

Tuesday, August 3, 1926.

Report of the Newspaper Conference.

The Mexican embargo on arms was established by Presidential proclamation in accordance with a law of Congress. It hasn't been changed in any way. In order to be changed it would have to be done by a proclamation made and signed by the President and duly promulgated. There hasn't been any change in it whatever. I don't know whether it includes such a thing as sulphuric acid and airplanes. It all depends on the purposes for which it was thought they were going to be used. If some one would want commercial planes in Mexico that does ^{not} come under the embargo; or if some one wanted sulphuric acid in Mexico, that doesn't come under the embargo. If they wanted planes for military purposes or sulphuric acid for military purposes, those would come under the embargo. But nothing is shipped into Mexico, except under certificate of the Mexican authorities here in this country, that is supposed to be used in any way for military purposes.

Press: Mr. President, these two commodities may so easily be converted into military purposes while ostensibly being intended for commercial purposes.

President: Well, that is for the Mexican Government to look out about and for our people that sign the manifests or whatever it is that they call the consular papers that go with shipments. So far as we know, the arms embargo is being executed in absolute good faith.

My position in relation to limitation of armaments is exactly what

it has been. I have stated it several times in my messages to Congress and in public addresses. I also stated it at a newspaper conference not so very long ago in Washington, - that my desire and the desire of this Government is to do everything we can to make the Geneva Conference succeed and think it would be unfortunate if any action should be taken at the present time looking towards any other conference which might be used in a way that would be detrimental to the success of the Geneva Conference.

I have no information about the reduction that the Federal Farm Loan Board has ordered in interest on loans made at the Federal Farm Loan Bank at Houston, Texas, from $5\frac{1}{2}\%$ to 5% . I don't know whether the Board is considering any other reductions. Those are purely banking and business operations and ought to be left to the banking discretion of the Farm Loan Board. I should feel a great deal of hesitation in undertaking to interfere by suggestion or anything of that kind with the fixing of rates of interest. That would look like a political bank rather than a business and financial bank, and quite naturally those that look after the banking business of the United States, whether it is the Federal Reserve Board or the Farm Loan Board, ought to be free to exercise their best business judgment unimpeded by outside influences. Of course it goes without saying that the rate of interest ought to be such as will pay for the service rendered. These banks are financed by bonds that are issued carrying a definite rate of interest. I think most of them pay $4\frac{1}{4}\%$. The banks should have enough income to meet that interest and meet such

incidental losses as always occur in banking interest and pay the expenses of operation. With that as a foundation of course it is realized that it will be to the advantage of the farm interest to secure loans at as low a rate of interest as possible, the farming and agricultural interests that are served by these banks, and it is to their advantage to have such a rate of interest as will keep the banks in sound position and pay for the expense of the service and continue them as successful going concerns.

There is no foundation for the suggestion that I have sent any cablegram to Mr. Mellon. I stated exactly what his purpose was in going to Europe at the last conference and the last one before that.

I have appointed Proctor L. Dougherty to succeed Mr. Fenning.

I am expecting to leave for Plymouth in the morning, going by train. for the accommodation of the newspaper men, unless they publish it, and if they publish it I am going by automobile.

Press: But we can publish the fact that you are going.

President: Yes, you can publish the fact that I am going to start for Plymouth tomorrow.

Press: You don't want anything said about how you are going, whether by train or automobile?

President: No. Of course it isn't decided yet. If you publish that I am going by train I will leave by automobile.

I expect to talk with Mr. Firestone about the business situation.

They are large dealers in rubber and are interested in starting rubber production. I want to find out from him what progress they are making in that direction.

This is the fourth anniversary of my being President. The country has made a great deal of progress in the past three years. It hasn't been so noisy as it has at some other times, but judging from the general condition of the country it has been fairly successful.

Three years ago the German reparations problem had not been solved. The French still occupied the Ruhr. That question has been taken care of.

Our own problems were those that arose as a result of the war. Of course after the cessation of hostilities and during the almost five year period from November, 1918, until August, 1913 (should be 1923) the questions became almost entirely, so far as our country was concerned, economic. We had our great war debt, which has been steadily reduced. We had high taxes, which have been reduced by two acts of Congress. And we had the question of keeping Government expenditures as low as possible. Those questions have been met very successfully.

