our young men, a deferment of their peace time work. But we are not dealing with pleasant tasks. We are dealing with barbaric forces nurtured by hate, bent on conquest and destruction. All war is ugly business. And these modern masters of destruction have made it hideous. All peace loving people shrink from it.

But the only insurance we can purchase against it is preparedness.

Had the Republican party had its way America tonight would be inviting attack through defenselessness. Had the foreign propaganda lulled us into inactivity we would tonight be sitting snugly in our homes perhaps content but certainly marked for easy conquest.

That has been the way of all the victims.

Why do the Republicans think that America - the richest, choicest, fattest prize of the world - would be overlooked?

In times past we have had considerable experience with domestic gangsters. And we know that the only sure and effective method of handling them is a police force - alert, well armed, well trained in all its departments.

There is no different treatment for gangsters of the international type. Armed force is the only thing they respect. Armed force is therefore the only defense ^{against} / their threats.

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I speak bluntly. These words are not soft words. But I use them advisedly. I have been outspoken before. I retract none of those words.

For in uttering them I have spoken the sentiments of America.

A moral and spiritual darkness has descended on vast portions of the world. Free peoples are engulfed in that darkness. Their liberties disappear. Loved ones mysteriously vanish. Property is confiscated. Equality, liberty, fraternity become a mockery.

When these things happen I refuse to be a dumb and silent spectator. As an American and as a Christian I raise my voice in protest.

Soft spoken statesmen of Europe have disappeared into Europe's darkness. Soft speaking and inaction led Europe's democracies to the grave.

America under my leadership will not follow that formula.

We will stand before God and man unafraid to denounce tyranny and oppression, unashamed to cry out against the slaughter and oppression of free people.

If we do not have the moral stamina to throw the prestige of our protest against these satanic acts we have indeed lost our dignity and vigor.

If we are not strong in words and action we will be easy prey.

This is the road to peace. For the self-assurance and confidence of the dictators feeds on sweet reasonableness and wishy-washy attitudes. Foreign propaganda cannot be effective in disintegrating a democracy which is firm in action, united in objective, and resolute in purpose.

On this record the people of this country and the people of the world know precisely where America stands.

Over and over again prior to the hostilities I publicly on behalf of the American people pleaded for peace. And I left no stone unturned in the foreign offices of the world to turn back the unfolding plans of the dictators.

Before and after those attempts at peace failed, this Administration was making progress down the road that leads to peace.

My Administration decided in 1935 that there would be no repetition of 1917; that this nation would avoid the practices which many thought had led us to war in 1917.

With those principles in mind the Congress passed and I approved the Neutrality Act of 1935.

This, mind you, was in 1935 when the Republicans under the whip hand of the private power lobby were worrying only about their great big holding companies and the economic empires which those holding companies controlled. That, too, was the time when the

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Republicans and their Liberty Leaguers were riding up and down the land proclaiming the unconstitutionality of this, and that, and everything - including the Wagner Labor Act and the Wheeler-Rayburn Public Utility Holding Company Act.

Yes, while the Republicans were trying to keep their company unions and holding companies - my Administration was bent not only on putting our domestic affairs in order but also in making less vulnerable our foreign position. To that end I was desirous of avoiding the pitfalls which the first World War had disclosed to us.

Prior to 1917 there was no prohibition against American citizens traveling on vessels which flew the flag of belligerents. I need not recall to you the emotional tidal wave which swept this country after the Lusitana had been sunk on the high seas with the loss of American lives.

We decided to avoid that pitfall.

Accordingly the Neutrality Law of 1935 provided that the President could take steps to prohibit under severe penalties Americans from traveling on vessels of belligerents.

Before 1917 American vessels regularly engaged in the munitions trade with warring nations. As a result American vessels were sunk with the loss of American lives and American property.

Under the Neutrality Act of 1935 this practice was prohibited. Even though this meant further sacrifices on our part, we deemed this step essential to the maintenance of peace.

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As an additional plank in our platform of peace it was provided in the Neutrality Act of 1935 that persons engaged in the munitions and armaments trade must register with the Secretary of State and before any arms or munitions could be exported from this country a license for such export had to be secured.

By that procedure we had some assurance that private interests in this country would not get us involved in foreign controversies.

After the enactment of the Neutrality Act of 1935, my Administration did not rest on its oars. Many felt that the huge loans by American citizens to the Allies prior to the World War gave this nation a great monetary stake in the outcome of that war and that the sale here of Allied bonds by powerful American financial concerns, acting as agents for the belligerents, gave those concerns such a financial interest in the outcome of the war that they used all their power to bring this country to the aid of the Allies.

With the firm resolve that no pocketbook interest should influence the peace policy of the American people we enacted the 1936 Neutrality amendments which effectively precluded belligerent countries from obtaining credits here which might give any group of our people a financial interest in the outcome of any European war.

In the Neutrality Act of 1937 these provisions were strengthened and reenacted. At that time we took one further step towards the maintenance of peace.

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During the World War merchant vessels were armed against submarine attack. In the Neutrality Act of 1937 this country served notice on the world that American vessels would not be armed. So far as American vessels were concerned there could therefore be no excuse or failure for any nation to fail to observe the orderly practices of visit and search prescribed by international law.

And when war came at last in the fall of 1939, I immediately called a special session of the Congress so that any final steps that could be taken to prevent our involvement in war should be taken then.

Under the Neutrality Act of 1939 the salutary provisions of the former Neutrality acts which I have mentioned were continued.

Under that Act it was provided that any foreign vessel which flew the American flag was to be denied the use of the ports and territorial waters of the United States for three months. This was to avoid a deceptive practice which grew up in the World War. And may I add that in the only case where misuse of the American flag during the present war has come to our attention, we did not hesitate to apply that sanction.

Under the Neutrality Act of 1939 I was authorized to designate combat areas of the high seas through which American vessels and American citizens cannot travel, even on their way to another neutral nation. Pursuant to this authorization I have from time to time roped off large areas of the high seas as combat areas. And in defining those combat areas I have tried again to lean on the side of safety.

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And I took the action though it meant surrender of trade routes to all European countries save Portugal and Spain.

We have done more than that. We set ourselves to the task of evacuating Americans from the war zones. In the first six weeks of the war we succeeded in repatriating 80,000 Americans.

We also realized that our insulation from European war depended in large measure upon the cooperation of the American powers. These nations, too, realized that this neighborly cooperation was essential.

Therefore in 1939 the foreign ministers of the various American Republics met together in Panama to effect a solidarity of the Western Hemisphere in a resolve to keep the war from our shores. As a result of that meeting there was issued the Declaration of Panama. We defined a neutrality zone in which we urged the belligerents not to engage in hostilities. By that measure we hoped to accord to the American Republics a small portion of the seas in which to carry on their peaceful pursuits. And at that Panama meeting resolutions were adopted outlining steps to be taken to preserve our neutrality.

Yes - we ended the arms embargo in 1939 and permitted sales to the Allies for cash. This was done over the Republican vote of 7 to 1 against it in the House; 3 to 1 against it in the Senate.

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Can ^{any} ~~there~~ ~~be~~ ~~any~~ question but that for that measure Great Britain might today lie with France crushed beneath the wheels of a war machine?

And ^{who can doubt} know that in that event the American Republics would be standing alone watching the seas and the skies for the advance of the dictators to these shores?

America knows today that the British fleet is America's first line of defense. Aid to Britain short of war is no sentimental gesture. It is based on the necessities of our own defense. So long as that line holds the barbaric hosts will not be pounding at our own doors.

As I have told the nation before even a neutral has a right to take account of facts. One of the important facts is the necessities of our own defense. To help the last of the democracies standing between us and disaster is to build a strong defense. Anything short of that would be to succumb to the ^{aggressive demands} ~~dictators~~ of the dictators. To please them would be to take the sure and certain road to war.

Yes, this course we have followed has been resisted from beginning to end by the Republicans. When I moved with dispatch to acquire new Atlantic bases for defense, the Republican hullabaloo resounded throughout the nation. With the world on fire, the ^{did not want action. They wanted} ~~Republicans wanted to delay that through~~ wrangling and debate.

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When in January 1940 I urged the Congress to increase appropriations for national defense the ranking Republican on the Foreign Affairs Committee of the House said, "Why all this hysteria to rush in and build these planes this year?" Other Republican leaders announced their opposition.

And yet today the Republican standard bearer says that we have been "terribly late".

Is it possible that these good Republican friends of ours are playing both ends against the middle?

Look at the record,
majority of
The/Republicans in Congress have worked and fought against preparedness.

The Republican standard bearer professes to want bigger and better preparedness.

majority of
The /Republicans in Congress have worked and fought against aid to Britain.

The Republican standard bearer wants quicker and more substantial aid to Britain.

Most of the
/The Republican leaders urged that I speak softly and sweetly to the dictators and bow and scrape in the most polite drawing room fashion.

The Republican standard bearer rides across the countryside bellowing at these dictators.

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And meanwhile the Republican leg-men whisper to the puzzled voter who is not sure about defense, "Have no fear. Your Republicans in Congress will undo it all. They will isolate you." And to the puzzled voter who wants defense and is not sure of the Republican party, these leg-men whisper, "Do not worry about the Republicans in Congress. Look at our leader. He wants all these things.

And these Republican leg-men whisper to those who like a wishy-washy attitude, "The Republicans in Congress are against this kind of talk and action." And to those who want a strong leadership they whisper, "Look at our outspoken candidate. He will tell the dictators where to get off."

To those who hate to give Britain aid, these Republican leg-men whisper, "If only the Republicans were in power they would stop this silly business." And to those who want to give Britain aid short of war they whisper, "Listen to our candidate. He believes in bigger and better aid."

I ask you. Just what does the Republican party stand for. Whom are we to believe?

Does this double-faced record of the Republican party lead to unity in the cause of defense? Will their divided counsels lead us down the road to peace?

No, in these days of peril we cannot afford to have division in leadership, division in policy.

We must know that we will build a defense so strong that no combination of dictators will dare attack us. That is the road and the only road that leads to peace.

I submit to the nation the record of my Administration on this score.

In spite of Republican opposition we are traveling that road. In spite of Republican opposition we are building an impregnable defense. In spite of Republican opposition we are not in the position of a weak and prostrate nation.

No verbal pyrotechnics by the Republican candidate on election eve can change that record.

The American people have witnessed during the last year and a half democracy after democracy succumb under Europe's war machine as a result of divided counsels. The American people know that "divide and rule" is an old dictator trick. They know that divided counsels lead to war by extending an invitation to attack. They know that divided counsels make a nation weak.

The road to peace lies in the direction we are moving.
will
We have unity of purpose, unity of program. We are strong, and firm, and united.

That is the strongest possible guarantee of peace. That is the guarantee which my Administration extends to the people.

This is the second draft of statement to be
used by HM Jr at his press conference on 10/28 in answer to Mr. Guggenheim. Mr. 191
Molenthau did not use this statement.

In a statement printed in the New York Times of Saturday, Harry F. Guggenheim, who is said to be chairman of the aviation division of the Republican National Committee, accuses me of making a statement about production of war planes for United States defense and for British requirements that is "deliberately misleading and false."

I don't know what the objectives of an "aviation division" of a political committee may be at this time, but it is evident that one of them is to distort what is said by officers of the government.

In making his statement Mr. Guggenheim is guilty of committing the exact offenses he untruthfully charges to me; that is, of making statements that are both misleading and false.

In the ~~few~~ answers that I made to direct questions by correspondents at my press conference on Thursday, October 24, I did not attempt to deal with the general question of the progress being made in the production of war planes for United States defense. Instead, I referred a reporter who questioned me on that subject to the Army and Navy.

