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0558

ADDRESS OF GOVERNOR FRANKLIN D. ROOSEVELT
Forbes Field, Pittsburgh, Pennsylvania
October 19, 1932

My friends of Pennsylvania:

It is fitting that I should choose Pittsburgh to sound a solemn note of warning, addressed not only to the Republican leaders, but also to the rank and file of American voters of all parties. There are some prices too high for the country to pay for the propaganda spread abroad in a Presidential election. (Applause)

That, (is true) my friends, is proved when, (as now) at the present time, the Republican campaign management -- people like Henry Ford and General Atterbury of the Pennsylvania Railroad -- when that management instead is guilty of spreading the gospel of fear.

That is true when in a desperate, futile, last-minute effort to dam the tide of popular disapproval that is steadily growing against the Administration, they become alarmists and panic breeders.

This policy of seeking to win by fear of ruin is selfish in its motive, brutal in its method and false in its promise. (Applause) And it is a very silly policy that will be resented as such by men and women of all parties in every section of the (land) country on November eighth. (Applause)

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This is a transcript made by the White House stenographer from his shorthand notes taken at the time the speech was made. Underlining indicates words extemporaneously added to the previously prepared reading copy text. Words in parentheses are words that were omitted when the speech was delivered, though they appear in the previously prepared reading copy text.

My friends of Pennsylvania:

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sound a solemn note of warning, addressed not only to the Republican leaders, but also to the rank and file of American voters of all parties. There are some whose too high for the country to pay for the propaganda spread abroad in

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minute effort to turn the tide of popular disapproval that is steadily growing against the Administration, they become almost fatal and panic stricken.

This policy of seeking to win by fear of ruin is entirely in line with the motive, brutal in its method and false in its promise. (Applause) and it is a very silly policy that will be resented as such by men and women of all parties in every section of the land) passed on November eighth. (Applause)

It is an insult to the intelligence of the American voters to think that (he or she) they can be fooled by shifting the boast of the full dinner pail, made in 1928, to the threat of the continued empty dinner pail in 1932. (Applause)

And, my friends, I assure the badly advised and fear-stricken leaders of the Republican Party not only that the Democrats and those of the rank and file of their own party who are properly dissatisfied with (their) that leadership are still American patriots (applause) and that they still cherish in their hearts, as I do, the safety of the country, the welfare of its people and the continuance of our institutions.

So much, my friends, for (the) this note of warning.

What is the normal and sensible thing to do when your neighbor gets all excited and starts calling you and your (friends) family bad names over the back fence? I take it that nothing is gained by calling (him) your neighbor worse names or by losing (one's) your own temper. As a matter of fact, the peace of the community is best served by sitting down and quietly discussing the problems without raising one's voice. That is why I decline to answer vituperation merely by more vituperation.

Sometime, somewhere in this campaign, I have got to

talk dollars and cents, and it's a terrible thing to ask you people to listen for 45 minutes to the story of the Federal budget, but I am going to ask you to do it -- and I am going talk to you about "dollars and cents" in terms that I think anybody in addition to public accountants can understand.

Now, one of these great problems -- and a very vital one to my family and your family and the whole community -- is the financial problem of making both ends meet. We can understand that and I want to discuss (this problem) that with you tonight. (fully) To do so sincerely I must tell the facts as they are and conceal nothing from you. It is not a pretty picture, but I want to make this point -- if we know (it) that picture and face (it) that picture we have nothing to fear. This country is the richest and most resourceful nation in the world. It can and will meet successfully every problem which it faces, but it can do so only through intelligent leadership working unselfishly for the good of all people and lay the facts on the table. (Applause) And that (it has) we have not had (such) that leadership, my friends, in (its) all financial affairs will become obvious from the (facts) history that I (shall) am going to relate to you tonight.

We all know that our own family credit depends in large part on the stability of the credit of the United

States of America. And here, at least, is one field -- one field in which all business, big business and little business and family business and the individual's business, is at the mercy of our big Government down (in) at Washington, D. C.

(Now, it is undoubtedly true that the mind of the average individual, man and woman, has been unable to keep pace in the past ten or twelve years with the intricacies of Federal financing. In the first place, what used to be analagous to an old-fashioned account book that all the family could understand, has become in Washington a maze of intricate double-entry book-keeping, which only a few highly trained technical expert accountants could possibly understand.)

Now, what I should like to do is to reduce, in so far as possible, the problem of our national finances to the terms of a family budget.

Now, the credit of the family depends chiefly on whether that family is living within its income. And (this) that is (so) equally true of the Nation. If the Nation is living within its income, its credit is good. If, in some crisis, it lives beyond its income for a year or two, it can usually borrow temporarily (on) at reasonable (terms) rates.

But, my friends, if, like a spendthrift, it throws discretion to the winds, and is willing to make no sacrifice at all in spending; if it extends its taxing to the limit of the people's power to pay and continues to pile up deficits, then it is on the road to bankruptcy.

For over two years, my friends, our Federal Government has experienced unprecedented deficits, in spite of increased taxes. (We) You and I must not forget that there are three separate Governmental spending and taxing agencies in the United States -- the national (state and local) in Washington, the State government and the local government. Because the apparent national income seemed to have (spiraled upward) been going up from (about 35 billions a year in 1913 to) the year before the outbreak of the World War -- 1913 -- it seems to be spiraling upward as a national income of the whole country -- from about \$35,000,000,000, from about 19 years ago to about 90 billions (in 1928) four years ago. Because of that perhaps all three of our Governmental units became reckless and the total spending in all three classes, national, state and local, rose in the same period, from (about) three billions to nearly thirteen billions, or from 8 1/2% (of income) to 14 1/2% of the income.

(But even then we did not greatly worry. We thought we were getting rich.)

Well, they might have stood that. But listen --
from 1928 down, "come-easy-go-easy" was the rule. It was
all very merry while it lasted. We didn't greatly worry.
We thought we were getting rich. But when the crash came,
we were shocked to find that while income dropped away like
snow in the spring, Governmental expense did not drop away,
with the result that it is estimated that in 1932 our total
national income will not much exceed 45 billions, or half of
what it used to be, while our total cost of Government will
likely be considerably in excess of 15 billions. (This simply
means that one-third) That means, my friends, that the 14%
that it has risen to has now become 33-1/3% of (the entire)
our national income. (of our people must go for the luxury
of being governed) Take it in terms of human beings: It
means that we are paying for the cost of our three kinds of
Government \$125 a year for every man, woman and child in the
United States -- or \$625 a year for the average family of
five people. Can we stand that? I don't believe it. (Ap-
plause, loud cheering)

Now, that is (an) a perfectly impossible economic
condition. Quite apart from every man's own tax assessment,
that burden is a brake on any return to normal business ac-
tivity. Taxes, you know, are paid in the sweat of every man

who labors because they are a burden on production and (can be) are paid (only by) through production. If those taxes are excessive, they are reflected in idle factories, tax-sold farms; and hence in hordes of the hungry people, tramping the streets and seeking jobs in vain. Our workers may never see a tax bill, but they pay. They pay in deductions from wages, in increased cost of what they buy, or -- as now -- in broad (cessation of employment) unemployment throughout the land. My friends, there is not an unemployed man -- there is not a struggling farmer -- whose interest in this subject is not direct and vital. It comes home to every one of us!

