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**Franklin D. Roosevelt — “The Great Communicator”**  
**The Master Speech Files, 1898, 1910-1945**

**Series 1: Franklin D. Roosevelt’s Political Ascension**

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**File No. 358**

**1930 January 16**

**New York City, NY - Bond Club Luncheon**

At Luncheon Meeting of Bond Club, New York City, January  
16, 1930,

### Financing the Operations of State Government

I have had a number of surprises come into my life in the past two or three days in Albany, and have had very little time either to prepare a speech or to think about what I am to say. As I was walking to the dining room to get a somewhat belated lunch, I said to my friend, "What shall I speak about?" He said, "It doesn't make any difference, they are nearly all of them friends of yours." Hence, I am not going to make a speech. I just want to talk to you in friendly fashion.

I take this opportunity of talking about the State Budget, very briefly and very simply, because this is probably the most appropriate body in the State of New York before which to discuss the budget. It is perfectly true, as Mr. Davis has said, that business men are not interested in politics, but I find more and more that business men are taking a very proper interest in politics. I remember not four or five years ago—about 1910—the Governor of the State at that time, now deceased, told me that one of our most distinguished lawyers in New York, Mr. Hughes, had said that one of the difficulties of his position was the increasing interest on the part of the Governor to find business men who would take their business, even temporarily, to take State jobs. For the last ten years, however, there has been an increasing tendency on the part of business men to help the Governor of the State. Their willingness to respond to the requests of the Governor has been increasing. It is interesting to note and it is an interesting fact that in trying to appoint committees such as the Committee on the Banking Laws, Committee on the Development of Saratoga as a health resort, and other positions of great importance in the State, that I have yet to be told by a business man that he "can't serve." They have always come forward and it is a mighty big corporation known as

We have always come forward and it is a mighty step forward. The corporation known as the State of New York, and give you the reasons why the corporation has grown. It is a healthy corporation, if you judge it by its annual expenditure. I think that the corporation if you judge it by its bonded debt. Back in times of 60 years ago when I first went to Albany, the appropriations of the State were about \$55,000,000 when I first went to Albany, the appropriations of the State were about \$55,000,000 a year. Today, 19 years later, the appropriations of the State will run about \$310,000,000, nearly ten times as much as we had at that time. Now, do you want people to think about this, to find out whether or not we are on the right track or not. This is an interesting problem. We have increased our population, all we know that the population of the State has increased. But it has not increased tenfold in the last 19 or 20 years, the State has increased about 25 per cent, or thereabouts. That is all right. But what has happened? It has gone up perhaps 25 or 30 per cent, and that is all right. Now, the reason is that the State is going into business, whether we like it or not. In the old days we were being forced into business by necessity, but now we choose to do so. Now, we are being forced into business by many other unfortunate insanes in our midst today. We would put up a building, and we would carelessly forget them. There were places where they were placed, and they were forgotten. They were placed in the State, and they were not even given all of the insane in the State. People of thousands of them, hundreds of them, thousands of them, that were scattered around in the various communities, hidden away in back-rooms and attics. There were mentally deficient children all over the State, for whom no place had been built sixty and seventy years before, with small wide steel cells—and even twenty years ago we had them, and they were all right. We still have those accommodations. I am not saying that this is one illustration, and it has only been in the last ten years that we have been growing feeling on the part of modern civilization that we are not handling the wards of the State rightly. I do not include the wards of the 60,000 or 70,000 wards of the State rightly. I do not include the wards of the various counties who are wards of the State alone, and this same modern civilization has made us revise our whole plan of handling them. We are not in the case of the insane for example, constantly making such improvements in the study of psychiatry that we are curing people who even twenty years ago

would have been pronounced incurable. In fact, the ratio of improvement has constantly arisen, so that today we are curing somewhere between 20 and 22 per cent of those unfortunate fellow citizens of ours who have mental derangements. In the same way, we are taking care of somewhere between 6000 and 8000 boys and girls who are what you and I would call in modern jargon "morons". Twenty years ago they would have been morons, all of them, although they would have been a charge on the community; and now the State is taking them and sending out somewhere around 80 per cent of them, which is a pretty high average, as useful citizens, citizens who can earn their own livelihood, and live their own lives, instead of being permanent charges on the State.