What I did say related to the production and delivery of planes on British order. I said that the Curtiss plant was ahead of schedule on one model, the P-40, which is the fact. I also

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said, in response to another question, that reports from other manufacturers, ~~solely in relation to~~ ^{mainly} British orders, showed that in almost every instance they were either ahead or on time on their deliveries. I added that the British were pleased with the progress that has been made. These statements are true. ~~(They were not made with an intent to mislead anyone; and because they are true they can't very well have misled anybody.)~~

Mr. Guggenheim goes on to complain that the progress in delivery of military planes for the United States armed forces is not what it ought to be. My own opinion is that the progress has been extraordinary and that it should be extremely gratifying to the American people. I am not going to be trapped by Mr. Guggenheim into revealing data that neither the Army nor the Navy wishes revealed, but I can cite some facts that show the airplane production picture to be quite different from what he professes to believe that it is.

Testifying before the House Appropriations Committee on March 7, 1940, Major General Henry H. Arnold, Chief of the United States Army Air Corps, submitted figures on total production of aircraft in the United States for 1939, which showed that the

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average rate of production for aircraft in the United States for last year was 200 per month.

Early this month Mr. William S. Knudsen, head of the production division of the National Defense Advisory Commission, in a radio broadcast said that we are now producing at the rate of 950 planes and 1600 combat engines per month. This represents almost a five-fold increase over the average production of last year.

The known expansion of facilities and training of men in progress and the increase in production rate shown by available figures make it entirely safe to predict that in another year production of all types of planes in the United States will be at a rate certainly not less than twice and very probably close to three times the present rate.

Contrary to what Mr. Guggenheim says in his misleading statement we are making rapid progress toward our goal of an adequate air defense. We are making it, not because of but in spite of nagging misrepresentation by the very few who are trying to make partisan capital out of the defense program. We are making it because of the energy and promptness with which the program was put under way; and especially because of the fine patriotic cooperation we have had from able business men who offered and are giving their services without thought of partisanship or reward and from leaders and workers in the airplane industry itself.

Mr. Gaston prepared this draft and discussed it with HM Jr at the farm on Sunday, 10/27. It is the draft of a statement which HM Jr intended to use at his press conference on 10/28 in answer to Mr. Guggenheim. However, HM Jr did not use this statement. 195

In a statement printed in the New York Times of Saturday, Harry F. Guggenheim, who is said to be chairman of the aviation division of the Republican National Committee, accuses me of making a statement about production of war planes for United States defense and for British requirements that is "deliberately misleading and false."

I don't know what the objectives of an "aviation division" ~~of the Republican National Committee~~ ^{the Republican National Committee} of a political committee may be at this time, but it is evident that one of them is to misquote and to distort what is said by officers of the government on the subject of the air defense program.

If Mr. Guggenheim had taken the trouble to find out what I actually said, even to the extent of reading the Associated Press account of my press conference of Thursday, October 25, he would have found that I issued no formal statement at all on this subject and that in the few answers I did make to direct questions by correspondents I said nothing whatever about the production of war planes for United States defense. Instead, I referred ~~to~~ ^{to} the Army and the Navy a reporter who questioned me on that subject. ✓

In making his statement Mr. Guggenheim is therefore guilty of committing the exact offenses he untruthfully charges to me; that is, of making statements that are both misleading and false.

What I did say related ~~to~~ to the production and delivery of planes on British order. I said that the Curtiss plant was

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on one model, the P-40,
~~which~~ ahead of schedule ~~in deliveries to the British,~~ which
is the fact. I also said, in response to another question, that
reports from other manufacturers, also solely in relation to
British orders, showed that in almost every instance they were
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Mr. Guggenheim goes on to complain that the progress in
delivery of military planes for the United States armed forces
is not what it ought to be. My own opinion is that the progress
has been extraordinary and that it should be extremely gratifying
to the American people. I know the detailed figures probably
somewhat better than Mr. Guggenheim does. I am not going to be
trapped by him into revealing data that neither the Army nor the
Navy wishes revealed, but I can cite some facts that reveal the
airplane production picture as quite different from what he
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RE PRESS STATEMENT ON
AIRPLANE PRODUCTIONOctober 28, 1940
11:15 a.m.

Present: Mr. Schwarz
Mr. Gaston
Mrs Klotz

H.M.Jr: Now, let me read this out loud, because Mrs. Klotz hasn't heard it and I would like to just have a dress rehearsal. This is what I thought I would do.

Have you (Schwarz) got a pencil?

Schwarz: Yes, sir.

H.M.Jr: I want photostated enough copies of this Star article here, you see. That is the AP. I want photostated copies of what Guggenheim said about me and also what the Times ran about me. Now, I want this thing made up in sets. I want my statement, one; this press conference, two; and those three things, so there will be five different things.

Schwarz: A chronology?

H.M.Jr: Yes. Now, what I am going to start with is something like this, you see. I am going to say, "At my Thursday press conference, I said the following:" That will be number one. Make a list, will you?

Schwarz: All right.

H.M.Jr: That will be the first thing, and I will read from that where I started in about the airplane thing. The press conference thing worked out beautifully. Then I said, "Based on my Thursday press conference, the New York Times, exhibit number two, ran this story," and I want to read the first paragraph. It is the first paragraph, as I remember it, which was false. It is the first paragraph, isn't it, Herbert?

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Gaston: Well, it says production of war planes in the United States for defense and for British requirements has been speeded up. What you said is capable of that interpretation.

H.M.Jr: It is? Yesterday you told me it wasn't.

Gaston: I know it. I was looking at it more carefully.

H.M.Jr: But yesterday you were a hundred percent sure it wasn't.

Gaston: Yes, I know it. There are two interpretations. The worst of it is not only United Press - not only the New York Times but United Press took that other interpretation.

H.M.Jr: But Herbert, you came up there and spent the time with me and told me that this thing here - what? Production of all planes in the United States - where can you get that interpretation from that? Never mind how they interpret it.

Gaston: All right. I mean I thought - in the first place - I know, I was perfectly sure of it. In the first place, you talk about the P-40. Now, undoubtedly what you say about the P-40 deals with their total production of P-40's, both for the United States and for Great Britain, because they are scheduled for six a day on the joint schedule for the two countries.

H.M.Jr: Then they are making more than that?

Gaston: Yes. They are running ahead of the six a day up to the present, but that is the total production and includes both. I was talking to Philip Young about that this morning. Then later they say, "Have you had any similar reports from any other organizations?" "Naturally, the ones I get are the ones that the

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English have on order." Now, that is planes and in most every instance the companies are ahead or on time on their deliveries. Now, I don't know what that means. It doesn't mean they are ahead or on time for their deliveries only for the English orders --

H.M.Jr: Yes, because I subsequently say, "The companies are ahead or on time with their deliveries. I know the English are very much pleased." And then they say --

Gaston: That would appear to be limited, then, to English orders.

H.M.Jr: Yes, because when they asked me - the next sentence, "I wonder if you would care to comment --" "I didn't know about it, but I wouldn't want to comment on it if I did know about it. We got a whole flock of figures this morning out of Commerce."

Gaston: The UP said plants manufacturing war planes for other countries were meeting their schedules very satisfactorily.

H.M.Jr: I didn't say that.

Gaston: The UP and New York Times are going back and search your transcript.

H.M.Jr: I am going to give it to them.

Gaston: To see if they can justify that interpretation.

Schwarz: You can see where they got that impression that it was....

H.M.Jr: Now, wait a second, Herbert. "Have you had any similar reports from any other organizations?" "No, but all of the - naturally, the ones that I get are the ones that the English have on order."

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What more do you want than that?

"....and in most every instance the companies are ahead or on time on their deliveries."

"Have you any similar reports from any other organizations?"

"No, but all of the - naturally, the ones that I get are the ones that the English have on order."

So how can you get --

Gaston: Well, the interpretation they evidently took was that the companies that had English orders were ahead.

H.M.Jr: Never mind what they said. It is what I said.

"Have you had any similar reports from any other organizations?" And I said no.

Gaston: That is right.

H.M.Jr: But all of the other ones - "Naturally, the ones that I get are the ones that the English have on order, and in most every instance the companies are ahead or on time on their deliveries. I know the English are very much pleased."

Gaston: You would take that to mean that they are ahead or on time on the planes that they have on order for the British and not on their United States ones?

H.M.Jr: That is right. They say, "Have you had any similar reports from any other organizations?" I don't see how - no, I think here - "Have you had any similar reports from any other organizations?" "No, but all of the - naturally, the ones that I get are the ones that

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I get are the ones that the English have on order, and in most every instance the companies are ahead or on time on their deliveries. I know the English are very much pleased."

Gaston: That is the way I read it, the way you read it. After reading the UP and the New York Times, and after thinking about it, I can see where there is a possibility of their getting the other interpretation, which they took.

H.M.Jr: But that is all right, it is getting down to a question of facts. What did I say?

Gaston: The natural interpretation of what you said is that the English orders are ahead. The AP says about that, "He said that in almost every instance where planes were being made for the British, the plants were ahead of schedule, or at least on schedule."

H.M.Jr: What do they say?

Gaston: They say that you said that in almost every instance where planes are being made for the British, the plants were ahead of schedule, or at least on schedule, the plants were ahead. Of course, that also could be interpreted either way.

Schwarz: That is where the impression came from, plants.

Gaston: I am sorry to unsettle you, but the reason I am raising this is because here you have a matter that both the UP and the Times will be very diligent in searching the record for to see if they can find justification for their portion of what you said.

H.M.Jr: Were you conscious of this?

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Gaston: Of that other meaning?

H.M.Jr: No, just what I said here.

Gaston: Yes.

H.M.Jr: Well, Herbert, is it a fact or isn't it a fact, what I said?

Gaston: George Haas says it is a question of what you mean by being ahead or on time. He says if you mean the original schedules, they are not on time, they are 200 behind time.

H.M.Jr: Well, that you told me.

Gaston: Yes, that I told you.

H.M.Jr: I can't keep General Brett waiting. I will have to see him, and I will see you again, but I wish you would phone me or something, because I thought the whole thing was settled. You had better have an idea in your head what I am going to do.

AIR PROGRAM LAGS, GUGGENHEIM HOLDS

He Charges Morgenthau Gave
'Out 'False and Misleading'
Statement on Planes

PRESENT RATE A 'TRICKLE'

Secretary Took Small Part of
Picture in Drawing His
Conclusions, He Says

The recent statement of Secretary of the Treasury Morgenthau that production of war planes for United States defense and for British requirements has been speeded up and in most instances is "ahead of schedule" was assailed yesterday as "deliberately misleading and false" by Harry E. Guggenheim, chairman of the aviation division of the Republican National Committee.

In a statement issued at his headquarters, 70 East Forty-fifth Street, Mr. Guggenheim expressed "amazement" over Secretary Morgenthau's remarks, made at his press conference in Washington on Thursday.

"In one respect his statement is deliberately misleading; in another it is entirely false," Mr. Guggenheim said. "It is false because the facts are that the schedule on total war aircraft in this country is actually behind. The quotas are now only about 750 planes a month.

"The statement is misleading because it implied we are rapidly reaching a point where we will have enough planes to defend ourselves in the air—that we will soon have the 50,000-plane armada of which Mr. Roosevelt spoke so glibly last May. Nothing could be further from the truth.

It is known, of course, that the Curtiss P-40 pursuit planes schedule of which Mr. Morgenthau spoke will reach 200 planes this month instead of the planned 125. This is a slight gain in this type of airplane, but it is all.

What Mr. Morgenthau did was to take a small part of the whole production picture and by its use give the impression that the complete schedule is also ahead. This simply is not true. The fact is the schedule as a whole is behind.