Now, let me make it perfectly clear (however) that if men or women or children are starving in the United States -- anywhere -- I regard it as a positive duty of the Government -- of the national Government -- if local and state government have not got the cash -- to raise by taxes whatever sums may be necessary to keep (them) human beings from starvation.

(Applause)

But what I am talking about more especially tonight are the taxes which go to the ordinary costs of conducting government year in and year out -- and that is where the question of extravagance comes in. There can be no extravagance when starvation is in question; but extravagance does apply

to the mounting budget of the Federal Government in Washington during these past four years -- and here's the proof:

The most obvious effect of extravagant government spending is (then) to cause its burden on farm and industrial activity, (and, for) so that nearly every Government unit in the United States is to blame. But when we come to consider prodigality and extravagance in the Federal Government -- as distinguished from state or local government -- we are talking about something even more dangerous. For upon the financial stability of the United States (Government) of America depends the stability of trade and employment, and of the entire banking, saving and insurance system of the (country) Nation.

Now, to make things clear -- to explain the exact nature of the present condition of the Federal pocketbook -- (I must) let us go back to 1929.

Many people throughout the land -- high and low -- rich and poor -- have believed the fairy story which has been painstakingly circulated by this Administration, that the routine spending of our Federal Government has been kept on a fairly even keel during these past five years. It was perhaps easy to give this impression because the total outlay each year up to the emergency appropriations of this year

did not increase alarmingly. But the joker (in this is) was this -- that the total outlay includes interest and sinking fund on the public debt -- (a fixed charge which was declining during the days of national debt reduction and lower interest rates thereon) and those charges were going down steadily, right up to this year.

Now, on the plain question of (frugality of) good management, if (we) you want to compare the cost of routine government outlay of 1927 with that for 1931 (for example) -- four years later -- we must subtract (this) that so-called "debt service charge" from the total budget (for both years) in each year. (If we) And when you do (this, we) that, you find that the expenditure for the business of government in 1927 was \$2,187,000,000, and in 1931, \$3,168,000,000.

That, my friends, represents an increase of actual administrative spending in those four years of approximately one billion dollars, or roughly, 50%; and that, I may add, is the most reckless and extravagant past that I have been able to discover in the statistical record of any peacetime history of government (anywhere, any time) in any part of the world. (Applause)

It is an ultimate fact proven by the record which is the exact reverse of the thing announced as fact by Republican leaders.

Let me repeat those figures so that the whole country can get them clearly in mind. Leaving out "debt service charges" in both instances, the cost of carrying on the usual (Government's) business of the United States was \$2,187,000,000 in 1927; \$3,168,000,000 in 1931 -- an increase in four years of one billion dollars!

That, my friends, is the story on the spending side of the (budget) ledger. But (it is less than half of the whole appalling story) you and I know that there are always two sides -- or ought to be -- to a ledger that is supposed to balance. It's bad enough -- that story of the spending side -- a billion dollars increase -- 50% increase in four years! But it's less than half of the whole appalling story. And I am telling the Nation that on the income side of (the budget) our ledger, the record is worse.

Unlike other taxing agencies, the Federal Government does not levy a direct tax on property. Therefore, you don't have to be an expert to know that when anything happens that violently contracts sales and incomes and the prices of securities and commodities, there is sure to be a similar violent contraction of Federal income and that a government charged with maintaining the financial stability -- not only of the United States itself, but of the whole American

Nation, under all conditions -- is under a very solemn duty, in such an event, to take immediate steps to avoid a deficit. That's practical common sense.

Now, although six weeks had elapsed since the (worst economic crash in history) panic of 1929, the Federal budget (of) that was submitted by the President in December, 1929, did not even refer to (it) the crash. It estimated receipts for the year ending June 30, 1931, at 4.2 billions, actually more than they had been in the preceding year of what you and I know to be an economic fantasy -- a fairy story -- a figure which obviously could not possibly be attained without an immediate return to the exaggerated speculations of 1929. The Administration advised no economy. On the contrary, it proposed a reduction of taxes and it blandly and cheerfully remarked -- here are their own words: "Our finances are in sound condition. Our estimated expenditures ... are well within our expected receipts." And that was six weeks after the panic had broken!

Now, my friends -- and I am just talking history to you -- it's a little dry, but you have got to get this thing in perspective to get the whole story -- against those estimated receipts, placed at 4.2 billions by the Secretary (Mellon) of the Treasury, whom you people are familiar with

in this town -- (laughter, applause) -- the sad fact is that instead of getting 4 billion 200 millions -- the actual revenue turned out to be 3.3 billions -- (nine hundred million dollars less than the estimate) or nearly (a cool) another billion short of (overestimating) the estimate.

I recite (the) that 1929 Federal incident to clarify what happened at Washington in the next two years, in 1930 and 1931. In December of 1930 a new budget appeared. Vast declines in every form of business activity were (now crystallized and uncertain) at that time deadly certain. In fact, the national income was in a nosedive (and) -- or perhaps it was in a tailspin. But it was (therefore) certain that Federal income was on the verge of a catastrophe. (But the) And yet, that new budget of December, 1930, recommended neither increased taxes nor decreased expenditures, although upon that recommendation depended the credit standing of (this country) the United States.

The Budget Message of the President asserted that the deficit for 1931 would (be) only run to \$180,000,000, and it contained the statements: "Nor do I look with great concern upon this moderate deficit", and, again, "Our Government finances are in a sound condition." And he actually estimated a surplus (of \$30,000,000 was estimated) for the

year 1932 -- that is to say, the net deficit for the two years together was estimated at \$150,000,000.

Now, my friends, at (this) that time the President and (the) his Secretary of the Treasury had plenty of experience with falling tax receipts -- just as you and I did with falling income.

The astonishing and inescapable fact is that no such results as those estimated could have been achieved without an immediate and complete business recovery from the practical paralysis then existing. In other words, my friends, let us be logical. (This) That 1930 budget cannot fairly be called an estimate at all. It was an extreme hazard on the hope of an economic miracle -- or, better yet, a gamble, if you please -- (on a highly improbable assumption) -- a gamble with your money and mine -- and a hidden one at that. (Applause)

Now, there is something much more than mere error in (this) that kind of thing. Our people and the world are entitled to reasonable accuracy and reasonable prudence, and above all they are entitled to complete frankness. They have a right and a duty to place in retirement those who conceal realities (and) -- those who abuse confidence. (Applause)

Now, I am going to talk about more figures -- but figures talk.

We remember these simple facts: On December 3, 1930, the (Administration of) President (Hoover) estimated that (on) the following summer (June 30th the Government) -- from then on, there would (have) be a (total) deficit of \$180,000,000, but that (during the following fiscal year -- in other words, on June 30, 1932 -- it would have had) in 1932 -- in the summer -- there would be a profit of \$30,000,000, (thus reducing the) or a total estimated deficit (by June 30, 1932, to) for the two years of \$150,000,000.