In the same way with the prisons. We are just scratching the surface there. We haven't gone very far, but we are looking towards the ideal day when, of the 94 per cent of prisoners who now come back into our hands, the very great majority of them under a better system, will be law-abiding citizens, and go straight all the rest of their lives.

Then there are other reasons. The State has gone into things that did not exist twenty years ago as State problems, for instance, highways. Twenty years ago the automobile was a brand new thing, that few people had. At that time we had a plan, a magnificent plan, to cost ten or fifteen million dollars, to build two or three main through highways from New York to Buffalo, from Albany to Montreal, and there wasn't as much reason for going to Montreal then as there is today. Today it is not just the main highways that are concrete. Every farmer on a back road is asking for concrete past his door and it may interest you to know that at the past session of the Legislature a year ago, this State took its place at the side of the other 47 states in the Union. We were the last state to adopt the gasoline tax, and we put on a tax, as you know, of two cents a gallon, which is just about the lowest of any state and at the same time we adopted what I believe to be a sound financial policy in regard to the highways of the State. We have a gentleman's agreement, which I have insisted upon, and shall insist upon, that all money received from motorists in the form of gas taxes and in the form of license taxes shall be, as a matter of honor, spent on the roads of the State, every penny of it. The result is that this year, from those two taxes, we expect to receive \$52,000,000 for improving the highways of the State. If that policy can be retained, if politics does not enter into it, if we try to be fair to the cities, to the villages and to the country districts, and keep up that policy for a matter of 10 or 15 or 20 years to come, this State will have by that time the finest system of roads of any state in the Union.

Then there is another reason why the expenditures of the State have gone up. About eight years ago, we decided that it was a fair proposition to extend a larger measure of State aid to education. Ten years ago the State was extending State aid to the tune of \$10,000,000, and as a result of recommendations made by a committee of business men, headed by Colonel Friedsam, the Legislature passed a very simple law, extending State aid, especially to the poorer school districts throughout the State, on the theory that the boy or girl who happens to have been born, happens to be brought up in an out-of-the-way, poor town, has the same right to a first class, modern education, as the boy or the girl who is born and brought up in a city, with the latest educational advantages. And so, as a result of that law, the aid to education in this state has gone up, until this year it has reached a total of nearly \$100,000,000. In other words, nearly one-third of all the expenditures of the State Government are going as aids to education. Well, perhaps it is not the right policy, but it seems to be in line with modern thought, and I do not believe that there is anybody yet in this State who can suggest any alternative—any adequate alternative to the extension of this State aid to education. This sum of nearly \$100,000,000 will continue. It will be increased next year by \$10,000,000 and the following year by \$10,000,000, and from that time on we shall be on a permanent basis, such as was outlined by this business men's committee six or seven years ago, and from then on the expenditures for education by the State will remain fairly constant.

These are some of the items which make up this increase about which I have been talking. Now, let us come down to the financial structure, and the needs for the future. Probably, and I hope that I am right in saying probably, within the next year some of you gentlemen shall have the privilege of bidding for a very large issue of State bonds, and I hope that you will sharpen your pencils before you make the bid. The reason is a very simple one. The State during this current financial year is spending about \$265,000,000, and we are asking the following year for \$310,000,000, an increase of about \$45,000,000. The reason for that is very simple. For the first time this year we have put the budget on what I call a layman's basis. In other words, the budget up to this time could have been understood by a bond man, but by very few other people in the State of New York. This increase of 45,000,000 or 46,000,000 is made up in this way: First of all, there is submitted to the people for their enlightenment the interesting fact that to run the same kind of a government next year that we are running this year, we are making savings in actual operating figures of \$2,700,000. That is the first item. That is a direct comparison between what we are doing this year and the same thing carried over into the following fiscal year. As against that decrease in actual operations of the following fiscal year, there are two very large increases. The first of them is made up of certain statutory things, like this additional ten millions for education and additional five millions to bond service—debt service—and the rest made up of necessary increases, because there are more wards of the State; because there are more insane; because there are more prisoners; because it takes more food and clothing for them and more people to take care of them. These increases add about \$10,000,000, with the result that there are total net increases—in what might be called branching out into new lines of business or extending the old lines to meet the growth of the corporation—of about \$25,000,000 or \$26,000,000. The rest of the increase is made up in increased construction. Albany has tried to follow the suggestion of the President that this was a good time to do all the construction work that we possibly could, and so this year we propose to spend \$22,000,000 on State construction of various kinds more than we spent in 1929. In other words, a total of \$94,000,000 construction as against \$72,000,000 of construction this year, which I think is not only a high percentage of increase, but is a very reasonable answer to make to the suggestions of the federal government that we should do all we possibly can to speed up business.

