Franklin D. Roosevelt — "The Great Communicator"

The Master Speech Files, 1898, 1910-1945

Series 2: " You have nothing to fear but fear itself:" FDR and the New Deal

File No. 930

1936 October 1

Pittsburgh, PA - Campaign Address

SPEECH OF THE PRESIDENT

FORBES FIELD, PITTSBURGH

OCTOBER 1, 1936.

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A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the story of our fight to beat down the depression and win recovery. And From where I stand it looks as though the game is pretty well in the bag.

I am convinced that when government finance or any other finance is honest -- and when all the cards are on the table - there is no higher mathematics about it. It is just plain, scoreboard arithmetic.

When the present management of your team took charge, the national scoreboard looked pretty bad. In fact, it looked so much like a shut-out that in 1932 you voted a change of management in order to give the country a chance to win the game. And today we are winning it.

When the new management came to Washington, we began to make our plans -- plans to meet the immediate crisis - and plans that would carry the people of the country back to decent prosperity.

We saw the millions out of work, the business concerns running in the red, the banks closing. Our national income had declined over fifty per cent - and, what was worse, it showed no prospect of recuperating by itself. By national income I mean the total of all income of all the 125,000,000 people in this country - the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, of all the individuals and corporations in America.

During the four lean years before this Administration took office, that national income had declined from eighty-one billions a year to thirty-eight billions a year — in short, you and I -- all of us together -- were making forty-three billion dollars less in 1932 than we made in 1929.

Now, the rise and fall of national income -- since it tells the story of how much you and I and everybody else are making - are an index of the rise and fall of national prosperity. It is also an index of the prosperity of the government. The money to run the government comes from taxes; and the tax revenue in turn depends for its size on the size of the national income. When incomes and values and transactions are on the down-grade, then tax receipts go on the down-grade, too. If the national income continues to decline then the government cannot run without going into the red. The only way to keep a government out of the red is to keep the people out of the red. We had to balance the budget of the American people before we could balance the budget of the national government.

That makes common sense, doesn't it?

The box score when the Democratic Administration came to bat in 1933 showed a net deficit in our national accounts of about $3,000,000,000, accumulated in the three previous years.

National income was in a downward spiral. Federal Government revenues were in a downward spiral. To pile on vast new taxes would get us nowhere because values were going down.

On top of having to meet the ordinary expenses of government, I recognized the obligation of the Federal Government to feed and take care of the growing army of homeless and destitute unemployed.

Something had to be done. A national choice had to be made. We could do one of two things. Some people - who sat across my desk in those days -- urged me to let nature take its course, and continue a policy of doing nothing. I rejected that advice. Nature was in an angry mood.

To have accepted this advice would have meant a continued wiping out of people of small means - the continued loss of their homes and farms and small businesses into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices. It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and families and small corporations.

You would have seen a concentration of property ownership in the hands of one or two per cent of the population, a concentration unequalled in any great nation since the days of the later Roman Empire. → 10 min

And so the program of this Administration has protected the small business, the small corporation, the small shop from the wave of deflation which threatened them. We realized then, as we do now, that the vast army of small business men, factory owners and shop owners form the backbone - together with our farmers and workers - of the industrial life of America. In our long range plan we recognized that the prosperity of America depended upon, and would continue to depend upon, the prosperity of them all.

I rejected ~~that~~ the advice to do nothing for an additional reason. I had promised, and my Administration was determined, to keep the people of the United States from starvation.

I refused to leave human needs solely in the hands of local communities — local communities which themselves were almost bankrupt.

To have accepted that advice would have been to offer bread lines again to the American people, knowing this time that in many places the lines would last far longer than the bread. In those dark days, between us and a balanced budget, stood millions of needy Americans, denied the promise of an American life.

To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had to make a capital levy that would have been confiscatory, or we would have had to set our face against human suffering with callous indifference. When Americans suffered, we refused to pass by on the other side. Humanity came first.

No one lightly lays a burden on the income of a nation. But this vicious tightening circle of our declining national income simply had to be broken. The bankers and the industrialists of the Nation cried aloud that private business was powerless to break it. They turned, as they had a right to turn, to the Government. We accepted the final responsibility of government, after all else had failed, to spend money when no one else had money left to spend.

I adopted, therefore, the other alternative. I cast aside a do-nothing or a wait-and-see policy.

As a first step in our program we had to stop the quick spiral of deflation, and decline in the national income. Having stopped them, we went on to restore purchasing power, to raise values, and to start the national income upward.

In 1933 we reversed the policy of the previous Administration. For the first time since the depression you had a Congress and an Administration in Washington which had the courage to provide the necessary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come.

The people themselves understood that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew in 1935, and they know in 1936, that the plan is working.

Now let us look at the cost. Since we could not get the money by taxes we borrowed it, and increased the public debt.

President Hoover's Administration increased the national debt in the net amount of over three billion dollars in three depression years and there was little to show for it. My Administration has increased the national debt in the net amount of about eight billion dollars and there is much to show for it.

Put that figure of eight billions out here on the scoreboard and let me tell you where the dollars went. 20 min

Over a billion and a half went for the payment of the World War Veterans' Bonus this year instead of in 1945. That payment is now out of the way, and is no longer a future obligation of the Government.

As for the other six and a half billions of the deficit, we didn't just spend money -- we spent it for something. America got something for what we spent -- conservation of human resources through CCC camps and work relief; conservation of natural resources of water, soil and forest; billions for security and a better life.

While many who criticize today were selling America short, we were investing in the future of America.

Contrast these expenditures and what we got for them with certain other expenditures of the American people in the years between 1920 and 1930. During that period not merely eight billions but many more billions came out of American pockets and were sent abroad -- to foreign countries where the money was used for increasing foreign armaments, for building foreign factories to compete with us, for building foreign model dwellings, swimming pools and slaughter houses, for giving employment to the foreign unemployed-- foreign boondoggling, if you will.

Those dollars were just as good American money -- just as hard-earned -- just as much the reward of our thrift -- as the dollars we have spent at home giving work to the unemployed. Most of those dollars sent abroad are gone for good. Those billions, lost to us under previous Administrations, do not include the other billions loaned by the United States to foreign governments during and immediately after the War.

I ask you the simple question: Hasn't it been a sounder investment for us during these past three years to spend eight billions for American industry, American farms, American homes and the care of American citizens?

I have used the figure of eight billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is thirteen billions instead of eight. That is technically and morally just as correct as if someone were to try to scare you about the condition of your bank by telling you of its liabilities and not telling you of its assets.

That is technically and morally just as correct as telling you good people here in Pennsylvania that none of your bank deposits or insurance policies are sound.

When you are told that the United States Treasury has thirteen billions more of liabilities than it had in 1933, you should also be told that it has six billion dollars of increased assets to set off against these liabilities.

In three years our net national debt has increased eight billion dollars. But in two years of the late War it increased as much as twenty-five billion dollars. National defense and the future of America were involved in 1917. National defense and the future of America were involved in 1933. Don't you believe that the saving of America has been cheap at that price? It was more than defense - it was more than rescue. It was an investment in the future of America.

And, incidentally, tonight is an anniversary in the affairs of our Government which I wish to celebrate with you and the American people. It is October first, and it marks the end of a whole year in which there has been not a single national bank failure in the United States. It has been fifty-five years since that kind of a record has been established. You and I can take this occasion to rejoice in that record. It is proof that the program has worked.

Compare the score board which you have in Pittsburgh now with the score board which you had when I stood here at second base in this field four years ago. At that time, as I drove through

these great valleys, I could see mile after mile of this greatest mill and factory area in the world, a dead panorama of silent black structures and smokeless stacks. I saw idleness and hunger instead of the whirl of machinery. Today as I came north from West Virginia, I saw mines operating, I found bustle and life, the hiss of steam, the ring of steel on steel - the roaring song of industry.

And now a word as to this foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard won savings of the present generation.

It is going to be paid out of an increased national income and increased individual income produced by increasing national prosperity.

The deficit of the national government has been steadily declining for three years running, although technically, this year it did not decline, because we paid the Bonus this year instead of in 1945. Without the Bonus the deficit would have declined this year.

The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than we dared then to hope. Deficits have been less than we expected. Treasury receipts are increasing.

The national income was thirty-eight billions in 1932. In 1935 it was fifty-three billions and this year it will be well over sixty billions. If it keeps on rising at the present rate, as I am confident that it will - the receipts of the Government, without imposing any additional taxes will, within a year or two, be sufficient to care for all ordinary and relief expenses of the Government - in other words, to balance the annual budget.

The Government of this great Nation, solvent, sound in credit, is coming through a crisis as grave as war without having sacrificed American democracy or the ideals of American life.

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ADDRESS OF THE PRESIDENT
FORBES FIELD, PITTSBURGH, PENNSYLVANIA
October 1, 1936, 9 P.M.

Mr. Chairman, Governor Earle, my friends of Pennsylvania:

A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the story of our fight to beat down the depression and win recovery. From where I stand it looks as though the game is pretty well in the bag. (Applause)

I am convinced that when government finance or any other kind of finance is honest - and when all the cards are on the table - there (are) is no higher mathematics about it. It is just plain, scoreboard arithmetic. (Applause)

Now when the present management of your team took charge in 1933, the national scoreboard looked pretty bad. In fact, it looked so much like a shut-out for the team that you voted a change of management in order to give the country a chance to win the game. (Applause) And today we are winning it.

Franklin D. Roosevelt Library

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.

When the new management came to Washington, we began to make our plans -- plans to meet the immediate crisis -- and plans that would carry the people of the country back to decent prosperity.

(We) You and I and everybody else saw the millions out of work, saw the business concerns running in the red, saw the banks closing. Our national income had declined over fifty per cent -- and, what was worse, it showed no prospect of recuperating by itself. By national income I mean the total of all income of all the 125,000,000 people in this country -- the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, (of) and all the individuals and corporations in America.

During the four lean years before this Administration took office, that national income that I am talking about had declined from eighty-one billions a year to thirty-eight billion dollars a year -- in short, you and I, -- all of us together -- were making forty-(three) one billions -- spelled with a "b" not "m" -- forty-one billion dollars less in 1932 than we made in 1929. (Applause)

Now, the rise and fall of national income -- since it tells the story of how much you and I and everybody else are making -- (is) are an index of the rise and fall of national prosperity. It is also an index of the prosperity of (the) your government. The money to run the government comes from taxes; and the tax revenue in turn depends for its size on the size of the national income. Thus when the incomes and the values and transactions of the country are on the down-grade, then tax receipts go on the down-grade too. And if the national income continues to decline then the government cannot run without going into the red. The only way to keep (a) the government out of the red is to keep the people out of the red. (Applause) And so we had to balance the budget of the American people before we could balance the budget of the national government. (Applause)

That makes common sense, doesn't it? ("Yes, yes", applause)

Well the box score when the Democratic Administration came (to bat) in in 1933 showed a net deficit in our national accounts of about $3,000,000,000,

accumulated in the three previous years under my predecessor. (Boos)

National income was (in) on a downward spiral. Federal Government revenues were in a downward spiral. To pile on vast new taxes would get us nowhere because values were going down, and that makes sense too.

And so on top of having to meet the ordinary expenses of government, I recognized the obligation of the Federal Government to feed and take care of the growing army of homeless and destitute unemployed. (Applause)

Something had to be done, we all know that. A national choice had to be made. We could no one of two things. Some people (- who sat across my desk in those days -) urged me to let nature take its course and to continue a policy of doing nothing. I rejected that advice because nature was in an angry mood.

To have accepted (this) that advice, some people urged me, would have meant a continued wiping out of people of small means - the continued loss of their homes and farms and small businesses into the hands of people who still had enough capital left to

pick up those homes and farms and businesses at bankruptcy prices. It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and families and small corporations. You would have seen, throughout the Nation, a concentration of property ownership in the hands of one or two per cent of the population, a concentration unequalled in any great nation since the days of the (later) Roman Empire. (Applause)

And so the program of this Administration (has protected) set out to protect the small business, the small corporation, the small shop and the small individual from the wave of deflation (which) that threatened them. We realized then, as we do now, that the vast army of small business men, and factory owners and shop owners form the backbone - together with our farmers and workers - the backbone of America. (of the industrial life of America.) In our long range plan we recognized that the prosperity of America depended upon, and would continue to depend upon, the prosperity of them all.

I rejected (that) the advice that was given

to me to do nothing for an additional reason. I had promised, and my Administration was determined, to keep the people of the United States from starvation. (Applause)

Yes, and I refused to leave human needs solely in the hands of local communities -- local communities which themselves were almost bankrupt.

To have accepted that advice would have been to offer bread lines again to the American people, knowing this time, however, that in many places the lines would last far longer than the bread. (Applause) And in those dark days, between us and a balanced budget, stood millions of needy Americans, denied the promise of (an) a decent American life. (Applause)

To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had to make a capital levy that would have been confiscatory, or we would have had to set our face against human suffering with callous indifference. When Americans suffered, we refused to pass by on the other side. Humanity came first. (Applause)

(No one) Now, my friends, nobody with any

sense of responsibility lightly lays a burden on the income of a nation. But this vicious tightening circle of our declining national income (simply) had to be broken. The bankers and the industrialists of the Nation cried aloud that private business was powerless to break it. They turned, as they had a right to turn, to the Government itself. And we accepted the final responsibility of government, after all else had failed, the responsibility to spend money when no one else had money left to spend. (Applause)

I adopted, therefore, the other alternative. I cast aside (a) the do-nothing or (a) wait-and-see policy. (Applause)

As a first step in our program we had to stop the quick spiral of deflation and decline in the national income. Having stopped them, we went on to restore purchasing power, to raise values, to put people back to work, and to start the national income (upward) going up again.

Yes, in 1933 we reversed the policy of the previous Administration. For the first time since the depression you had a Congress and an Administration in

Washington which had the courage to provide the necessary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew and you knew in March, 1933, that it would cost money. We knew and you knew that it would cost money for several years to come.

The people (themselves) understood that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew it in 1935, and they know it in 1936, that the plan is working. (Applause)

(Now) All right, my friends, let us look at the cost. Since we could not get the money by taxes and ought not to have gotten it by taxes in those years, we borrowed it, and we increased the public debt.

President Hoover's Administration increased the (national) debt in the net amount of over three billion dollars in three depression years and there was little to show for it. My Administration has increased the national debt in the net amount of (about) eight billion dollars and there is much to show for it. (Applause)

(Put) Now, let us take that figure of eight billions out here on the scoreboard and let me tell you where the dollars went.

Over a billion and a half went for the payment of the World War Veterans' Bonus this year (Applause) instead of in 1945. (Applause) That payment is now out of the way, and is no longer a future obligation of the Government.

As for the other six and a half billions (of the deficit) we didn't just spend money -- we spent (it) money for something. America got something for what (we) it spent -- the conservation of human resources through CCC camps (Applause) (and) through work relief; (Applause) conservation of natural resources of water, soil and forest; billions for security and a better life. (Applause) And remember that while many who criticize today were selling America short, we were investing in the future of America. (Applause)

Contrast (these) those expenditures and what we got for them with certain other expenditures of the American people in the years between 1920 and 1930. During that period not merely eight billions but many

more billions, about fourteen billions came out of American pockets and were sent abroad -- to foreign countries where the money was used for increasing foreign armaments, for building foreign factories to compete with us, for building foreign (model) dwellings, swimming pools, (and) slaughter houses, for giving employment to the foreign unemployed - foreign boondoggling, if you (will) like it.

Now those dollars, fourteen billion of them, were just as good American money -- just as hard-earned -- just as much the reward of (our) thrift -- as the dollars that we have spent these three years at home giving work to the unemployed. But most of those dollars (sent) that went abroad, why they are gone for good. Those billions, lost to us under previous Administrations, do not by the way include the other billions loaned by the United States to foreign governments during and immediately after the War.

And so I ask you the simple question: Hasn't it been a sounder investment for us during these past three years to spend eight billion(s) dollars for American industry, American farms, American homes and the care of American citizens? (Applause)

I have used the figure of eight billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. (Laughter, applause) They will tell you that the increase in the national debt is thirteen billions instead of eight. Now, that is technically and morally just as correct as if someone were to try to scare you about the condition of your bank by telling you (of) all about its liabilities and not telling you of its assets. (Applause)

That is technically and morally just as correct as telling you good people (here) in Pennsylvania that none of your bank deposits or insurance policies are (sound) any good. (Applause)

When you are told that the United States Treasury has thirteen billions more of liabilities than it had in 1933, you should also be told that it has six billion dollars of increased assets to set off against these liabilities. (Applause)

Yes, in three years our net national debt has increased eight billions of dollars. But in two years

of the (late) recent War it increased as much as twenty-five billion dollars. National defense and the future of America were involved in 1917 and in 1918. National defense and the future of America were also involved in 1933. (Applause) Don't you believe that the saving of America has been cheap at that price? (Applause) (It was more than defense - it was more than rescue. It was an investment in the future of America.)

And, incidentally, tonight is an anniversary in the affairs of our Government (which) that I (wish) want to celebrate with you and the American people. It is October first, and it marks the end of a whole year in which there has been not a single national bank failure in all the United States. (Applause) It has been fifty-five years, not twelve long years, but fifty-five years since that kind of a record has been established. You and I can take this occasion to rejoice in that record. It is proof that the program has worked.

Compare the score board which you have in Pittsburgh now with the score board which you had when I stood here at second base in this field four years ago.

At that time, as I drove through these great valleys, I could see mile after mile of this greatest mill and factory area in the world, a dead panorama of silent black structures and smokeless stacks. I saw idleness and hunger instead of the whirl of machinery. Today as I came north from West Virginia, I saw mines operating, I found bustle and life, the hiss of steam, the ring of steel on steel - the roaring song of industry. (Applause)

And now (a) one word (as to) in closing about this foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard won savings of the present generation.

It is going to be paid out of an increased national income and increased individual incomes produced by increasing national prosperity. (Applause)

(The deficit of the national government has been steadily declining for three years running, although technically, this year it did not decline, because we paid the Bonus this year instead of 1945. Without the Bonus the deficit would have declined this year.)

The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than we dared then to hope. Deficits have been less than we expected. Treasury receipts are increasing. And, incidentally, the national debt today in relation to the national income is much less than it was in 1933, when this Administration took office.

One word more: here are some simple figures, get them in front of your mind: The national income was thirty-eight billions in 1932. In 1935 it was fifty-three billions and this year it will be well over sixty billions. If it keeps on rising at the present rate, as I am confident that it will - the receipts of the Government, without imposing any additional taxes will, within a year or two, be sufficient to cure for all ordinary and relief expenses of the Government - in other words, to balance the (annual) budget. (Applause)

The Government of this great Nation, solvent, sound in credit, is coming through a crisis as grave as war -- coming through without having sacrificed American democracy or the ideals of American life. (Prolonged applause)

Investing in America's Future

Speech of President Franklin D. Roosevelt Forbes Field Pittsburgh October 1, 1936

"And now a word as to this foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard-won savings of the present generation.

"It is going to be paid out of an increased national income and increased individual income produced by increasing national prosperity."

Issued by

DEMOCRATIC NATIONAL COMMITTEE
Hotel Biltmore
New York

I am convinced that when government finance or any other finance is honest, and when all the cards are on the table, there are no higher mathematics about it.

* * *

. . . you voted a change of management in order to give the country a chance to win the game. And today we are winning it.

* * *

The only way to keep a government out of the red is to keep the people out of the red. We had to balance the budget of the American people before we could balance the budget of the national government.

* * *

Something had to be done. A national choice had to be made. We could do one of two things. Some people, who sat across my desk in those days, urged me to let nature take its course, and continue a policy of doing nothing. I rejected that advice. Nature was in an angry mood.