"The fact is that right today we are producing in all our factories 750 planes a month. Furthermore this schedule of 750 planes a month must be divided by two—for about half of these planes are being shipped to England.

Also these 750 planes are military airplanes of all descriptions. Approximately half of these are fighting airplanes, the other half being trainers which, of course, are completely unfit for fighting.

Thus, instead of the 50,000 New Deal air armada pouring off the assembly lines, we have only a trickle—a trickle of planes that can be liberally estimated at 200 first-class fighting units. That is all that is being added to our defense forces each month."

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I also said, in response to another question, that reports from other manufacturers, solely in relation to British orders, showed that in almost every instance they were either ahead or on time on their deliveries. I added that the British were pleased with the progress that has been made. These statements are true. They were not made with an intent to mislead anyone; and because they are true they can't very well have misled anybody.

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Early this month Mr. William S. Knudsen, head of the production division of the National Defense Advisory Commission, in a radio broadcast said that we are now producing at the rate of 950 planes and 1600 combat engines per month. This represents almost a five-fold increase over the average production of last year.

The known expansion of facilities and training of men in progress and the increase in production rate shown by available figures make it entirely safe to predict that in another year production of all types of planes in the United States will be at a rate certainly not less than twice and very probably close to three times the present rate.

Contrary to what Mr. Guggenheim says in his misleading statement we are making rapid progress toward our goal of an adequate air defense. We are making it, not because of but in spite of nagging misrepresentation by the very few who are trying to make partisan capital out of the defense program. We are making it because of the energy and promptness with which the program was put under way; and especially because of the fine patriotic cooperation we have had from able business men who offered and are giving their services without thought of partisanship or reward and from leaders in the airplane industry itself.

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Excerpt from the Washington Star, 10/24/40

Morgenthau Says Curtiss Is Ahead of Schedule

Secretary of the Treasury Morgenthau said today that warplane production was "a number of days ahead of schedule" at the Curtiss factory in Buffalo, N. Y., where pursuit planes are being turned out for this country and Great Britain.

The Treasury chief, at a press conference, declined to be more specific. A week ago he said the plant was turning out six ships a day.

Asked about plane production generally, he said that "in most every instance" where planes were being made for the British the plants were ahead of schedule or at least on schedule.

"The English are very much pleased," he added.

The Secretary also read from a speech by Wendell L. Willkie at Chicago saying that "not even the most ardent New Dealer defends" the administration's monetary policy.

"This ardent New Dealer cheerfully defends it," Mr. Morgenthau said.

The Treasury head then related depression incidents of 1932 and 1933, and asked whether Mr. Willkie "would have done nothing to stop that cruel spiral of deflation....or is he simply on behalf of his associates expressing again resentment of that fact that monetary control has been taken away from his friends in Wall Street?"

Morgenthau Answers G.O.P.

As he was answering Republican criticism of the Administration's defense effort, Secretary of the Treasury Henry Morgenthau declared yesterday that the Army's 5,500-plane program and the Navy's 3,000-plane program will be completed "well ahead of schedule."

The Cabinet member limited his statement to these "first installment" programs, declining to be drawn into a discussion of how soon the Nation may expect completion of the full program for 25,000 Army planes and 10,000 Navy craft.

The Army's 5,500 warbirds will be ready by April 1, three months ahead of schedule, Morgenthau said. The Navy's 3,000 craft, he told newsmen, will be available "well ahead" of the ships and shore bases for which they are intended.

The Treasury Secretary made his statement, he said, in answer to

See PLANES, Page 14, Col. 3.

Wash. Post 10/29/40

Morgenthau Answers G.O.P. On War Planes

First Army, Navy
Craft to Be Ready
Ahead of Time, He Says

PLANES, from Page 1.

charges by Harry F. Guggenheim, copper magnate who heads the Aviation Division of the Republican National Committee, who said last week that Morgenthau was "deliberately misleading and false," when he said recently that production of warplanes for United States defense and British requirements had been speeded up.

Morgenthau produced in support of his statements special letters from Maj. Gen. George H. Brett, acting chief of the Army Air Corps, and Rear Admiral John H. Towers, chief of Naval Aeronautics.

Termining Guggenheim's statements "blameful," Secretary Morgenthau praised "the large majority of plane manufacturers" for their cooperation with the defense program.

Terming Guggenheim's charges "pretty wicked in these times," Morgenthau read the following statement from Gen. Brett:

"The 25 combat groups scheduled in the 5,500-plane program, which was authorized by the Congress early in 1939 and expected for completion by July 1, 1941, will now be substantially organized and equipped by April 1, 1941, or three months in advance of the originally scheduled date."

The Treasury Secretary read also the following statement from Admiral Towers:

"In response to your inquiry as to whether or not the Navy 3,000-plane program will be completed on schedule, I can say definitely that it will be completed well ahead of schedule."

"The 3,000-plane program was a part of the Naval Expansion Act approved May 17, 1938. It provided for the planes to be carried on the ships of the expanded Navy, and in addition certain seaplanes to be operated from shore bases to be constructed later. It also included planes for marine aviation. The schedule of procurement was drawn up to fit the anticipated completion dates of ships and shore bases, and although these ships and shore bases are being accelerated there is no question but what the planes will be on hand well ahead of them."

Visibly disturbed by the Guggenheim charges, Morgenthau furnished reporters with photostatic copies of remarks about plane procurement that he made at a press conference October 24. The transcript showed that the Cabinet member had made no comment on the speed of delivery of planes for United States defense, confining his remarks to production of planes on British orders.

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N****

1 to H.M. ²¹²St
1 to Bob
1 to Henry III
1 to Joan

Sent as per Lt. McKay
10/29/40

October 28, 1940
11:45 a.m.

H.M.Jr: Hello.

Operator: Major Smith.

H.M.Jr: Hello.

Major W. B. Smith: Yes, Mr. Secretary.

H.M.Jr: Major, I have General Brett here and while I didn't ask him to come over for this - you know, I'm trying to answer Guggenheim's attack on me which appeared in Saturday's New York Times.

S: Yes, sir.

H.M.Jr: I don't know whether you saw it or not.

S: Yes, sir, I saw it.

H.M.Jr: Well, now, General Brett tells me this: he says that the 5500 program originally set up for completion by July 1st, 1941, due to increased production the program will be substantially finished about April 1st.

S: That's right, sir.

H.M.Jr: Now I'd like to have a clearance on it. I could use that at my 4 o'clock press conference attributing it to General Brett.

S: Did you say can you have a clearance on it?

H.M.Jr: Yes.

S: Why I see no reason at all why you shouldn't, Mr. Secretary.

H.M.Jr: Well, let's leave it this way. If I don't hear from you between now and 4 o'clock, I'm going to use it and attribute it to General Brett.

S: All right, sir.

H.M.Jr: O. K.?

S: Now, let me - will you give me the statement again - that that 5500-plane program, that is our part of it, will be substantially completed by August 1st

H.M.Jr: April 1.

S: April 1st, I mean.

H.M.Jr: That's three months ahead of schedule.

S: Yes, sir.

H.M.Jr: Three months ahead. See?

S: Yes, sir.

H.M.Jr: And I want to attribute it to General Brett but I don't want to do it unless I get

S: Is he willing to be quoted?

H.M.Jr: (Talks aside). He says he's perfectly willing to be quoted.

S: Well, then I see no objections here but I'll check up and call you back in case there is any.

H.M.Jr: He says unless it's in contravention with the Secretary of War's policy, but it would be helpful to me in answering this thing.

S: Yes, sir.

H.M.Jr: Because in my press conference I told them I knew nothing except about the English and referred all questions to the Army and Navy, and they absolutely misquoted me, you see. I have a stenotype transcript of what I said. Hello?

S: Yes, Mr. Secretary.

H.M.Jr: And I think just - I'll send this over to you immediately so you'll have just what I did or didn't say at my press conference.

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S: Yes, sir.

H.M.Jr: I'll send you over a copy of it.

S: Will you please, sir?

H.M.Jr: Yeah. I'll send it over by messenger.

S: And I'll get a clearance on this other right away.

H.M.Jr: Would you please?

S: Yes, sir.

H.M.Jr: If I don't hear from you between now and let's say a quarter of 4, if I don't hear, I'm going to use it.

S: Yes, sir.

H.M.Jr: And if there is any question - anybody has any feeling let me know, but it would be helpful to me, and I'll get over a copy of this to you at once.

S: I'm certain it's all right, sir, but I'll get a clearance on it anyhow.

H.M.Jr: Thank you.

S: Yes, sir.

October 28, 1940
12:00 p.m.

H.M.Jr: Hello.

Major W.B.
Smith:

Mr. Secretary, I don't think that statement
is safe for you to use.

H.M.Jr: Why?

S: I just talked with General Arnold and he
said there isn't a Chinaman's chance of
having that program substantially complete
by April 1st. He said it was originally
contemplated, as you know, for completion by
June 30th - the end of the fiscal year, and
they hope that it will be complete by that
date but they question its completion by that
date because of the fact that production is
slowing up. Now I wonder if you can just
hold that until - has General Brett left there,
sir?

H.M.Jr: Yes.

S: Well, I want to get those two together and
thrash this thing out so that you won't make
a statement that they may catch you on.

H.M.Jr: No, I can't afford to.

S: And if you'll give me a little while to do
that, we'll prepare a statement which should
be accurate - I mean, correct it so that it
will be accurate.

H.M.Jr: Well, can I have it

S: Would it be satisfactory for you if you say
that it is scheduled for completion by June 30th
and it is expected to be completed on that
date?

H.M.Jr: That would be entirely satisfactory.

S: Well, let me check up and be sure that it's
safe, and I'll call you back.

H.M.Jr: Thank you so much.

STATEMENT
OF
PRODUCTION.

October 23, 1946
12:30 p.m.

Present: Mr. Gaston
Mr. Schwarz
Mr. Young
Mrs. Klotz

"In a statement printed in the New York Times of Saturday, Harry F. Guggenheim, who is said to be chairman of the aviation division of the Republican National Committee, accuses me of making a statement about production of war planes for United States defense and for British requirements that is 'deliberately misleading and false.'

"I don't know what the objectives of an 'aviation division' of a political committee may be at this time, but it is evident that one of them is to distort what is said by officers of the government.

"In making his statement Mr. Guggenheim is guilty of committing the exact offenses he untruthfully charges to me; that is, of making statements that are both misleading and false.

"In the few answers that I made to direct questions by correspondents at my press conference on Thursday, October 24, I did not attempt to deal with the general question of the progress being made in the production of war planes for United States defense. Instead, I referred a reporter who questioned me on that subject to the Army and Navy.

"What I did say related to the production and delivery of planes on British order. I said that the Curtiss plant was ahead of schedule on one model, the P-40, which is

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the fact. I also said, in response to another question, that reports from other manufacturers, solely in relation to British orders, showed that in almost every instance they were either ahead or on time on their deliveries. I added that the British were pleased with the progress that has been made. These statements are true. They were not made with an intent to mislead anyone; and because they are true they can't very well --" I cut that out in my own. I cut it out here. I just think it weakens it where I said that. If I just said these statements are true, I think it is stronger. Is the rest the same?

Gaston: The rest is the same, except that I added "workers" in the last line. I think I put that in in pencil in your draft.

H.M.Jr: I don't see the difference, Herbert.

Gaston: Simply that it avoids a direct conflict with the newspaper men.

H.M.Jr: Oh. What did I say in the first one? What have you cut out?

Gaston: I cut out that "If he has looked at the Associated Press dispatch," because that immediately puts all the other reporters on the defense.

H.M.Jr: That is the part?

Gaston: Yes.