Now, (my friends) I am going to give you good people a real shock. Instead of the (estimated deficit) Government running into the red for those two years to the tune of \$150,000,000, the deficit on June 30, 1932, was (for the two fiscal years) three and three-quarters billion dollars. (Loud boos and applause)

(No, I fear we cannot call this budget an estimate -- nor even a fair gamble.) I don't know what to call (this) that kind of representation or that kind of fact, but the name for it certainly is not candor.

1931 proved to be the worst year yet experienced in the depression -- up to that time. For my distinguished opponent, my friends, (it) 1931 was the year when all his distinctive 1928 economic heresies seemed to come home to roost, (together) all at the same time. (Applause)

Let us call the roll (of them) on those economic heresies:

(1) (The) Those famous loans to "backward and crippled countries", which he said would provide uninterrupted employment and uninterrupted industrial activity by expanding our export trade, no longer could be made.

(2) Retaliation against his monstrous Grundy tariff -- and you people here ought to know something about that too! (laughter) -- against which the best economic and industrial thought in the country had stood in almost unanimous protest and against which it once more protested within the past week, and which was to cure our agriculture and maintain our industry, had already begun to strangle world trade of all nations, including our own. And you know something about that as well!

(3) Debtor nations -- no longer sustained by our improvident loans and no longer able to export goods -- were drained of gold for debts and, one by one, were forced to abandon specie payments.

(4) And, finally, as a direct result of all these influences, our export markets dried up, our commodity prices slumped and our domestic business was declining at a more rapid rate than business in some of the backward and crippled countries.

Unemployment (also) began to rise here in even greater proportions than in Europe. Remember that! And to top this ruin of all these seductive 1928 theories -- which were to bring the millennium of abolished poverty and the chicken, or maybe it was two of them, in every barn -- came the complete collapse of the 1929 and 1930 Administration fiscal policy. (Prolonged applause)

The truth about the shattering effect of all these homing heresies began to leak out as the summer of 1931 advanced; and it is my opinion that in the conduct of national finances, as in the conduct of corporation finances, or family budgets, if things are not going as well as one had hoped, it is far better to face the truth than to try to hide it. (Applause) That is why, when history comes to be written, it will be shown that it was far more harmful to the Nation last autumn -- in 1931 -- and all through this year of 1932, to have the facts leak out, than it would have been to have had them boldly and frankly disclosed to us when they were actually (happening) taking place. (Applause)

(My friends) Well, the result of such a combination of disquieting revelations was inevitable. The very basis of confidence in our economic and financial structure both here and abroad was impaired. A fresh wave of liquidation ensued.

Foreigners took \$1,000,000,000 of their gold back (to their now shattered "backward and crippled countries" -- until a cool billion had been drawn from our reserves. It was the stygian climax to the) in that black (business) year of 1931.

I emphasize this history because our opponents have now become almost frantic in their insistence that this entire sequence of events originated abroad -- I don't know where -- they have never located "abroad", but I think it is somewhere near Abyssinia (laughter) -- their insistence that no American policy was in the least to blame, and that to say otherwise is what they call "hideous misrepresentation." My friends, the "foreign cause" alibi is just like ascribing measles on our little boy to (its) the spots (rather than to its characteristic germs) on his chest, instead of to the contagious germ that is picked up somewhere.

No, we don't need (not) to look abroad for scapegoats. We have got quite a lot of them here. We had ventured into the economic stratosphere -- which is a long ways up -- on the wings of (Mr.) President Hoover's novel, radical and unorthodox economic theories of 1928 -- the complete collapse of which brought the real crash in 1931. The Grundy tariff accentuated the drop. As hard reality rushed up to meet our fall, this Administration did not see fit to adapt

its fiscal policies to this inevitable consequence. No, it is a responsibility which no campaign alibi can avert, and today, less than three weeks off, the day of reckoning (is here) will come. (Prolonged applause)

Now, the recent Administration strategy in this campaign is a direct appeal to public sympathy for their agony of spirit in the dark hours of (1931-1932) last year and this year, when retribution for our chasing after strange economic gods overtook us. They protest against any assessment of just blame. But they protest in vain.

And I want to say, with all sincerity, that I recite this record with reluctance. No man with a spark of decency or humanity can fail to sympathize with our responsible leaders in hours of crisis. Politics or no politics, I pay my tribute to the devotion of the President of the United States. It is not true to say that he has not been unremitting in his efforts, and I for one have never heard (it said) anybody say that.

But I do indict his Administration for wrong action, for delayed action, and for lack of frankness and lack of courage. (Prolonged applause) Before the Administration partisans complain of this arraignment, they must remember that the American people are now about to exercise their

democratic rights of self-determination of their own fate and their own future. They must make a choice. (The Administration's) That appeal for sympathy is not based on any frank acknowledgment of the failure of the policies so clearly portrayed by these tragic events. (It is) On the contrary, it is a denial that these principles have failed. (Indeed) It persists in the same course and even presumes to ask admiration for the stubborn ruggedness of that persistence in the wrong course. (Applause)

(In such) Under those circumstances I should fail utterly in my duty to the American people if I did not fearlessly portray these errors and link them directly to the havoc which they have brought and which they threaten to continue.

Now just let us continue for a moment. The autumn of 1931 witnessed (then) the complete wreckage of the Administration program to that date. (the collapse of its entire economic philosophy) The convening of the 72nd Congress last December (marked a new) started the last phase. The President appeared with his (December, 1931) Budget Message. (That) It was a fateful moment. That was the time -- last December -- for an honest demonstration to the world that might have set the whole world trend of economic events in an upward direction

or at least checked the decline. All that it was necessary to do was finally to end once and for all the two years of vacillation and secretiveness -- to tell the truth to the Congress of the United States -- and to rely on (it) that Congress to balance the budget and establish American credit in the eyes of all the world. (Applause)

And, my friends, in a way the (this) Administration did (specifically) acknowledge(d) the necessity for that. It (said) started off by saying that it was going to balance the budget. Fine! Then it said it was balancing the budget. Fine! And finally, it said it had balanced the budget. Better yet! And now, my friends, months later, it insists that because in that way it has balanced the budget, it has saved the Gibraltar of world stability and prevented the overthrow of our form of government.

Well, if all (this) that is true, the Administration has done well. But if it is not true, then the Administration stands convicted of a new and fatal trifling with the welfare of our people and the credit of our country.

Let (us) me not waste words. I now quote from the daily Treasury statement, (at the end of the first quarter of the current fiscal year, made three weeks ago, on September 30, 1932) made three weeks ago, on the result of the first

three months of operation under the new budget this year; the statement covering the months of July, August and September -- the first quarter of the fiscal year. Here is what it says:

"Excess of expenditures over receipts, \$402,043,002."

There you are! (Laughter, applause)

For the corresponding quarter of last year the deficit was only \$380,495,584, but at the end of the year it was \$2,885,000,000. There is, therefore, strong indication that we are in for another staggering deficit. And, my friends, if the present rate on that budget continues, the true deficit as of June 30th next year will be over \$1,600,000,000 (not as large as it was in the unprecedented fiscal year of 1932, but) -- a deficit so great that it makes us catch our breath.