* * *

And so the program of this administration has protected the small business, the small corporation, the small shop from the wave of deflation which threatened them.

* * *

To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people.

* * *

We accepted the final responsibility of government, after all else had failed, to spend money when no one else had money left to spend.

* * *

President Hoover's administration increased the national debt in net amount of over $3,000,000,000 in three depression years and there was little to show for it. My administration has increased the national debt in the net amount of about $8,000,000,000 and there is much to show for it.

INVESTING IN AMERICA'S FUTURE

Speech of President Roosevelt at Forbes Field, Pittsburgh, October 1, 1936

A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the story of our fight to beat down the depression and win recovery. From where I stand it looks as though the game is pretty well in the bag.

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When the new management came to Washington we began to make our plans—plans to meet the immediate crisis—and plans that would carry the people of the country back to decent prosperity.

We saw the millions out of work, the business concerns running in the red, the banks closing. Our national income had declined over 50 per cent, and, what was worse, it showed no prospect of recuperating by itself. By national income I mean the total of all income of all the 125,000,000 people in this country, the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, of all the individuals and corporations in America.

National Income Decreased

During the four lean years before this administration took office that national income had declined from $81,000,000,000 a year to $38,000,000,000 a year—in short, you and I, all of us together, were making $43,000,000,000 less in 1932 than we made in 1929.

Now, the rise and fall of national income, since it tells the story of how much you and I and everybody else are making, is an index of the rise and fall of national prosperity. It is also an index of the prosperity of the government. The money to run the government comes from taxes; and the tax revenue in turn depends for its size on the size of the national income. When incomes and values and

transactions are on the down-grade, then tax receipts go on the down-grade too.

If the national income continues to decline, then the government cannot run without going into the red. The only way to keep a government out of the red is to keep the people out of the red. We had to balance the budget of the American people before we could balance the budget of the national government.

That makes common sense, doesn't it?

The box score when the Democratic administration came to bat in 1933 showed a net deficit in our national accounts of about $3,000,000,000 accumulated in the three previous years.

National income was in a downward spiral. Federal government revenues were in a downward spiral. To pile on vast new taxes would get us nowhere because values were going down.

On top of having to meet the ordinary expenses of government, I recognized the obligation of the Federal Government to feed and take care of the growing army of homeless and destitute unemployed.

Choice Had To Be Made

Something had to be done. A national choice had to be made. We could do one of two things. Some people, who sat across my desk in those days, urged me to let nature take its course, and continue a policy of doing nothing. I rejected that advice. Nature was in an angry mood.

To have accepted this advice would have meant a continued wiping out of people of small means, the continued loss of their homes and farms and small businesses into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices.

It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and families and small corporations. You would have seen a concentration of property ownership in the hands of 1 or 2 per cent of the population, a concentration unequaled in any great nation since the days of the later Roman empire.

And so the program of this administration has protected the small business, the small corporation, the small shop from the wave of deflation which threatened them.

We realized then, as we do now, that the vast army of small business men, factory owners and shop owners form the backbone, together with our

farmers and workers, of the industrial life of America. In our long-range plan we recognized that the prosperity of America depended upon, and would continue to depend upon, the prosperity of them all.

I rejected that advice for an additional reason. I had promised, and my administration was determined, to keep the people of the United States from starvation.

I refused to leave human needs solely in the hands of local communities—local communities which themselves were almost bankrupt.

To have accepted that advice would have been to offer bread lines again to the American people, knowing this time that in many places the lines would last far longer than the bread. In those dark days, between us and a balanced budget, stood millions of needy Americans denied the promise of an American life.

Humanities Came First

To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had to make a capital levy that would have been confiscatory or we would have had to set our face against human suffering with callous indifference. When Americans suffered, we refused to pass by on the other side. Humanity came first.

No one lightly lays a burden on the income of a nation. But this vicious tightening circle of our declining national income simply had to be broken. The bankers and the industrialists of the nation cried aloud that private business was powerless to break it. They turned, as they had a right to turn, to the government. We accepted the final responsibility of government, after all else had failed, to spend money when no one else had money left to spend.

I adopted, therefore, the other alternative. I cast aside a do-nothing or a wait-and-see policy.

As a first step in our program we had to stop the quick spiral of deflation and decline in the national income. Having stopped them, we went on to restore purchasing power, to raise values and to start the national income upward.

In 1933 we reversed the policy of the previous administration. For the first time since the depression you had a Congress and an administration in Washington which had the courage to provide the neces-

sary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come.

The people themselves understood that in 1933. They understood it in 1934 when they gave the administration a full endorsement of its policy. They knew in 1935, and they know in 1936, that the plan is working.

Now let us look at the cost. Since we could not get the money by taxes we borrowed it and increased the public debt.

President Hoover's administration increased the national debt in the net amount of over $3,000,000,000 in three depression years and there was little to show for it. My administration has increased the national debt in the net amount of about $8,000,000,000 and there is much to show for it.

Put that figure of eight billions out here on the scoreboard and let me tell you where the dollars went.

Bonus Out of Way

Over a billion and a half went for the payment of the World War veterans' bonus this year instead of 1945. That payment is now out of the way and is no longer a future obligation of the government.

As for the other six and a half billions of the deficit, we didn't just spend money, we spent it for something. America got something for what we spent, conservation of human resources through CCC camps and work relief; conservation of national resources of water, soil and forest; billions for security and a better life. While many who criticize today were selling America short, we were investing in the future of America.

Contrast these expenditures and what we got for them with certain other expenditures of the American people in the years between 1920 and 1930. During that period not merely eight billions but many more billions came out of American pockets and were sent abroad, to foreign countries, where the money was used for increasing foreign armaments, for building foreign factories to compete with us, for building foreign model dwellings, swimming pools and slaughter houses, for giving employment to the foreign unemployed, foreign boondoggling, if you will.

Those dollars were just as good American money,

just as hard-earned, just as much the reward of our thrift, as the dollars we have spent at home giving work to the unemployed. Most of those dollars sent abroad are gone for good. Those billions, lost to us under previous administrations, do not include the other billions loaned by the United States to foreign governments during and immediately after the war.

I ask you the simple question: Hasn't it been a sounder investment for us during these past three years to spend eight billions for American industry, American farms, American homes and the care of American citizens?

I have used the figure of $8,000,000,000 as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is thirteen billions instead of eight. That is technically and morally just as correct as if some one were to try to scare you about the condition of your bank by telling you of its liabilities and not telling you of its assets.

Investment In Future

That is technically and morally just as correct as telling you good people here in Pennsylvania that none of your bank deposits or insurance policies are sound.

When you are told that the United States Treasury has $13,000,000,000 more of liabilities than it had in 1933 you should also be told that it has $6,000,000,000 of increased assets to set it off against these liabilities.

In three years our net national debt has increased $8,000,000,000. But in two years of the late war it increased as much as $25,000,000,000.

National defense and the future of America were involved in 1917. National defense and the future of America were involved in 1933.

Don't you believe that the saving of America has been cheap at that price? It was more than defense; it was more than rescue. It was an investment in the future of America.

And, incidentally, tonight is an anniversary in the affairs of our government which I wish to celebrate with you and the American people. It is October 1, and it marks the end of a whole year in which there has been not a single national bank failure in the United States. It has been fifty-five

years since that kind of a record has been established. You and I can take this occasion to rejoice in that record. It is proof that the program has worked.

Compare the score board which you have in Pittsburgh now with the score board which you had when I stood here at second base in this field four years ago.

At that time, as I drove through these great valleys, I could see mile after mile of this greatest mill and factory area in the world a dead panorama of silent black structures and smokeless stacks. I saw idleness and hunger instead of the whirl of machinery.

Today as I came north from West Virginia I saw mines operating, I found bustle and life, the hiss of steam, the ring of steel on steel, the roaring song of industry.

And now a word as to this foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard-won savings of the present generation.

Will Pay from Income

It is going to be paid out of an increased national income and increased individual income produced by increasing national prosperity.

The deficit of the national government has been steadily declining for three years running, although technically, this year it did not decline, because we paid the bonus this year instead of in 1945. Without the bonus the deficit would have declined this year.

The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than we dared then to hope. Deficits have been less than we expected. Treasury receipts are increasing.

The national income was thirty-eight billions in 1932. In 1935 it was fifty-three billions and this year it will be well over sixty billions. If it keeps on rising at the present rate, as I am confident that it will, the receipts within a year or two will be sufficient to care for all ordinary and relief expenses of the government—in other words, to balance the annual budget.

The government of this great nation, solvent, sound in credit, is coming through a crisis as grave as war without having sacrificed American democracy or the ideals of American life.

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STATEMENTS FILE

Shorthand By Kannee

HOLD FOR RELEASE HOLD FOR RELEASE HOLD FOR RELEASE

CAUTION: This address of the President, to be delivered at Forbes Field, Pittsburgh, Pennsylvania, October 1, 1936, is not to be released until actual delivery, expected about 9 o'clock P.M., E.S.T.

PLEASE SAFEGUARD AGAINST PREMATURE RELEASE.

M. H. McINTYRE
Assistant Secretary to the President.

A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the story of our fight to beat down the depression and win recovery. From where I stand it looks as though the game is pretty well in the bag.

I am convinced that when government finance or any other finance is honest -- and when all the cards are on the table -- there ~~are~~ no higher mathematics about it. It is just plain, scoreboard arithmetic.

When the present management of your team took charge, the national scoreboard looked pretty bad. In fact, it looked so much like a shut-out that you voted a change of management in order to give the country a chance to win the game. And today we are winning it.

When the new management came to Washington, we began to make our plans -- plans to meet the immediate crisis -- and plans that would carry the people of the country back to decent prosperity.

We saw the millions out of work, the business concerns running in the red, the banks closing. Our national income had declined over fifty per cent -- and, what was worse, it showed no prospect of recuperating by itself. By national income I mean the total of all income of all the 125,000,000 people in this country -- the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, ~~of~~ all the individuals and corporations in America.

During the four lean years before this Administration took office, that national income had declined from eighty-one billions a year to thirty-eight billions a year -- in short, you and I, -- all of us together -- were making forty-~~three~~ billion ~~dollars less~~ in 1932 than we made in 1929.

Now, the rise and fall of national income -- since it tells the story of how much you and I and everybody else are making -- ~~is~~ an index of the rise and fall of national prosperity. It is also an index of the prosperity of ~~the~~ government. The money to run the government comes from taxes; and the tax revenue in turn depends for its size on the size of the national income. When incomes and values and transactions are on the down-grade, then tax receipts go on the down-grade too. If the national income continues to decline then the government cannot run without going into the red. The only way to keep government out of the red is to keep the people out of the red. We had to balance the budget of the American people before we could balance the budget of the national government.

That makes common sense, doesn't it?

The box score when the Democratic Administration came ~~to bat~~ in 1933 showed a net deficit in our national accounts of about $3,000,000,000, accumulated in the three previous years.

National income was in a downward spiral. Federal Government revenues were in a downward spiral. To pile on vast new taxes would get us nowhere because values were going down.

On top of having to meet the ordinary expenses of government, I recognized the obligation of the Federal Government to feed and take care of the growing army of homeless and destitute unemployed.

Something had to be done. A national choice had to be made. We could do one of two things. Some people - ~~who sat across my desk in these days~~ -- urged me to let nature take its course, ~~and~~ continue a policy of doing nothing. I rejected that advice. Nature was in an angry mood.

To have accepted ~~this~~ advice would have meant a continued wiping out of people of small means - the continued loss of their homes and farms and small businesses into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices. It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and families and small corporations. You would have seen a concentration of property ownership in the hands of one or two per cent of the population, a concentration unequalled in any great nation since the days of the ~~later~~ Roman Empire.

And so the program of this Administration ~~has~~ protected the small business, the small corporation, the small shop from the wave of deflation ~~which~~ threatened them. We realized then, as we do now, that the vast army of small business men, factory owners and shop owners form the backbone - together with our farmers and workers ~~- of the industrial life of America~~. In our long range plan we recognized that the prosperity of America depended upon, and would continue to depend upon, the prosperity of them all.

I rejected ~~that~~ advice for an additional reason. I had promised, and my Administration was determined, to keep the people of the United States from starvation.

I refused to leave human needs solely in the hands of local communities -- local communities which themselves were almost bankrupt.

To have accepted that advice would have been to offer bread lines again to the American people, knowing this time that in many places the lines would last far longer than the bread. In those dark days, between us and a balanced budget, stood millions of needy Americans, denied the promise of ~~an American life.~~

To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had to make a capital levy that would have been confiscatory, or we would have had to set our face against human suffering with callous indifference. When Americans suffered, we refused to pass by on the other side. Humanity came first.

~~No one~~ lightly lays a burden on the income of a nation. But this vicious tightening circle of our declining national income ~~simply~~ had to be broken. The bankers and the industrialists of the Nation cried aloud that private business was powerless to break it. They turned, as they had a right to turn, to the Government. We accepted the final responsibility of government, after all else had failed, to spend money when no one else had money left to spend.

I adopted, therefore, the other alternative. I cast aside the do-nothing or wait-and-see policy.

As a first step in our program we had to stop the quick spiral of deflation and decline in the national income. Having stopped them, we went on to restore purchasing power, to raise values, and to start the national income ~~upward.~~

In 1933 we reversed the policy of the previous Administration. For the first time since the depression you had a Congress and an Administration in Washington which had the courage to provide the necessary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come.

The people ~~themselves~~ understood that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew in 1935, and they know in 1936, that the plan is working.

~~Now~~ let us look at the cost. Since we could not get the money by taxes we borrowed it, and increased the public debt.

President Hoover's Administration increased the ~~national~~ debt in the net amount of over three billion dollars in three depression years and there was little to show for it. My Administration has increased the national debt in the net amount of ~~about~~ eight billion dollars and there is much to show for it.

~~Put~~ that figure of eight billions out here on the scoreboard and let me tell you where the dollars went.

Over a billion and a half went for the payment of the World War Veterans' Bonus this year instead of in 1945. That payment is now out of the way, and is no longer a future obligation of the Government.

As for the other six and a half billions ~~of the deficit~~, we didn't just spend money -- we spent ~~it~~ for something. America got something for what ~~we~~ spent -- conservation of human resources through CCC camps ~~and~~ work relief; conservation of natural resources of water, soil and forest; billions for security and a better life. While many who criticize today were selling America short, we were investing in the future of America.

Contrast these expenditures and what we got for them with certain other expenditures of the American people in the years between 1920 and 1930. During that period not merely eight billions but many more billions came out of American pockets and were sent abroad -- to foreign countries where the money was used for increasing foreign armaments, for building foreign factories to compete with us, for building foreign ~~model~~ dwellings, swimming pools ~~and~~ slaughter houses, for giving employment to the foreign unemployed - foreign boondoggling, if you ~~will.~~

Those dollars were just as good American money -- just as hard-earned -- just as much the reward of ~~our~~ thrift -- as the dollars we have spent at home giving work to the unemployed. Most of those dollars ~~sent~~ abroad are gone for good. Those billions, lost to us under previous Administrations, do not ~~include~~ the other billions loaned by the United States to foreign governments during and immediately after the War.

I ask you the simple question: Hasn't it been a sounder investment for us during these past three years to spend eight billions for American industry, American farms, American homes and the care of American citizens?

I have used the figure of eight billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is thirteen billions instead of eight. That is technically and morally just as correct as if someone were to try to scare you about the condition of your bank by telling you ~~of~~ its liabilities and not telling you of its assets.

That is technically and morally just as correct as telling you good people ~~here~~ in Pennsylvania that none of your bank deposits or insurance policies are ~~sound.~~

When you are told that the United States Treasury has thirteen billions more of liabilities than it had in 1933, you should also be told that it has six billion dollars of increased assets to set off against these liabilities.

In three years our net national debt has increased eight billion dollars. But in two years ofthe ~~late~~ War it increased as much as twenty-five billion dollars. National defense and the future of America were involved in 1917. National defense and the future of America were involved in 1933. Don't you believe that the saving of America has been cheap at that price? ~~It was more than defense - it was more than rescue. It was an investment in the future of America.~~

And, incidentally, tonight is an anniversary in the affairs of our Government ~~which~~ I ~~wish~~ to celebrate with you and the American people. It is October first, and it marks the end of a whole year in which there has been not a single national bank failure in the United States. It has been fifty-five years since that kind of a record has been established. You and I can take this occasion to rejoice in that record. It is proof that the program has worked.

Compare the score board which you have in Pittsburgh now with the score board which you had when I stood here at second base in this field four years ago. At that time, as I drove through these great valleys, I could see mile after mile of this greatest mill and factory area in the world, a dead panorama of silent black structures and smokeless stacks. I saw idleness and hunger instead of the whirl of machinery. Today as I came north from West Virginia, I saw mines operating, I found bustle and life, the hiss of steam, the ring of steel on steel - the roaring song of industry..

And now a word ~~as to~~ this foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard won savings of the present generation.

It is going to be paid out of an increased national income and increased individual incomes produced by increasing national prosperity.

~~The deficit of the national government has been~~ steadily declining for three years ~~running~~, although technically, this ~~year it~~ did not decline, because we paid the Bonus ~~this~~ year instead of in 1945. Without the Bonus ~~the deficit would~~ have declined this year.

The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than we dared then to hope. Deficits have been less than we expected. Treasury receipts are increasing.

The national income was thirty-eight billions in 1932. In 1935 it was fifty-three billions and this year it will be well over sixty billions. If it keeps on rising at the present rate, as I am confident that it will - the receipts of the Government, without imposing any additional taxes will, within a year or two, be sufficient to care for all ordinary and relief expenses of the Government - in other words, to balance the ~~annual~~ budget.

The Government of this great Nation, solvent, sound in credit, is coming through a crisis as grave as war - without having sacrificed American democracy or the ideals of American life.

(1.) #930

Fourth Draft

A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the dollar-and-cents, inning-by-inning story of our fight to beat down the depression and win recovery. From where I stand, and on the basis of my figures, it looks as though the game is pretty well in the bag.

It is something new to talk government finance out here in the open and under the Klieg lights. But I am convinced that when government finance or any other finance is honest--and when all the cards are on the table--there are no higher mathematics about it. It is just plain, scoreboard arithmetic.

First of all I am asking every one of you to think of yourselves as stockholders in the great business known as the government of the United States. As the operating head of this enterprise it is my responsibility to report to you on the state of your business. When your present management took charge the national scoreboard was not blank. We inherited a box-score. It was bad. In fact, it was so much like a shut-out that

OK. FDR

you voted a change of management in order to give the country a chance to win the game. Today we are winning the game.

When the new Administration came to Washington it set about to get the facts--all the facts--about where we were as a Nation--why we were where we were--and what needed to be done. We began to make our plans--plans not only to meet the immediate crisis--but long-time plans that would carry the people of the country back to the place where they would find solid ground under their feet again.

We took a long look. We saw the millions out of work, the business concerns running in the red, the banks closing. We understood the complicated reasons which had produced these difficulties. But the all-important immediate fact was the result of all these tragedies. And that result was that the national income had declined over fifty per cent--that it showed no power of recuperating by itself. By national income I mean the total of all income of all the 125,000,000 people in this country--the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, and all the individuals in America.

OK. K.M.G.

During the four lean years before this Administration took office, that national income had declined from 81 billions a year to 39½ billions a year -- in short, you and I -- all of us together -- were making 41 billion dollars less in 1932 than we made in 1929.