H.M.Jr: Well, where it says "political committee," make it "Republican National Committee." Let me just see this.

"In a statement printed in the New York Times of Saturday, Harry F. Guggenheim, who is

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said to be chairman of the aviation division of the Republican National Committee, accuses me of making a statement about production of war planes for United States defense and for British requirements that is 'deliberately misleading and false.'

"I don't know what the objectives of an 'aviation division' of a political committee may be at this time, but it is evident that one of them is to distort what is said by officers of the government.

"In making his statement, Mr. Guggenheim is guilty of committing the exact offenses he untruthfully charges to me; that is, of making statements that are both misleading and false.

"In the few answers that I made to direct questions --" Would you say "the few" or "the direct questions"?

Gaston: There are only two of them. You don't need the word "few."

H.M.Jr: "In the answers that I made to direct questions by correspondents at my press conference on Thursday, October 24, I did not attempt to deal with the general question of the progress being made in the production of war planes for United States defense. Instead, I referred a reporter who questioned me on that subject to the Army and Navy.

"What I did say related to the production and delivery of planes on British order."

That is a little heavy going there, Herbert.

"I said that the Curtiss plant was ahead of schedule on one model, the P-40, which is

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the fact. I also said, in response to another question, that reports from other manufacturers --"

Gaston: You could just simply say that progress is being made on British orders.

Young: That is a direct quotation, isn't it?

Gaston: No.

H.M.Jr: "I also said --"

Gaston: You could say, "...other manufacturers with British orders."

H.M.Jr: How do you say? Do you say, "...in response to another question, reports from manufacturers dealt solely with British orders --"?

Gaston: No, you didn't say that.

H.M.Jr: Well, this isn't clear.

Gaston: "...that reports from other manufacturers with British orders shows that in almost every instance they were either ahead or on time with their deliveries."

H.M.Jr: "...that reports from other manufacturers having British orders --"

Gaston: Yes.

H.M.Jr: "...that reports from other manufacturers --"

Gaston: "...having British orders --"

H.M.Jr: "...having British orders showed in almost every instance they were either ahead or on time on their deliveries," or with their deliveries?

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Question: You said "on their deliveries," and they are quoting direct.

A. W. Jr: "I added that the British were pleased with the progress that has been made. These statements are true. They were not made with an intent to mislead anyone; and because they are true they can't very well have misled anybody.

"Mr. Guggenheim goes on to complain that the progress in delivery of military planes for the United States armed forces is not what it ought to be. My own opinion is that the progress has been extraordinary and that it should be extremely gratifying to the American people. I am not going to be trapped by Mr. Guggenheim into revealing data that neither the Army nor the Navy wishes revealed, but I can cite some facts that show the airplane production to be quite different from what he professes to believe that it is."

Now then, this other thing can be gotten on the one page, you see, down to there.

Notes: "I am not going to be trapped --"

A. W. Jr: "Trapped--"

Question: I think the rest of that is very vital.

A. W. Jr: Wait a minute. General Brett, the new head of the Air Corps, who has been here, is going to give me a statement which he is going to let me quote him on, and it is being cleared by the War Department, in which I am going to say that the 5,500 program originally set up for completion by July, '41, he says it is three months ahead. Arnold says it is on time. They are going to get together

- 6 -

and they are going to give me a statement, so I can simply say, "Now, as to the last time I didn't make - I referred to the Army and Navy --"

Gaston: The only reason you didn't make a statement - you are not conceding that you couldn't have made a strong statement. The only reason you didn't make a statement was because it wasn't your business. Now, here is what the Army and Navy authorized you to say.

H.M.Jr: And I am going to have a statement.

Gaston: That is beautiful.

H.M.Jr: I am going to have a statement that is either going to be on time - Brett says, "I don't care what Arnold says; it is three months ahead of time." Arnold says it will be on time, but they are going to get together and I will have an official statement.

Young: You ought to do the same thing with Towers.

Schwarz: Could we get such a statement from him?

H.M.Jr: Sure.

Klotz: It is a good idea.

H.M.Jr: Yes, it is a good idea.

Gaston: That will give you something with real meat in it, because I don't want them to get the idea that because you say you are talking only about British orders that there isn't a good story to tell about the rest of it.

H.M.Jr: This is all right down to there, but then when we go on the other, I want an official statement.

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Gaston: Of course, you have official statements but they are old.

H.M.Jr: Well, we will get this new one.

Klotz: Do you like that part, "I am not going to be trapped"?

H.M.Jr: That will all be out and I will have two statements in my hand, coming from the Army and the Navy. That will all be left out and I will simply say, "Since I have talked to you last time I have - they have tried to put into my mouth things which I have said and I am --" I am going to do this ad lib. "Since they have put things into my mouth which I have never said, I have gone to the Army and Navy and asked them what the facts are, and here is the statement from General Brett and another from Admiral Towers."

What do you think, Herbert?

"Since Mr. Guggenheim has tried to put statements into my mouth that I have never said --"

Schwarz: And you are answering two things.

Gaston: Yes, and the only reason for limiting this to what you said is that because at that last conference you weren't authorized to talk for the Army and Navy. You weren't attempting to talk for the Army and Navy with respect to progress on the program.

(Telephone conversation with Admiral Towers follows:)

October 28, 1940
12:37 p.m.

H.M.Jr: Hello.

Operator: Admiral Towers.

H.M.Jr: Hello.

Admiral
Towers: Good morning, sir.

H.M.Jr: How are you, Admiral?

T: Very well, thank you.

H.M.Jr: Admiral, I want a little help.

T: Yes, sir.

H.M.Jr: I don't know whether you saw the attack
on me by Harry Guggenheim on Saturday in
the New York Times.

T: Yes, I did.

H.M.Jr: Well, now, I've talked to General Brett
and he is giving me a statement which is
being cleared by his superiors in which I'm
going to be able to say, accrediting it to
him, that the 5500 program which is supposed
to be finished on June 30th - hello?

T: Yes.

H.M.Jr: for the Army - there's a little
argument - they're going to let me say either
that it's on time or Brett wants to insist
that it's three months ahead of time, but he
and Arnold are going to have to get together
and they're going to give me a piece of paper
and I'm going to be able to accredit it to
General Brett. You see?

T: Yes.

H.M.Jr: Now, what I'd like to have is something
similar from you that I can say that Admiral
Towers has informed me that the Navy aircraft

program is as follows - you clearing it with your superiors so that I can say it at my 4 o'clock press conference.

T: Would you - I didn't hear quite all that - that the Navy aircraft program what?

H.M.Jr: Well, that your program - what is your program which corresponds to the Army's 5500 program?

T: We did not change our program. You're talking about that old 5500 program.

H.M.Jr: Well, that's the Army one, isn't it?

T: Yes, it was the old - that was the first Army program.

H.M.Jr: Yes.

T: We did not change our program at that time. It was a 3,000-plane program and was merely accelerated a little bit.

H.M.Jr: Well, your 3,000 program - what is that known as - how does one identify that?

T: That was the program of some time before I came here, Mr. Secretary, I'd have to identify it.

H.M.Jr: Well, Brett calls his program the '39 program.

T: Yes. Well, our program - I came here in the - in June '38 and the program existed at that time, so it was a Navy - it goes way back to the 1934 Navy building program and was augmented in 1938.

H.M.Jr: And when was that supposed to be completed, Admiral?

T: When the ships were completed which ran it over into about '42, I think, '41 or '42.

H.M.Jr: Well, is that program on time?

T: That program will finish on time.

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H.M.Jr: It will finish on time.

T: So far as I know that program will finish on time. Yes, sir.

H.M.Jr: Well, could I have a little statement that I could read accredited to you that you could clear with your superiors on that?

T: Yes, sir.

H.M.Jr: There's no use talking about programs which have been recently placed, I mean, existing programs.

T: Yes, sir. I'd be delighted. How quickly do you want it?

H.M.Jr: Well, I have a press conference at 4 o'clock. I'd like to have it a little bit before then.

T: I'll get something up there.

H.M.Jr: You understand what I want.

T: Yes, I do.

H.M.Jr: And I want to be able to say - Admiral Towers informed me today of the following. You see?

T: Right.

H.M.Jr: And then I'll have a piece of paper which I'll read from.

T: All right, sir. I'll get something then, well ahead of 4 o'clock.

H.M.Jr: Well ahead of 4 o'clock, and something that I can use accredited to you.

T: I see. Yes, sir, I'll do that.

H.M.Jr: Thank you so much. Incidentally, they completely misquoted me when they asked me about the Army and Navy programs. I referred them to the Army and Navy and said nothing. I'll send you over a stenotype copy of what I did say.

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T: I'd like very much to see it.

H.M.Jr: I'll send it over immediately by special messenger.

T: Thank you.

H.M.Jr: So that you'll have before you just what I did say.

T: Right.

H.M.Jr: Thank you.

Gaston: In view of the way you are going to handle that other, I think you might well consider not using any mimeographed statement at all, because the mimeographed statement is purely defensive. I think you can handle it very well offhand. I think since you are going to cut this positive affirmative stuff in this and are going to depend on the Army and Navy and read them their statements, unless you actually incorporated it into your mimeographed statement, I think it would be better not to use any mimeographed statement at all, just handle the whole thing offhand.

H.M.Jr: I agree with you.

Klotz: Definitely.

H.M.Jr: Providing I can have what Guggenheim said, then I can read from here what I said.

Schwarz: We will have photostats of both.

H.M.Jr: I said, "This is what Guggenheim said. Now, look what I have really said. Now, I didn't say anything about the Army and Navy, but inasmuch as Mr. Guggenheim tried to put words into my mouth, I have asked Admiral Towers and General Brett to give me the status of the present program and it is as follows."

Gaston: "You will remember I told you that that sort of stuff is up to the Army and Navy."

H.M.Jr: Well, I didn't say anything about the Army and Navy, but as long as he has attempted to put words into my mouth, which I never said, let's take a look at what they do say, and I have asked them and this is what they said.

Gaston: I think it is going to be fine. I think they will agree.

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- Schwarz: Somebody then might raise the question, what about the President's 50,000 plane program.
- H.M.Jr: Well, again I am not - I am talking about - what I was talking about was a letter which came in, which is coming over the line now.
- Schwarz: The President merely said, "I should like to see 50,000 planes."
- H.M.Jr: As I say, that is another story.
- Gaston: And I think you might add offhand - if you will check on what Knudsen said the other day, you will see that that is five times the present production. You will see it is five times what we were doing on the average for last year.
- H.M.Jr: What I am going to say is, "This letter came in here which pleased me to think that the Curtiss-Wright Company were ahead of schedule." Then I am going to say that I am very sorry that Mr. Guggenheim commits himself to be the tool of the National Republican Committee and make an absolutely outrageous statement, as he did.
- Gaston: What he said was very misleading and he totally misrepresented what you said.
- H.M.Jr: I think I can do it.
- Gaston: I know you can.
- Schwarz: He injected a partisan note into something that is very vital.
- H.M.Jr: I think I can have it. I will have something from Towers and the other people. I will just tell them what is happening from day to day and what is happening from day to day is okay.

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Gaston: That will give a much better impression than handing something cold to them.

H.M.Jr: You all helped in suggesting the general preparation. All right.

Gaston: That is a swell outline.

H.M.Jr: Thank you all.

In a statement printed in the New York Times of Saturday, Harry F. Guggenheim, who is said to be chairman of the aviation division of the Republican National Committee, accuses me of making a statement about production of war planes for United States defense and for British requirements that is "deliberately misleading and false."

I don't know what the objectives of an "aviation division" of a political committee may be at this time, but it is evident that one of them is to distort what is said by officers of the government.