The business of the country for the past three years has been, I should say, on the whole, better than any other three years. Of course there was a very large business during the war, but it was a business that was paid for by using up the capital of the country. The business of the past three years has been paid for in the ordinary business way, out of its earnings. We have been gradually recovering from the depression, and to a considerable extent,

due to the reductions in taxes, there has been a decline in commodity prices. They don't stand so low now as they did in the middle of the deflationary period, but they are considerably lower than they were three years ago, which means that the people are able to purchase the same amount of commodities at a less expenditure of money, and this notwithstanding the fact that wages have not decreased, but on the whole, so far as there has been a change, wages would show a trifle of an increase over what they were three years ago.

There are some parts of the West where a full recovery has not yet been made. Mr. Ford told me that in North Dakota and in Nebraska business showed some falling off due to crop failures on account of lack of rainfall. Last year there was a considerable crop failure in Nebraska, and this year in parts of that State and in the Dakotas there has been dry weather, so that they have suffered from failure of crops. The textile industry has not been very good for the past few months, but it has been showing signs of a recovery, especially during the month of July. The metal industries and the automobile industry apparently are first-rate. The railroads of the country are doing a larger business than they ever did before and are practically all recovered and on their way to recovery from the strain they underwent during the war. They are a very large purchasing power when they are prosperous and able to finance themselves and put in the improvements and the extensions that are all the time required for the purpose of meeting an increasing business, and it goes a long way toward

making all the business of the country productive and prosperous.

We hadn't resumed relations with Mexico, so far as sending an Ambassador there three years ago. Judge Payne and Charles B. Warren were in Mexico as Commissioners working out a plan for an adjustment of claims and for a recognition of the Mexican Government, which took place after I became President, and Mr. Warren returned there as our first Ambassador. We have adopted such legislation as the new immigration law, the Railroad Labor law, I have mentioned the two tax bills, they were important, we have ratified a great many treaties, the Senate has voted to adhere to the protocol of the Court of International Justice, and a great deal of other legislation that I can't recall offhand. Perhaps you gentlemen will recall some that I haven't. But the main thing is the general result, which has left the country in a flourishing and prosperous condition.

Press: Did you mention war debts, Mr. President?

President: No. The war debts have been settled. That of course is a very outstanding feature of the last three years. Those are the greatest international financial transactions that were ever entered into between different nations.

I feel that we are making some progress towards further agreements for limitation of armaments. We negotiated a treaty concerning the sale of arms. That doesn't change the present treaties, so far as we are concerned, that were entered into at the Washington Arms Conference, but very

slightly. There are some changes, but they are practically the same thing that was entered into there in their main outline.

As I was about to say, a Government can't always secure the prosperity of the country. The best it can do is to create conditions under which the country will be prosperous if it adheres to sound business practices. I think that has been especially characteristic of the past three years; the caution and wisdom on the part of the business interests of the country in not becoming involved in overextension, in manufacturing a lot of goods without first knowing where they were going to secure a market, and in not borrowing a lot of money, but rather attempting to finance their own needs themselves. That has left the country in a condition that is basically sound.

There was a reaction in the prices of securities last winter that was entirely healthy and on the whole, I believe, beneficial. The recession in prices that took place at that time has been very largely made up in the last six or eight weeks. Levels on the whole are not quite so high as they were last winter. But that is not a matter that affects very much the sound business condition of the country.

Movements of freight are very large and the output of our manufacturing establishments taken as a whole is large.

I wouldn't want to be understood as indicating that the economic and material prosperity of the country is the only thing that ought to be

considered, but it is so necessary to a consideration of other things that it is a fundamental consideration. We are not able to make much progress in other directions, unless we have sound business conditions. I feel that in addition to our material prosperity we are making progress in educational ways and in the general moral standards of the country. We have been troubled by some crimes of violence, but I think that has not been so large as that which has been inflicted upon the country in the succeeding period that has followed other times of war. Nor do I mean that we are in such perfect condition that we don't need to do anything more. There are a great many more things that we ought to do, and it is going to be necessary to put a good deal of effort into maintaining our present position.