Now, the rise and fall of national income -- since it tells the story of how much you and I and everybody else are making -- is an index of the rise and fall of national prosperity. It is also an index of the prosperity of the government. A declining national income affects the government of the United States in exactly the same way that a declining personal income affects the prosperity of the individual. That is because the money to run the government comes from taxes. Taxes are levied against incomes and values and transactions. When incomes and values and transactions are on the down-grade, then tax receipts go on the downgrade, too . If the national income continues to decline then the government cannot run without going into the red. The only way to keep a government out of the red is to keep the people out of the red. Does that make common sense to you?

Federal government

Because of this, the box score on the 4th of March, 1933, showed a net ~~national~~ deficit for four years ~~of over~~ aggregating about 3 billion dollars. In this figure I give full credit for loans and other advances on which repayments could be effected

In certain quarters deficits are being talked about as if a deficit had never been heard of until the present Administration. Partisan critics have short memories. In the Republican fiscal year ending 1931, there was a deficit. In the Republican fiscal year ending 1932, there was a deficit. In the Republican fiscal year ending 1933, there was a deficit. These were my inheritances on March 4, 1933.

But that deficit does not tell the whole story. For it is an axiom proved by history that when the national income of a nation is steadily declining, you cannot finance government expenditures by the simple expedient of piling on more taxes.

In that situation something had to be done. A national choice had to be made. It was clear that we could do one of two things. A good many people -- who sat across my desk in those days -- urged me to let nature take its course, and continue a policy of doing nothing. I rejected that advice.

OK. MM. N.

To have accepted it would have meant a continued wiping out of people of small means -- the continued loss of homes and farms and small businesses -- a transfer of their ownership into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices. It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and small corporations. You would have seen a concentration of property ownership in the hands of one or two percent of the population, a concentration unequalled in any great nation since the days of the later Roman Empire.

I rejected that advice for another reason. I had promised, and my Administration was determined, to keep the people of the United States from starvation. I could not leave human needs solely in the hands of local communities -- ~~local communities which themselves were bankrupt~~ many of which had reached the limit of their resources. ~~Xxxxxxxxx~~ To have accepted that advice would have been to offer bread lines to the American people, knowing that in many places the lines would last far longer than the bread. In those dark days, between us and a balanced budget stood

OK. Mac

millions of unemployed Americans.

To balance our budget in 1933 or 1934 or 1935 would have been a calamity for ~~crime against~~ the American people. To do so we would either have had to make a capital levy ~~being~~ that would have been confiscatory, or we would have had to meet human suffering with callous indifference. When Americans suffered we have refused to pass by on the other side.

No one lightly lays a burden on the income of a nation. But the vicious and tightening circle of our declining national income had to be broken. The bankers and the industrialists of the Nation agreed that private business could not break it. They turned, as they had a right to turn, to the government. It was the ~~first~~ final responsibility of government after all else had failed to spend money when no one else had the money to spend.

I adopted, therefore, the other alternative--adopted it because we had faced all the facts; because having faced them, we rejected a do-nothing or a wait-and-pray policy.

As a first step in our program we had to stop the downward spiral--to stop the deflation, and the decline in national income. Having stopped them, we went on to restore purchasing power, to raise values

and to start the national income upward.

In other words, in 1933 the government of the United States determined to reverse the policy of the previous administration and to marshal its forces to rescue our faltering economic system. For the first time since the depression you had a Congress and an Administration in Washington which had courage to provide the necessary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come.

The people themselves understood that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew in 1934 that it would take several years before the national income would be back to normal. In 1934 it was the belief of the people, the Congress and that the plan was working. It is the belief of the myself in 1936 that the plan continues to work.

that that is the belief of the American people as well.

Now let us look at the costs. Since we could not get the money by taxes we borrowed it, and increased the public debt.

I have told you that President Hoover's Administration increased the national debt to finance deficits in the net amount of ~~over~~ 3 billion dollars. My Administration has increased the national debt in the net amount of about 8 billion dollars. This figure allows a liberal estimate of one billion dollars for possible depreciation of recoverable assets and possible losses on contingent liabilities. Put that figure of 8 billions out here on the scoreboard and let me tell you where the dollars went. Over a billion and a half ~~($1,875,498,631.79)~~ went for the payment ~~of~~ to the World War Veterans' ~~Bonus~~ this year instead of in ~~1944~~ 1945. That payment is now out of the way, and is no longer a future obligation of the government.

As for the other six and a half billions of the deficit, we didn't just spend money -- we spent it for something. America got something for what we spent -- CCC camps, a work relief

program, extensive permanent public works, large loans to states and municipalities, RFC loans to banks and railroads and insurance companies--billions in aid to the farmer and the home-owner.

Contrast those expenditures and what we got for them, with certain other expenditures which came out of the pockets of the American people in the years between 1920 and 1930. During that period not merely eight billions but many more than eight billions came out of American pockets and bank deposits. Those billions dollars were sent abroad--to foreign countries where the money was used for increasing foreign armaments, for stabilizing the prices of foreign crops, for building foreign factories to compete with us, for building foreign model dwellings, and recreation facilities, for giving unemployment to the foreign unemployed--for foreign boondoggling, if you will. Those dollars were just as good American money--just as hard-earned--just as much the reward of thrift--as the dollars we have spent on our domestic public works unemployment relief program. And most of those dollars sent abroad are gone for good. And those lost billions which I am talking about do not include

the other billions loaned by the United States to foreign governments during and immediately after the War. I ask you the simple question: Hasn't it been far better for us during these past three years to spend 8 billions at home for American industry, American farms, American homes and the care of American citizens?

I have used the figure of 8 billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is 13 billions instead of eight. That is technically and morally just as correct as if some one were to scare you about the condition of your bank by telling you of its liabilities and not telling you of its assets.

When you are told that the United States Treasury has 13 billions more of liabilities than it had in 1933, you should also be told that it has 6 billion dollars of increased assets to set off against those liabilities.

These increased assets represent the collateral securing loans made by the Government to banks, to industries, to railroads and to individuals, and it represents also the stabilization fund which, as you all know, is maintained for the purpose of keeping foreign exchange stable.

I am going to give you only one more figure about debt. In 3½ years our net national debt has increased 8 billion dollars. But in two years of the late War it increased as much as 25 billion dollars. National defense and the future of America were involved in 1917. ~~National~~ Home defense and the future of America were involved in 1933. Don't you believe that the saving of America has been cheap at that price.

And now a word as to ~~the~~ foolish fears ~~this nonsense~~ about the crushing load upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard won savings of the present generation. It is going to be paid out of an increased national income produced by increasing national prosperity. This debt will mature

If we put to one side the Bonus payment made this year, the deficit of the national government has been steadily declining for three years ~~running, although technically, this year it did not decline,~~ consecutive

(which had been an exception since 1925)

~~bonuses this year we~~ paid the bonus this year instead of in 1945. Without the bonus the deficit would have declined this year. The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than ~~we dared then to hope~~ (our present income). Deficits have been less than we feared. ~~We can now anticipate the complete ending of national deficits sooner than we had originally expected.~~

The national income was 30½ billions in 1932. In 1935 it was 53 billions and this year ~~it will be well over~~ is estimated at 60 billions. If it keeps on rising at the present rate as I am confident that it will—the receipts of the Government, without imposing any additional taxes, will within ~~two~~ a year be ~~more than~~ sufficient to care for all ordinary and relief expenses of the Government.

Indeed I am now able to report the assurance of the Treasury, assuming that no new and extraordinary burdens are thrust upon us, that we will have a balanced budget for the fiscal year of 1938.

We have reached a stage of recovery where it now seems safe to say that we should be able to present a balanced Federal budget for the fiscal year ~~1938~~, that is next July.

#

America has got something for what we spent - conservation of human resources through CCC camps and work relief; conservation of our natural resources - water, soil, forests and parks; great enlargement of our community assets ~~of~~ ~~[illegible]~~ roads, bridges, streets and public buildings - billions in aid to ~~[illegible]~~ security and better living for farmer and city dweller. etc.

promotes

file

A baseball park is a good place to talk about box scores. To-night I am going to talk to you about the box score of the government of the United States. I am going to tell you the dollar-and-cents, inning-by-inning story of our fight to beat down the depression and win recovery. From where I stand, and on the basis of my figures, it looks as though the game is pretty well in the bag.

It is something new to talk government finance out here in the open and under the Klieg lights. But I am convinced that when government finance or any other finance is honest, and when all the cards are on the table--there are no higher mathematics about it! It is just plain, scoreboard arithmetic.

First of all I am ~~gnix~~ asking every one of you to think of yourselves as stockholders in the great business known as the government of the United States. As the operating head of this enterprise it is my responsibility to report to you on the state of your business. When your present management took charge the national scoreboard was not blank. We inherited a box-score. It was bad. In fact, it was so much like a shut-out that you voted

change of management in order to give the country a chance to win the game. Today we are winning the game.

When the new Administration came to Washington it set about to get the facts--all the facts--about where we were as a Nation, why we were where we were--and what needed to be done. We began to make our plans--plans not only to meet the immediate crisis--but long-time plans that would carry the people of the country back to the place where they would find solid ground under their feet again.

We took a long look. We saw the millions out of work, the business concerns running in the red, the banks closing. We understood the complicated reasons which had produced these difficulties. But the all-important immediate fact was the result of all these tragedies. And that result was that the national income had declined over fifty per cent--that it showed no power of recuperating by itself. By national income I mean the total of all income of all the 125,000,000 people in this country--the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, and all the individuals in America. During the four lean years before this Administration took office, that national income had declined from 81 billions

a year to 39½ billions a year--in short, you and I--all of us together--were making 41 billion dollars less in 1932 than we made in 1929.

Now, the rise and fall of national income--since it tells the story of how much you and I and everybody else are making--is an index of the rise and fall of national prosperity. It is also an index of the prosperity of the government. A declining national income affects the government of the United States in exactly the same way that a declining personal income affects the prosperity of the individual. That is because the money to run the government comes from taxes. Taxes are levied against incomes and values and transactions. When incomes and values and transactions are on the down-grade, then tax receipts go on the downgrade, too. If the national income continues to decline then the government cannot run without going into the red. The only way to keep a government out of the red is to keep the people out of the red. Does that make common sense to you?

Because of this, the box score ~~on the 4th of March, 1933~~, when the Democratic Administration came to bat in 1933 showed a ~~not national~~ deficit ~~for four years aggregating about 3~~ in our national accounts of about 3 billion dollars accumulated in three years of the depression.

[redacted]. In this figure I give full credit for loans and other advances on which repayments could be expected.

In certain quarters deficits are being talked about as if a deficit had never been heard of until the present Administration. Partisan critics have short memories. In the Republican fiscal year ending 1931, there was a deficit. In the Republican fiscal year ending 1932, there was a deficit. In the Republican fiscal year ending 1933, there was a deficit. These were my inheritances on March 4, 1933.

But that deficit does not tell the whole story! For it is an axiom proved by history that when the national income of a nation is steadily declining, you cannot finance government expenditures by the simple expedient of piling on more taxes.

In that situation something had to be done. A national choice had to be made. It was clear that we could do one of two things. A good many people--who sat across my desk in those days--urged me to let nature take its course, and continue a policy of doing nothing. I rejected that advice. To have accepted it would have meant a continued wiping out of people

of small means--the continued loss of homes and farms and small businesses--a transfer of their ownership into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices. It would have meant , in a very short time, the loss of all the resources of a multitude of individuals and small corporations. You would have seen a concentration of property ownership in the hands of one or two percent of the population, a concentration unequalled in any great nation since the days of the later Roman Empire.

I rejected that advice for ~~another~~ an additional reason. I had promised, and my Administration was determined, to keep the people of the United States from starvation. I could not leave human needs solely in the hands of local communities--many of which had reached the limit of their resources. To have accepted that advice would have been to offer bread lines to the American people, knowing that in many places the lines would last far longer than the bread. In those dark days, between us and a balanced budget stood millions of unemployed Americans.

To balance our budget in 1933 or 1934 or 1935 would have been

a calamity for the American people. To do so we would either have had to make a capital levy that would have been confiscatory, or we would have had to meet human suffering with callous indifference. When Americans suffered we have refused to pass by on the other side.

No one lightly lays a burden on the income of a nation. But the vicious and tightening circle of our declining national income had to be broken. The bankers and the industrialists of the Nation agreed that private business could not break it. They turned, as they had a right to turn, to the government. It was the final responsibility of government after all else had failed to spend money when no one else had the money to spend.

I adopted, therefore, the other alternative--adopted it because we had faced all the facts; because having faced them, we rejected a do-nothing or a wait-and-pray policy.

As a first step in our program we had to stop the downward spiral--to stop the deflation, and the decline in national income Having stopped them, we went on to restore purchasing power, to raise values

and to start the national income upward.

In other words, in 1933 the government of the United States determined to reverse the policy of the previous administration, and to marshal the forces to rescue our faltering economic system. For the first time since the depression we had a Congress and an Administration in Washington which had courage to provide the necessary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come.

The people themselves understood that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew in 1934 that it would take several years before the national income would be back to normal. In 1934 it was the belief of the people, the Congress and myself that the plan was working. It is the belief of the Congress and myself in 1936 that the plan continues to work.

that that is the belief of the American people as well.

Now let us look at the costs. Since we could not get the money by taxes we borrowed it, and increased the publicdebt.

I have told you that President Hoover's Administration increased the national debt to finance deficits in the net amount of 3 billion dollars. in three Johnson years. My Administration has increased the national debt in the net amount of about 8 billion dollars. This figure allows a liberal estimate of one billion dollars for possible depreciation of recoverable assets and possible losses on contingent liabilities. Put that figure of 8 billions out here on the scoreboard and let me tell you where the dollars went. Over a billion and a half went for the payment of the World War Veterans' bonus this year instead of in 1945. That payment is now out of the way, and is no longer a future obligation of the government.

As for the other six and a half billions of the deficit, we didn't just spend money -- we spent it for something. America got something for what we spent -- CCC camps, a work relief

program, extensive permanent public works, large ~~loans~~ grants to states and municipalities, RFC loans to banks and railroads and insurance companies -- billions ~~to~~ in aid to the farmer and the home-owner.

Contrast those expenditures and what we got for them, with certain other expenditures which came out of the pockets of the American people in the years between 1920 and 1930. During that period ~~not merely eight billions~~ but many more than eight billions ~~xxx~~ came out of American pockets and bank deposits. Those billions of dollars were sent abroad -- to foreign countries where the money was used for increasing foreign xxxx armaments, for stabilizing the prices of foreign crops, for building foreign factories to compete with us, for building foreign model dwellings, and recreation facilities, for giving unemployment ~~for~~ to the foreign unemployed -- for foreign boondoggling, if you will. Those dollars were just as good American money -- just as hard-earned -- just as much the reward of thrift -- as the dollars we have spent on our domestic public works unemployment relief program. And most of ~~these~~ those dollars sent abroad are gone for good. And those lost billions which I am talking about do not include the other billions

loaned by the United States to foreign governments during and immediately after the War. I ask you the simple question: Hasn't it been far better for us during these past three years to spend 8 billions at home for American industry, American farms, American homes and the care of American citizens?

I have used the figure of 8 billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is 12 billions instead of eight. That is technically and morally just as correct as if some one were to scare you about the condition of your bank by telling you of its liabilities and not telling you of its assets.

When you are told that the United States Treasury has 13 billions more of liabilities than it had in 1922, you should also be told that it has 6 billion dollars of increased assets to set off against those liabilities. And in fairness you should also be told of the enormous increase in the value of the assets of the American people.

the increase in the Treasury's cash on hand

These increased assets represent the collateral securing loans made by the government to banks, to industries, to railroads and to individuals, and it represents also the stabilization fund which, as you all know, is maintained for the purpose of ~~keeping foreign exchange stable~~ protecting the American dollar and making our trade secure.

I am going to give you only one more figure about debt, ~~in this [illegible]~~ -- ~~[illegible]~~ we have increased our net national debt ~~has increased~~ 18 billion dollars. But in two years of the late War it increased as much as 25 billion dollars. National defense and the future of America were involved in 1917. Home defense and the future of America were involved in 1933. Don't you believe that the saving of America has been cheap at that price. It was more than defense, it was more than home, it was an investment in the future of America.

And now a word as to foolish fears about the crushing load this debt will impose upon your children and mine. This debt is not going to be paid by opporessive taxation on future generations. It is notgoing to be paid by taking away the hrd won savings of the present generation. It is goingto be paid out of an increased national income and increased individual income produced by increased national prosperity.

If we put to one side the bonus payment made this year -- which

had been an obligation since 1925 -- the deficit ofthe national government has been steadily declining for three consecutive years. We paid the bonus this year instead of in 1945. Without the bonus the deficit would have declined this yar.

The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than we dared then to hope (our ~~xxxxxxxxxx~~ fondest dreams). Deficits have been less than we ~~feared~~ expected.

The national income was 39½ billions in 1932. In 1925 it was 53 billions ~~and~~ this year is estimated at 60 billions. If it keeps on rising at the present rate as I am confident that it will-- the receipts of the Government, without imposing any additional taxes, will within a year be sufficientto carefor all ordinary and relief expenses of the Government.

Pittsburgh Post
Sun. Evening

We have now for the first time reached that point in recovery ~~that~~ where I feel it is safe to say that assuming ~~that~~ no unforeseen national calamity is thrust upon us, we can look forward ~~that I am determined~~ to ~~leave~~ no stone unturned to balance the Federal budget for the fiscal year of 1938.

(The last paragraph above is Secretary Morgenthau's suggested amendment. The original language read as follows:)

Indeed I am now able to report the assurance of the Treasury, assuming that no new and extraordinary burdens are thrust upon us, that we will have a balanced budget for the final year of 1936.

THE UNDERSECRETARY OF THE TREASURY

"We had to balance the budget of the Bureau first before we could balance the budget of the ~~Bureau~~ Department"

p. 3. Richtung
Defect figures

p. 5

6

7,

8.

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12.

Friday - haven't seen
[illegible]

I was talking to a neighbor in Dutchess County the other day and he was complaining about the national debt. I put this question to him. You are running a small store, and I happen to know that your net income last year was $3,800 and at the same time your debt was $1,900. If I could prove to you that by borrowing $700 more you could increase your income from $3,800 to $6,500, would you do it or not? These figures are in exact ratio, leaving off a lot of zeros, to the figures that represent the Federal Government's debt and the figures that represent the income of the American people. And I believe that you good people who are here tonight would say as that man did that that would be a mighty good bargain.

This assumes that Truman gave tax outgoes at current and no losses apparent

1

Third Draft

A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the dollars-and-cents, inning-by-inning story of our fight to beat down the depression and win recovery. From where I stand, and on the basis of my figures, it looks as though the game is pretty well in the bag. ~~We are ready for the seventh inning. For the first time in seven years the American public can follow that good old seventh inning custom and stand up and stretch.~~

It is something new to talk government finance out here in the open and under the Klieg lights. ~~But I have a conviction about government finance and about all other kinds of finance.~~ But I am convinced that when government finance or any other finance is honest -- and when all the cards are on the table -- there are no higher mathematics about it. It is just plain, scoreboard arithmetic. ~~When talk about government finance or any other finance is upholstered with mystery then I have a~~

strong feeling that that talk is not honest -- that some of the facts have been left out -- that some of the cards have not been laid on the table. What I am going to talk to you about tonight is not higher mathematics -- it is scoreboard arithmetic -- with none of the facts left out.

First of all I am asking every one of you to think of yourselves as stockholders in the great business known as the government of the United States. ~~You may have a great many shares or a very few shares or no shares at all in private corporations. But every citizen in this land has a share and is a stockholder in the government.~~

As the operating head of this enterprise it is my responsibility ~~to give a report for the management,~~ to report to you on the state of your business.