In making his statement Mr. Guggenheim is guilty of committing the exact offenses he untruthfully charges to me; that is, of making statements that are both misleading and false.

In the few answers that I made to direct questions by correspondents at my press conference on Thursday, October 24, I did not attempt to deal with the general question of the progress being made in the production of war planes for United States defense. Instead, I referred a reporter who questioned me on that subject to the Army and Navy.

What I did say related to the production and delivery of planes on British order. I said that the Curtiss plant was ahead of schedule on one model, the P-40, which is the fact.

I also said, in response to another question, that reports from other manufacturers, solely in relation to British orders, showed that in almost every instance they were either ahead or on time on their deliveries. I added that the British were pleased with the progress that has been made. These statements are true. They were not made with an intent to mislead anyone; and because they are true they can't very well have misled anybody.

Mr. Guggenheim goes on to complain that the progress in delivery of military planes for the United States armed forces is not what it ought to be. My own opinion is that the progress has been extraordinary and that it should be extremely gratifying to the American people. I am not going to be trapped by Mr. Guggenheim into revealing data that neither the Army nor the Navy wishes revealed, but I can cite some facts that show the airplane production to be quite different from what he professes to believe that it is.

Testifying before the House Appropriations Committee on March 7, 1940, Major General Henry H. Arnold, Chief of the United States Army Air Corps, submitted figures on total production of aircraft in the United States for 1939, which showed that the average rate of production for aircraft in the United States for last year was 200 per month.

Early this month Mr. William S. Knudsen, head of the production division of the National Defense Advisory Commission, in a radio broadcast said that we are now producing at the rate of 950 planes and 1600 combat engines per month. This represents almost a five-fold increase over the average production of last year.

The known expansion of facilities and training of men in progress and the increase in production rate shown by available figures make it entirely safe to predict that in another year production of all types of planes in the United States will be at a rate certainly not less than twice and very probably close to three times the present rate.

Contrary to what Mr. Guggenheim says in his misleading statement we are making rapid progress toward our goal of an adequate air defense. We are making it, not because of but in spite of nagging misrepresentation by the very few who are trying to make partisan capital out of the defense program. We are making it because of the energy and promptness with which the program was put under way; and especially because of the fine patriotic cooperation we have had from able business men who offered and are giving their services without thought of partisanship or reward and from leaders in the airplane industry itself.

RE PRESS STATEMENT
ON AIRPLANE PRODUCTION

October 28, 1940
3:45 p.m.

Present: Major Lyon
Major Smith
Mr. Young

H.M.Jr: Now, what is 25 groups?

Smith: 25 combat groups.

H.M.Jr: Is that the schedule?

Lyon: Yes.

H.M.Jr: Now, I say, "The 25 combat groups scheduled in the 5,500 airplane program which was authorized by the Congress early in 1939 and expected for completion July 1, 1941, will now be substantially organized and equipped by April 1, 1941, or three months in advance of the original scheduled date.

"This is due to the accelerated deliveries manufacturers are willing to guarantee as a result of increased production."

Is that safe?

Smith: No, when I say planes I meant combat planes.

H.M.Jr: Is that what the schedule called for? How many are there to a group?

Lyon: May I explain --

H.M.Jr: If you would, please.

Lyon: This morning when General Brett was here, he made the statement that the 5,500 airplane program, or the 25 combat plane program in the collective sense, identified a program.

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He predicated his statement upon the accelerated deliveries that have been promised by the manufacturers and guaranteed; in fact, which, if they meet their scheduled deliveries as reported by us regularly and which you have copies of, will result in a total number of airplanes being on hand as of April 1, 1941, of 6,447. Those are the deliveries we are guaranteed up through March 1. Adding to those 3,541 airplanes that we have on hand as of today, we are one thousand airplanes over our original objective of the 5,500 airplane program.

Now, consider what the 5,500 airplane objective was. It included the purchase of 3,032 airplanes, plus the airplanes on hand as of December 1938, plus the airplanes on order that were procurable from 1939, and some from 1938, funds.

- H.M.Jr: Let me interrupt. Why can't he sit at my press conference and explain this? Can he do that?
- Smith: Yes.
- H.M.Jr: Why isn't that the best way? Can't I simply say I asked General Brett to send me over his Aide?
- Lyon: Yes.
- H.M.Jr: Assistant, and that this - inasmuch as this question has been raised --
- Smith: Mr. Secretary, may I suggest you make that statement just as written, and if they want an explanation of that, here is General Brett's man.
- Lyon: May I continue just a moment.

- 3 -

H.M.Jr: That is all right. Just this much.

(To Lieutenant McKay) Where is Towers?

McKay: Admiral Towers was in the Assistant Secretary's office with that statement, so I told them to bring it right up through the special entrance before 4:00 o'clock.

H.M.Jr: Who is going to bring it?

McKay: I don't know. I made arrangements with them to bring it right up, but they are sending it special right over here.

H.M.Jr: Right.

The Navy one isn't so complicated, is it?
Go ahead.

Lyon: Now, purely from the military point of view, Mr. Secretary, the airplanes included in this schedule include airplanes that were hold-overs from the 1938 and the 1939, and some airplanes in the 1940, program that are not modernized and have not incorporated all the features that have been found to be necessary as a result of the late war lessons. Therefore, when the Chief of Staff and the Chief of Air Corps, General Arnold, made the statement, as they have, that there are somewhat less than 400 combat airplanes of all categories that we could send to war tomorrow, they had in mind the up-to-date, improved airplanes that we have obtained as a result of the modifications, first in March, with which the Secretary is familiar.

Those airplanes will be somewhat late. They are the ones that they are now counting on to eventually equip these new organizations included in the 25 combat group program, so that General Arnold would under no condition

- 4 -

desire to have the press or the public believe that when we say 5,500 airplanes, that they are up-to-date, modern airplanes which would be in contradiction to the statements that have been recently made. I think the number was exactly 385.

H.M.Jr: Who made that?

Lyon: That has been used under several circumstances.

Smith: General Arnold made that statement first, I think.

H.M.Jr: Why do you want to go into that?

Lyon: It is not necessary to go into it.

H.M.Jr: I wouldn't. You are on much better ground here, you see. You are talking to financial reporters who don't know this. I wouldn't go into that.

Smith: You couldn't explain it to them. I don't understand it myself without a diagram.

H.M.Jr: You are talking to men that cover the Treasury, not the War Department, and they don't know this.

Lyon: There is just one point, Mr. Secretary, that I believe that - General Arnold was talking in terms of military. General Brett, when he was speaking to you this morning, was speaking in those terms, in production.

H.M.Jr: Isn't that military?

Lyon: That is military, but production of airplanes that include, as I have previously stated,

- 5 -

training, and in many cases, obsolescent - I won't say obsolete, but obsolescent - airplanes that still have important use.

H.M.Jr: Don't let's use this. Let me stick to this thing here. You know too much.

Lyon: Yes. Well, this is for your information, sir.

H.M.Jr: Well, I am not trying to learn it. I can't learn it. Let me stick to this. I am going to make the statement that there are 25 groups scheduled in the 5,500 airplane program authorized by Congress early in 1939 and expected for completion July 1, 1941, and they will be organized and equipped by April 1, 1941.

Smith: Those groups will be organized and functioning by April 1, three months ahead of schedule.

Gaston: That is the only thing you can talk about. You can't talk about schedules of delivery because if you haven't got delivery on 1940, based on appropriations --

Smith: No, it is being worked on now.

Gaston: You couldn't be expecting deliveries on that new program.

Lyon: That is right.

H.M.Jr: Let me just - I think - I am just taking enough of it. Why don't I simply say that General Brett gave me this statement?

Smith: That is right.

H.M.Jr: I asked General Brett and he gave me this. That is all I know. Maybe we had better not

- 6 -

have Major Lyon here; he knows too much.
I wouldn't have Major Lyon here.

Gaston: I think you are right.

H.M.Jr: I will simply say, "Now gentlemen, I asked General Brett for a statement, and those are the facts as he gave them to me."

Smith: I have coordinated those with both General Brett and General Arnold.

Gaston: Would the Secretary be justified in prefacing that with a statement, "Now about this military program, as far as the Army is concerned, they think it is in excellent shape."

Smith: The reason I put that note on there, Mr. Secretary, was this. If some bright reporter says, "Does that mean you are going to have 5,500 modern combat airplanes by April 1 --"

H.M.Jr: All I am going to say is that all that I know is what General Brett told me. I asked him, in view of this statement which was put into my mouth which I never made, what are the facts and General Brett gave me this statement and that is all I know.

Smith: See him for an explanation.

H.M.Jr: And if you want anything more, all I know is what he told me, and this is what he told me --

Smith: It is all right. It is perfectly all right, sir.

H.M.Jr: Now, if you want anything more you will have to see General Brett.

Lyon: General Brett will stand by that statement as written.

- 7 -

H.M.Jr: That is all I know, gentlemen. I just know what the situation is. The situation is, as far as 25 combat groups are concerned, we are three months ahead of time. That is all I know. Now, as to anything else, I can't - I just - you read my press statement. I was very careful.

Smith: That is right. '

H.M.Jr: Did you (Lyon) read it?

Lyon: Yes.

H.M.Jr: Certainly there is nothing there that I - I talked about what the Army and Navy were doing.

Lyon: That is right.

Smith: I thought it was all right. And that statement is perfectly safe for you to give out.

H.M.Jr: I think I will just say, "Gentlemen, I don't know anything more. I just know that this is what General Brett tells me and what he tells me is good enough for me."

Smith: Send them down to him and he can defend it.

H.M.Jr: I wouldn't give them too much information.

Smith: We don't want to give them any more than we have to.

Lyon: Mr. Secretary, did you wish the answer to that second question you propounded to General Brett?

H.M.Jr: What is that?

- 8 -

Lyon: On the capacity this morning.

H.M.Jr: Oh yes. Thank you. I will read that.

Smith: That first one is very good, because he charged you with a delivery of less than 750, I think it was.

H.M.Jr: I am not going to use this. I am saving this for the President. I hope he is going to say something about it Wednesday night. That is all right.

Now, I asked Knudsen please to send over to Mr. Stimson this afternoon what he told the British this morning, and he promised to do it, what he thought he could do under this new program, so all of it ought to be over there within the hour, so if you could have somebody in Mr. Stimson's office get it to General Brett so he can be figuring on it, because otherwise - it will be over there sometime this afternoon.

Can I keep this together?

Lyon: That is the only one. I could have a copy run off for you very quickly.

H.M.Jr: Will you; and send it to Philip Young.

Lyon: Yes.

Smith: You won't need that this afternoon.

H.M.Jr: No.

Just one second. Let's see what Arnold says - I mean Towers.

"In response to your inquiry as to whether or not the Navy 3,000-plane program will be

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completed on schedule, I can say definitely that it will be completed well ahead of schedule.

"The 3,000-plane program was a part of the Naval Expansion Act approved 17, May, 1938. It provided for the planes to be carried on the ships of the expanded Navy, and in addition certain seaplanes to be operated from shore bases to be constructed later. It also included planes for Marine aviation. The schedule of procurement was drawn up to fit the anticipated completion dates of ships and shore bases, and although these ships and shore bases are being accelerated, there is no question but what the planes will be on hand well ahead of them."

That is perfect. Now I have got two statements.

Smith:

I think that is all right.

H.M.Jr:

If they want anything more, I will simply say, "Well, gentlemen, as I said the other day, go and see the Army and Navy." You can't be talking about a program which was placed last month. This is the one that is coming through now, and the stuff that you placed last month, that is another story. But I am just going to stick by this statement.

Smith:

That is all you need, sir, and that is perfectly safe and we can back it up. My only concern was to be damn sure we could back up anything you said.