Now, about the future. How do we pay for all of this extra \$46,000,000? We are able to pay for it out of current revenues this year, although we ought not to pay for it out of current revenues, as I will explain in a minute.

On the first of July next, we expect to have a \$60,000,000 surplus in the State treasury. In making this expenditure of \$310,000,000 for the following year, we will use up the current revenues and \$50,000,000 of the \$60,000,000 surplus, so that at the end of another year we will only have \$10,000,000 surplus in the treasury. That is wrong, and the reason for it is a very simple one. Unfortunately, some people are willing to play politics with State finances. I cannot help admitting that I have a little of a feeling that if I want to get something through the Legislature, the easiest way of going about it is to recommend the exact opposite of what I want. A year ago, I called it in to recommend that the Legislature, who are not bond men, or accountants or business men to the fact that we would have this year a mighty fine surplus, but we would have to spend practically all of it unless they authorized a bond issue. When I said that to them, they said, "Oh, well, you want that; we won't give it to you." That was practically the only reason for a refusal, because any common-sense business man would have realized that by getting this bond issue approved by the people last Autumn, instead of spending \$30,000,000 or \$40,000,000 for these new buildings, and taken perhaps \$10,000,000 out of the current surplus, leaving us still looking ahead to a fine surplus the following year. That has gone by the board. Now, why not pay as you go? Al Smith used the catch phrase, "They don't pay and they don't go."

Now, the reason is this: In the first place, bond money would be used to put up buildings that would last at least 75 or 100 years; modern, fireproof structures, new insane asylums, new prisons, new normal schools, and the like, buildings that would have a life of at least 75 to 100 years; and it has always seemed fair to me that the State should do what a great corporation would do; in other words, try to spread a portion of that new capital over a period of years, instead of trying to pay for it out of current earnings. It is sound financially and it is sound economically, and then the other reason: If we had had a bond issue last year, we would have been in the position this year, during this current Legislature, at least to have considered the possibility of some slight reduction in the income tax, on the same basis as the reduction that has been given by the Federal Government. In other words, we would have had a surplus of probably \$40,000,000 or \$50,000,000 at the end of the next financial year, and we would have been in a position to give fair consideration to the reduction of some form of state tax. That has gone by the board. Now, what is the answer? We have made our mistake; we can't rectify it; the year has gone by, and so we must face the future as it is, as practical business men. We are to spend this year somewhere around \$310,000,000 or \$315,000,000. How can we save next year? You will read in the papers that this is the largest increase that has ever taken place, and rightly. Now, let the fellows who are kicking about the increase tell us where we can save. We are willing to be shown. Shall we take it out of education, the \$100,000,000 going there; shall we take it out of highways, the \$52,000,000 that are going there; shall we take it out of new construction of buildings, \$94,000,000, and allow the patients and the prisoners to sleep and live under the same conditions that they are sleeping under and living under now? I don't think so. How can we save money; that is the problem, and the simple answer is that we can't, unless we put the state out of certain occupations, certain operations which we are now conducting. We face a perfectly definite financial picture. Next year the running of the kind of government that we are running today will go on. We may make again a slight saving because of better administration. This year we are making a saving of \$2,700,000 in the consolidation of jobs, in the elimination of unnecessary overhead and various other ways. Next year we may make a saving again of \$1,000,000 or \$2,000,000 but we will be faced with additional sums to spend, because there are more people in the state; there are more prisoners, there are more insane; there are more feeble-minded children; there are more crippled children, and the State, unless it changes its policy, has to take care of the increase each year. In the same way, there will be increases in education and various other lines. Now, that leaves us squarely up against the problem a year from now of running a government that will cost somewhere around \$325,000,000, and only having current revenues of about \$260,000,000 or \$270,000,000 to meet the bills. The bills have to be met, but out of that \$325,000,000, call it, for the following year, there will be at least \$50,000,000 of construction put into bricks, mortar and steel that will last 75 or 100 years. We might just as well admit now that the problem of government can only be solved in one legitimate business way, and that is for the State to bond itself. And let me say that although this state is the largest State in population, far the largest State in wealth, and one of the larger states in territory, that the state debt on a per capita basis is exceeded by three-quarters of the other states of the Union. We have a very low State Debt for a commonwealth of this size, a total of approximately \$200,000,000, which for this State is, frankly, a drop in the bucket.