~~To go back to the ball-park again I think I should remind you that~~ When your present management took charge the national scoreboard was not blank. We inherited a box-score. It was bad. In fact, it was

so much like a shut-out that you voted a change of management in order to ~~improve it.~~ give the country a chance to win the game. Today we are winning the game.

~~It has been improved. I am going to tell you the story of how this improvement came about.~~

~~It came about, first of all, because~~ When the new Administration ~~when it~~ came to Washington ~~got~~ it was almost to get the facts -- all the facts -- about where we were as a Nation -- why we were where we were -- and what needed to be done. ~~We called in men and women from every section of the country. Day after day these men and women sat across from me at my desk in the White House. Day after day, at the long table where the Cabinet meets, we discussed and we conferred.~~ We began to make our plans -- plans not only to meet the immediate crisis -- but long-time plans that would carry the people of the country back to the place where they would find solid ground under their feet again.

We took a long look, ~~and it became clear to us that we could do one of two things.~~

~~We took a long look.~~ We saw the millions out of work, the business concerns running in the red, the banks closing ~~dying like flies~~. We understood the complicated reasons which had produced these difficulties. ~~when the previous Administration let them get out of control.~~ But the all-important immediate fact was the result of all these tragedies. And that result was that the national income had declined over fifty per cent — that it showed no power of recuperating by itself ~~without direct action by the Government.~~ By national income I mean the total of all income of all the 125,000,000 people in this country--the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, and all the individuals in America. During the four lean years before this Administration took office, that national income had declined from 80 billions a year to 38 billions a year--in short, you and I--all of us together--were making 42 billion dollars less in 1933 than we made in 1929.

3a

We had to make ~~a national choice.~~ What were the conditions? ~~that compelled that choice?~~ It is not enough to say that millions of our people were out of work; that business was in the red; that banks were closed.

The basic fact back of our situation was a decline in our national income. By national income I mean the total of all the income of all the 125 million people in this country -- the total of all the pay envelopes, all the farm sales, all the salaries, all the ~~income~~ profits of all the businesses and all the individuals in America.

Now, the rise and fall of national income -- since it tells the story of how much you and I and everybody else are making -- is an index of the rise and fall of national prosperity. It is also an index of the prosperity of the government. A declining national income affects the government of the United States in exactly the same way that a declining personal income affects the prosperity of the individual. That is because the money to run the government comes from taxes. Taxes are levied against

incomes and values and transactions. When incomes and values and transactions are on the down-grade, then tax receipts go on the down-grade, too. If the national income continues to decline then the government cannot run without going into the red. The only way to keep a government ~~in the black~~ out of the red is to keep the people ~~in the black~~ out of the red. Does that make commonsense to you?

~~When this Administration came into office we found a government which was already deeply in the red. It was in the red because national income had been steadily declining through four years. Customs duties declined because few things were bought from abroad.~~ Foreign Trade had about stopped. ~~Amusement taxes fell off because fewer people could afford to go to the theatre or the ball game. Tobacco taxes declined because fewer smokers could afford to smoke. Income taxes decreased because incomes were dropping.~~

¶ Because of ~~these things~~ this the box score on the 4th of March, 1933, showed a national deficit for four years of ~~4~~ over 3 billion dollars. ¶ In certain quarters deficits are being talked about as if a deficit had never been heard of until the present Administration. Partisan critics have

short memories. In the Republican fiscal year ending 1931, there was a deficit. In the Republican fiscal year ending 1932, there was a deficit. In the Republican fiscal year ending 1933, there was a deficit. ~~Now the accumulated deficit for those three Republican years incurred by the last Republican Administration was $5,000,000,000. That was what I inherited~~ These were my inheritances on March 4, 1933.

But that deficit does not tell the whole story. ~~There is a tax-side to the picture. And that brings us to a most peculiar phenomenon. During all this time -- while the government's income was steadily declining -- the schedules were going steadily up. The taxes were~~ New Taxes were being levied. Some actually grabbing free

~~INSERT (A)~~

~~Because~~ For it is an axiom proved by history that when the national income of a Nation is steadily declining, ~~you cannot maintain~~ you cannot finance Government expenditures by the simple expedient of piling on more taxes.

year. In short, you and I — all of us together — were making 42 billion dollars less in 1933 than we made in 1929.

A national choice had to be made.

In that situation something had to be done. It was clear that we could do one of two things. A good many people -- who sat across my desk in those days -- urged me to let nature take its course, and continue a policy of doing nothing. I was told that the best policy was to continue the policy of doing nothing, -- that we had always come out of depressions in the past -- that we would certainly come out of this depression -- that if we would sit back and twirl our thumbs everything would come out all right.

I rejected that advice.

To have accepted ~~that advice~~ it would have required me immediately to balance the federal budget which my predecessor had run into the red to the tune of 3 billion dollars in four years. Of course I could have imposed new taxes. But that would have done no good. As long as values were declining and revenues from all of the old and new taxes were decreasing, the additional taxes would have only continued to put us in a worse plight than ever before.

~~I rejected that advice for another reason:~~ To have accepted ~~that~~ it ~~advice~~ would have meant a continued wiping out of people of ~~with little money,~~ small means, the continued loss of homes and farms and small businesses, ~~and~~ a transfer of their ownership ~~from the hands of the average man and woman who owned them~~ into the hands of people who still had enough capital left to pick up ~~those homes and farms and businesses~~ at bankruptcy prices. It would have meant, in a very short time, the loss of all the resources ~~wiping out of property throughout the Nation held in the hands~~ of a multitude of individuals and small corporations. You would have seen a concentration of property ownership in the hands of one or two percent of the population, a concentration unequalled in any great nation since the days of the later Roman Empire.

Stet

I rejected that advice for another reason. I had promised, and my Administration was determined, to keep the people of the United States from starvation. I could not ~~To have accepted that advice would have been to~~ leave human needs ~~strictly~~ and solely in the hands of local communities -- local communities which themselves were bankrupt. Charities

~~could get few gifts, cities, counties and states could borrow little or no money.~~ To have accepted that advice would have been to offer bread lines to the American people, ~~with a knowledge on my part~~ knowing that in many places the lines would last longer than the bread. In those dark days between us and a balanced budget stood millions of unemployed Americans.

~~In conformity with the Democratic Platform adopted nearly a year before and at a time when the magnitude of the Depression was not fully realized by anybody, I proposed and the Congress enacted legislation cutting the normal, ordinary expenses of the government 25 percent. Cuts at that place were justified at that time, but even with those cuts there could have been no balanced budget without a complete ignoring of the needs of people who were actually starving.~~ To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had ~~to levy so many taxes that it~~ to make a capital levy that would have been confiscatory, or we would have had to ~~disregard~~ insist on with callous indifference human suffering. When Americans

~~I have always believed that Americans are great Americans of heart.~~

suffered we have refused to pass by on the other side. No one lightly lays a burden on the income of a nation. ~~But do I need to ask you whether or not our national economy in 1933 warranted us in going into the red to finance and bring about recovery.~~

But the vicious and tightening circle of our declining national income had to be broken. The bankers and the industrialists of the Nation agreed that private business could not break it. They turned, as they had a right to turn, to the government. It was the ~~function~~ final responsibility of government after all else had failed to spend money when no one else had the money to spend.

I adopted, therefore, the other alternative -- adopted it because we had faced all the facts; because having faced them, we rejected a do-nothing or a wait-and-pray policy. ~~I adopted it because we took a long look and determined to work out a long time plan for the nation-- a plan which both the Administration and the Congress knew would take several years to carry through.~~

As a first step ~~towards our~~ in our program we had to stop the downward spiral, ~~we found the Nation in~~ -- to stop the deflation and ~~to stop~~ the decline in national income. Having stopped ~~it~~ them, we went on to restore purchasing power, to raise values and to start the national income upward.

~~plain principles.~~ First, we proposed to stop the deflation and the decline in national income. Second, we proposed to restore purchasing power, raise values and start the national income upward.

In other words

In 1933, the government of the United States determined to reverse the policy of the previous administration and to marshall its forces to rescue our faltering economic system. For the first time since the depression you had a Congress and an Administration in Washington which had courage to provide the necessary ~~funds~~ resources which private ~~sources~~ interests no longer had ~~or~~ no longer dared to push.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come. ~~But the Federal government stood that cost because private industry could not stand it. This—as the business men in those days were the first to agree—was a government job.~~

The people themselves understood ~~it~~ that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew in 1934 that it would take several years before the national income would be back to normal. ~~where it was before, and the national economy in complete balance.~~ In 1934 it was the belief of the people, the Congress and myself ~~and the people~~ that the plan was working. It is the belief of the Congress and myself in 1936 that the plan continues to work, ~~and~~ I am confident that ~~they~~ that is the belief of the American people as well.

This figure allows a liberal estimate of one billion dollars for possible deficient in of uncollectible assets and possible losses on contingent liabilities.

I have told you that President Hoover's Administration increased the national debt in the net amount of over 3 billion dollars. My Administration has increased the national debt in the net amount of about 8 billion dollars. Put that figure 8 billion out here on the scoreboard and let me tell you where the dollars went. Over a billion and a half ($1,673,492,531.72) went for the payment this year instead of in 1945 of the World War Veterans' bonus. That payment is now out of the way, and is no longer a future obligation of the government.

As for the other six and a half billions of the deficit, we didn't just spend money -- we spent it for something, America got something for what we spent — CCC camps, a work relief program, permanent public works, large loans to states and municipalities, RFC loans to banks and railroads and insurance companies -- billions in aid to the farmer and the home-owner.

~~Which of those expenditures do the Republicans regard as bad business? Do you think that any of them were bad business?~~

Contrast those expenditures and what we got for them, with certain other expenditures which came out of the pockets of the

American people in the years between 1920 and 1930. During that period not 8 billion$ but ~~almost twice as much~~ many more billions came out of American pockets and bank deposits. Those billions were sent abroad -- to foreign countries where the money was used for increasing foreign armaments, for stabilizing the prices of foreign crops, ~~for building foreign roads,~~ for building foreign factories to compete with us, for building foreign dwellings and recreation model ~~apartments, and model slaughter-houses and athletic fields, swimming pools,~~ facilities, for giving unemployment to the foreign unemployed -- for foreign boondoggling, if you will. ~~The administrative expenses of that type of foreign relief included not only bankers' commissions but bribes to induce the borrowers to take the money.~~ Those dollars were just as good American money -- just as hard-earned -- just as much the reward of thrift -- as the dollars we have spent on our domestic public works unemployment relief program. And most of those dollars sent abroad are gone for good. ~~A dollar lost in foreign loans is just as precious as any dollar paid in any kind of taxes.~~ And these lost billions which I am talking about do not include

the other billions loaned by the United States ~~American government~~ to foreign governments during and immediately after the War. I ask you the simple question: Hasn't it been far better for us during these past three years to spend ~~lend only~~ 8 billions ~~to our own government with the assurance that all of the money has been and~~ is ~~being spent~~ at home for American industry, American farms, American homes and the care of American citizens?

I have used the figure of 8 billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is 13 billions instead of eight ~~seven~~. That is technically and morally just as correct as if some one were to scare you about the condition of your bank by telling you of its liabilities and not telling you of its assets.

(A)

~~In the case of the United States Treasury it has borrowed 13 billions more than it owed in 1933, but as against that increase in debt it has increased assets 5 billion dollars offsetting~~

~~4.~~ These increased assets represent the ~~security that lies behind~~ collateral securing loans made by the Government to banks, to industries, to railroads and to individuals, and it represents also the stabilization fund which, as you all know, is maintained for the purpose of keeping foreign exchange stable.

I have never considered it playing the game according to Hoyle to tell only half the story about the Government's finances. Does it look to you like good sportsmanship to tell only half the story -- the debt end -- and not tell the other half -- the asset end -- to tell about a neighbor's debts without telling about his assets?

I am ~~not~~ going to give you ~~any~~ only one more figure about debt, ~~except this one~~. In 3½ years our net national debt has increased 8 billion dollars. But In two years of the late War it increased as much as 25 billion dollars. National defense and the future of America ~~was~~ were involved in 1917. National defense and the future of America were involved in 1933. Don't you believe that the Saving of America has been cheap at that price.

INSERT (On repayment of this debt):

In the first place when we talk of the burden of debt on a people we must remember that there are two kinds of debt - - public debt and private debt. The private debt is the amount which individuals owe to each other. The public debt is the amount which their government owes to individuals or other governments. A debt is a debt and has to be paid, whether it is owed by you to an individual or whether it is owed by the government you live in.

Now the fact is that the total private and public debt is lower now than it was when this administration came in. Why is that? It is because there has been a scale-down in farm and home mortgage by refinancing through government assistance, ~~in rural and urban mortgages~~, there have been reductions of private debt through reorganizations facilitated through the bankruptcy laws of the administration, of ~~the~~ financial and industrial companies ~~bringing about reductions in long term obligations.~~ In other words, through

the ~~government~~ our policy of helping farmers, home owners and corporations to get reductions in their mortgages and in the interest on their mortgages, many millions of dollars of these mortgages have been paid off. But we have gone further than that in reducing the amount of private debt. By the stimulation of recovery and the increase of national income, we have created ~~the~~ profits out of ~~it~~ which you and I can pay off the debts which hung over us during the years of depression. ¶ And so the ~~fact~~ truth is that the total debt burden resting upon all of us, whether as individuals or members of our government, is less today than it was in 1933. Let us put an end to this nonsense of a crushing debt burden. The simple fact is that the burden is not crushing in relation to our national income. The simple fact ~~matter~~ is that the debt burden is less now than it was before.

~~And still another thing,~~ Remember also that when you have a debt the

thing that bothers you about it is not only the fact that you have to pay it, but also the fact that you have to pay interest on it. You all remember the ~~impressive~~ oppressive interest burden which ~~was~~ lay upon you as individuals, ~~whether it was~~ if there was a mortgage on your farm or on your home. You all remember how this administration permitted you to refinance those mortgages at a lower rate of interest with the assistance of the government. It is much easier for you now to meet those interest payments than it was, ~~during the days when government neglected the problem while prices were tumbling and deflation was going on~~. In the same way the interest rate which the government has to pay has gone down. Through confidence in the soundness of our program the government has been able to borrow money at lower interest rates than ever before.

INSERT (In connection with concentration of wealth):

And so the policies of this administration have protected the small business, the small corporation, the small shop from the wave of deflation which threated them. We realized then as we do now that the vast army of moderate sized business men, small factory owners and shops, form$ the backbone, together with our farmers and workers, of the industrial life of America, and in our long rang plan we determined that the prosperity of America depended upon, and will continue to depend upon, the prosperity of them all.

Fourth Draft

A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the dollar-and-cents, inning-by-inning story of our fight to beat down the depression and win redovery. From where I stand, and on the basis of my figures, it looks as though the game is pretty well in the bag.

~~It is something new to talk government finance out here in the open and under the Klieg lights. But~~ I am convinced that when government finance or any other finance is honest--and when all the cards are on the table--there are no higher mathematics about it. It is just plain, scoreboard arithmetic.

, ~~First of all~~ I am asking every one of you to think of yourselves as stockholders in the great business known as the government of the United States. As the operating head of this enterprise it is my responsibility to report to you on the state of your business. When your present management took charge the national scoreboard looked pretty bad. ~~was not brand. We inherited a box-score. It was bad.~~ In fact, it looked so much like a shut-out that

you voted a change of management in order to give the country a chance to win the game. And Today we are winning ~~the game~~.

When the new ~~Administration~~ management came to Washington, ~~we set about to get the facts--all the facts about where we were as a Nation--why we were where we were--and what~~ that needed ~~to be done. We~~ we began to make our plans--plans not only to meet the immediate crisis--but long-time plans that would carry the people of the country back to the place where they would find solid ground under their feet again.

We took a long look. We saw the millions out of work, the business concerns running in the red, the banks closing. We understood the complicated reasons which had produced these difficulties. ~~But the all-important immediate fact which we had to face was the result of all these tragedies. And that~~ Their result ~~was~~ was that ~~the~~ our national income had declined over fifty per cent--and, what was worse, that it showed no ~~power~~ prospect of recuperating by itself. By national income I mean the total of all income of all the 125,000,000 people in this country--the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, ~~and~~ and corporations all the individuals in America.

During the four lean years before this Administration took office, that national income had declined from 81 billions a year to 38 billions a year -- in short, you and I -- all of us together -- were making 43 billion dollars less in 1932 than we made in 1929.

Now, the rise and fall of national income -- since it tells the story of how much you and I and everybody else are making -- is an index of the rise and fall of national prosperity. It is also an index of the prosperity of the government. A declining national income affects the government of the United States in exactly the same way that a declining personal income affects the prosperity of the individual. That is because the money to run the government comes from taxes, and the TAX income in turn depends for its size on the size of the national income. When incomes and values and transactions are on the down-grade, then tax receipts go on the downgrade, too . If the national income continues to decline then the government cannot run without going into the red. The only way to keep a government out of the red is to keep the people out of the red. Does it make common sense to you?

We had to balance the budget of the American people before we could balance the budget of the National government.

Because of this the box score on the 4th of March, 1933, showed a net national deficit for four years of over 3 billion dollars. Insert A.

In certain quarters deficits are being talked about as if a deficit had never been heard of until the present Administration. Partisan critics hwe short memories. In the Republican fiscal year ending 1931, there was a deficit. In the Republican fiscal year ending 1932, there was a deficit. In the Republican fiscal year ending 1933, there was a deficit. These were my inheritances on March 4, 1933.

Insert A2

[But that deficit which I inherited does not tell the whole story. For it is an axiom proved by history that when the national income of a nation is steadily declining, you cannot finance government expenditures by the simple expedient of piling on more taxes.]

~~In that situation~~ Something had to be done. A national choice had to be made. It was clear that we could do one of two things. ~~A good many~~ Some people -- who sat across my desk in those days -- urged me to let nature take its course, and continue a policy of doing nothing. I rejected that advice. Nature will be on our side anyway, I said.

PAGE 4 *INSERT A

The box score when the Democratic Administration came to pat in 1933 showed a net deficit in our national ~~xxx~~ accounts of about $3,000,000,000, accumulated in the three years preceding. ~~of the depression.~~ ~~In this figure I give full credit for loans and other advances on which repayments could be expected.~~

PAGE 8 - INSERT B

Conservation of human resources through CCC camps and work relief; conservation of our natural resources of water, soil and forest; great enlargement of our community assets of parks, roads, bridges, streets and public buildings; billions in aid to provide security and better living for farmers and city dwellers alike. When many who criticize us today were selling America short, we were making an investment in the future of America.

PAGE 11 - INSERT C

And in fairness should also be told the enormous increase in the value of the assets of the American people.

PAGE 11 - INSERT D

--three years we have increased our national debt by eight billion dollars.

PAGE 4 - INSERT A-1

National income was in a downward spiral. Federal Government revenues were in a downward spiral. To pile on vast new taxes would get us nowhere because values were going down.

On top of having to meet the ordinary expenses of government, I recognized the obligation of the Federal Government to feed and take care of the growing army of homeless and destitute unemployed.

¶ To have accepted that advice would have meant a continued wiping out of people of small means -- the continued loss of homes and farms and small businesses -- a transfer of their ownership into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices. It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and small family firms corporations. You would have seen a concentration of property ownership in the hands of one or two percent of the population, a concentration unequalled in any great nation since the days of the later Roman Empire.

I rejected that advice for ~~another~~ an additional reason. I had promised, and my Administration was determined, to keep thepeople of the United States from starvation. I refused to ~~could not~~ leave human needs solely in the hands of local communities -- local communities which themselves were almost bankrupt. To have accepted that advice would have been to offer bread lines again to the American people, knowing this time that in many places the lines would last far longer than the bread. In those dark days, between us and a balanced budget stood

millions of ~~unemployed~~ needy Americans, denied the promise of an American life.

