

Mem of Talk with Secretary Hoover Sept. 5, 1924

Mr. Hoover arrives at the door, having found me without whistling up. Comes alone, evidently thinks that it must be something worth his while or I would not have asked him, which pleases me very much. Have a pleasant talk about the substantial work that the Unemployment Conference has done - told him I particularly like his last report on "Seasonal Operations in the Construction Industries."

I launch forth finally by telling him that I have a confession to make. He looks a little startled. I begin by telling him that he probably doesn't remember my visit to him in May of 1922. I called to talk about the Unemployment Conference and said before I left that I did not like the oil leases and that he said rather laughingly, "I wrote the contract." I asked him how he justified not opening the leases to the public and he said he said, "I don't think it justified - think it was very wrong." Told him I had an idea of writing something for Collier's, that Mr. Phillips, who at that time was advisory editor there, had spoken to me about it, but that I dropped it, thinking that if he (H) was in it I didn't want to take it up. Gave this to Mr. P as a reason for not doing anything at the time. Forgot the matter. In June, during the Republican convention, when Hoover's name was up as a candidate for nominee as vice-president a World reporter dropped in. Began by saying "We understand that Mr. Hoover told you he wrote the contracts for the oil leases." I parried by saying that I had not seen Mr. H for over two years and that the oil scandal had only recently come up. Got him out. Later he called up saying "If we publish the story will you deny it?" I said I thought I would. Thinking it over was afraid if

he put it to the test I might not, so called up Beazell, managing editor, and asked him where he got any such story. He said that Boby Kirby told him and that JSP had told Kirby. I then told B the interview exactly as I remembered it, said I believed it was capable of explanation which would entirely exonerate Mr H and that in any case he was so great an asset to the country that I considered it disloyal and outrageous to mix him in the scandal, that what I surmized had happened was that the leases had been prepared and brought to him, to safeguard the government interests as well as he and his Department could. Extracted a promise from B that he would not publish anything without notifying me ahead so that I might go to Washington and see Mr. H.

As Mr H was not the vice-presidential nominee the World had no use for the story, but I continued to be anxious, and in July dropped him a note saying that I wanted to see him on a matter which I thought he ought to know, though he might think I was mistaken when I told him what it was. His confidential secretary wrote me that he was in the West and would not return until the first of this month. Received a note from him on his return saying he was to be in New York the morning of Sept. 5 and would arrange to see me. His secretary telegraphed he would call here.

I told him that I felt he ought to know all that I knew about the matter so that if it should come up he would be ready for it, also that I would like to be able to go to Beazell and give him the facts that I of course believe he had that would spike the story there.

Mr H said, "Well, I will tell you exactly all that I had to do in oil at that time. I knew nothing of what Fall was doing, the matter never came before the cabinet. Nobody was more surprised than I when the leases were made public. ⁽⁷⁾ Several days before the Teapot Dome leases were signed a body of oil men came to me, saying

there were rumors that Teapot Dome was to be leased and wanting to know if that were true. I told them the administration had no idea of such a thing. Then the leases came out.

"The only thing that I could have referred to in talking to you was the Honolulu lease as that was the only one I ever had anything to do with. The Honolulu Oil Co. ten years before the California Naval Reserves were withdrawn had taken a claim on one of them (probably #2 - look this up) This was taken under the old mineral law. They developed their claim. It was profitable. When the naval leases were withdrawn Lane thought that they should be given a patent. Wilson refused." (H says that he did it for political reasons though what they were I don't quite understand) Lane was very sore over this, talked to H about it.

H says that when he came into office the Honolulu people came to him and he negotiated a lease - I suppose through the Departments of the Interior and the Navy - giving them a right to develop their territory on the basis of a royalty to the government of 35 to 40% of the oil. He said he thought he had done a fine thing for the government as well as acting justly by the oil company. Says that this Honolulu claim will come up in the next investigation and that probably the fact that he negotiated the lease will be known, that it is the only lease he ever had anything to do with, and that is what he had in mind when he talked with me and thought that was what I had in mind for at that time the Doheny and Sinclair leases were hardly known. (This call must have been on May 4, 5, or 6 as the mem of my visit to Woodrow Wilson is dated May 5, 1922. See whether the public had had any wind on that date of the Fall leases which were signed April 22. Don't know when they were first made public - consult

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newspapers.)

He says that he thinks what is going to happen now will be that the Honolulu gets its patent and the government loses its royalty lease. He says in the course of the conversation that Fall did exactly what he pleased with the Reserves. (Fall's testimony shows that he got the power to do this within three or four months after the inauguration. See letters of this date to Doheny)

Hoover speaks with great severity of the whole business, says he thinks it is one of the worst things that has happened in the course of the history of the government because it has so undermined public faith. What seems to have happened in our conversation was that when I asked him the question I had one thing in mind and he had another thing in mind, that is, the only lease with which he had anything to do.