Now, the water has gone over the dam for one year and unless we take action this year and get the Legislature to pass an act for a bond issue, which must be submitted to the voters next Fall before it is valid, before we can issue the bonds under it; unless the Legislature does that, we will be forced to face a year from now the imposition of either new taxes or heavier existing taxes, or else cut out some of the work of the State. It is a very simple picture and that is why I am presenting the picture to you in the simplest kind of terms, because I need your help. If we could have from the business men of the State on great financial problems of this kind the intelligent interest and support that we ought to get, I am very confident that the State's finances would

be in better shape today than they actually are. The State is solvent. We will have a surplus, but in looking not one year but two years and five years and ten years ahead, we have got to have a State financial policy that is sound, and we cannot get it unless we get the intelligent interest of the business men of the Nation. I am quite sure that you all recognize the need for that interest. If we had had it in the past, the question of financial policy would not have been mixed up with partisan politics. We could very easily come to some kind of an agreement, and all I can say is that there will be many future governors and many future legislatures. The problems of running the government are very much the same as the problems of running any great corporation. We have our so-called departments that correspond to similar subdivisions of the larger corporations in this country. We have on the whole very, very fine heads of departments. It is difficult, quite frankly, to get men to give up salaries of forty and fifty and a hundred thousand dollars a year and come to Albany to take a position that pays twelve thousand a year and nothing on the side. But as I said before, people are more and more willing to come to the State service for the price that the State pays. There are in the State service men at the top, who are giving up, by staying with the State, salaries two and three and four times more on the outside than what they are getting in the State service; their spirit is excellent; there is a fine esprit de corps in the State service, and I think that the overhead of the State corporation is being kept down to normal standard. We cannot, in times of stress, in times of slowing up of general business—we cannot, in Albany, slow up the State corporation in the same way that you can slow up the expenditures of a railroad, a steel corporation, or any other line of business activity. We still have the same work to do, whether the country is going full steam ahead or not, and so I ask very simply of you, my friends, to take an increased interest in the corporation in which you hold stock, because you hold, every one of you, a lot of stock in the State of New York. It is a stock which is paying good dividends, in my judgment. It is a stock of a corporation that has a fine financial standing. Even in the great crisis which we had a few months ago, as you know, the bonds of the State of New York were sold on a better basis at that particular time than my friend Mr. Mellon was able to get for his bonds, and I was quite proud of it. So I ask for your interest and your cooperation. I ask you to study the figures of this corporation of yours, in order that you may continue to get a return in dividends, of service, of satisfaction, and the proper conduct of your affairs in the years to come.

At Luncheon Meeting of Bond Club, New York City  
January 16, 1930  
Financing the Operations of State Government

I have had a number of surprises come into my life in the past two or three days in Albany, and have had very little time either to prepare a speech or think about what I am to say. As I was walking into the dining room to get a somewhat belated lunch, I said to my son-in-law, "What shall I speak about?" He said, "It doesn't make any difference; they are nearly all of them friends of yours." Hence, I am not going to make a speech. I just want to talk to you in friendly fashion.

I take this opportunity of talking about the State Budget, very briefly and very simply, because this is probably the most appropriate body in the State of New York before which to discuss the budget. It is perfectly true, as Mr. Davis has said, that there is a tendency on the part of some people to say that business men are not interested in politics, but I find more and more that business men are taking a very proper interest in politics. I remember many years ago —about 1910— the Governor of the State at that time, now one of our most distinguished lawyers in New York, Mr. Hughes, said to me that one of the difficulties of his position was the inability on the part of the Governor to find business men who would give up their business, even temporarily, to take State jobs. For the last few years, however, there has been an increasing willingness on the part of business men to help the Governor of the State. They are responding; and it is an interesting fact that in trying to appoint committees, such as the Committee on the Banking Laws, Committee on the Development of Saratoga as a health resort, and other positions of great importance in the State, that I have yet to be told by a business man, "No, I can't serve." They have always come forward and it is a mighty hopeful sign.