To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had to make a capital ~~being~~ levy that would have been confiscatory, or we would have had to set our face against ~~had to meet~~ human suffering with callous indifference. When Americans suffered we ~~have~~ refused to pass by on the other side. Humanity came first.

No one lightly lays a burden on the income of a nation. But ~~the~~ there was this vicious and tightening circle of our declining national income and it simply had to be broken. The bankers and the industrialists of the Nation ~~agreed that~~ cried aloud that private business ~~could not~~ was powerless to break it. They turned, as they had a right to turn, to the government. ~~It was~~ We accepted the ~~first~~ final responsibility of government, after all else had failed, to spend money when no one else had ~~the~~ money left to spend.

I adopted, therefore, the other alternative--adopted it because we had ~~faced all~~ looked the facts in the face; and having seen them, we had cast aside ~~because having faced them, we rejected~~ a do-nothing or a wait-and-~~pray~~ see policy.

As a first step in our program we had to stop the ~~downward~~ quick spiral ~~of~~ ~~to stop the~~ deflation, and ~~the~~ the decline in national income. Having stopped them, we went on to restore purchasing power, to raise values

and to start the national income upward.

In other words, in 1933 ~~the government of the United States determined to~~ we reverse d the policy of the previous administration. We determined ~~and~~ to marshall our its forces to rescue a ~~our~~ faltering economic system. For the first time since the depression you had a Congress and an Administration in Washington which had the courage to provide the necessary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come.

The people themselves understood that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew in 1934 that it would take several years before the national income would be back to normal. In 1934 it was the belief of the people, the Congress and myself that the plan was working. It is the belief of the Congress and myself in 1936 that the plan continues to work. I am confident

that that is the belief of the American people as well.

Now let us look at the cost. Since we could not get the money by taxes we borrowed it, and increased the public debt.

I have told you that President Hoover's Administration increased the national debt in the net amount of over 3 billion dollars. My Administration in three depression years has increased the national debt in the net amount of about 8 billion dollars. This figure allows a liberal estimate of one billion dollars for possible depreciation of recoverable assets and possible losses on contingent liabilities. Put that figure of 8 billions out here on the scoreboard and let me tell you where the dollars went. Over a billion and a half [~~$1,878,438,381.75~~] went for the payment of the World War Veterans' Bonus this year instead of in ~~1934~~ 1945. That payment is now out of the way, and is no longer a future obligation of the government.

As for the other six and a half billions of the deficit, we didn't just spend money -- we spent it for something. America got something for what we spent -- ~~4,000~~ camps, ~~a work relief~~

program, extensive permanent public works, large loans to states and municipalities, RFC loans to banks and railroads and insurance companies--billions in aid to the farmer and the home-owner.

Contrast those expenditures and what we got for them, with certain other expenditures which came out of the pockets of the American people in the years between 1920 and 1930. During that period not merely eight billions but many more billions came out of American pockets and bank deposits. Those billions of dollars were sent abroad--to foreign countries where the money was used for increasing foreign armaments, for stabilizing the prices of foreign crops, for building foreign factories to compete with us, for building foreign model dwellings, recreation facilities, swimming pools and playgrounds for giving employment to the foreign unemployed--for foreign boondoggling, if you will. Those dollars were just as good American money--just as hard-earned--just as much the reward of our thrift--as the dollars we have spent on our domestic public works unemployment relief program. And most of those dollars sent abroad are gone for good. And those not billions ~~which I am talking about~~ do not include

the other billions loaned by the United States to foreign governments during and immediately after the War. I ask you the simple question: Hasn't it been far better for us during these past three years to spend 8 billions at home for American industry, American farms, American homes and the care of American citizens?

I have used the figure of 8 billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is 13 billions instead of eight. That is technically and morally just as correct as if some one were to scare you about the condition of your bank by telling you of its liabilities and not telling you of its assets.

A 3. When you are told that the United States Treasury has 13 billions more of liabilities than it had in 1933, you should also be told that it has 6 billion dollars of increased assets to set off against those liabilities.

#A3.

INSERT (In connection with half truths):

That is technically and morally just as correct as telling you good people here in Pennsylvania that, none of your bank deposits or insurance policies are sound.

And incidentally tonight is an anniversary in the affairs of our government which I wish to celebrate with you and the American people ~~as a whole~~. It is October first, and it marks the end of a whole year in which there has been not a single national bank failure in the United States. It has been 5½ years since that kind of a record has been established. You and I can take this occasion ~~not only~~ to rejoice in the record. ~~also to celebrate the nonexistence of the~~ fact, but ~~what is more, to assure ourselves of the soundness~~ ~~of the program which we adopted and carried through.~~ It is ~~proof that the program has worked.~~

~~next to spread false fear in America.~~ OK

Stet

the increase in the Treasury cash on hand and

These increased assets represent the collateral securing loans made by the Government to banks, to industries, to railroads and to individuals, and it represents also the stabilization fund which, as you all know, is maintained for the purpose of [keeping foreign exchange stable]. protecting the American dollar and making our trade balance.

I am going to give you only one more figure about debt. In 3 years our net national debt has increased 8 billion dollars. But in two years of the late War it increased as much as 25 billion dollars. National defense and the future of America were involved in 1917. National defense and the future of America were involved in 1933. Don't you believe that the saving of America has been cheap at that price.

And now a word as to this [nonsense] foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard won savings of the present generation. It is going to be paid out of an increased national income and increased individual income produced by increasing national prosperity.

The deficit of the national government has been steadily declining for three years running, although technically, this year it did not decline,

PAGE 11 - INSERT E

It was more than defense -- it was more than rescue.

It was an investment in the future of America.

PAGE 11 - INSERT F

If we put to one side bonus payments made this year - which had been an obligation since 1925, etc.

PAGE 12 - INSERT G

We have reached a stage of recovery where it now seems safe to say that we shall be able to present a balanced Federal budget for the fiscal year that begins next July.

INSERT H The government of this great nation, debt, owned in credit is coming through a crisis as grave as war without having sacrificed American democracy for the promise of an American life.

because this year we paid the bonus instead of in 1945. Without the bonus the deficit would have declined this year. ¶ The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than we dared then to hope. Deficits have been less than we expected. Treasury receipts are increasing ~~can now anticipate the complete ending of national deficits sooner than we had originally expected.~~

The national income was 38 billions in 1932. In 1935 it was 53 billions and this year it will be well over 60 billions. If it keeps on rising at the present rate as I am confident that it will--the receipts of the Government without imposing any additional taxes will within a year or two be sufficient to care for all ordinary and relief expenses of the Government, in other words to balance the annual budget.

Indeed I am now able to report the assurance of the Treasury, assuming that no new and extraordinary burdens are thrust upon us, that we will have a balanced budget for the fiscal year of 1938.

Insert H

[Draft for Oct. 1, 1936?]

As Chairman of the Board of Directors of the great enterprise which is the Government of the United States, I have made it a practise to report each year on the state of the Nation's business to you who are its owners. I want to make such a report to you tonight, and ~~But I want~~ to include not only ~~in the~~ fiscal accounting of the current year but a review of the progress we have made during the last three and a half years.

We have progressed so far since the dark days of February and March 1933 that some men, not desiring to remember, begin actually to forget the chaos and the terror of those days.

But you who are on America's farms tonight, you will recall the hopelessness and despair of that time. Your wheat and your cotton, your corn and hogs were as good as they ever were - but you were forced to sell in a Republican market at Republican prices. Your homes and your farms were overhung with debts too heavy to be borne; the spectre of foreclosure followed your plows. [~~For you there was disaster~~ in the midst of plenty]

You who are the great army of America's industrial workers - you will recall the black despair which lay over your homes; the famine in your pay envelope; the lengthening hours punched on your time-clock; the stifling of your labor unions by those in power. For you there was the threat of hunger in the midst of plenty.

You who are the owners of the small factories, shops and

stores

stores which are the back-bone of American business - you will recall the balance sheets and ledgers of those days; the ever-decreasing lists of your customers; the mark-offs written on your price tags; the red ink which told the same story at the end of every month and every year. You were crushed on the one side by monopolies with which you could not cope and, on the other side, by cut-throat competition which you could not or, in conscience, would not meet. Your capital and your savings - the life blood of your business - were frozen in banks which were about to close. Yours was stagnation in the midst of plenty.

You whose thrift had provided homes of your own and savings against a rainy day - you will recall the income which had stopped; the interest payments which you could not meet; the insurance policies which had lapsed; the bank books which no longer showed a balance; the bank accounts wiped out by bank failures. Your hard-won security had vanished in the midst of plenty.

You captains of high finance and powerful princes of industry, - ~~some of you may not recall that~~ your empires, too, were crumbling; ~~that~~ your capital, your very fortunes were being gradually blown away, like sand, into the disappearing stream of the depression. Yours was an empty and a falling temple in the midst of plenty.

All of us, then, had fallen into the pit and there were many who believed that the pit was bottomless. I recall these

things

things to you because some people seem to have forgotten how far they had fallen and how sick they were. But I know how sick they were. I have their fever charts. I saw the trembling knees of many of our most rugged individualists; I heard the fluttering of their hearts. They came to Washington in great numbers. The government did not look like a bureaucracy. It was an emergency hospital and what a distinguished list of patients it had.

Start here The patients in these days were crying for two things. First, they wanted a quick hypodermic to relieve the pain; second, they looked for a long-time course of treatment to cure the disease. We gave them both and they were grateful. The pain stopped. The cure began to work and most of the patients are now doing very nicely. Some of them are even well enough to throw their crutches and hot-water bottles at the doctor.

But the plain fact cannot be denied. Our stricken nation has been helped back to its feet again. Every American in his own home tonight knows that, at last, he is getting somewhere. He knows it by the state of his affairs and by the state of his mind.

I know it because I have travelled through all America - and have met Americans as they came from their factories and their fields. I have met them in their homes. In an unparalleled and undiminishing stream of letters, they have opened their

hearts

hearts to me. We had a program of recovery for the nation: for all the nation and for all of its citizens who - in the midst of plenty - were stricken in common disaster. We had a program and our program worked.

No one of us will maintain that all the measures ~~taken~~

or that our problems are fully solved.

taken were perfect. But in life, as in baseball, it is not the errors but the final box score that counts. What is the box score today?

Anyone who wishes may read it in the published reports of the Federal Reserve Board, and the Departments of Agriculture, Commerce and Labor. Let us examine some of the more important figures in that box score.

Let us first look at the most vital factor - the national income.

What is national income? It is the sum total of all the goods and services produced by the American people in one year.

Our national income rose from 39 billion dollars in 1932 to 53 billion dollars in 1935, and on the basis of the figures available for the first half of this year, it is estimated that the national income for 1936 will be almost sixty billion dollars.

Total gross cash income of our farmers (excluding rigorously receipts from AAA benefit payments) rose from four billion three hundred million dollars for the year 1932 to six billion three hundred million dollars in 1935, an increase of 46%.

Between March, 1933 and last month the production of our factories and mines increased by 40%.

During this same period factory employment rose from four million nine hundred thousand to seven million two hundred thousand, an increase of 45%, and factory payrolls

rose

rose from seventy-five million dollars a week to one hundred sixty-one million dollars a week, a rise of 115%.

168. leading industrial corporations which showed a deficit of 87-million dollars during the year 1932 showed a net profit of ~~one billion three hundred million~~ 580 million dollars in 1935.

The number of business enterprises that failed was reduced from 32,000 in 1932 to 12,000 in 1935.

It is especially noteworthy that the liabilities of the firms that went into bankruptcy last year were smaller than in any year since 1920, and that there were less than half as many commercial failures last year than there were in the prosperous year - 1929. The significance of these items is that what we have done has helped the average business man, the owner of the small business, the small store and the small factory.

Bank failures, which in 1932 numbered 1502 fell to 36 during the first half of this year.

Does any man dare to assert that our country is not better off today than it was in March 1933? If he does, let him read this box score. I submit it confidently to your judgment.

To your judgment I leave also those violent appeals to prejudice and ignorance which pour not only from inexperienced men of good intention but also from bitter,

reckless

reckless and ambitious men whose economic nostrums this Administration has ignored. Men like these we have had always with us in American life: and in the end the common sense and the sense of humor of the American people have dealt with them as they deserved.

In order to finance our recovery and at the same time to care for our unemployed, the Federal Government has been obliged to incur budgetary deficits. What is a budgetary deficit? A deficit occurs when the amount of taxes and other revenues collected by the government in any one year is less than the amount which the government pays out that year for all its expenses.

In certain quarters these deficits are being talked about as if a deficit had never been heard of until the present Administration. Partisan critics have short memories.

In the Republican fiscal year ending June 30, 1931, there was a deficit. In the Republican fiscal year ending June 30, 1932, there was a deficit. In the Republican fiscal year ending June 30, 1933, there was a deficit. The accumulated deficit for those three Republican years was $5,800,000,000. That was the deficit incurred by the last Republican Administration.

We do not criticize this deficit simply because it is a deficit. Any national Administration may be com-

pelled

pelled by national emergency, as business men are compelled by commercial emergency, to incur an operating deficit. But we have a right to ask, as the stockholder of a business has a right to ask: What did the American people get from this Republican excess of expenditures over receipts? The official figures of the Department of Commerce provide the total answer. They got a continuous drop in the national income from sixty-eight billion dollars, where it was in 1930, to thirty-nine billion dollars, where the Republicans left it in 1932.

Let us compare these Republican deficits and accomplishments with the deficits and accomplishments of this Administration. Excluding the Veterans Bonus, which was originally payable in 1945, and is not properly chargeable to any one fiscal year, we find that the deficits incurred during the three fiscal years of this Administration totaled nine billion four hundred million dollars. We have thus incurred deficits three billion six hundred million dollars larger than the deficits incurred by the last Republican Administration.

What did the American people get from our excess of expenditures over receipts? Here again the Department of Commerce figures provide the total answer. In place of a drop, the American people got a continuous rise in the national income from thirty-nine billion to approximately sixty billion dollars.

What

What does this mean in terms of the life of our people? The national income includes the food, clothing, light, heat, medical services, transportation and all other goods and services which sustain American life. The decline, therefore, that took place during the years 1930-32 when the Republicans were incurring their deficits, meant that we as a people were deprived of 42% of the necessities and luxuries of life that we had in 1930. The increase in national income since the period when we have been compelled to incur deficits means that there has been restored to the American people nearly three-fourths of the necessities and luxuries which they lost during the years of Republican deficits.

To return to our box score: we can write down the deficit of this Administration not as a strike-out but as a sacrifice hit which has brought in a run.

What is the relation of all this to the public debt? When deficits accumulate governments must borrow money in order to pay the excess of expenditures over receipts. In this way a public debt is created.

In some quarters today the public debt is being talked about as though a public debt had never been heard of until the present Administration.

At the end of the World War our public debt had risen to more than 25 billion dollars. On June 30, 1930, the debt stood at 16 billion dollars. On June 30, 1933, this debt stood at 22 billion dollars, a rise of 6 billion dollars.

There should be deducted, however, from this 22 billion dollars two items: (1) the amount of money in cash in the public treasury on that date - 860 million dollars; (2) the amount of recoverable assets or loans made by ~~by the Reconstruction Finance Corporation~~ Government Agencies - 2 billion 7 hundred 70 million dollars. The resulting burden on that date was, therefore, 18 billion 370 million dollars. Accordingly, we can fairly and reasonably attribute to the Republican Administration for those three years an increased burden on the Treasury of only 2 billion 370 million ~~billion~~ dollars.

What has happened to the debt under this Administration? It has increased from 22 billion to 33 billion dollars; but here, too, we must deduct similar items: (1) the amount of actual cash in the Treasury on June 30, 1936 - two billion six hundred and eighty- million dollars; (2) the amount of recoverable assets or loans made by ~~the Reconstruction Finance Corporation~~ Government Agencies - 4 billion 230 million ~~two billion three hundred and fifty six million dollars~~. Deducting the total of these figures we get a net total burden of 26 billion 100 million ~~28 billion~~ dollars on June 30, 1936. Therefore, although the debt itself on the books of the Treasury rose by 11 billion dollars, the net burden on the American Treasury at that time was only 7 billion 730 ~~six billion dollars~~ greater than it was in June 1933.

~~On the basis of these principal facts, it is clear that the actual increased burden on the Treasury during this Administration~~

~~ministration was only $ greater than the increased burden of the previous Administration?~~

In some quarters this Administration has been charged with an additional four billion seven hundred million dollars of increased public debt, arising out of contingent liabilities of the United States. These contingent liabilities represent guarantees by the United States of the payment of loans which have been made to save American farms and homes. The Federal Government has not laid out the money for these purposes but merely guaranteed payment in the event that the farmers and home owners do not themselves make good. To include these guarantees as a part of the fixed debt of the United States is to charge that the farmers and home owners, whose farms and homes have been saved will not meet their obligations. I, for one, refuse to make this charge. Let others make it if they wish.

We have, furthermore, improved the national credit. There is more to this fiscal picture. As a result we have been able to lower the rate of interest on the national debt. As a result the interest charges for the fiscal year ending June 30, 1936, were $749,000,000 as compared with $689,000,000 for the fiscal year ending June 30, 1933. In short, the interest cost of carrying our national debt today is only 1/12 higher than it was in 1932.

Even though all these things are true - even though the growth of the federal debt is not so large as has been represented, even though the interest burden of carrying it has increased so

slightly,

slightly, it still is a matter of concern to all of us that there is this debt. We will not be content until we have succeeded in bringing about its substantial reduction. How do we hope to reduce it?

As our national income rises the revenue from existing taxes rises. In this way without any new taxation a steady rise in the national income leads to steadily increasing government revenues. Moreover, as business continues to improve and employment continues to increase the amounts which the Federal Government must spend for the care of the unemployed decrease. Therefore, with our national income rising and unemployment diminishing, we can look forward confidently to a day when existing taxes will produce not only a budget balance but a budget surplus. It is our firm intention to establish not only that balance but also that surplus. Let there be no doubt about this - we will reduce the national debt which has been accumulated in our battle against the depression.

In some quarters the balancing of the budget is talked about as though that would be the care for all our ills. It must be remembered that we not only had a balanced budget but a budget surplus in 1929; but that did not prevent the depression. (It must also be remembered that the budget was actually balanced in 1930; but that did not prevent the depression from getting worse.) Finally it must be remembered that insofar as the budget is actually out of balance, the lack of balance is caused by our expenditures to keep Americans from starvation.

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We

We are making today every reasonable effort toward a true balancing of the federal budget. But between us and a balanced budget stand millions of unemployed Americans. No one lightly lays a burden on the income of a nation. But do I need to ask you whether or not the collapse of our national economy in 1933 warranted borrowing to finance and win recovery?

Of course, the budget must be balanced and we must provide a surplus for retiring our debt. But when? In the face of conditions since 1933 a balanced budget would have been a crime against the American people, involving either confiscatory taxation or a callous disregard of human suffering. We will continue to reject confiscatory taxation and when Americans suffer we will not pass by on the other side.

Faced with the problem of unemployment, this Administration has followed a fixed principle which we do not propose to abandon. We believe that a dole - temporary mass charity without work - produces an inevitable decay of self-respect and we believe that individual self-respect is the core of this Nation's greatness. It is our purpose to continue to maintain and strengthen that self-respect. In the place of the bread of work we will not offer Americans the stone of a dole.

It has been our aim to make this work productive. As a result, the army of our working-unemployed has created across the Nation a series of vast structures which stand as proof of the soundness of our plan. The TVA; the Triborough Bridge; the Boulder Dam; the Golden Gate Bridge - these and other

great

great undertakings have added to the permanent wealth of the Nation and to the happiness of our people.