H.M.Jr:

I am not going to say another word except what is on those two sheets.

Smith:

We can back that up.

*Landed to Smith 3:40 PM
by Maj. Smith 3:40 PM
10/28/40 P.H.*

1. Estimated airplane deliveries for the Army, Navy, and British government indicate that under the expansion of industry now in progress, a maximum monthly delivery rate of 3,000 airplanes will be reached by October 1, 1941.
2. There are orders now on the books that will sustain this delivery rate until February 1942. Beginning about that date, however, deliveries will fall off sharply unless additional orders are placed within the next sixty (60) days.
3. By the timely placing of substantial orders in addition to those now already on the books by this Government and the British, the maximum rate of 3,000 airplanes per month can be sustained. To increase this rate to approximately 4,500 per month will necessitate the creation and rounding out of additional facilities for the delivery of approximately 1,500 additional airplanes per month.
4. An attempt to force this additional productive capacity of 1,500 airplanes per month by early 1942 will result in large expenditures for plant facilities, and a serious dilution of the management and operating personnel which at this time is beyond its capacity.
5. By deferring this increased capacity until June 1942, an opportunity will be provided for industry to properly train their potential management and to then undertake a production of 50,000 airplanes a year without confusion or serious loss in efficiency.

October 28, 1940

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The upper part of this memo was given to HM Jr by General Brett for use at his press conference. The Secretary asked Major Smith to check it, and he returned it with the lower notation in long hand. Attached also is memo prepared by Admiral Towers for HM Jr to quote at his press conference and he made it available to the newspaper men. The Secy. also gave the reporters the contents of the letter written to Phil Young by Burdette Wright, which is attached.

Oct. 26, 1940

AIR PROGRAM LAGS, GUGGENHEIM HOLDS

He Charges Morgenthau Gave
Out 'False and Misleading'
Statement on Planes

PRESENT RATE A 'TRICKLE'

Secretary Took Small Part of
Picture in Drawing His
Conclusions, He Says

The recent statement of Secretary of the Treasury Morgenthau that production of war planes for United States defense and for British requirements has been speeded up and in most instances is "ahead of schedule" was assailed yesterday as "deliberately misleading and false" by Harry F. Guggenheim, chairman of the aviation division of the Republican National Committee.

In a statement issued at his headquarters, 70 East Forty-fifth Street, Mr. Guggenheim expressed "amazement" over Secretary Morgenthau's remarks, made at his press conference in Washington on Thursday.

"In one respect his statement is deliberately misleading; in another it is entirely false," Mr. Guggenheim said. "It is false because the facts are that the schedule on total war aircraft in this country is actually behind. The quotas are now only about 750 planes a month.

"The statement is misleading because it implies we are rapidly reaching a point where we will have enough planes to defend ourselves in the air—that we will soon have the 50,000-plane armada of which Mr. Roosevelt spoke so glibly last May. Nothing could be further from the truth.

"It is known, of course, that the Curtiss P-40 pursuit planes scheduled of which Mr. Morgenthau spoke will reach 300 planes this month instead of the planned 130. This is a slight gain in this type of airplane. But it is all.

"What Mr. Morgenthau did was to take a small part of the whole production picture and by its use to give the impression that the complete schedule is also ahead. This simply is not true. The fact is the schedule as a whole is behind.

"The fact is that right today we are producing in all our factories 750 planes a month. Furthermore this schedule of 750 planes a month must be divided by two—for about half of these planes are being shipped to England.

"Also these 750 planes are military airplanes of all descriptions. Approximately half of these are fighting airplanes, the other half being trainers which, of course, are completely unfit for fighting.

"Thus, instead of the 50,000 New England air armada pouring off the assembly lines, we have only a trickle—a trickle of planes that can be liberally estimated at 200 first-class fighting units. That is all that is being added to our defense forces each month."

combat

The 25 ^A Groups scheduled in the 5500 Airplane Program which was authorized by the Congress early in 1939 and expected for completion by July 1, 1941 will now be substantially organized and equipped by April 1, 1941, or three months in advance of the original schedule date. This is due to the accelerated deliveries manufacturers are willing to guarantee as a result of increased production.

*The above statement is safe
(Note that the "25 groups" does not mean that
we will have 5000 planes, as part of these
are reserve planes which will still be
undelivered by April 1st and may not
be delivered by June 30, 1941)*

W. B. Smith

NAVY DEPARTMENT
BUREAU OF AERONAUTICS
WASHINGTON

28 October 1940

M E M O R A N D U M

To : Secretary Morgenthau.

In response to your inquiry as to whether or not the Navy 3,000 plane program will be completed on schedule, I can say definitely that it will be completed well ahead of schedule.

The 3,000 plane program was a part of the Naval Expansion Act approved 17 May 1938. It provided for the planes to be carried on the ships of the expanded Navy and, in addition, certain seaplanes to be operated from shore bases to be constructed later. It also included planes for Marine Aviation. The schedule of procurement was drawn up to fit the anticipated completion dates of ships and shore bases, and although these ships and shore bases are being accelerated there is no question but what the planes will be on hand well ahead of them.

J. H. Towers
J. H. Towers

*This has been cleared by
Under Secretary Forrestal
JHT*

NAVY DEPARTMENT
BUREAU OF AERONAUTICS
WASHINGTON

28 October 1940

MEMORANDUM

To : Secretary Morgenthau.

In response to your inquiry as to whether or not the Navy 3,000 plane program will be completed on schedule, I can say definitely that it will be completed well ahead of schedule.

The 3,000 plane program was a part of the Naval Expansion Act approved 17 May 1938. It provided for the planes to be carried on the ships of the expanded Navy and, in addition, certain seaplanes to be operated from shore bases to be constructed later. It also included planes for Marine Aviation. The schedule of procurement was drawn up to fit the anticipated completion dates of ships and shore bases, and although these ships and shore bases are being accelerated there is no question but what the planes will be on hand well ahead of them.

J. H. Towers

Curtiss

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CURTISS AEROPLANE DIVISION
CURTISS WRIGHT CORPORATION
BUFFALO, NEW YORK

OFFICE OF
VICE-PRES. AND GEN. MGR.

October 21, 1940

Mr. Philip Young
Assistant to the Secretary of Treasury
Washington, D. C.

My dear Mr. Young:

You and possibly the Secretary might be interested in knowing that we just completed the 200th P-40 airplane, the last airplane going out of here five days ahead of contract schedule.

It is always good to be able to report completion of contracts ahead of schedule.

Best regards,

Sincerely,


Burdette S. Wright

BSW:JH

October 25, 1940

Dear Mr. Wright:

Many thanks for your letter of October 21st stating that the 200th P-40 airplane has gone out five days ahead of contract schedule.

You may be sure that I shall advise the Secretary of the excellent job which you and your firm are continuing to do, and may I offer my own personal congratulations.

Sincerely yours,

(Signed) Philip Young

Philip Young
Assistant to the Secretary

Mr. Burdette S. Wright,
Vice President,
Curtiss Wright Corporation,
Buffalo, New York.

PT:bj

October 28, 1940
3:58 p.m.

Admiral
Towers:

This is Towers.

H.M.Jr:

Thank you so much - Morgenthau speaking -
for your statement.

T:

Is that what you wanted?

H.M.Jr:

Perfect.

T:

I'll stick right behind that.

H.M.Jr:

The Navy always comes through.

T:

Well, I'm glad to hear you say that.

H.M.Jr:

Thank you so much.

T:

You're entirely welcome.

October 29, 1940
9:01 a.m.

H.M.Jr: Henry talking.

Robert
Patterson: Yeah.

H.M.Jr: You called me yesterday, I believe.

P: Oh, well that thing passed, Henry.

H.M.Jr: (Laughs). Sounds like kidney stones.

P: Yeah, that passed like a kidney stone. It was only this - I'm going to make a speech Thursday.

H.M.Jr: Wonderful.

P: And I was talking to Eddie Greenbaum and he wondered whether the reaction would be good or not, but I'm content all right.

H.M.Jr: A political speech.

P: Yes, a short one.

H.M.Jr: Yeah. I heard you were.

P: And I'm content all right. I talked to Dean Acheson about it and he was quite clear about it. I believe he talked to Harry too and he was sure the reaction would - I don't mean on me, I mean on the Administration.

H.M.Jr: Well, I think it would be swell. That's the way I feel.

P: Well, that was the only reason I called you up.

H.M.Jr: No, I think it would be perfectly swell. I think it's swell of you to do it.

P: And I was content after I got what Dean Acheson told me, and after I heard that I said sure.

H.M.Jr: Right. General Brett was very helpful to me yesterday.

- 2 -

P: Was he?

H.M.Jr: Very. I had him come over through Major Smith, you know, who the White House has me contact when I want anybody, and he helped me out with a statement in answer to Guggenheim which I gave out yesterday.

P: Yeah. I saw it in the paper this morning.

H.M.Jr: Well, Guggenheim got very nasty on Saturday.

P: I didn't see his.

H.M.Jr: Well, he called me every kind of a liar, misrepresentative, false statements, et cetera, et cetera, so I got both Towers and Brett to give me a statement to answer it, which they printed.

P: Yeah. I saw that.

H.M.Jr: So I just wanted to let you know that I was delighted you made Brett the head of the Air Corps.

P: Yeah, yeah. I think it's good.

H.M.Jr: I think it is all for the good.

P: Right.

H.M.Jr: Thank you.

P: I'll see you soon.

H.M.Jr: Right.

P: Good-bye.

C. WOODRUFF VALENTINE CO.

50 PINE STREET

NEW YORK, N. Y.

BOWLING GREEN 9-0798

(0799)

Natural 5 to 5 to 2 to 1

SPECIAL BULLETIN

October 28, 1940

LATEST ELECTION QUOTATIONS

Elec.
Vote

11 Alabama
3 Arizona
9 Arkansas
22 California ✓
6 Colorado
8 Connecticut
3 Delaware
7 Florida
12 Georgia
4 Idaho
29 Illinois
14 Indiana
11 Iowa
9 Kansas
1 Kentucky
10 Louisiana
5 Maine
8 Maryland
17 Massachusetts
19 Michigan
11 Minnesota
9 Mississippi
15 Missouri
4 Montana

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Roosevelt 4 to 5
Roosevelt 25 to 1
Roosevelt 3 to 1
Roosevelt 3 to 1

Elec.
Vote

7 Nebraska
3 Nevada
4 New Hampshire
16 New Jersey ✓
3 New Mexico
47 New York
13 North Carolina
4 North Dakota
26 Ohio
11 Oklahoma
5 Oregon
36 Pennsylvania
4 Rhode Island
8 South Carolina
4 South Dakota
11 Tennessee
23 Texas
4 Utah
3 Vermont
11 Virginia
8 Washington
8 West Virginia
12 Wisconsin
3 Wyoming

Willkie 2 to 1
Roosevelt 4 to 1
Willkie 7 to 5
Willkie 6 to 5
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Roosevelt 2 to 1
Roosevelt 4 to 1
Willkie 6 to 5
Roosevelt 4 to 5

ALL PRICES SUBJECT TO CHANGE WITHOUT NOTICE

Treasury Department
Division of Monetary Research 255

Date.....19

To: Miss Chauncey

The enclosure which Miss
Thompson sent has been referred to
Dr. Currie, as per Mr. White's
telephone conversation with
Mrs. Klotz.

MR. WHITE
Branch 2058 - Room 210

Oct 20 1940

My dear Miss Thompson:

Thank you very much for your notes on the price inflation threat of 1937. They should provide helpful material for persons working on various speeches, and I submitted them at once to some so engaged.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Miss Dorothy Thompson,
88 Central Park West,
New York, N. Y.