I want to talk to you briefly about a corporation, the corporation known as the State of New York; and give you some of the reasons why the corporation has grown. It is a healthy corporation, if you judge it by its annual expenditures. It is a healthy corporation if you judge it by its bonded debt. Back in 1911, when I first went to Albany, the appropriations of the State were about \$35,000,000 a year. To-day, 19 years later, the appropriations of the State will run about \$310,000,000, nearly ten times as much in 19 years. I want people to think about this, to find out whether we are on the right track or not. This is an interesting problem. First of all, we all know that the population of the State has increased, but it has not

increased tenfold in the last 19 or 20 years, nothing like it. It has gone up perhaps 25 or 30 per cent, and that is all. Now, the reason is that the State is going into business, whether we like it or not. We are being forced into business by modern civilization. In the old days we would put up a building, and the unfortunate insane in our midst were placed in that building. They were then and thereafter forgotten by the people of the State. We did not even cover all of the insane in the State. There were hundreds of them, thousands of them, that were scattered around in the various communities, hidden away in back rooms and attics. There were mentally deficient children all over the State, for whom the State did nothing in those days. There were prisons in those days that had been built sixty and seventy years before, with cells in them that were 6 feet 6 inches long, 7 feet headroom, and 30 inches wide—steel cells—and even twenty years ago we thought that was all right. We still have those accommodations. I am just using this as one illustration, and it has only been in the last ten years that there has been a growing feeling on the part of modern civilization that we are not handling the wards of the State rightly. We have somewhere around 60,000 or 70,000 wards of the State. That does not include the wards of the various counties and various cities and other communities. There are about 60,000 people who are wards of the State alone, and this same modern civilization has made us revise our whole plan of handling them. We are now, in the case of the insane for example, constantly making such improvements in the study of psychiatry that we are curing people who even twenty years ago would have been pronounced incurable. In fact, the ratio of improvement has constantly arisen, so that today we are curing somewhere between 20 and 22 per cent of those unfortunate fellow citizens of ours who have mental derangements. In the same way, we are taking care of somewhere between 6000 and 8000 boys and girls who are what you and I would call in modern jargon "morons". Twenty years ago they would have been morons, all of them, although they would have been a charge on the community; and now the State is taking them and sending out somewhere around 80 per cent of them, which is a pretty high average, as useful citizens, citizens who can earn their own livelihood, and live their own lives, instead of being permanent charges on the State.

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94 per cent of prisoners who now come back into our hands, the very great majority of them under a better system, will be law-abiding citizens, and go straight all the rest of their lives.

Then there are other reasons. The State has gone into things that did not exist twenty years ago as State problems, for instance, highways. Twenty years ago the automobile was a brand new thing, that few people had. At that time we had a plan, a magnificent plan, to cost ten or fifteen million dollars, to build two or three main through highways from New York to Buffalo, from Albany to Montreal, and there wasn't as much reason for going to Montreal then as there is today. Today it is not just the main highways that are concrete. Every farmer on a back road is asking for concrete past his door and it may interest you to know that at the past session of the Legislature a year ago, this State took its place at the side of the other 47 states in the Union. We were the last state to adopt the gasoline tax, and we put on a tax, as you know, of two cents a gallon, which is just about the lowest of any state and at the same time we adopted what I believe to be a sound financial policy in regard to the highways of the State. We have a gentleman's agreement, which I have insisted upon, and shall insist upon, that all money received from motorists in the form of gas taxes and in the form of license taxes shall be, as a matter of honor, spent on the roads of the State, every penny of it. The result is that this year, from those two taxes, we expect to receive \$52,000,000 for improving the highways of the State. If that policy can be retained, if politics does not enter into it, if we try to be fair to the cities, to the villages and to the country districts, and keep up that policy for a matter of 10 or 15 or 20 years to come, this State will have by that time the finest system of roads of any state in the Union.