He says it is easy for him to prove in caase the thing comes up that he had nothing whatever to do with the drawing of the Doheny and Sinclair leases, says that the contracts were made by officials in the Interior and Navy Departments and were done by Fall's orders. Probably Doheny and Fall and Sinclair and Fall agreed on the bones of the contract or lease. It is certain that Sinclair's lawyers had much to do with his leases. H says "I can easily get statements from both Departments saying that they were never submitted to the Department of Commerce" and he adds, "I will see that that is done when I get back to Washington."

He says that in all this matter it is very hard to be just, that a case that has come up in the course of the investigation by the Department of these oil leases that probably will come up in the final trial, where he fears real injustice is going to be done to an honorable body of men. It seems that a group of California orange growers developed as a side issue an oil field a few years ago. Among their enterprises was the Pacific

Oil Company, which had leases and drilled all around 140 acres of naval reserve. The Navy finding that this tract was being drained, wanted it developed and asked this company which I think he called the Bayridge (not sure) to drill it for them. He says he has two telegrams to prove this request. The company didn't want to do it, felt that it had always been stung when it had had anything to do with the government, but finally it consented on a plea that it would be a patriotic service.

They put down some 75 wells. In the investigation of the naval reserves now going on, they have been haled into court and indicted. They are properly indignant and say all they want is that the government will take back these leases which it had in the first place begged them to take and which they had reluctantly consented to take and into which they have put now about \$175,000. All they want is to be let off and their money returned; but he thinks that the probability is that they will come out stung.

I remarked that the end of government prosecutions is not, as a rule, justice but punishment, and that they do not follow the spirit of the law in regarding everyone concerned as innocent until they are proved guilty but start out on the supposition that everybody concerned is guilty and must prove his innocence. He says, despondently, that that is the way it works.

He speaks of extreme public opinion which insists that everyone is all black or all white, while he says, as a matter of fact, nothing is either all black or all white - everything is grey.

Hoover says, "Of course I would dislike very much to be connected with this oil scandal, and I cannot justly be,

Asks that I see the different ones who know of the matter and explain it, while he will get together the necessary documents to show if it ever comes to the top that he never had anything to do with it. Says that his name came very near going in in the course of the recent investigation, says that a certain Senator came to him and says, 'We are informed that you have oil stocks.' He answered, 'I have just about the same oil stocks that you have, Senator.' He said, 'I haven't any but my wife has, and she don't think I know it.' "Well, I have a 500 and a 1000 bond, twenty years old and of no earthly good."

Speaks of LaFollette's pleasure in believing the worst of anybody - says he lies - has been lying about his connection with the sugar tariff, saying that the reason H approved a higher tariff on sugar was that he wanted to serve the sugar trust. H claims that he wanted to keep the American people out of the hands of the sugar trust, that they own everything in Cuba and that unless we can build up here an independent and powerful sugar interest that the Cuban sugar can command our market and its prices and that the only way is to make it hard for them to get in here. I don't think I agree with him but I see his point.

We agree that LaFollette has no interesting in facts - is a great lover of clap-trap.

He says there is retribution in the oil lease matters, that the Sinclair interests are getting only a small production from Teapot Dome and that, in his judgment, it has been thoroughly tested out. Says that Sinclair took the lease in his own name and sold it to the Mammoth Oil Company and got five or six million dollars profit, thinks that he may lose everything he has finally.

In connection with this he spoke of the manipulation

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of Mammoth oil stock, in the course of which Sinclair probably made a great deal of money.

H says "There is one oil matter in which I took a part which nobody has noticed, which I should think is something you might like to work out." He speaks of the time when he called the oil men together (1921) and told them there was danger of production falling below our needs, and that they should be getting into foreign fields such as Venezuela, Peru, Bolivia. Says they told him it was too uncertain, they would be tied up for many years. He told them it was their duty to the country, that they were taking out oil in great quantities and they must preserve in some way the supply of the country in the way that foreigners are doing. His opinion seems to be that if our supply gets very low the prices will rise enormously, and that then the companies like the Standard that control the big supplies will make such enormous profits that it will be necessary to do something drastic. It is an interesting view. It might force on the government the taking over of the oil lands though he doesn't ^{say} ~~think~~ so.

I say that I hope that he doesn't feel that I have troubled him unnecessarily. He says, "I think it was fine of you to tell me all this and I am very grateful." I told him that it all came up in the way of editorial talk and it was not mere gossip, or any intent to gossip, and that everybody, so far as I knew that knows anything of this was loth to say anything about it lest they might injure a man that they felt was of great value to the country.