I regret to say that the appeal of this Administration for applause for its soundness and courage last winter is (simply) not based on facts. The budget is not balanced and the whole job (must) has got to be done over again in the next session of Congress. (Applause)

(Who is to blame for this new blunder? I cannot answer that question better than to refer you to the dispassionate review of the last session of Congress made last Friday by my running mate, the Speaker of the House, John Garner. No one who will take the trouble to read that

speech will doubt that the patriotic determination of a willing Congress to balance this budget at any cost was frustrated by the same kind of concealment and vacillation that produced the staggering deficits of the years ending June 30, 1931 and 1932. It is very clear that, under repeated insistence that the budget was being balanced, Congress gave our Treasury -- without hesitation or limit -- every cent of revenue it asked for and that, at the end, the Administration assured Congress and the country that the task had been accomplished.)

I have (already) shown how unreliable these constant assurances are. It is not seemly to conjecture motives, but I think it is fair to say the whole record of Administration policy in the last four years reveals that it has been afraid to trust the people of the United States with the true facts about their affairs. My friends, that is a fundamental error which shows unfamiliarity with the true basis of American character.

While the President claims that he did finally recommend new taxes, I fear this courage came two years too late and in far too scanty measure. Perhaps it explains the underlying thought of the phrase "prosperity is just around the corner". (Applause) Perhaps it explains two complete

concealments of deficits and the insufficiency of the action taken last winter. Yes, it is an error of weakness and an error which I assure you I shall not make.

Our Federal extravagance and improvidence bears a double evil; first, our people and our business cannot carry its excessive burdens of taxation; second, our credit structure is impaired by the unorthodox Federal financing made necessary by the unprecedented magnitude of these deficits.

(The latter is the more technical but to my mind the more immediately dangerous evil and, at the risk of being tedious to many of my audience, I want to ask their indulgence while I talk, for a moment, straight to our financiers.)

Instead of financing the billion dollar deficit of 1931 in the regular way, (our) the Government simply absorbed that much of the lending capacity of the banks and by so much impaired the credit available for business. In that year the amount of Government obligations held by our banks increased by a little more than one billion dollars.

You and I know (as well as I do) that this Administration's claims that it has provided credit for industry and agriculture by pouring credit into banks are not wholly

frank. Commercial credit has continuously contracted and is contracting now. (Most of this new Government-created credit has been taken to finance the Government's continuing deficits.) The truth is that our banks are financing these (stupendous) great deficits and that the burden is absorbing their resources. (All this is highly undesirable and wholly unnecessary.) It arises from one ~~cause~~ only, and that is the unbalanced budget and the continued failure of this Administration to take effective steps to balance it. If that budget had been fully and honestly balanced in 1930, (as it could have been) some of the 1931 (collapse) troubles would have been avoided. Even if it had been balanced in 1931, (as it could have been) much of the extreme dip in 1932 would have been obviated. (Our) Every financial (men) man in the country knows (this) why it is true. (and why it is true) They know the unnecessary muddle that has accumulated (and is still accumulating in Washington) all these years in our National Capital.

Now, how can we continue to countenance (such a) that condition? That is a practical question. In all conscience, can an Administration which has so frequently failed in a matter so directly touching your own responsibilities ask for (your) our support and trifle with (your) our common sense by these campaign alibis about mysterious foreign forces

and this specious talk about sound fiscal policies? (and administration) Would it not be infinitely better to clear this whole subject of obscurity -- to present the facts squarely to the Congress and the people of the United States and secure the one sound foundation of permanent economic recovery -- a complete and honest (balance) balancing of the Federal budget? (Applause) (In all earnestness I leave the answer to your common sense and judgment.)

The other bad effect of this fiscal mismanagement is not (at all) the least bit technical. It is the burden of high cost on the backs of all our people. I can state the condition best by quoting one paragraph from a document published a week ago and signed by (both Alfred E. Smith and) Calvin Coolidge and Alfred E. Smith. (Applause) They say:

"All the costs of local, state and national government must be reduced without fear and without favor. Unless the people, through unified action, arise and take charge of their government, they will find that their government has taken charge of them." (Applause)

("Independence and liberty will be gone and the general public will find itself in a condition of servitude to an aggregation of organized and selfish minorities.")

Every word of that warning is true, and the first and most important and necessitous step in balancing our Federal budget is to reduce expense.

The air is (now) full (of) -- the air is surcharged with Republican deathbed repentance on the subject of economy, but it is too late. We must look deeper than these eleventh-hour pronouncements. You cannot go very far with any real Federal economy without a complete change of concept of what are the proper functions and limits of the Federal Government itself.

Perhaps we can get some glimpse of the President's underlying (idea) philosophy about the Federal Government (from) by going back and opening the volume of his 1928 speeches. He proposed, you remember, as he said, "a new thing in government". He says (that) he "reorganized the Department of Commerce on a greater scale than has ever been attempted or achieved by any government in the world." In his book, called "The New Day", he says this: "A nation which is spending ninety billions a year can well afford a few hundred million for a workable program."

Oh, I could go on quoting for a good many minutes, but perhaps the point could be made clearer by recalling that the Department of Commerce went through even the heavy war

strain, back in the days of the World War, on about 13 millions a year. When (Mr.) Secretary Hoover left it, it was spending 39 millions a year; and (for 1933) this year it is estimated that it will be spending 43 millions a year. And the Department of Commerce (it) is now housed in that great marble building that (what) is facetiously called in Washington the "Temple of Fact Finding", which cost the people considerably more than the Capitol of the United States. (Applause)

That (record) little example, my friends, may explain the 50% increase in government overhead in four years, 1927-1931, and I am sure that the whole group of quotations reveal why you can never expect any important economy from this Administration. It is committed to the idea that we ought to (center) control (of) everything -- Federal control -- in Washington as rapidly as possible. That was the idea that increased the cost of Government (cost) by a billion dollars in four years. Now, ever since the days of Thomas Jefferson, that has been the exact reverse of the Democratic concept -- which is to permit Washington to take from the States nothing more than is necessary to keep abreast of the march of our changing economic situation.

In the latter philosophy -- and not in the philosophy of Mr. Hoover -- which I think is responsible for so much

of our trouble -- I shall approach the problem of carrying out the plain precept of our Party, which is to reduce the cost of (the) current Federal Government operations by 25%. (Prolonged applause)

Now, of course that means a complete realignment of the unprecedented bureaucracy that has assembled in Washington in the past four years. I am no stranger to Washington. I knew it at first-hand during the administrations of (Theodore) President Roosevelt and (William H.) President Taft. I served in Washington for seven and a half years (during the) under President Wilson. (administration) (Prolonged applause) I have some familiarity with the (psychology of the administration of the) National Government. (More than) In addition to that, (I have conducted) for more than four years I have been conducting the (administrative) administration and (executive affairs and) the policies of a state that has thirteen million inhabitants. (Applause)

Now, I am going to tell you a secret. I am going to disclose to you a definite personal conclusion which I adopted the day after I was nominated in Chicago. Here it is: Before any man enters my Cabinet he must give me a two-fold pledge: (of)

1. Absolute loyalty to the Democratic platform and especially to its economy plank.

2. Complete cooperation with me, looking to economy and reorganization in his Department.

Yes, I regard reduction in Federal spending as one of the most important issues of this campaign. In my opinion it is the most direct and effective contribution that government can make to business.