Similar achievements on a smaller scale can be found in almost every community in America.

For undertakings so vast as these there is no peace-time parallel in American history. We make no claim that they have all been carried through without waste or inefficiency. No human enterprise of such scope, which involved so many people and required such speed, could have been entirely free from waste and inefficiency. But we ask you to remember that under this Administration there has been no Tea-Pot Dome.

Some of you, doubtless, have listened to those who speak of our relief program entirely in terms of ridicule. May I suggest that - tomorrow - you try to find out for yourself just what this relief program has built in your state; how many public schools have been built or improved; how many new roads have been constructed; how many playgrounds built; how much reforestation and flood prevention and soil erosion work carried through.

You can read the human side of the record of our program of relief in terms of a nation that has maintained its morale through the worst depression in history. You can read the community side of that record in terms of the vast number of things which have been built for your security and well-being.

We regard work-relief as necessary today. We do not believe that work-relief is permanently necessary in the life of our country. Our aim is to raise the level of private

employment

employment to the place where public employment for relief purposes will be entirely unnecessary.

Now that we have begun to emerge from the disasters which overwhelmed us from 1929 to 1933, there are men who seem to wish to bury all thought of the terrible experiences through which we passed and to abandon all attempt to understand them. But the true defenders of the traditional American way of life are those who try to think even about unpleasant things.

There are three major questions which today disturb deeply the minds of those who strive to think not only about their country but also for their country.

(1) Why did the economic system under which we live fail us so overwhelmingly for a time?

(2) How can we shape our conduct and our laws so as to make certain that a similar failure shall not again occur?

(3) How can we make sure that the American economic system not only will endure but also will enable us to advance steadily to constantly rising standards of living?

Under our system successive generations have grown from boyhood to manhood inspired by a few traditional American principles. Those principles are that individual effort and talent will find outlet and just reward; that we shall be able to live our independent lives on the basis of such private property as we can justly accumulate by our effort and our thrift; that as free and independent citizens we shall fear no master and suffer no coercion, and that no small group shall control our working lives and our opinions. I know no finer principles.

I am certain that they are deeply implanted in the minds and hearts of all true Americans. How can we preserve them, and prosper under them?

I have taken counsel with innumerable men and women of all walks of life. I have asked their judgments on the lessons of the depression. I do not pretend that I have evolved from their advice or from my own thought any easy, simple and guaranteed panacea. But I have come to certain conclusions, a few of which I submit to you for your judgment.

First, there has been something wrong about the distribution of our national income. Our economic system will work successfully and uninterruptedly only if there is a reasonable distribution of income. I reject the various wild and superficial ideas of wealth distribution that are being mouthed by demagogues. But when too much of the stream of income flows to a small minority of the American people and too little to the great majority the results are too likely to be those which we have suffered.

In 1929 there were more than 27 million families in the Nation. What was the distribution of income among them? We have the authoritative figures of the Brookings Institution.

Nearly six million families - one out of every five - had incomes less than $1,000. More than eleven and a half million families - four out of every ten - had incomes less than $1500. The combined income of all these eleven and a half million families was about the same as the combined income

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of the 36,000 richest families in the country. What does that mean? It means that 1/8 of one percent of American families at the top received about the same total of income as 42% of American families at the bottom. In terms of the national income of 1929, 23% of it went to only 1% of the people.

Such a distribution of income during a period of great business activity is likely to lead either to wild speculation in securities or temporary over-investment in certain industries. It certainly produces a lack of buying power for the products of fields, mines and factories. It is possible that this may be the primary cause of a depression. Certainly it deepens a depression when it comes.

An improved distribution of income does not call for confiscation or regimentation of any type, direct or indirect. It can be achieved largely by curtailing the strategic advantages which certain individuals and groups have obtained in the past, by wise and justly proportioned taxation, by the maintenance of low interest rates, by alertness in checking monopoly, and by maintaining the standard of income for farmers, wage-earners, and salaried workers. Such a sounder distribution of income does not involve hostility to the business man or to acquired wealth. The success of the business man - unless he is a dominating monopolist - is essential to the well-being of the Nation.

His welfare, in turn, - indeed his very existence - depends upon a wider distribution of income. He cannot sell his goods and services if those who need them have not enough money to buy them.

Second

Second, there has been something wrong about the earnings of our farmers.

The regular and fully productive operation of our system depends upon the avoidance of too great and sudden shifts between the incomes received by different groups of producers. I have in mind the great decline in the income of farmers as compared with that of other groups of producers, which took place during the decade before 1933.

The collapse of farm prices and the virtual disappearance of farm income made it impossible for the farmer to continue his customary purchases. The disappearance of the farmer's purchasing power shook our economic system to its roots.

The very existence of the men and women working in the clothing factories of New York, making clothes worn by farmers and their families, and the income of the workers in the steel mills of Pittsburgh, who make the wire fencing purchased by our agricultural populations, the wage envelope of the mechanic in the harvester factories of Chicago, depend upon the farmers' ability to purchase the commodities they produce.

The farm program of this Administration increased farm income and restored to some extent the necessary equilibrium. The steady operation of our system requires that all thought and foresight be devoted to preventing upsetting this equilibrium. To this end, the artificially high prices maintained by industrial monopolies must be eliminated. Elimination of wasteful industrial processes which add to the costs of the goods the farmer purchases is also essential.

Third,

Third, there has been something wrong about the use of credit.

In the future we must possess a greater steadiness and better judgment in the use of credit than has been shown in the recent past. The ill-judged credit movement of the Twentys, which produced unsound security values and fostered completely reckless real estate financing, was certainly one of the important causes of the later collapse. Various land booms showed the country the results of unwise and lax credit, super-salesmen, and unbridled lust for quick gain. But the warning was not heeded. When the final smash came, careful investors were hurt along with the reckless, and well-managed banks were imperiled along with the badly-managed and dishonest. Our system will operate well only if we manage our credit resources wisely and employ them to finance steadily our economic life rather than provide quick riches to avaricious speculators.

Here then is the balance sheet and income account of a Nation on the road to recovery. I have entered into a discussion of matters of great complexity and have indicated frankly the nature of my thoughts. The analysis I have made will not contain enough promise of heaven for those visionaries who can paint the details of paradise for any audience. It will not satisfy those whose oratory arouses with the whip of hatred and slander.

It will leave untouched those who have everything they wish, whose only further wish is to remain undisturbed in the

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possession of what they have, not caring what happens to their fellow Americans. It may be challenged also by that substantial group (and this includes many of our most useful businessmen and conscientious thinkers) who believe that the system is under all circumstances self-correcting and self-operating and needs no guardianship of government. If my reasoning cannot reach this last group, nothing is left for me except to refer them to experience. 1929 and 1932 are years written forever in the annals of economic history.

As for me, I believe that it is the task of all of us who love the American system, - who love the individual liberty and independence which it offers to all, the freedom of opportunity which is the spur of our daily lives, the democracy which is our daily breath, - it is our task to create and maintain conditions under which our system can yield its full promise.

[Oct. 1, 1936?]

As Chairman of the Board of Directors of the great enterprise which is the United States, I have made it a practise to report each year on the state of the Nations business to you who are its owners. I want to make such a report to you tonight, and to include not only a fiscal accounting of the current year, but a review of our progress and a discussion of our problems.

We have progressed so far since the dark days of February and March 1933 that some men, not desiring to remember, begin actually to forget the terror of those days.

But you who are on America's farms tonight, you will recall the hopelessness of that time. Your wheat and your cotton, your corn and hogs were as good as they ever were - but you were forced to sell in a ruined market at ruinous prices. Your homes and your farms were overhung with debts too heavy to be borne; the spectre of foreclosure followed your plows.

You who are the great army of America's industrial workers - you will recall the black despair which lay over your homes; the famine in your pay envelope; the lengthening hours punched on your time-clock; the stifling of your

labor

labor unions by those in power.

You who are the owners of the small factories, shops and stores which are the back-bone of American business - you will recall the balance sheets and ledgers of those days; the ever-decreasing lists of your customers; the mark-offs written on your price tags; the red ink which told the same story at the end of every month and every year. You were crushed on the one side by monopolies with which you could not cope and, on the other side, by cut-throat competition which you could not or, in conscience, would not meet. Your capital and your savings - the life blood of your business - were frozen in banks which were about to close.

You whose thrift had provided homes of your own and savings against a rainy day - you will recall the income which had stopped; the interest payments which you could not meet; the insurance policies which had lapsed; the bank books wiped out by bank failures.

You captains of high finance and powerful princes of industry, your empires, too, were crumbling; your

capital

capital, your very fortunes were being gradually blown away, like sand, into the disappearing stream of the depression.

All of us, then, had dropped into the pit and there were many who believed that the pit was bottomless. I recall these things to you because some people seem to have forgotten how far they had fallen and how sick they were. But I know how sick they were. I have their fever charts. I saw the trembling knees of many of our most rugged individualists; I heard the fluttering of their hearts. They came to Washington in great numbers. The government did not look like a bureaucracy. It was an emergency hospital and what a distinguished list of patients it had.

The patients in those days were crying for two things. First, they wanted a quick hypodermic to relieve the pain; Second, they looked for a long-time course of treatment to cure the disease. We gave them both and they were grateful. The pain stopped. The cure began to work and most of the patients are now doing nicely. Some of them are even well enough to throw their crutches at the doctor.

But the plain fact cannot be denied. Our stricken

nation

nation has been helped back to its feet again. Every American in his own home tonight knows that, at last, he is getting somewhere. He knows it by the state of his affairs and by the state of his mind.

I know it because I have travelled through America, and have met Americans as they came from their factories and their fields. In an unparalleled and undiminishing stream of letters, they have opened their hearts to me. We had a program of recovery for the nation; for all the nation and for all of its citizens who - in the midst of plenty - were stricken in common disaster. We had a program and our program worked.

No one of us will maintain that all the measures taken were perfect. But in life, as in baseball, it is not the errors but the final box score that counts. What is the box score today?

Anyone who wishes may read it in the published reports of the Federal Reserve Board, and the Departments of Agriculture, Commerce and Labor. Let us examine some of the more important figures in that box score.

Let us first look at the most vital factor - the

national

national income.

What is national income? It is the sum total of all the goods and services produced by the American people in one year.

Our national income rose from 39 billion dollars in 1932 to 53 billion dollars in 1935, and on the basis of the figures available for the first half of this year, it is estimated that the national income for 1936 will be almost sixty billion dollars.

Total gross cash income of our farmers (excluding rigorously receipts from AAA benefit payments) rose from four billion three hundred million dollars for the year 1932 to six billion three hundred million dollars in 1935, an increase of 46%.

Between March, 1933, and last month the production of our factories and mines increased by 40%.

During this same period, factory employment rose from four million, nine hundred thousand to seven million two hundred thousand, an increase of 45%, and factory payrolls rose from seventy-five million dollars a week to

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one hundred sixty one million dollars a week, a rise of 115%. 168 leading industrial corporations which showed a deficit of 87 million dollars during the year 1932 showed a net profit of 580 million dollars in 1935.

Bank failures, which in 1932 numbered 1502 fell to 36 during the first half of this year.

The number of business enterprises that failed was reduced from 32,000 in 1932 to 12,000 in 1935.

It is especially noteworthy that the liabilities of the firms that went into bankruptcy last year were smaller than in any year since 1920; and that there were less than half as many commercial failures last year than there were in the prosperous year - 1929. The significance of these items is that what we have done has helped the average business man, the owner of the small business, the small store and the small factory.

Does any man dare to assert that our country is not better off today than it was in March 1933? If he does, let him read this box score. I submit it confidently to your judgment.

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To your judgment I leave also those violent appeals to prejudice and ignorance which pour not only from inexperienced men of good intention but also from bitter reckless and ambitious men whose economic nostrums this Administration has ignored. Men like these we have had always with us in American life; and in the end, the common sense and the sense of humor of the American people have dealt with them as they deserved.

In order to finance our recovery and at the same time to care for our unemployed, the Federal Government has been obliged to incur budgetary deficits. What is a budgetary deficit? A deficit occurs when the amount of taxes and other revenues collected by the government in any one year is less than the amount which the government pays out that year for all its expenses.

In certain quarters these deficits are being talked about as if a deficit had never been heard of until the present administration. Partisan critics have short memories.

In the Republican fiscal year ending June 30, 1931, there was a deficit. In the Republican fiscal year ending June 30, 1932, there was a deficit. In the Republican fiscal year

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ending June 30, 1933, there was a deficit. The accumulated deficit for those three Republican years was $5,800,000,000. That was the deficit incurred by the last Republican Administration.

We do not criticize this deficit simply because it is a deficit. Any national Administration may be compelled by national emergency, as business men are compelled by commercial emergency, to incur an operating deficit. But we have a right to ask, as the stockholder of a business has a right to ask: What did the American people get from this Republican excess of expenditures over receipts. The official figures of the Department of Commerce provide the total answer. They got a continuous drop in the national income from sixty-eight billion dollars, where it was in 1930, to thirty-nine billion dollars, where the Republicans left it in 1932.

Let us compare these Republican deficits and accomplishments with the deficits and accomplishments of this Administration. Excluding the Veterans Bonus, which was originally payable in 1945, and is not properly chargeable

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to any one fiscal year, we find that the deficits incurred during the three fiscal years of this Administration totaled nine billion, four hundred million dollars. We have thus incurred deficits three billion, six hundred million dollars larger than the deficits incurred by the last Republican Administration.

What did the American people get from our excess of expenditures over receipts? Here again the Department of Commerce figures provide the total anewer. In place of a drop, the American people got a continuous rise in the national income from thirty-nine billion to approximately sixty billion dollars.

What does this mean in terms of the life of our people? The national income includes the food, clothing, light, heat, medical services, transportation and all other goods and services which sustain American life. The decline, therefore, that took place during the years 1930-33 when the Republicans were incurring their deficits, meant that we as a people were deprived of an enormous portion of the necessities and luxuries of life that we had in 1930. The increase in national income since the period when this Administration

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had been compelled to incur deficits means that there has been restored to the American people the major portion of the necessities and luxuries which they lost during the years of Republican deficits.

To return to our box score: We can write down the deficit of this Administration not as a strike-out but as a sacrifice hit which has brought in a run.

What is the relation of all this to the public debt? When deficits accumulate, governments must borrow money in order to pay the excess of expenditures over receipts. In this way a public debt is created.

In some quarters today, the public debt is being talked about as though a public debt had never been heard of until the present Administration.

At the end of the World War our public debt had risen to more than 25 billion dollars. On June 30, 1930, the debt stood at 16 billion dollars. On June 30, 1933, this debt stood at 22 billion dollars, a rise of 6 billion dollars.

There should be deducted, however, from this 22 billion dollars two items: (1) The amount of money in cash in the public treasury on that date - 860 million dollars; (2) the amount of recoverable assets or loans made by Government agencies,

Agencies, $2,770,000,000. The resulting burden on that date was, therefore, $18,370,000,000. Accordingly, we can fairly and reasonably attribute to the Republican Administration for those three years an increased burden on the Treasury of only $2,370,000,000. What has happened to the debt under this Administration? It has increased from 22 billion to 33 billion dollars, but, here too, we must deduct similar items: (1) The amount of actual cash in the Treasury on June 30, 1936 - $2,680,000,000. (2) the amount of recoverable assets or loans made by Government Agencies, $4,220,000,000. Deducting the total of these figures, we get a net total burden of $26,100,000,000. on June 30, 1936. Therefore, although the debt itself on the books of the Treasury rose by 11 billion dollars, the net burden on the American Treasury at that time was only $7,730,000,000 greater than it was in June 1933.

In some quarters this Administration has been charged with an additional four billion, seven hundred million dollars of increased public debt, arising out of contingent liabilities of the United States.

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These contingent liabilities represent guarantees by the United States of the payment of loans which have been made to save American farms and homes. The Federal Government has not laid out the money for these purposes but merely guaranteed payment in the event that the farmers and home owners do not themselves make good. To include these guarantees as a part of the fixed debt of the United States is to charge that the farmers and home owners, whose farms and homes have been saved, will not meet their obligations. I, for one, refuse to make this charge. Let others make it if they wish.

There is more to this fiscal picture. We have improved the national credit. As a result, we have been able to lower the rate of interest on the national debt. In consequence, the interest charges for the fiscal year ending June 30, 1936, were $749,000,000 as compared with $689,000,000 for the fiscal year ending June 30, 1933. In short, the interest cost of carrying our national debt today is only 1/12 higher than it was in 1932.

Even though all these things are true - even though the growth of the federal debt is not so large as has been repre-

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sented, even though the interest burden of carrying it has increased so slightly, it still is a matter of concern to all of us that this debt exists. We will not be content until we have succeeded in bringing about its substantial reduction. How do we hope to reduce it?

As our national income rises, the revenue from existing taxes rises. In this way, without any new taxation, a steady rise in the national income leads to steadily increasing government revenues. Moreover, as business continues to improve, and employment continues to increase, the amounts which the Federal Government must spend for the care of the unemployed decrease. Therefore, with our national income rising and unemployment diminishing, we can look forward confidently to a day when existing taxes will produce not only a budget balance but a budget surplus. It is our firm intention to establish not only that balance but also that surplus. Let there be no doubt about this - we will reduce the national debt which has been accumulated in our battle against the depression.

In some quarters the balancing of the budget is talked about as though that would be the cure for all our ills. It must be remembered that we not only had a balanced budget but a budget surplus in 1929; but that did not prevent the depression from

beginning.

beginning. We had a balanced budget in 1930; but that did not prevent the depression from deepening. Finally it must be remembered that insofar as the budget is actually out of balance, the lack of balance is caused by our expenditures to keep Americans from starvation.

We are making today every reasonable effort toward a true balancing of the federal budget. But between us and a balanced budget stand millions of unemployed Americans. No one lightly lays a burden on the income of a nation. But do I need to ask you whether or not the collapse of our national economy in 1933 warranted borrowing to finance and win recovery?

Of course, the budget must be balanced, and we must provide a surplus for retiring our debt. But when? In the face of conditions since 1933, a balanced budget would have been a crime against the American people, involving either confiscatory taxation or a callous disregard of human suffering. We will continue to reject confiscatory taxation, and, when Americans suffer, we will not pass by on the other side.

Faced with the problem of unemployment, this Administration has followed a fixed principle which we do not propose

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to abandon. We believe that a dole - temporary mass charity without work - produces an inevitable decay of self-respect, and we believe that individual self-respect is the core of this Nation's greatness. In the place of the bread of work, we will not offer Americans the stone of a dole.

It has been our aim to make this work productive. As a result, the army of our working unemployed has created across the Nation a series of vast structures which stand as proof of the soundness of our plan. The TVA, the Triborough Bridge, and many other great undertakings have added to the permanent wealth of the Nation and to the happiness of our people.

Similar achievements on a smaller scale can be found in almost every community in America.

For undertakings so vast as these, there is no peace-time parallel in American history. We make no claim that they have all been carried through without waste or inefficiency. No human enterprise of such scope, which involved so many people and required such speed, could have been entirely free from waste and inefficiency. But we ask you to remember that under this Administration there has been no Tea-Pot Dome.

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Some of you, doubtless, have listened to those who speak of our relief program entirely in terms of ridicule. May I suggest that tomorrow you try to find out for yourself just what this relief program has built in your state; how many public schools have been built or improved; how many new roads have been constructed; how many playgrounds built; how much reforestation and flood prevention and soil erosion work carried through.

You can read the human side of the record of our program of relief in terms of a nation that has maintained its morale through the worst depression in history. You can read the community side of that record in terms of the vast number of things which have been built for your security and well-being.