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These are some of the items which make up this increase about which I have been talking. Now, let us come down to the financial structure, and the needs for the future. Probably, and I hope that I am right in saying probably, within the next year some of you gentlemen shall have the privilege of bidding for a very large issue of State bonds, and I hope that you will sharpen your pencils before you make the bid. The reason is a very simple one. The State during this current financial year is spending about \$265,000,000, and we are asking the following year for \$310,000,000, an increase of about \$45,000,000. The reason for that is very simple. For the first time this year we have put the budget on what I call a layman's basis. In other words, the budget up to this time could have been understood by a bond man, but by very few other people in the State of New York. This increase of 45,000,000 or 46,000,000 is made up in this way: First of all, there is submitted to the people for their enlightenment the interesting fact that to run the same kind of a government next year that we are running this year, we are making savings in actual operating figures of \$2,700,000. That is the first item. That is a direct comparison between what we are doing this year and the same thing carried over into the following fiscal year. As against that decrease in actual operations of the same character, there are two very large increases. The first of them is made up of certain statutory things, like this additional ten millions for education and additional five millions to bond service--

debt service—and the rest made up of necessary increases; because there are more wards of the State; because there are more insane; because there are more prisoners; because it takes more food and clothing for them and more people to take care of them. These increases add about \$10,000,000, with the result that there are total net increases—in what might be called branching out into new lines of business or extending the old lines to meet the growth of the corporation—of about \$25,000,000 or \$26,000,000. The rest of the increase is made up in increased construction. Albany has tried to follow the leadership of Washington. I was in hearty accord at all times with the suggestion of the President that this was a good time to do all the construction work that we possibly could, and so this year we propose to spend \$22,000,000 on State construction of various kinds more than we spent in 1929. In other words, a total of \$94,000,000 construction as against \$72,000,000 of construction this year, which I think is not only a high percentage of increase, but is a very reasonable answer to make to the suggestions of the federal government that we should do all we possibly can to speed up business.

Now, about the future. How do we pay for all of this extra \$46,000,000? We are able to pay for it out of current revenues this year, although we ought not to pay for it out of current revenues, as I will explain in a minute.

On the first of July next, we expect to have a \$60,000,000 surplus in the State treasury. In making this expenditure of \$310,000,000 for the following year, we will use up the current revenues and \$50,000,000 of the \$60,000,000 surplus, so that at the end of another we will only have \$10,000,000 surplus in the treasury. That is wrong; and the reason for it is a very simple one. Unfortunately, some people are willing to play politics with State finances. I cannot help admitting that I have a little of a feeling that if I want to get something through the Legislature, the easiest way of going about it is to recommend the exact opposite of what I want. A year ago, I called the attention of the Legislature, who are not bond men, or accountants or business men to the fact that we would have this year a mighty fine surplus, but we would have to spend practically all of it unless they authorized a bond issue. When I said that to them, they said, "Oh, well, you want that; we won't give it to you." That was practically the only reason for a refusal, because any common-sense business man would have realized that by getting a bond issue

approved by the people last Autumn; instead of spending this \$60,000,000 surplus, we could have issued bonds to the tune of about \$30,000,000 or \$40,000,000 for these new buildings; and taken perhaps \$10,000,000 out of the current surplus, leaving us still looking ahead to a fine surplus the following year. That has gone by the board. Now, why not pay as you go? Al Smith used the catch phrase, "They don't pay and they don't go."

Now, the reason is this: In the first place, bond money would be used to put up buildings that would last at least 75 or 100 years; modern, fireproof structures, new insane asylums, new prisons, new normal schools, and the like, buildings that would have a life of at least 75 or 100 years; and it has always seemed fair to me that the State should do what a great corporation would do; in other words, try to spread a portion of that new capital over a period of years, instead of trying to pay for it out of current earnings. It is sound financially and it is sound economically, and then the other reason: If we had had a bond issue last year, we would have been in the position this year; ~~xxx~~ during this current Legislature, at least to have considered the possibility of some slight reduction in the income tax, on the same basis as the reduction that has been given by the Federal Government. In other words, we would have had a surplus of probably \$40,000,000 or \$50,000,000 at the end of the next financial year; and we would have been in a position to give fair consideration to the reduction of some form of state tax. That has gone by the board. Now, what is the answer? We have made our mistake; we can't rectify it; the year has gone by, and so we must face the future as it is, as practical business men. We are to spend this year somewhere around \$310,000,000 or \$315,000,000. How can we save next year? You will read in the papers that this is the largest increase that has ever taken place, and rightly. Now, let the fellows who are kicking about the increase tell us where we can save. We are willing to be shown. Shall we take it out of education, the \$100,000,000 going there; shall we take it out of highways, the \$52,000,000 that are going there; shall we take it out of new construction of buildings; \$94,000,000, and allow the patients and the prisoners to sleep and live under the same conditions that they are sleeping under and living under now? I don't think so. How can we save money; that is the problem, and the simple answer is that we can't, unless we put the state out of