And in accordance with this fundamental policy it is equally necessary to eliminate from Federal budget-making during this emergency all new items except such as relate to direct relief of unemployment. (Applause)

As a part of (this) that phase of the budget problem I note that former President Coolidge is reported as having said in a speech in New York City:

"An early and timely word from the Democratic candidate for President that he would reject the proposal to increase the national debt by \$2,300,000,000 to pay a bonus would have been a great encouragement to business, reduced unemployment, and guaranteed the integrity of the national credit. While he remained silent economic recovery was measurably impeded."

That charge, my friends, is baseless and absurd for the very good reason that last April my views on the subject were widely published and have been subsequently frequently quoted. I said this:

"I do not see how, as a matter of practical sense, a government running behind two billion dollars annually can consider the anticipation of bonus payment until it has a balanced budget, not only on paper, but with a surplus of cash in the treasury." (Hurrah! Prolonged applause)

My friends, no one, for political purposes or otherwise, has the right in the absence of explicit statement from me to assume that my views have changed. They have not. (Applause, stamping of feet) So much for another effort by Republican leaders to preach an unwarranted gospel of fear and panic to the American electorate.

My friends, I have sought to make two things clear: First, that we can make savings by reorganization of existing departments, by eliminating functions, by abolishing many of (the) those innumerable boards and those commissions that we all know about (laughter, applause) -- which over a long period of years have grown up as (excrescences on the regular system) a fungus growth on American Government. These savings can properly be made to total many hundreds (of millions) and hundreds of dollars a year.

Secondly, I hope that it will not be necessary to increase the present scale of taxes, (and) but I call definite

attention to the fact that just as soon as the Democratic platform (pledge) is enacted into (legislation) a law modifying the Volstead Act, (prolonged applause) a source of new revenue amounting to several hundred millions of dollars a year will be made available toward the balancing of the budget. (Prolonged applause) Yes, I refer specifically to a Federal tax on beer, (applause) which would be raised through the sale of beer in those states and those states only which by state law allow the sale of beer. (Applause) And at the same time I reiterate the simple language of the Democratic platform which in good faith opposes the return of the old-time saloon. (as follows) (Prolonged applause) That said this:

"We urge the enactment of such measures by the several states as will actually promote temperance, effectively prevent the return of the saloon and bring the liquor traffic into the open under complete supervision and control by the State." (Prolonged applause)

I am nearly through! The above two categorical statements are aimed at a definite balancing of the budget. At the same time, let me repeat from now to election day so that every man, woman and child in the United States will know what I mean: If starvation and dire need on the part of any

of our citizens make necessary the appropriation of additional funds which would keep the budget out of balance, I shall not hesitate to tell the American people the full truth and (recommend to) ask them to authorize the expenditure of (this) that additional amount. (Prolonged applause, loud cheering)

(My friends) I take it that these have been unhealthy years for prophets and I hasten to disclaim that role. But one thing I do know: A powerful cause contributing to economic disaster has been this inexcusable fiscal (administration) policy and the obscurity and uncertainty that have attended and grown out of it. There it remains for all to see -- a veritable cancer in the body politic and economic. Is it prophecy to assure you that if we remove (this) that destructive growth we shall move on to better (things) health and better life?

To my mind, (this) that is so plain and persuasive as scarcely to be open to argument. (As I said in the beginning, this is the one field in which business is wholly in the grip of government.) It is a field where government can make a great contribution to recovery.

(By the same token, it is the one field where government can make the greatest possible present contribution to recovery.) To (this) that contribution I here pledge the

utmost of my faith and my ability. I am as certain as mortal man can be certain of anything in the future that from the moment (we) that you and I set our hands openly and frankly and courageously to (this) that problem, we shall have reached the end of our long, hard, downward road. (and) We shall have started on the upward trail. We shall have built for economic recovery a firm footing, on a path that is broad, true and straight. And so, my friends, join me, and "let's go!"

BUDGET AND BONUS

065-8

It is fitting that I should choose Pittsburgh to sound a solemn note of warning addressed not only to the Republican leaders, but also to the rank and file of American voters of all parties. There are some prices too high for the country to pay for the propaganda spread abroad in a presidential election.

That is true when, as now, the Republican campaign management is guilty of spreading the gospel of fear.

That is true when in a desperate, futile, last-minute effort to dam the tide of popular disapproval that is steadily growing against the administration, they become alarmists and panic breeders.

This policy of seeking to win by fear of ruin is selfish in its motive, brutal in its method and false in its premise. It is a policy that will be resented as such by men and women of all parties in every section of the land on November 8th.

It is an insult to the intelligence of the voter to think that he or she can be fooled by shifting the boast of the full dinner pail made in 1928 to the threat of the continued empty dinner pail in 1932.

I assure the badly advised and fear-stricken leaders of the Republican party that Democrats and those of the rank and file of their own party who are properly dissatisfied with their leadership, are still American patriots and cherish in their hearts, as I do, the safety of the country, the welfare of its people and the continuance of our institutions.

So much for the note of warning.

What is the normal and sensible thing to do when your neighbor gets excited and starts calling you and your friends bad names over the back fence? Nothing is gained by calling him worse names or by losing one's temper. The peace of the community is best served by sitting down and quietly discussing the problems without raising one's voice. That is why I decline to answer vituperation.

One of these problems -- and a very vital one to my family and your family and the whole community -- is the financial problem of making both ends meet.

I want to discuss this problem with you tonight fully. To do so sincerely I must tell the facts as they are and conceal nothing from you. It is not a pretty picture but if we know it and face it we have nothing to fear. This country is the richest and most resourceful nation in the world. It can and will meet successfully every problem which it faces, but it can do so only through intelligent leadership working unselfishly for the good of all people. That it has not had such leadership in its financial affairs will become obvious from the facts I shall relate to you tonight.

We all know that our own family credit depends in large part on the stability of the credit of the United States. And here at least is one field in which all business, big business and little business and family business and the individual's business, is at the mercy of our big government down in Washington.

Now, it is undoubtedly true that the mind of the average individual, man

and woman, has been unable to keep pace in the past ten or twelve years with the intricacies of Federal financing. In the first place, what used to be analogous to an old-fashioned account book that all the family could understand, has become in Washington a maze of intricate double-entry bookkeeping which only a few highly trained technical expert accountants could possibly understand.

What I should like to do is to reduce, in so far as possible, the problem of our national finances to the terms of a family budget.

Now the credit of the family depends chiefly on whether that family is living within its income. And this is so of the Nation. If the Nation is living within its income, its credit is good. If in some crisis it lives beyond its income for a year or two it can usually borrow temporarily on reasonable terms. But if, like a spendthrift, it throws discretion to the winds, is willing to make no sacrifice at all in spending, extends its taxing to the limit of the people's power to pay and continues to pile up deficits, it is on the road to bankruptcy.