We regard work-relief as necessary today. We do not believe that work-relief is permanently necessary in the life of our country. Our aim is to raise the level of private employment to the place where public employment for relief pruposes will be entirely unnecessary.

Now that we have begun to emerge from the disasters which overwhelmed us from 1929 to 1933, there are men who seem to wish to bury all thought of the terrible experiences

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through which we passed and to abandon all attempts to understand them. But the true defenders of the traditional American way of life are those who try to think even about unpleasant things.

..There are three major questions which today disturb deeply the minds of those who strive to think not only about their country but also for their country.

Why did the economic system under which we live fail us so overwhelmingly for a time?

How can we shape our conduct and our laws so as to make certain that a similar failure shall not again occur?

How can we make sure that the American economic system not only will endure but also will enable us to advance steadily to constantly rising standards of living?

Under our system successive generations have grown from boyhood to manhood inspired by a few traditional American principles. Those principles are: that individual effort and talent will find outlet and just reward; that we shall be able to live our independent lives on the basis of such private property as we can justly accumulate by our effort and our thrift; that as free and independent citizens we shall fear no master and suffer no coercion, and that no small

group

group shall control our working lives and our opinions. I know no finer principles. I am certain that they are deeply implanted in the minds and hearts of all true Americans. How can we preserve them, and prosper under them?

I have taken counsel with innumerable men and women of all walks of life. I have asked their judgments on the lessons of the depression. I do not pretend that I have evolved from their advice, or from my own thought, any easy, simple and guaranteed panacea. But I have come to certain conclusions, a few of which I submit to you for your own judgment.

First, there has been something wrong about the distribution of our national income.

Our economic system will work successfully and uninterruptedly only if there is a reasonable distribution of income. I reject the various wild and superficial ideas of wealth distribution that are being mouthed by demagogues. But when too much of the stream of national income flows to a small minority of the American people and too little to the great majority the results are too likely to be those which we have suffered.

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Such a distribution of income during a period of great business activity is likely to lead either to wild speculation in securities or temporary over-investment in certain industries. It tends to produce a lack of buying power for the products of fields, mines, and factories. It is possible that this may be one of the primary causes of a depression. Certainly it deepens a depression when it comes.

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Such a sounder distribution of income does not involve hostility to the business man or to acquired wealth.

The success of the business man - unless he is a dominating monopolist who maintains unjustifiably high prices - is essential to the well-being of the Nation. His welfare, in turn - indeed his very existence - depends upon a wider distribution of income. He cannot sell his goods and services if those who need them have not enough money to buy them. Certain of our wisest business men have already learned that the greatest profits are to be earned by enlargement of markets.

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shifts between the incomes received by different groups of producers. I have in mind the great decline in the income of farmers as compared with that of other groups of producers, which took place during the decade before 1933.

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Third, there has been something wrong about the use of credit.

In future, we must possess a greater steadiness and better judgment in the use of credit than has been shown in the recent past.

The ill-judged credit movement of the "twentys," which produced unsound security values and fostered completely reckless real estate financing, was certainly one of the important causes of the later collapse. Various land booms showed the country the result of unwise and lax credit, super-salesmen, and unbridled lust for quick gain. But the warning was not heeded.

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with the reckless, and well managed banks were imperiled along with the badly managed and dishonest. Our system will operate well only if we manage our credit resources wisely and employ them to finance steadily our economic life rather than provide quick riches to avaricious speculators.

Fourth, there has been something wrong about our methods of providing against the hazards of unemployment, illness and old age.

All of us accept as a part of the American system the principle that it is the duty of each individual to strive to put aside a part of his earnings in good times to guard himself and his family against the chances and changes of life. But the depression from which we are emerging has been so harsh and prolonged that such patiently saved resources have not been enough to provide even a minimum security for the unemployed and sick and those who are too old to work. Human need and suffering have been great. Furthermore, the inability of millions to buy even the necessities of life has meant lessened employment for others and has deepened the depression.

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To meet this need, we have established the foundation of a system of social insurance. Experience will enable us to improve and strengthen it. Social insurance kept within the proper bounds of our national income possibilities can guarantee to millions of Americans that in time of future loss of work, protracted illness or old age, they will not be again at the mercy of chance or private charity, but will have reserve resources which have been stored up out of the product of good times.

The system of social insurance, if wisely built up, should serve to moderate undue expansion during boom periods and to lessen depression if the tide of business turns. It is a genuinely conservative policy in which forethought, wisdom and mercy combine. We must not permit it to be wrecked by the impracticable plans and illusory promises of those who ignore the realities of our national income and prey upon the hopes of those very Americans - the needy and aged - who most need the protection of a solid, practicable system which can be sustained.

Fifth,

Fifth, there has been something wrong about our economic and financial relations with the outside world.

Through the nineteen twenties, American bankers lent vast amounts in foreign countries with insufficient knowledge of the political and economic conditions which would determine the safety of the investment. These loans were made as if the obligations written in the contracts would inevitably be carried out. But we have seen the growth of a tendency in certain foreign countries to make loan obligations only a pawn in the play of power and trade politics.

In the future our financial dealings with the outside world must be based on a fuller knowledge of facts. We must be alert to distinguish between borrowers who do their best reasonably to meet their obligations, dealing with all creditors fairly, and those borrowers who do not.

We must keep our investment policy and our trade policy in harmony. It is obvious that at a time when foreign countries have little gold compared to the United States,

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we can receive payment for sales of our goods or for interest on investments abroad only by accepting the goods of other countries in payment. If we want to sell abroad or be paid money we have lent abroad, we must buy from abroad.

A tariff bill like the Smoot-Hawley Tariff Bill which places practically an embargo on American purchases from abroad, leads inevitably to a cessation of foreign purchases in the United States and to defaults on payments to the United States. We can not sell our cotton, tobacco, lard, or machines abroad if we are not ready to buy from abroad. The trade treaty policy of this Administration, which aims at restoring a mutually profitable exchange of commodities, is a first step in the restoration of common sense in our international economic relations.

Sixth, there has been something wrong about price movements. The great rise in American prices which occurred between 1914 and 1920 stimulated unwise speculation and investment or lending on the basis of false values. It led to the cultivation of agricultural and mineral

resources

resources in this country which could not pay their way when the price reversal came. The great decline in prices which occurred between 1929 and 1933 caused widespread bankruptcy, impaired the solvency of our financial institutions and left millions of Americans burdened with debt beyond their ability to pay from their reduced incomes.

The first necessity which faced us in 1933 was to bring about an improvement in the panic prices that prevailed and thereby to make it possible for American individuals and institutions to meet their existing debt obligations. In this process the devaluation of our currency played an important part.

Our monetary system must serve to assist price stability and thus give us the greatest underlying assurance of a sound currency. Our banking and credit operations conducted by many thousands of private banks and regulated by the Federal Reserve System, must likewise keep this steadying purpose in view.

I do not believe there is any single or simple formula for this. The task must be attempted even though it is still too soon to determine in just what ways we should use our vast reserves of gold to assist in the maintenance of such

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a sound monetary system or exactly to what extent we can rely on automatic operation of certain rules embodied in law.

When the price recovery and the recovery in our productive capacity have reached a normal point our debtor-creditor problem should likewise again become normal. This is the goal we seek. The task then will become - I am hopeful that it already has become - one of so regulating our affairs that future general price movements may be only moderate.

War is the greatest cause of these disastrous price movements. It is not easy for men to have the wisdom to reject the paper profits which may be built up in time of international strife in order to escape the ultimate disaster which is produced when those illusory profits evaporate. Nevertheless we must strive to develop sufficient wisdom to avoid attempting to make profits out of war. Above all, we must keep out of war.

Here then is the balance sheet of a Nation on the road to recovery. I have entered into a discussion of matters of great complexity and have indicated frankly the nature

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of my thoughts. The analysis I have made will not contain enough promise of heaven for those visionaries who can paint the details of paradise for any audience. It will not satisfy those whose oratory arouses with the whip of hatred and slander.

It will leave untouched those who have everything they wish, whose only further wish is to remain undisturbed in the possession of what they have, not caring what happens to their fellow Americans. It may be challenged also by that substantial group (and this includes many of our most useful businessmen and conscientious thinkers) who believe that the system under all circumstances is self-correcting and self-operating and needs no regulation by government. If my reasoning cannot reach this last group, nothing is left for me except to refer them to experience. 1929 and 1932 are years written forever in the annals of economic history.

As for me, I believe that it is the task of all of us who love the American system, - who love the individual liberty and independence which it offers to all, the freedom

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of opportunity which is the spur of our daily lives, the democracy which is our daily breath, - it is our task to create and maintain conditions under which our system can yield its full promise.

7,10/25/36

A great deal has been said in this campaign about Government spending and the National Debt. No one can arrive at a true understanding from financial statements that deal only with what has been added to the liability column unless they compare it with what has been added to the asset column. The National Debt at the end of the last fiscal year exceeded thirty three billion dollars. You hear that figure frequently referred to as the debt your children must pay as a result of the New Deal. It's not true. The National Debt at the end of the last Republican administration was something over twenty billion dollars. That leaves a gross increase of some $12,841,000,000 in the last 3½ years. In the meantime, the Treasury's assets have increased over $6,500,000,000, so that when you strike a balance, as any business man would, you find that there has been a net increase in the national debt of $6,307,000,000. Let there be no doubt or question on one point - we assume the responsibility for this increase and we are willing to strike another balance with the American people and with American business as to the reasons for this expenditure and as to the results achieved. All of this was done and all of this money was spent to accomplish a result that we maintain has been accomplished and that for three years a Republican administration failed to accomplish.

Let us compare the non-governmental balance sheet of the United States of America with the balance sheet of four years ago. The estimated national wealth of this country in 1932 was two hundred and seven billion dollars. In 1936, it is three hundred and sixty three billion dollars, or an increase of one hundred and fifty six billion dollars. The national income in 1932 was thirty nine billion dollars and in 1936 it is sixty billion dollars, or an increase of twenty one billion dollars. To reduce these figures to a simple comparison that will be

understood even by some who do not know just how much a billion dollars is, let us say that a billion dollars is one-sixth of the amount we have added to the national debt and one-one hundred and fifty sixth of the amount already added to the national wealth.

Let us say that a man became president of a company at a time when business was pretty bad and the company had debts of $20,000. Let us say that in four years of his management, the debts increased $6,307. What would you say of those who criticized him for this increase in the debt of the company if they failed to point out that he had increased the assets of the company $156,000 and had increased its annual income by $21,000. Wouldn't it be pretty silly to say that he had brought the company's credit to the verge of collapse. The credit of your Government is better today because the credit of all of the people of this country is better today. The same Government securities that were outstanding four years ago are worth half a billion dollars more in the hands of the people who own them than they were worth then and the new securities of the Government find an immediate market at rates of interest so low as to prove that the great private financial leaders of this country act differently than they talk in this campaign. And you don't have to be a great financial wizard to know that any business that can borrow all of the money it needs at less than three percent is not a "busted" business.

Government derives its income from the wealth of the nation. Let's look at that picture a moment. There are about 11,000,000 people in this country who own marketable securities. The value of stocks and bonds listed on the exchanges of this country, and not including Government bonds, has increased under this administration fifty eight billion dollars. Write that in the asset column. The bonds of the United States Government outstanding today that were outstanding on February 28, 1933 have increased in value in the hands of their holders over half a billion dollars, or approximately ten percent. Would the people of this

country be paying ten percent more for the same securities if they thought there was any doubt about the financial responsibility of the Government of the United States.

There is another class of people who have an interest in the asset column - the people who live on the farms of this country. Every bushel of wheat they grow is worth three times as much as it was worth in 1932; every bushel of oats is worth twice as much; every bushel of corn is worth almost four times as much; every pound of tobacco is worth almost twice as much and every bale of cotton is worth almost twice as much. I think the farmers of this country believe that that ought to be added to the asset column.

It is easy to criticize expenditures. Sometimes you make expenditures to cut down losses. In 1932 there were 451,884 active corporate businesses owned by the people of this country. Only 82,000 of them were able to show a profit and 369,000 of them showed losses. For three years they had shown increasing losses every year for a total of more than nineteen billion dollars, and even those that were showing a profit were showing smaller profits during every one of those years. In 1932, if you deduct all of the losses from all of the profits, the net loss of corporate businesses alone came within a few million dollars of the total that has been added to the national debt. In every one of the last three years the losses have gone down and the profits have gone up; and last year, for the first time in five years, the total of all of the corporate business of the United States got into the black.

Let's look at another side of this picture, the human side. There are ten million people living in the cities of this country who own their own homes. It is a pretty nice thing to own your own home. It is a pretty nice thing even if it takes years of sacrifice; years of giving up other things. Well, except for this Government program, over a million families would have lost their homes,

practically one out of every ten. What would have happened to the real estate values of this country and what would have happened to the building industries if a million homes had been foreclosed and thrown on the market in the effort of the mortgagors to get back the amount of their mortgage money. During this same period loans were made to 774,000 families living on farms who were in danger of losing not only their homes but the farms that were their source of livelihood. What would have happened to land values in this country if three quarters of a million farms had been thrown on the market after foreclosure. There used to be a theory of government in this country that nothing ought to be done and no money ought to be spent in situations like that. The lifetime savings of 1,744,000 American families had no weight in the scale.

Now let us examine the position of some of the great industrial leaders who have been most critical of this Government expenditure program. Some gentlemen in the automobile industry made public statements last week that the Government's program had had nothing to do with the improvement of the automobile industry. They said that they had done it all by themselves. Mr. Alfred P. Sloan, President of General Motors - you know he's the other fellow who works for the DuPonts - has been warning the stockholders and the employes of that company that the New Deal was leading this country right into those grass-grown streets. I am going to assume that Mr. Sloan was just as smart and just as able in 1932 as he is in 1936. In 1932 he had the kind of Government that he wants because that great corporation only contributed $284,000 in taxes for the support of the Federal Government, but after they had paid this little tax, the management only had left as a profit the sum of $230,599. In 1935, General Motors contributed $29,465,000 to the support of the Government program - not very happily perhaps - but the amazing thing is that after they had paid this tax, instead of having left for their stockholders a profit of $230,000, they had a profit of $167,000,000, and just last Tuesday Mr. Sloan

announced that the profit for the last twelve months, after normal taxes, but without provision for the surtax on undistributed profits, would be $227,000,000.

Now let us analyze that a little. Willingly or unwillingly, this great corporation is now contributing to the Federal Government millions of dollars annually for the purpose of saving the homes and farms of those whose profits do not figure in the millions. They are helping to give employment to millions who might otherwise be hungry or without adequate winter clothing. They are helping thousands of cities to have new and better public buildings, bridges, water supplies, schools, hospitals and other worthwhile things. At the same time, they are themselves employing more people, under better hours and conditions of work, and at the last they have $5.10 left over for every share of their common stock as against practically nothing in 1932. And oh yes - the undistributed profits tax, for which the annual statement says they have not made provision, is just a Federal tax that won't even have to be paid if they distribute their profits to the stockholders who really own the business. In other words, everybody is happy, - the stockholders of the company, the employes of the company, the people of the United States, everybody except Mr. Sloan and Mr. DuPont.

Last week there came to my attention some "non-partisan" literature sent out by Mr. Lewis H. Browne, President of another great corporation, the Johns-Manville Company. Mr. Browne wants the recipient of this literature to suggest to publishers the desirability of stopping rising prices by stopping Government expenditures. So let us look at his case for a moment. In 1932, when I assume Mr. Browne was just as able and just as smart as he is today, the Johns-Manville Company didn't pay the Government any taxes at all, and I assume that they didn't pay their stockholders very much and that they were letting some of their employes go on Government relief because in that year the company lost $2,680,000. Last

year the Johns-Manville Company paid $467,000 in taxes to the Federal Government and I assume that that outrageous sum is bothering Mr. Browne no little, because after the taxes were paid, instead of a loss of two and one-half million dollars, the company had a profit for its stockholders of $2,164,000. Now I assume that Mr. Browne is just as modest as some of the automobile manufacturers - he did it all by himself. The fact is that the prosperity of the Johns-Manville Company depends upon the prosperity of the building industry and during the last three years, the Federal Government, through one Department alone, has put into circulation in low-cost housing projects, more than three billion dollars. Through the Federal Housing Adminstration over 1,200,000 homes have been modernized and improved, and they have insured from 25 to 30 percent of all the mortgages for the new construction of homes in the past twenty one months.

There used to be a theory of government in this country that Government ought to have nothing to do with helping American citizens to own their own homes and that it was regimentation if the Government did anything about the fact that every American is entitled to a home of his own with a roof that doesn't leak.

[Oct. 1, 1936?]

As Chairman of the Board of Directors of the great enterprise which is the Government of the United States, I have made it a practise to report each year on the state of the Nation's business to you who are its owners. I want to make such a report to you tonight, and to include not only a fiscal accounting of the current year, but a review of the progress we have made during the last three and a half years.

We have progressed so far since the dark days of February and March 1933 that some men, not desiring to remember, begin actually to forget the chaos and the terror of those days.

But you who are on America's farms tonight, you will recall the hopelessness and despair of that time. Your wheat and your cotton, your corn and hogs were as good as they ever were - but you were forced to sell in a Republican market at Republican prices. Your homes and your farms were overhung with debts too heavy to be borne; the spectre of foreclosure followed your plows. (For you there was disaster in the midst of plenty.)

You who are the great army of America's industrial workers - you will recall the black despair which lay over your homes; the famine in your pay envelope; the lengthening hours punched on your time-clock;

the stifling of your labor unions by those in power. For you there was the threat of hunger in the midst of plenty.

You who are the owners of the small factories, shops and stores which are the back-bone of American business - you will recall the balance sheets and ledgers of those days; the ever-decreasing lists of your customers; the mark-offs written on your price tags; the red ink which told the same story at the end of every month and every year. You were crushed on the one side by monopolies with which you could not cope and, on the other side, by cut-throat competition which you could not or, in conscience, would not meet. Your capital and your savings - the life blood of your business - were frozen in banks which were about to close. (Yours was stagnation in the midst of plenty.)

You whose thrift had provided homes of your own and savings against a rainy day - you will recall the income which had stopped; the interest payments which you could not meet; the insurance policies which had lapsed; the bank books wiped out by bank failures. (Your hard-won security had vanished in the midst of plenty.)

You captains of high finance and powerful princes of industry, your empires, too, were crumbling; your capital, your very fortunes were

being gradually blown away, like sand, into the disappearing stream of the depression. (Yours was an empty and a falling temple in the midst of plenty).

All of us, then, had fallen into the pit and there were many who believed that the pit was bottomless. I recall these things to you because some people seem to have forgotten how far they had fallen and how sick they were. But I know how sick they were. I have their fever charts. I saw the trembling knees of many of our most rugged individualists; I heard the fluttering of their hearts. They came to Washington in great numbers. The government did not look like a bureaucracy. It was an emergency hospital and what a distinguished list of patients it had.

The patients in these days were crying for two things. First, they wanted a quick hypodermic to relieve the pain; Second, they looked for along-time course of treatment to cure the disease. We gave them both and they were grateful. The pain stopped. The cure began to work and most of the patients are now doing very nicely. Some of them are even well enough to throw their crutches and hot-water bottles at the doctor.

But the plain fact cannot be denied. Our stricken nation has been helped back to its feet again. Every American in his own home tonight knows that, at last, he is getting somewhere. He knows it by the state of his affairs and by the state of his mind.

I know it because I have travelled through all America - and have met Americans as they came from their factories and their fields. I have met them in their homes. In an unparalleled and undiminishing stream of letters, they have opened their hearts to me. We had a program of recovery for the nation; for all the nation and for all of its citizens who - in the midst of plenty - were stricken in common disaster. We had a program and our program worked.