HPW
HHS:ls
10/29/40

FILE COPY

DOROTHY THOMPSON
88 CENTRAL PARK WEST
NEW YORK CITY

My dear Mr. Morgenthau:

In connection with these wild and inaccurate charges that the President has caused the 1937 depression, and particularly Willkie's statement that the President's attack on the Commodity Price Inflation was a cause, I think you will be interested in and should use a very pointed "Let the Record Speak" that my friend got up for me for my own use in another connection not associated with the campaign. Clearly, the President was applauded by the business and the banking interests at the time for having arrested the runaway inflation that threatened. (And so helped to prevent -- thus they themselves argue -- a serious depression. The tables should be turned now and their present backward regret at not allowing a runaway inflation should be used against them, as wanting to reinstate New Eras. As it turned out, we had only a moderate recession instead of a wholesale slump, pattern 1929-32.

Sincerely yours,

Dorothy Thompson

October 30, 1940

TO:

The Secretary

(Mr. McKay)

Bichelberger of the William Allen White Committee called me up just now (1:08 p.m.) to ask if I could tell him or give him an idea of what new step in aid of Britain the President is to announce tonight at Boston. I said I couldn't and doubted that anybody could. He said he wanted to prepare telegrams in advance to shoot out when President has spoken. I said if I learned anything that could be told I would call him.

(The ticker carried announcement by Steve Early that the President would mention further aid to Britain in speech tonight.)



From: MR. GASTON

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Assistant Secretary Sullivan's campaign
speech delivered before the New York
Down Town Athletic Club, Wednesday,
October 30, 1940.

(The following address by John L. Sullivan, Assistant Secretary of the Treasury, is for release upon delivery.)

House

Gentlemen:

In speaking here in the financial district today I am aware of something of the reaction the Republican candidate might experience while addressing an audience at Hyde Park or Warm Springs. That I should feel so is convincing evidence that effective propaganda is not confined to the totalitarian countries, but that right here in America we have a fine example of a few impressing their convictions on the many. Because, when you analyze the situation, there should be, and there is a common bond of sympathy and understanding between financial New York and the American Government,--and particularly with that branch of the Treasury which covers the Tax Front.

Some men may declare "Beware the Ides of March," but the thoughtful citizen says, "Anticipate and understand the rules that apply in March." And because the taxpayer and the Treasury have recognized their interdependence there is no room left for substantial difference between an intellectually-honest taxpayer and a fair Treasury official.

- 2 -

Notwithstanding our mutual respect we must acknowledge that there exists -- rather that there has been created -- in this country some distrust on the part of big business and finance toward the Government. Why this should be so I have always wondered. Before I went to Washington not so long ago I practiced law in Manchester, New Hampshire. Back in the country we had time to ponder many things. And six or seven years ago many things disturbed me. I saw the present Administration and Congress create Federal insurance of bank deposits, the one thing that did more to restore the confidence of the people of America in the banks than everything the bankers had been able to think of themselves -- and I watched the bankers fight that proposal. I watched the advent of the Securities and Exchange Commission -- restoring the confidence of the investing public -- and I watched brokers fight this proposal too. I listened to the protests of bankers that the Federal Government should not invade the private banking field with such a device as the Home Owners Loan Corporation or the expanding Reconstruction Finance Corporation -- and then I watched those two Federal institutions bail out many an insolvent or shaky bank. And as I heard the week-old wail of a Tycoon as reported in New York papers being echoed ten days later by a New England

- 3 -

banker or broker who was being saved by these measures, the thought occurred to me that the frequently and forcefully expressed views of a mighty small minority were being blindly accepted by an unthinking majority. I believe it to be one of the current tragedies that something of this same view lingers on.

Let's turn the clock back to 1933 for a minute -- to 1933 when we all faced a national situation of unprecedented gravity. There was cooperation between Government and Business in those days -- there was unity of purpose and of action as we all joined together in the task of recovery. In those days Business realized what Government always knows -- that we depend on each other. Business and Government are just ways of getting things done, methods organized by large numbers of people living and working together. The Constitution of the United States is a great popular charter set up for the transaction of public business -- so, too, for the transaction of private business, private charters of incorporation are granted. In the last analysis the success of either depends upon the customer -- be he voter or consumer.

I believe that the historian of 1960 will refer to the last seven years as the period in which Government and Business did more to help each other than in any comparable period of

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American history. That this statement should arrest your attention is evidence that, even among the most thoughtful, by-words and frequently repeated exaggerations and distortions are frequently accepted at face value. Don't get me wrong. I'm not painting a picture of Washington and Wall Street starting out in 1933 hand in hand walking down the paths of tomorrow with lovelight in their eyes. Oh, no! Each occasionally stuck his foot out to trip the other -- both made mistakes. But viewing the picture in perspective, each did his job and did it well. Today, facing a more serious challenge each is doing his job superlatively well.

Out of this experience you and I and all thoughtful citizens have learned one great lesson; the lesson of our age. We have learned that there can be in America no security, no lasting prosperity unless all types of people in all sections of America join in that security and share in that prosperity. That was the lesson and the moral of the 1930's. If we forget it, we invite peril to the nation and disaster to ourselves. There just can't be any brokers' yachts unless the customers have plenty of rowboats.

This is the factual background of the campaign of 1940. It is an historic campaign -- yet so far it has been a dismal disappointment. If ever we had a right to expect a campaign of issues this is the year. Day after day, week

- 5 -

after week we have waited for the challenger to join issue with the champion -- or at least to make one constructive suggestion. We have waited in vain. And now we find ourselves in the last week of the campaign with the outs saying: "We thoroughly approve all you have done -- but we can do it better. We know we can -- even though we did our level best to prevent you from doing it at all. We tried to defeat social security, control of the stock exchanges, and fair labor laws but we couldn't stop them. So turn them over to us and to our tender mercies, and we'll show you how to run them."

Then when they saw this plea was getting them nowhere they started to drive a wedge in between Business and Government, to revive the old slogan that Business and Government -- regardless of their interdependence and mutual helpfulness -- just can't get along under the present management. It is the same old verse set to new music. I long ago suspected, and I now know, that this idea was fostered and nourished by professional protestors whose personal interests were best served by creating this illusion. Let me give you two examples:

First: In December of 1939 corporations throughout the country were worked up to a state of alarm about the provisions of Section 102 of the Internal Revenue Code providing

for a penalty tax on those corporations improperly accumulating surplus. This was no new law. In one form or another this section has been on the statute books ever since 1913.

Suddenly last December all sorts of associations and organizations wired and wrote us of their alarm about this law. In fact the taxpaying public became so disturbed we caused an investigation to be made. Here's what we found: In the previous four months 62,000 corporate returns had been examined -- almost one-third of the taxpaying corporations -- but of those 62,000 Section 102 penalties were invoked in only 13 cases. Seven of these 13 had declared no dividends at all. We published the facts, and the inspired distrust and uneasiness immediately subsided.

Second: In October of 1939 many trade associations thought that the prospective closing agreements with Army and Navy contractors should become a magic carpet to transport their members over the legal barriers of the Internal Revenue Code. Suddenly the word got around that the closing agreement was a device which would confer upon the contractors special tax advantages denied them by the law.

Falsely advised by this association or that chamber many men came to Washington to call on Santa Klaus. When they found that Santie didn't live there any more they rolled up their sleeves and demonstrated the truth of what

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we have always known -- that in the main the American businessman does not look for special favors from anyone. All he asks is business, work for his employees, and a fair chance for a reasonable profit for himself. We saw that he got them, and both sides were satisfied. All sides are satisfied -- except those who inspired the false ideas in the first place.

During the present campaign we have seen a disappointing revival of the Bureau of Misinformation. False statement has followed false statement day after day. I would disregard these misstatements had they not been so numerous, and so grossly erroneous -- or if they had not come from the lips of a lawyer who is presumed to know the meaning of the words he speaks and to appreciate that as a candidate for the Presidency he should not speak carelessly or falsely about national affairs.

In Chicago on September 13 the Republican candidate said that, if the Federal Government confiscated all of the income of all of the people, it still could not pay for a third of its annual expenditures. Of course, that is ludicrously wrong. Our national income is now at the rate of \$74,000,000,000, our Federal expenditures in the last seven years have averaged less than 10 percent of that.

In Chicago on the same day the Republican candidate said that President Roosevelt had promised labor the moon but had never given it jobs. He added, "the only additional jobs

today are in the Defense Program and Hitler is requiring us to do that."

The Republican candidate is wrong. 12,500,000 men have gone back to work during the seven and a half years of President Roosevelt's Administration. Where only three men could find work in March, 1933, four men are employed right now. Employment has jumped more than 30 percent from 35,800,000 to more than ^{47,300,000}~~47,500,000~~.

In Elwood, Indiana, on August 17, the Republican candidate talked about industrial stagnation. He said, "American industry has remained stationary for a decade As a nation of producers we have become stagnant." I'll refer to that later.

Then came the shocking misstatement of October 22nd when the Republican candidate speaking at Chicago stated that under the present Administration the Federal Tax burden has been trebled. I said this misstatement was shocking. It was. When we heard it everyone in Treasury connected with taxes tried to figure out any basis upon which this claim could be justified. We haven't found it yet. Perhaps you can help us unravel this puzzle.

How about the individual income tax rates? Applying the Republican candidate's statement that "the Federal tax burden has been trebled" might lead one to expect that a

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married man with a salary of \$10,000 in 1932 and in 1939 paid three times as much last year as he did seven years before. Not so, my friends. His income tax was less in 1939. It was less because Franklin Delano Roosevelt in 1934 restored the earned net income credit that Herbert Hoover had removed in 1932. He paid \$480 in 1933 and \$415 in 1939. Unless his salary was more than \$25,000 he was subject to no increase. If his salary was \$1,000,000 the increase was less than 20 percent. This could hardly be what the candidate referred to.

How about corporate tax rates? Have they been trebled? Oh, no! On January 1, 1933, the rate for all corporations was 13-3/4 percent. On January 1, 1940, they were graduated from 12-1/2 percent to 18 percent, graduated in accordance with ability to pay. Out of about 200,000 corporations that have income subject to tax, about 130,000 or 65 percent make \$5,000 or less. For them (the small businessmen we are supposed to have neglected) the tax was reduced 1-1/4 percent.

How about the excise taxes? Was the tax you paid in 1939 on your new radio, refrigerator, cigarettes, automobile and gasoline to run it three times as great as when you bought similar commodities in 1932. Oh, no! The tax was exactly the same.

Where then can we find this trebling of the tax? Is it possible that he meant that the amounts of money paid in

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Internal Revenue taxes to the Federal Government were three times as high in the fiscal year of 1940 as in the fiscal year 1933? If so, he has understated the case -- these payments have more than trebled, rising from \$1,600,000,000 in 1933 to more than \$5,300,000,000 in 1940. By far the largest part of this increase was in no way due to new taxes or higher rates. Rather it was due to a fact of which the Administration is proud, the fact that this Administration has achieved an outstanding business recovery. In 1932, the national income was almost \$40,000,000,000; in 1939, it was \$70,000,000,000, an increase of 75 percent. For the year 1940 the national income is running at the rate of about \$74,000,000,000, representing the greatest volume of goods and services produced during any year in the United States history, and the business level continues to move upward.

It is this increase in national income reflected in more goods produced, more goods purchased and consumed, and higher individual and corporation incomes that has brought about the great bulk of the increase in tax revenues. If the Republican candidate when he said the Federal tax burden had been trebled had in mind a threefold increase in tax collections due to the recovery of business under this Administration, then he's on the right track, for it is out of the recovery of business that most of the increased revenue has come.