For over two years our Federal government has experienced unprecedented deficits, in spite of increased taxes. We must not forget that there are three separate governmental spending and taxing agencies in the United States -- national, state and local. Because the apparent national income seemed to have spiralled upward from about 35 billions a year in 1913 to about 90 billions in 1928, all three of our governmental units became reckless and the total spending in all three classes rose in the same period from about three billions to nearly thirteen billions, or from 8% of income to 14% of income.

But even then we did not greatly worry. We thought we were getting rich.

"COME-EASY-GO-EASY" was the rule. It was all very merry while it lasted, but when the crash came, we were shocked to find that while income dropped away like snow in the Spring, governmental expense did not, with the result that it is estimated that in 1932 our national income will not much exceed 45 billions, while our total cost of government will likely be considerably in excess of 15 billions. This simply means that one-third -- $33\frac{1}{3}\%$ -- of the entire income of our people must go for the luxury of being governed.

That is an impossible economic condition. Quite apart from every man's own tax assessment, that burden is a brake on any return to normal business activity. Taxes are paid in the sweat of every man who labors because they are a burden on production and can be paid only by production. If excessive, they are reflected in idle factories, tax-sold farms, and hence in hordes of the hungry tramping the streets and seeking jobs in vain. Our workers may never see a tax bill, but they pay in deductions from wages, in increased cost of what they buy, or (as now) in broad cessation of employment. There is not an unemployed man -- there is not a struggling farmer -- whose interest in this subject is not direct and vital.

Let me make it perfectly clear, however, that if men or women or children are starving in the United States, I regard it as a positive duty of government to raise by taxes whatever sum may be necessary to keep them from starvation.

What I am talking about are the taxes which go to the ordinary costs of conducting government and that is where the question of extravagance comes in. There can be no extravagance when starvation is in question; but extravagance does apply to the mounting budget of the Federal government in Washington during these past four years.

The most obvious effect of extravagant government spending is, then, its burden

Budget and Bonus---3

on farm and industrial activity and, for that, nearly every government unit in the United States is to blame. But when we come to consider prodigality and extravagance in the Federal government -- as distinguished from state or local government -- we are talking about something even more dangerous. For upon the financial stability of the United States government depends the stability of trade and employment, and of the entire banking, saving and insurance system of the country.

To make things clear -- to explain the exact nature of the present condition of the Federal pocketbook, I must go back to 1929.

Many people have believed the story which has been painstakingly circulated by this administration that the routine spending of our Federal government has been kept on a fairly even keel during these past five years. It was perhaps easy to leave this impression because the total outlay each year up to the emergency appropriations of this year did not increase alarmingly. But the joker in this is that total outlay includes interest and sinking fund on the public debt -- a fixed charge which was declining during the days of national debt reduction and lower interest rates thereon. On the plain question of frugality of management, if we want to compare routine government outlay of 1927 with that of 1931, for example, we must subtract this so-called "debt service charge" from the total budget for both years. If we do this, we find that the expenditure for the business of government in 1927 was \$2,187,000,000 and in 1931, \$3,168,000,000. That, my friends, represents an increase of actual administrative spending in those four years of approximately one billion dollars, or roughly 50%; and that, I may add, is the most reckless and extravagant pace I have been able to discover in the statistical record of any peacetime government anywhere, any time.

It is an ultimate fact which is the exact reverse of the thing announced as fact by Republican leaders.

Let me repeat those figures so that the whole country can get them clearly in mind. Leaving out debt service charges in both instances, the cost of carrying on the government's business was \$2,187,000,000 in 1927; \$3,168,000,000 in 1931 -- an increase in four years of one billion dollars!

That is the story on the spending side of the budget; but it is less than half of the whole appalling story.

On the income side of the budget, the record is worse. Unlike other taxing agencies, the Federal government does not levy a direct tax on property. Therefore, you don't have to be an expert to know that when anything happens that violently contracts sales and incomes and the prices of securities and commodities, there is sure to be a similar violent contraction of federal income and that a government charged with maintaining the financial stability of the United States under all conditions is under a very solemn duty, in such an event, to take immediate steps to avoid a deficit.

Although six weeks had elapsed since the worst economic crash in history, the Federal budget of December, 1929, did not even refer to it. It estimated receipts for the year ending June 30, 1931, at 4.2 billions, actually more than they had been in the preceding year of economic fantasy -- a figure which obviously could not possibly be attained without immediate return to the exaggerated speculations of 1929. The administration advised no economy. On the contrary, it proposed a reduction of taxes and it blandly remarked, "Our finances are in sound condition. . . Our estimated expenditures. . . are well within our expected receipts."

Against these estimated receipts placed at 4.2 billions by Secretary Mellon, the sad fact is that actual revenue turned out to be 3.3 billions -- nine hundred million dollars less than the estimate -- nearly a cool billion of over-estimating.

Budget and Bonus---3

I recite the 1929 Federal incident to clarify what happened at Washington in 1930 and 1931. In December of 1930 a new budget appeared. Vast declines in every form of business activity were now crystallized and certain. The national income was in a nose-dive, and it was therefore certain that Federal income was no the verge of a catastrophe. But the new budget of December, 1930, recommended neither increased taxes nor decreased expenditure; although upon that recommendation depended the credit standing of this country. The budget message of the President asserted that the deficit for 1931 would be only \$180,000,000, and contained the statements: "Nor do I look with great concern upon this moderate deficit," and, "Our Government finances are in a sound condition." A surplus of \$30,000,000 was estimated for 1932 -- that is to say, the net deficit for the two years together was estimated at \$150,000,000. Now at this time the President and the Secretary of the Treasury had plenty of experience with falling tax receipts.

The astonishing and inescapable fact is that no such results as those estimated could have been achieved without an immediate and complete business recovery from the practical paralysis then existing. In other words, this 1930 budget cannot fairly be called an estimate at all. It was an extreme hazard on the hope of an economic miracle, -- a gamble, if you please -- on a highly improbable assumption, a gamble with your money and mine.

There is something much more than mere error in this kind of thing. Our people and the world are entitled to reasonable accuracy and reasonable prudence, and above all they are entitled to complete frankness. They have a right and a duty to place in retirement those who conceal realities and abuse confidence.

Remember these simple facts. On December 3, 1930, the administration of President Hoover estimated that on the following June 30th the government would have a total deficit of \$190,000,000 but that during the following fiscal year, in other words on June 30th, 1932, it would have had a profit of \$30,000,000, thus reducing the total deficit by June 30, 1932 to \$150,000,000.

Now, my friends, I am going to give you a real shock. Instead of the estimated deficit of \$150,000,000, the deficit on June 30, 1932, was for the two fiscal years, three and three-quarters billion dollars.

No, I fear we cannot call this budget an estimate -- nor even a fair gamble. I don't know what to call this kind of representation or that kind of fact, but the name certainly is not candor.

1931 proved to be the worst year yet experienced in the depression. For my distinguished opponent it was the year when all his distinctive 1928 economic heresies seemed to come home to roost together.

Let us call the roll of them.

(1) The loans to "backward and crippled countries," which he said would provide uninterrupted employment and industrial activity by expanding our export trade, no longer could be made.