certain occupations, certain operations which we are now conducting. We face a perfectly definite financial picture. Next year the running of the kind of government that we are running today will go on. We may make again a slight saving because of better administration. This year we are making a saving of \$2,700,000 in the consolidation of jobs, in the elimination of unnecessary overhead and various other ways. Next year we may make a saving again of \$1,000,000 or \$2,000,000 but we will be faced with additional sums to spend, because there are more people in the state; there are more prisoners, there are more insane; there are more feeble-minded children; there are more crippled children, and the State, unless it changes its policy, has to take care of the increase each year. In the same way, there will be increases in education and various other lines. Now, that leaves us squarely up against the problem a year from now of running a government that will cost somewhere around \$325,000,000, and only having current revenues of about \$260,000,000 or \$270,000,000 to meet the bills. The bills have to be met, but out of that \$325,000,000, call it, for the following year, there will be at least \$50,000,000 of construction put into bricks, mortar and steel that will last 75 or 100 years. We might just as well admit now that the problem of government can only be solved in one legitimate business way, and that is for the State to bond itself. And let me say that although this state is the largest State in population, far the largest State in wealth, and one of the larger states in territory, that the state debt on a per capita basis is exceeded by three-quarters of the other states of the Union. We have a very low State Debt for a commonwealth of this size, a total of approximately \$200,000,000, which for this State is, frankly, a drop in the bucket.

Now, the water has gone over the dam for one year and unless we take action this year and get the Legislature to pass an act for a bond issue, which must be submitted to the voters next Fall before it is valid, before we can issue the bonds under it; unless the Legislature does that, we will be forced to face a year from now the imposition of either new taxes or heavier existing taxes, or else cut out some of the work of the State. It is a very simple picture and that is why I am presenting the picture to you in the simplest kind of terms, because I need your help. If we could have from the business men of the State on great financial problems of this kind the intelligent interest and support that we ought to get, I am very confident that the

State's finances would be in better shape today than they actually are. The State is solvent. We will have a surplus; but in looking not one year but two years and five years and ten years ahead, we have got to have a State financial policy that is sound; and we cannot get it unless we get the intelligent interest of the business men of the Nation. I am quite sure that you all recognize the need for that interest. If we had had it in the past, the question of financial policy would not have been mixed up with partisan politics. We could very easily come to some kind of an agreement, and all I can say is that there will be many future governors and many future legislatures. The problems of running the government are very much the same as the problems of running any great corporation. We have our so-called departments that correspond to the similar subdivisions of the larger corporations in this country. We have on the whole very, very fine heads of departments. It is difficult, quite frankly, to get men to give up salaries of forty and fifty and a hundred thousand dollars a year and come to Albany to take a position that pays twelve thousand a year and nothing on the side. But as I said before, people are more and more willing to come to the State service for the price that the State pays. There are in the State service men at the top, who are giving up, by staying with the State, salaries two and three and four times more on the outside than what they are getting in the State service; their spirit is excellent; there is a fine esprit de corps in the State service; and I think that the overhead of the State corporation is being kept down to normal standard. We cannot, in times of stress, in times of slowing up of general business—we cannot, in Albany, slow up the State corporation in the same way that you can slow up the expenditures of a railroad, a steel corporation, or any other line of business activity. We still have the same work to do, whether the country is going full steam ahead or not, and so I ask very simply of you, my friends, to take an increased interest in the corporation in which you hold stock, because you hold, every one of you, a lot of stock in the State of New York. It is a stock which is paying good dividends, in my judgment. It is a stock of a corporation that has a fine financial standing. Even in the great crisis which we had a few months ago, as you know, the bonds of the State of New York were sold on a better basis at that particular time than my friend Mr. Mellon was able to get for his bonds, and I was quite proud of it. So I ask for your interest and your cooperation. I ask you to

study the figures of this corporation of yours, in order that you may continue to get a return in dividends; of service; of satisfaction, and the proper conduct of your affairs in the years to come.

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