Let me give you a few examples. In the fiscal year 1933, all corporations paid income taxes of \$394,000,000. And that's a lot of money considering that the net loss of all corporations from June 1, 1932, to June 1, 1933, was almost \$4,000,000,000. In the fiscal year 1940, after seven years in which this Administration is accused of stifling business, they made net profits of about \$4,000,000,000 and paid income taxes of \$1,120,000,000 as against the \$394,000,000 in 1933. Now there's a barometer to measure how successfully we "stifled" business.

In the fiscal year 1933 individuals paid income taxes of \$352,000,000. In 1940, after seven years of our "choking private enterprise and strangling rugged individuals" that figure rose from \$352,000,000 to \$982,000,000.

In the fiscal year 1933 -- the period during which we had all been promised two cars in every garage -- the tax of 3 percent of the sales price of automobiles yielded \$14,000,000. In the fiscal year 1940 -- when the grass was supposed to have grown so high in our streets that it would impede traffic -- the same tax at the same rate yielded not 14, but 67 million dollars.

Let me hurriedly give you a few more figures. Radios: 1933 tax paid \$2,200,000; 1940 tax paid at the same rate \$6,000,000. Refrigerators: 1933 tax paid \$2,100,000; 1940

tax paid at the same rate \$9,900,000.

Ah here's one the Republican candidate must know about. Tax paid in 1933 on electrical energy \$28,500,000; tax paid at the same rate in 1940 \$42,300,000.

And so it goes. These tax payments have increased by leaps and bounds because under this Administration the people were able to buy in the calendar year of 1939 nine million radios as compared with three million in 1932; 1,800,000 refrigerators as compared with 800,000 in 1932; 3,200,000 cars as compared with 1,300,000 in 1932.

Those are the figures, that is the record. Who can reconcile these figures with the speech at Elwood in which the Republican candidate said, "American industry has remained stationary for a decade -- as a nation of producers we have become stagnant."

I want it understood that not all of the increase has been due to improvements in business and in national income. This Administration has seen and met its responsibilities. The tax system has undergone changes, as is to be expected and desired in a period such as we have recently experienced. There has been a strengthening of the income tax law, largely by plugging up loopholes. The estate and gift tax laws have likewise been strengthened. Premiums and contributions have been provided under the taxing power to finance social security.

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They amounted to \$834,000,000 in the fiscal year 1940. Liquor taxation imposed when prohibition was repealed produced \$624,000,000 in the fiscal year 1940. Surely the Republican candidate would not want to repeal these taxes.

Every figure I have thus far given has been exclusive of the new defense taxes imposed in June of this year and of the new Excess Profits Tax. I am sure that the Republican candidate cannot object to the first of these. Never shall I forget the way America responded to the need for more money to arm ourselves just after the invasion of the lowlands. From all over this land the response was spontaneous. Out of the hundreds of letters enclosing contributions in the Treasury file I have selected four I thought might interest you.

Those letters are eloquent evidence of the temper of the American people. But just as convincing was the reaction of American business to the proposed defense taxes. Practically all types of taxes were increased 10 percent -- a few, including individual surtax rates and liquor, more. Without exception, business applauded rather than protested these increases and I want to pay tribute to the patriotism of these men, and compliment them upon their ready acceptance of their share of the program.

We are all over twenty-one. We know that whoever is President every ship, every plane, every tank, every gun we acquire for National Defense is going to be paid for one hundred cents on the dollar. It's going to be paid for by you and me and the rest of the American people, and we are going to pay it eventually through taxes. In doing this we will try to do it in that manner that least disrupts the economic life of the nation.

I have given you a few, a very few figures, showing the economic condition of the country early in 1933 after twelve years of Republican administrations. I ask you to look at the record and contrast it with the comparable figures for 1940. What does the record show? It shows clearly the extent of reemployment. It discloses that far from remaining stagnant for the last seven years we have almost doubled our national income, and American industry is more productive than ever before. It shows a tremendous increase of Internal Revenue resulting from a resurgence of commercial and industrial activity. It indicates to us one clear course of action: The reelection of the man under whose guidance this recovery was achieved; the reelection

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of the President who has demonstrated to the world that democracy, while preserving the liberties and freedom upon which it is founded, can and has acted swiftly, unitedly, and efficiently to protect our civilization and our way of life. Our judgment, our vision, and our gratitude all impel us toward one choice Franklin Delano Roosevelt.

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October 31, 1940

Before I heard the President's speech last night I had three worries. One, that at my Tuesday's 3:30 meeting with Army, Navy and Defense, I could not get an agreement amongst everybody on the English program. Two, that if I gave the President the statement, having used it as a club at Army, Navy and National Defense, that he would not use it and if he had not it would have made me look pretty silly before this group. Three, if the public reception to the President's statement had been bad, I would have had to take 100 percent blame.

November 1, 1940
12:01 p.m.

H.M.Jr: Hello.

Operator: Secretary Jones.

H.M.Jr: Hello.

Jesse Jones: Hello, Henry.

H.M.Jr: How are you?

J: All right. How are you?

H.M.Jr: Oh, fair.

J: Any contracts today?

H.M.Jr: (Laughs). I've got some new Englishmen over here that want some contracts.

J: Yeah. Ed Flynn called me while ago and said you said for me to call you.

H.M.Jr: Yeah. Why, I thought that - he wanted me to call you and ~~you~~ ^{still} what he told me and I thought it much better to let you get it directly from Ed Flynn. I mean, it's - then I said if you wanted to call me, O. K.

J: He said for me to call you and then for me to call Giannini, so what is the situation now

H.M.Jr: Well, he told you of his conversation with the President, didn't he?

J: Yeah.

H.M.Jr: Well, I mean, who am I to question Ed Flynn?

J: Well, what should I say to Giannini? That's the point.

H.M.Jr: Well, I think that's up to you, Jesse. That's up to you. It's the conversation between Flynn and the President which Flynn is repeating -

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what the President told Flynn he was ready to do after election. So - (pause).

J: Well - (pause).

H.M.Jr: You know what to tell Giannini.

J: (Pause). Well, what do you feel about it - what do you - you're the fellow that has got to pass on it.

H.M.Jr: Well, as I told Flynn, I'm not going to call up the President and bother him at this time but I work for him and anytime I can't do what he wants me to, why, I just go home, that's all.

J: Yeah. Well, now, let me see. I'm just thinking now about what I can say to him that I haven't already said. I've said that he had the friendship of the President and had sent for Eddie and had assured him that I said - I told him that he could rely on anything that the President told him and I thought he'd make a great mistake to throw that to the four winds.

H.M.Jr: Yeah.

J: Now, I don't know whether I can say any more.

H.M.Jr: Well, you can tell him what Flynn

J: I can tell him, I suppose, that Ed called me, huh?

H.M.Jr: Sure, and that Flynn had had this conversation with the President.

J: O. K.

H.M.Jr: What?

J: O. K. I think that's about it.

H.M.Jr: Don't you think that's enough?

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J: I guess so - and that the

H.M.Jr: Flynn repeated the conversation to you, didn't he?

J: Yes.

H.M.Jr: What the President said.

J: That's right.

H.M.Jr: And as I told Flynn - I said, the President is President and if after election he wants to tell me to do something, that's up to the President.

J: Yeah. That's all right.

H.M.Jr: What?

J: All right. I think I can get up some little - ease his pain a little bit.

H.M.Jr: Well, I don't know anybody who could do it better than you.

J: Thank you. I think this, Henry, that the paragraph was the high-light in the speech in Boston.

H.M.Jr: There's no question about it.

J: It certainly went all over the country.

H.M.Jr: So much so that today the Republicans are trying to discredit it.

J: They are?

H.M.Jr: Oh, the Tribune is trying their best to discredit it.

J: Uh-huh. Well, that was - I've been trying to think of another one. If we could say something for his Cleveland speech - but I've got to write one for myself tomorrow night. I've got to make one tomorrow night myself.

H.M.Jr: Let me ask you this now that we're through with this other situation.

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J: Yeah.

H.M.Jr: Ah - (pause). I had some people at the house last night and they think that the President ought to really take off his gloves and go out after Willkie instead of the Republican Party. They think he's been too gentle.

J: I haven't thought so, Henry.

H.M.Jr: Well, I didn't either, but I wanted to know what you thought. I thought he's been smart.

J: I thought he had. Now I don't think you make anything when you run the other fellow down.

H.M.Jr: Right. I thought he'd been smart, but there were people at the house the other night who thought he'd been too gentle.

J: Well, I don't think so at all. I think his speeches have been - well, I wouldn't know how to judge them - to write them if I had the ability, any better because I think that this Philadelphia and the Madison Square Garden and the Boston speech were all excellent speeches. I think they got a tremendous amount of votes - I think they turned the tide and I was thinking of trying - what I had in mind was something that he might

H.M.Jr: Pop out

J: say about business. But of course there's nothing dramatic about business.

H.M.Jr: Well, the only thing dramatic are the 9-months' earnings.

J: Well, that's right.

H.M.Jr: God, they're dramatic enough.

J: (Aside, make a note of that will you) I'm working on a speech right now.

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H.M.Jr: Well, the 9-months' earnings

J: The 9-months' earnings - that's an awful good point.

H.M.Jr: I mean, because 90% of the corporations have earned more money.

J: In the last nine months.

H.M.Jr: Yeah.

J: Than any time?

H.M.Jr: Well, don't take my word because, I tell you

J: Well, I can get it right here in this Department.

H.M.Jr: You've got it in the Department and the National City monthly bulletin has it.

J: Yeah. Well, I'm here at the Commerce now and I can get it right here.

H.M.Jr: Well, the most dramatic thing are the 9 months earnings.

J: All right. That gives me an idea.

H.M.Jr: Okey doke.

J: Thanks.

650 EIGHTH AVENUE
NEW YORK

November 30, 1940

Dear Henry:

I have delayed answering your note of October 24th until I had more time. The article you referred to in the New York Herald Tribune in substance, though not in form, quoted me correctly. What I actually said was "before I resigned I told my boss the country is in the hands of a lot of incompetents". In order to refresh your memory on this particular statement, I referred to my diary and I am enclosing herewith an excerpt which may serve to recall the incident to your mind. After you have read this particular episode, I find another reference in my diary which serves to confirm the last sentence wherein I said "Henry did not disagree". This was an amusing and witty statement made by you to me in which you said "Johnny, I do not know which is worse, to be on the inside and know how badly the government is run, or to be like the businessman, on the outside and suspect". Can you remember that?

So the New York Herald Tribune quoted me incorrectly as saying that I told you the above at the time I submitted my resignation.

Ironically enough, I was defending you from a mild attack made by a previous speaker. This has always been my policy where you have been concerned, and it will continue to be so. I do not believe you ever had an employee in your department more loyal to you personally. I do not think that you should hold it against me that I did not want a third term. I happen to know that you did not want it any more than I did, but that again is a matter between you and me.

I hope you will stay in the Treasury because I know that if you do, at least one department of government will be run honestly.

Faithfully yours,

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Johnny -

Before leaving the White House the President told Henry and me of a transaction he sponsored while he was in Wall Street. He told of how he had taken a financial Deal to all the first class banking houses in Wall Street without success.

"Finally," he said, "I was forced to go to one of those cheap low grade Jew houses in order to get the proposition financed." I was shocked and so was Henry. When we were just outside the White House Henry turned to me and said "Did you hear what the President said?" I never felt so badly for anyone - and said simply - "Henry, in order to be a Champion one must feel like a Champion in his heart". No further reference was made to the incident - but it cut deeply -.

When we returned to the Treasury I stopped in Henry's office. I was discouraged and said to Henry, "The main trouble is that your country and mine is in the hands of a lot of G-- D-- incompetents." Henry did not disagree.