(2) Retaliation against his monstrous Grundy tariff, against which the best economic and industrial thought in the country had stood in almost unanimous protest and against which it once more protested within the past week, and which was to cure our agriculture and maintain our industry, had begun to strangle world trade, including our own.

(3) Debtor nations (no longer sustained by our improvident loans and no longer able to export goods) were drained of gold for debts and, one by one, were forced to abandon specie payments.

(4) As a direct result of all these influences, our export markets dried up, our commodity prices slumped and our domestic business was declining at a more rapid rate than business in some of the backward and crippled countries.

Unemployment also began to rise here in even greater proportions than in Europe. To top this ruin of all these seductive 1928 theories (which were to bring the millennium of abolished poverty) came the complete collapse of the 1929 and 1930 Administration fiscal policy.

The truth about the shattering effect of all these homing heresies began to leak out as the summer of 1931 advanced. It is my opinion that in the conduct of National finances, as in the conduct of corporation finances, or family budgets, if things are not going as well as one had hoped, it is far better to face the truth than to try to hide it. That is why it was far more harmful to the Nation last autumn, and all through this year, to have the facts leak out than it would have been to have had them boldly and frankly disclosed to us when they were actually happening.

My friends, the result of such a combination of disquieting revelations was inevitable. The very basis of confidence in our economic and financial structure both here and abroad was impaired. A fresh wave of liquidation ensued. Foreigners took gold back to their now shattered "backward and crippled countries" -- until a cool billion had been drawn from our reserves. It was the stygian climax to the black business year of 1931.

I emphasize this history because our opponents have now become almost frantic in their insistence that this entire sequence originated abroad -- that no American policy was in the least to blame, and that to say otherwise is what they call "hideous misrepresentation." The "foreign cause" alibi is like ascribing measles to its spots rather than to its characteristic germs.

Now, we need not look abroad for scapegoats. We had ventured into the economic stratosphere on the wings of Mr. Hoover's novel, radical and unorthodox economic theories of 1928 -- the complete collapse of which brought the real crash in 1931. The Grundy Tariff accentuated the drop. As hard reality rushed up to meet our fall, this Administration did not see fit to adapt its fiscal policies to this inevitable consequence. It is a responsibility which no campaign alibi can avert, and today the day of reckoning is here.

The recent Administration strategy in this campaign is a direct appeal to public sympathy for their agony of spirit in the dark hours of 1931-1932, when retribution for our chasing after strange economic gods overtook us. They protest against any assessment of just blame. But they protest in vain.

I want to say, with all sincerity, that I recite this record with reluctance. No man with a spark of humanity can fail to sympathize with our responsible leaders in hours of crisis. Politics or no politics, I pay my tribute to the devotion of the President. It is not true to say that he has not been unremitting in his efforts and I for one have never heard it said.

But I do indict his administration for wrong action, for delayed action, and for lack of frankness and courage. Before the Administration partisans complain of this arraignment, they must remember that the American people are now about to exercise their democratic right of self-determination of their own fate and future. They must make a choice. The Administration's appeal for sympathy is not based on any frank acknowledgment of the failure of the policies so clearly portrayed by these tragic events. It is, on the contrary, a denial that these principles have failed. Indeed, it persists in the same course and even presumes to ask admiration for the stubborn ruggedness of that persistence.

In such circumstances I should fail utterly in my duty to the American people if I did not fearlessly portray these errors and link them directly to the havoc which they have brought and which they threaten to continue.

The Autumn of 1931 witnessed, then, the complete wreckage of the Administration program to that date -- the collapse of its entire economic philosophy. The convening of the 72nd Congress last December marked a new phase. The President appeared with his December, 1931, budget message. That was a fateful moment. That was the time for an honest demonstration to the world that might have set the whole world trend of economic events in an upward direction or at least checked the decline. All that it was necessary to do was finally to end the two years of vacillation and secretiveness -- to tell the truth to the Congress of the United States -- to rely on it to balance the budget and establish American credit in the eyes of all the world.

This Administration specifically acknowledge the necessity for that. It said it was going to balance the budget. Then it said it was balancing the budget, and finally, it said it had balanced the budget and now, months later, it insists that because it has balanced the budget, it has saved the Gibraltar of world stability and prevented the overthrow of our form of government. If all this is true the Administration has done well. If it is not true, then the Administration stands convicted of a new and fatal trifling with the welfare of our people and the credit of our country.

Let us not waste words. I now quote from the daily Treasury statement at the end of the first quarter of the current fiscal year, made three weeks ago, on September 30, 1932:

"Excess of expenditures over receipts, \$402,043,002."

For the corresponding quarter of last year the deficit was only \$380,495,584, but at the end of the year it was \$2,885,000,000. There is therefore strong indication that we are in for another staggering deficit. If the present rate continues, the truth deficit as of June 30th next year will be over \$1,600,000,000, not as large as it was in the unprecedented fiscal year of 1922, but so great that it makes us catch our breath.

I regret to say that the appeal of this Administration for applause for its soundness and courage last winter is simply not based on facts. The budget is not balanced and the whole job must be done over again in the next session of Congress. Who is to blame for this new blunder? I cannot answer that question better than to refer you to the dispassionate review of the last session of Congress made last Friday by my running mate, the Speaker of the House, John Garner. No one who will take the trouble to read that speech will doubt that the patriotic determination of a willing Congress to balance this budget at any cost was frustrated by the same kind of concealment and vacillation that produced the staggering deficits

of the years ending June 30, 1931 and 1932. It is very clear that, under repeated insistence that the budget was being balanced, Congress gave our Treasury -- without hesitation or limit -- every cent of revenue it asked for and that, at the end, the Administration assured Congress and the country that the task had been accomplished.

I have already shown how unreliable these constant assurances are. It is not seemly to conjecture motives, but I think it is fair to say the whole record of administration policy in the last four years reveals that it has been afraid to trust the people of the United States with the true facts about their affairs. That is a fundamental error which shows unfamiliarity with the true basis of American character.

While the President claims that he did finally recommend new taxes, I fear this courage came two years too late and in far too scanty measure. It explains "prosperity around the corner." It explains two complete concealments of deficits and the insufficiency of the action taken last winter. It is an error of weakness and an error which I assure you I shall not make.

Our Federal extravagance and improvidence bears a double evil; first, our people and our business cannot carry its excessive burdens of taxation; second, our credit structure is impaired by the unorthodox Federal financing made necessary by the unprecedented magnitude of these deficits. The latter is the more technical but to my mind the more immediately dangerous evil and, at the risk of being tedious to many of my audience, I want to ask their indulgence while I talk, for a moment, straight to our financiers.

Instead of financing the billion dollar deficit of 1931 in the regular way, our government simply absorbed that much of the lending capacity of the banks and by so much impaired the credit available for business. In that year the amount of government obligations held by our banks increased by a little more than one billion dollars.

You know as well as I do that this Administration's claims that it has provided credit for industry and agriculture by pouring credit into banks are not frank. Commercial credit has continuously contracted and is contracting now. Most of this new government-created credit has been taken to finance the government's continuing deficits. The truth is that our banks are financing these stupendous deficits and that the burden is absorbing their resources. All this is highly undesirable and wholly unnecessary. It arises from one cause only, and that is the unbalanced budget and the continued failure of this Administration to take effective steps to balance it. If that budget had been fully and honestly balanced in 1930, as it could have been, some of the 1931 collapse would have been avoided. Even if it had been balanced in 1931, as it could have been, much of the extreme dip in 1932 would have been obviated. Our financial men know this is true and why it is true. They know the unnecessary muddle that has accumulated and is still accumulating in Washington.

Now how can we continue to countenance such a condition? In all conscience, can an administration which has so frequently failed in a matter so directly touching your own responsibilities ask for your support and trifle with your common sense by these campaign alibis about mysterious foreign forces and this specious talk about sound fiscal policies and administration? Would it not be infinitely better to clear this whole subject of obscurity -- to present the facts squarely to the Congress and the people of the United States and secure the one sound foundation of permanent economic recovery -- a complete and honest balance of the Federal budget? In all earnestness I leave the answer to your common sense and judgment.

The other bad effect of this fiscal mismanagement is not at all technical. It is the burden of high cost on the backs of all our people. I can state the condition best by quoting one paragraph from a document published a week ago and signed by both Alfred M. Smith and Calvin Coolidge:

"All the costs of local, state and national government must be reduced without fear and without favor. Unless the people, through unified action, arise and take charge of their government, they will find that their government has taken charge of them. Independence and liberty will be gone and the general public will find itself in a condition of servitude to an aggregation of organized and selfish minorities."

Every word of that warning is true, and the first and most important and necessitous step in balancing our Federal budget is to reduce expense.

The air is now full of Republican death-bed repentance on the subject of economy, but we must look deeper than these eleventh-hour pronouncements. You cannot go very far with any real Federal economy without a complete change of concept of what are the proper functions and limits of the Federal government itself.

Perhaps we can get some glimpse of the President's underlying idea about the Federal government from his 1928 speeches. He proposed, you remember, "a new thing in government." He says that he "reorganized the Department of Commerce on a greater scale than has ever been attempted or achieved by any government in the world." In his book, *The New Day*, he says, "A nation which is spending ninety billions a year can well afford a few hundred million for a workable program."

I could go on quoting for a good many minutes, but perhaps the point could be made clearer by recalling that the Department of Commerce went through even the heavy war strain on about 13 millions a year. When Mr. Hoover left it, it was spending 39 millions and for 1933 it estimated it will spend 43 millions. It is now housed in what is facetiously called in Washington the "Temple of Fact Finding," which cost the people considerably more than the Capitol of the United States.

That record may explain the 50% increase in government overhead in four years, 1927-1931, and I am sure that the whole group of quotations reveal why you can never expect any important economy from this administration. It is committed to the idea that we ought to center control of everything in Washington as rapidly as possible. That was the idea that increased government cost by a billion in four years. Now, ever since the days of Thomas Jefferson, that has been the exact reverse of the Democratic concept -- which is to permit Washington to take from the States nothing more than is necessary to keep abreast of the march of our changing economic situation.

In the latter philosophy and not in the philosophy of Mr. Hoover (which I think is responsible for so much of our trouble) I shall approach the problem of carrying out the plain precept of our party, which is to reduce the cost of the current Federal government operations by 25%.

Of course, that means a complete realignment of the unprecedented bureaucracy that has assembled in Washington in the past four years. I am no stranger to Washington. I knew it at first-hand during the administration of Theodore Roosevelt and William H. Taft. I served in Washington for seven and a half years during the Wilson administration. I have some familiarity with the psychology

of the administration of the National Government. More than that, I have conducted for four years the administrative and executive affairs and the policies of a state that has thirteen million inhabitants.

Now, I am going to disclose to you a definite personal conclusion which I adopted the day after I was nominated in Chicago. Here it is: Before any man enters my Cabinet he must give me a two-fold pledge of

1. Absolute loyalty to the Democratic platform and especially to its economy plank.
2. Complete co-operation with me, looking to economy and reorganization in his Department.

I regard reduction in Federal spending as one of the most important issues of this campaign. In my opinion it is the most direct and effective contribution that government can make to business.

In accordance with this fundamental policy it is equally necessary to eliminate from Federal budget-making during this emergency all new items except such as relate to direct relief of unemployment.

As a part of this phase of the problem I note that former President Coolidge is reported as having said in a speech in New York City:

"An early and timely word from the Democratic candidate for President that he would reject the proposal to increase the national debt by \$2,300,-000,000 to pay a bonus would have been a great encouragement to business, reduced unemployment, and guaranteed the integrity of the national credit. While he remained silent economic recovery was measurably impeded."

That charge is baseless and absurd for the reason that last April my views on the subject were widely published and have been subsequently frequently quoted. I said:

"I do not see how, as a matter of practical sense, a government running behind two billion dollars annually can consider the anticipation of bonus payment until it has a balanced budget, not only on paper, but with a surplus of cash in the treasury."

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I have sought to make two things clear; first, that we can make savings by reorganization of existing departments, by eliminating functions, by abolishing many of the innumerable boards and commissions which over a long period of years have grown up as excrescences on the regular system. These savings can properly be made to total many hundreds of millions of dollars a year.

Secondly, I hope that it will not be necessary to increase the present scale of taxes, and I call definite attention to the fact that as soon as the Democratic platform pledge is enacted into legislation modifying the Volstead act, a source of new revenue amounting to several hundred millions of dollars a year will be made available toward the balancing of the budget. I refer

specifically to a federal tax on beer which would be raised through the sale of beer in those states and those states only which by state law allow the sale of beer. At the same time I reiterate the simple language of the Democratic platform which opposes the return of the saloon, as follows:

"We urge the enactment of such measures by the several states as will actually promote temperance, effectively prevent the return of the saloon and bring the liquor traffic into the open under complete supervision and control by the State."

The above two categorical statements are aimed at a definite balancing of the budget. At the same time, if starvation and dire need on the part of any of our citizens make necessary the appropriation of additional funds which would keep the budget out of balance, I shall not hesitate to tell the American people the full truth and recommend to them the expenditure of this additional amount.

My friends, these have been unhealthy years for prophets and I hasten to disclaim that role. But one thing I know. A powerful cause contributing to economic disaster has been this inexcusable fiscal administration and the obscurity and uncertainty that has attended and grown out of it. There it remains for all to see - a veritable cancer in the body politic and economic. Is it prophecy to assure you that if we remove this destructive growth we shall move on to better things?

To my mind this is so plain and persuasive as scarcely to be open to argument. As I said in the beginning, this is the one field in which business is wholly in the grip of government.

By the same token, it is the one field where government can make the greatest possible present contribution to recovery. To this contribution I here pledge the utmost of my faith and my ability. I am as certain as mortal man can be certain of anything in the future that from the moment we set our hands openly and frankly and courageously to this problem, we shall have reached the end of our long, hard, downward road and shall have started on the upward trail. We shall have built for economic recovery a firm footing, on a path broad, true and straight. Join me, and "let's go!"