No one of us will maintain that all the measures taken were perfect, or that our problems are fully solved. But in life, as in baseball, it is not

the errors but the final box score that counts. What is the box score today?

Anyone who wishes may read it in the published reports of the Federal Reserve Board, and the Departments of Agriculture, Commerce and Labor. Let us examine some of the more important figures in that box score.

Let us first look at the most vital factor - the national income.

What is national Income? It is the sum total of all the goods and services produced by the American people in one year.

Our national income rose from 39 billion dollars in 1932 to 53 billion dollars in 1935, and on the basis of the figures available for the first half of this year, it is estimated that the national income for 1936 will be almost sixty billion dollars.

Total gross cash income of our farmers (excluding rigorously receipts from AAA benefit payments) rose from four billion three hundred million dollars for the year 1932 to six billion three hundred million dollars in 1935, an increase of 46%.

Between March, 1933 and last month the production of our factories and mines increased by 40%.

During this same period factory employment rose from four million nine hundred thousand to seven million two hundred thousand, an increase of 45%, and factory payrolls rose from seventy-five million dollars a week to one hundred sixty-one million dollars a week, a rise of 115% 168 leading industrial corporations which showed a deficit of 87 million dollars during the year 1932 showed a net profit of five hundred and eighty million dollars in 1935.

The number of business enterprises that failed was reduced from 32,000 in 1932 to 12,000 in 1935.

It is especially noteworthy that the liabilities of the firms that went into bankruptcy last year were smaller than in any year since 1920, and that there were less than half as many commercial failures last year than there were in the prosperous year - 1929. The significance of these items is that what we have done

has helped the average business man, the owner of the small business, the small store and the small factory.

Bank failures, which in 1932 numbered 1502 fell to 36 during the first half of this year.

Does any man dare to assert that our country is not better off today than it was in March 1933? If he does, let him read this box score. I submit it confidently to your judgment.

To your judgment I leave also those violent appeals to prejudice and ignorance which pour not only from inexperienced men of good intention but also from bitter, reckless, and ambitious men whose economic nostrums this Administration has ignored. Men like these we have had always with us in American life; and in the end the common sense and the sense of humor of the American people have dealt with them as they deserved.

In order to finance our recovery and at the same time to care for our unemployed, the Federal Government has been obliged to incur budgetary deficits. What is a budgetary deficit? A deficit occurs when the amount of taxes and other revenues collected by the government in any one year is less than the amount which the government pays out that year for all its expenses.

In certain quarters these deficits are being talked about as if a deficit had never been heard of until the present Administration. Partisan critics have short memories.

In the Republican fiscal year ending June 30, 1931, there was a deficit. In the Republican fiscal year ending June 30, 1932, there was a deficit. In the Republican fiscal year ending June 30, 1933, there was a deficit. The accumulated deficit for those three Republican years was $5,800,000,000. That was the deficit incurred by the last Republican Administration.

We do not criticize this deficit simply because it is a deficit. Any national Administration may be compelled by national emergency, as business men

are compelled by commercial emergency, to incur an operating deficit. But we have a right to ask, as the stockholder of a business has a right to ask: "What did the American people get from this Republican excess of expenditures over receipts?" The official figures of the Department of Commerce provide the total answer. They got a continuous drop in the national income from sixty-eight billion dollars, where it was in 1930, to thirty-nine billion dollars, where the Republicans left it in 1932.

Let us compare these Republican deficits and accomplishments with the deficits and accomplishments of this Administration. Excluding the Vertans Bonus, which was originally payable in 1945, and is not properly chargeable to any one fiscal year, we find that the deficits incurred during the three fiscal years of this Administration totaled nine billion four hundred million dollars. We have thus incurred deficits three billion six hundred million dollars larger than the deficits incurred by the last Republican Administration.

What did the American people get from our excess of expenditures over receipts? Here again the Department of Commerce figures provide the total answer. In place of a drop, the American people got a continuous rise in the national income from thirty-nine billion to approximately sixty billion dollars.

What does this mean in terms of the life of our people? The national income includes the food, clothing, light, heat, medical services, transportation and all other goods and services which sustain American Life. The decline, therefore, that took place during the years 1930-32 when the Republicans were incurring their deficits, meant that we as a people were deprived of 42% of the necessities and luxuries of life that we had in 1930. The increase in national income since the period when we have been compelled to incur deficits means that there has been restored to the American people nearly three-fourths of the necessities and luxuries which they lost during the years of Republican deficits.

To return to our box score: We can write down the deficit of this Administration not as a strike-out but as a sacrifice hit which has brought in a

run.

What is the relation of all this to the public debt? When deficits accumulate governments must borrow money in order to pay the excess of expenditures over receipts. In this way a public debt is created.

In some quarters today the public debt is being talked about as though a public debt had never been heard of until the present Administration.

At the end of the World War our public debt had risen to more than 25 billion dollars. On June 30, 1930, the debt stood at 16 billion dollars. On June 30, 1933, this debt stood at 22 billion dollars, a rise of 6 billion dollars.

There should be deducted, howeve , from this 22 billion dollars two items: (1) The amount of money in cash in the public treasury on that date - 860 million dollars: (2) the amount of recoverable assets or loans made by the Government Agencies, $2.770,000,000. The resulting burden on that date was, therefore, $18,370,000,000. Accordingly, we can fairly and reasonably attribute to the Republican Administration for those three years an increased burden on the Treasury of only $2,370,000,000.

What has happened to the debt under this Administration? It has increased from 22 billion to 33 billion dollars, but too we must deduct similar items: (1) The amount of actual cash in the Treasury on June 30, 1936 - $2,680,000,000. (2) the amount of recoverable assets or loans made by the Government Agencies, $4,220,000,000. Deducting the total of these figures we get a net total burden of $26,100,000,000. on June 30, 1936. Therefore, although the debt itself on the books of the Treasury rose by 11 billion dollars, the net burden on the American Treasury at that time was only $7,730,000,000 greater than it was in June 1933.

In some quarters this Administration has been charged with an additional four billion seven hundred million dollars of increased public debt, arising out of contingent liabilities of the United States. These contingent liabilities represent guarantees by the United States of the payment of loans which have been made to save American farms and homes. The Federal Government has not laid out the money for these purposes but merely guaranteed payment in the event that the farmers and home owners do not themselves make good. To include these guarantees as a part of the fixed debt of the United States is to charge that the farmers and home owners, whose farms and homes have been saved will not meet their obligations. I, for one, refuse to make this charge. Let others make it if they wish.

We have, furthermore, improved the national credit. There is more to this fiscal picture. As a result we have been able to lower the rate of interest on the national debt. As a result the interest charges for the fiscal year ending June 30, 1936, were $749,000,000 as compared with $689,000,000 for the fiscal year ending June 30, 1933. In short, the interest cost of carrying our national debt today is only 1/12 higher than it was in 1932.

Even though all these things are true - even though the growth of the federal debt is not so large as has been represented, even though the interest burden of carrying it has increased so slightly, it still is a matter of concern to all of us that there is this debt. We will not be content until we have succeeded in bringing about its substantial reduction. How do we hope to reduce it?

As our national income rises, the revenue from existing taxes rises. In this way without any new taxation, a steady rise in the national income leads to steadily increasing government revenues. Moreover, as business continues to improve and employment continues to increase, the amounts which the Federal Government must spend for the care of the unemployed decrease. Therefore, with

our national income rising and unemployment diminishing, we can look forward confidently to a day when existing taxes will produce not only a budget balance but a budget surplus. It is our firm intention to establish not only that balance but also that surplus. Let there be no doubt about this - we will reduce the national debt which has been accumulated in our battle against the depression.

In some quarters the balancing of the budget is talked about as though that would be the care for all our ills. It must be remembered that we not only had a balanced budget but a budget surplus in 1929; but that did not prevent the depression ~~from getting worse.~~ Finally it must be remembered that insofar as the budget is actually out of balance, the lack of balance is caused by our expenditures to keep Americans from starvation.

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We are making today every reasonable effort toward a true balancing of the federal budget. But between us and a balanced budget stand millions of unemployed Americans. No one lightly lays a burden on the income of a nation. But do I need to ask you whether or not the collapse of our national economy in 1933 warranted borrowing to finance and win recovery?

Of course, the budget must be blanced and we must provide a surplus for retiring our debt. But when? In the face of conditions since 1933 a balanced budget would have been a crime against the American people, involving either confiscatory taxation or a callous disregard of human suffering. We will continue to reject confiscatory taxation, and when Americans suffer we will not pass by on the other side.

Faced with the problem of unemployment, this Administration has followed a fixed principle which we do not propose to abandon. We believe that a dole - temporary mass charity without work - produces an inevitable decay of self-respect and we believe that individual self-respect is the core of this Nation's greatness. It is our purpose to continue to maintain and strengthen that self-respect. In the place of the bread of work, we will not offer Americans the stone

of a dole.

It has been our aim to to make this work productive. As a result, the army of our working unemployed has created across the Nation a series of vast structures which stand as proof of the soundness of our plan. The TV A; the Triborough Bridge; the Boulder Dam; the Golden Gate Bridge - these and other great undertakings have added to the permanent wealth of the Nation and to the happiness of our people.

Similar achievements on a smaller scale can be found in almost every community in America.

For undertakings so vast as these there is no peace-time parallel in American history. We make no claim that they have all been carried through without waste or inefficiency. No human enterprise of such scope, which involved so many people and required such speed, could have been entirely free from waste and inefficiency. But we ask you to remember that under this Administration there has been no Tea-Pot Dome.

Some of you, doubtless, have listened to those who speak of our relief program entirely in terms of ridicule. May I suggest that - tomorrow - you try to find out for yourself just what this relief program has built in your state; how many public schools have been built or improved; how many new roads have been constructed; how many playgrounds built; how much reforestation and flood prevention and soil erosion work carried through.

You can read the human side of the record of our program of relief in terms of a nation that has maintained its morale through the worst depression in history. You can read the community side of that record in terms of the vast number of things which have been built for your security and well-being.

We regard work-relief as necessary today. We do not believe that work-relief is permanently necessary in the life of our country. Our aim is to raise the level of private employment to the place where public employment

for relief purposes will be entirely unnecessary.

Now that we have begun to emerge from the disasters which overwhelmed us from 1929 to 1933, there are men who seem to wish to bury all thought of the terrible experiences through which we passed and to abandon all attempt to understand them. But the true defenders of the traditional American way of life are those who try to think even about unpleasant things.

.. There are three major questions which today disturb deeply the minds of those who strive to think not only about their country but also for their country.

(1) Why did the economic system under which we live fail us so overwhelmingly for a time ?

(2) How can we shape our conduct and our laws so as to make certain that a similar failure shall not again occur ?

(3) How can we make sure that the American economic system not only will endure, but also will enable us to advance steadily to constantly rising standards of living ?

Under our system successive generations have grown from boyhood to manhood inspired by a few traditional American principles. Those principles are that individual effort and talent will find outlet and just reward; that we shall be able to live our independent lives on the basis of such private property as we can justly accumulate by our effort and our thrift; that as free and independent citizens we shall fear no master and suffer no coercion, and that no small group shall control our working lives and our opinions. I know no finer principles. I am certain that they are deeply implanted in the minds and hearts of all true Americans. How can we preserve them, and prosper under them ?

To meet [illegible] and [illegible]?

Anderson is [illegible] [illegible]. Roche

is no [illegible] indeed. This a change in

procedure. In my [illegible] had [illegible]

[illegible] for a [illegible] [illegible]?

[illegible] — and the [illegible]. For it

is the [illegible]? [illegible] [illegible]. This —

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[illegible] — we had and —

[illegible] [illegible] [illegible] [illegible] Johnson

[illegible] [illegible].

I have taken counsel with innumerable men and women of all walks of life. I have asked their judgments on the lessons of the depression. I do not pretend that I have evolved from their advise or from my own thought any easy, simple and guaranteed panacea. But I have come to certain conclusions, a few of which I submit to you for your judgment.

First, there has been something wrong about the distribution of our national income. Our economic system will work successfully and uninterruptedly only if there is a reasonable distribution of income. I reject the various wild and superficial ideas of wealth distribution that are being mouthed by demagogues. But when too much of the stream of income flows to a small minority of the American people and too little to the great majority the results are too likely to be those which we have suffered.

In 1929 there were more than 27 million families in the Nation. What was the distribution of income among them? We have the authoritative figures of the Brookings Institution.

Nearly six million families - one out of every five - had incomes less than $1,000. More than eleven and a half million families - four out of every ten - had incomes less than $1500,00 .The combined income of all these eleven and a half million families was about the same as the combined income of the 36,000 richest families in the country. What does that mean? It means that 1/8 of one percent of the American families at the top received about the same total of income as 42% of American families at the bottom. In terms of the national income of 1929, 23% of it went to only 1% of the people.

Such a distribution of income during a period of great business activity is likely to lead either to wild speculation in securities or temporary over-investment in certain industries. It certainly produces a lack of buying power for the products of fields, mines, and factories. It is possible that this may be the primary cause of a depression. Certainly it deepens a depression when it comes.

An improved distribution of income does not call for confiscation or regimentation of any type, direct or indirect. It can be achieved largely by curtailing the strategic advantages which certain individuals and groups have obtained in the past, by wise and justly proportioned taxation, by the maintenance of low interest rates, by alertness in checking monopoly, and by maintaining the standard of income for farmers, wage-earners, and salaried workers. Such a sounder distribution of income does not involve hostility to the business man or to acquired wealth. The success of the business man - unless he is a dominating monopolist - is essential to the well-being of the Nation.

His welfare, in turn - indeed his very existence - depends upon a wider distribution of income. He cannot sell his goods and services if those who need them have not enough money to buy them.

Second, there has been something wrong about the earnings of our farmers.

The regular and fully productive operation of our system depends upon the avoidance of too great and sudden shifts between the incomes received by different groups of producers. I have in mind the great decline in the income of farmers as compared with that of other groups of producers, which took place during the decade before 1933.

The collapse of farm prices and the virtual disappearance of farm income made it impossible for the farmer to continue his customary purchases. The disappearance of the farmer's purchasing power shook our economic system to its roots.

The very existence of the men and women working in the clothing factories of New York, making clothes worn by farmers and their families, and the income of the workers in the steel mills in Pittsburgh, who make the wire fencing purchased by our agricultural populations, the wage envelope of the mechanic in the harvester factories of Chicago, depend upon the farmers' ability to purchase the commodities they produce.

The farm program of this Administration increased farm income and restored to some extent the necessary equilibrium. The steady operation of our system requires that all thought and foresight be devoted to preventing upsetting this equilibrium. To this end, the artificially high prices maintained by industrial monopolies must be eliminated. Elimination of wasteful industrial processes which add to the costs of the goods the farmer purchases is also essential.

Third, there has been something wrong about the use of credit.

In future, we must possess a greater steadiness and better judgment in the use of credit than has been shown in the recent past. The ill-judged credit movement of the twentys, which produced unsound security values and fostered completely reckless real estate financing, was certainly one of the important causes of the later collapse. Various land booms showed the country the results of unwise and lax credit, super - salesmen, and unbridled lust for quick gain. But the warning was not heeded. When the final smash came, careful investors were hurt along with the reckless, badly-managed and dishonest. Our system will operate well only if we manage our credit resources wisely, and employ them to finance steadily our economic

and well managed ones were unfortunately involved with the

life, rather than provide quick riches to avaricious speculators.

Here then is the balance sheet and income account of a Nation on the road to recovery. I have entered into a discussion of matters of great complexity and have indicated frankly the nature of my thoughts. The analysis I have made will not contain enough promise of heaven for those visionaries who can paint the details of paradise for any audience. It will not satisfy those whose oratory arouses with the whip of hatred and slander.

It will leave untouched those who have everything they wish, whose only further wish is to remain undisturbed in the possession of what they have, not caring what happens to their fellow Americans. It may be challenged also by that substantial group (and this includes many of our most useful businessmen and conscientious thinkers) who believe that the system is under all circumstances self-correcting and self-operating and needs no guardianship of government. If my reasoning cannot reach this last group, nothing is left for me except to refer them to experience. 1929 and 1932 are years written forever in the annals of economic history.

As for me, I believe that it is the task of all of us who love the American system, - who love the individual liberty and independence which it offers to all, the freedom of opportunity which is the spur of our daily lives, the democracy which is our daily breath, - it is our task to create and maintain conditions under which our system can yield its full promise.

final draft.

SPEECH OF THE PRESIDENT

FORBES FIELD, PITTSBURGH

OCTOBER 1, 1936.

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A baseball park is a good place to talk about box scores. Tonight I am going to talk to you about the box score of the government of the United States. I am going to tell you the ~~dollar-and-cents, inning-by-inning~~ story of our fight to beat down the depression and win recovery. From where I stand, ~~and on the basis of my figures~~ it looks as though the game is pretty well in the bag.

I am convinced that when government finance or any other finance is honest -- and when all the cards are on the table -- there are no higher mathematics about it. It is just plain, scoreboard arithmetic.

I am asking every one of you to think of yourselves as stockholders in the great business known as the government of the United States. As the operating head of this enterprise it is my responsibility to report to you on the state of your business. When ~~your~~ the present management of your team took charge the national scoreboard looked pretty bad. In fact, it looked so much like a shut-out that you

voted a change of management in order to give the country a chance to win the game. And today we are winning it.

When the new management came to Washington, we began to make our plans — plans ~~not only~~ to meet the immediate crisis - ~~but~~ ~~beyond this~~ and plans that would carry the people of the country back to decent prosperity. ~~the place where they would find solid ground under their feet again.~~

~~We took a long look~~. We saw the millions out of work, the business concerns running in the red, the banks closing. ~~We understood the complicated reasons which had produced these difficulties. Their results were that~~ Our national income had declined over fifty per cent — and, what was worse, ~~that~~ it showed no prospect of recuperating by itself. By national income I mean the total ~~of~~ all income of all the 125,000,000 people in this country - the total of all the pay envelopes, all the farm sales, all the profits of all the businesses, of all the individuals and corporations in America.

During the four lean years before this Administration took office, that national income had declined from eighty-one billions a year to thirty-eight billions a year — in short, you and I — all of us together — were making forty-three billion

dollars less in 1932 than we made in 1929.

Now, the rise and fall of national income -- since it tells the story of how much you and I and everybody else are making -- is an index of the rise and fall of national prosperity. It is also an index of the prosperity of the government. ~~A declining national income affects the government of the United States in exactly the same way that a declining personal income affects the prosperity of the individual. That is because~~ The money to run the government comes from taxes, and the tax revenue in turn depends for its size on the size of the national income. When incomes and values and transactions are on the down-grade, then tax receipts go on the down-grade, too. If the national income continues to decline then the government cannot run without going into the red. The only way to keep a government out of the red is to keep the people out of the red. We had to balance the budget of the American people before we could balance the budget of the national government.

~~Doesn't~~ That make common sense, ~~to you?~~ doesn't it? The box score when the Democratic Administration came to bat in 1933 showed a net deficit in our national accounts of about $3,000,000,000, accumulated in the three previous years.

In certain quarters deficits are being talked about as if a deficit had never been heard of until the present Administration. Partisan critics have short memories. In the Republican fiscal year ending 1931, there was a deficit. In the Republican fiscal year ending 1932, there was a deficit. In the Republican fiscal year ending 1933, there was a deficit. These were my inheritances on March 4, 1933.

National income was in a downward spiral. Federal Government revenues were in a downward spiral. To pile on vast new taxes would get us nowhere because values were going down.

On top of having to meet the ordinary expenses of government, I recognized the obligation of the Federal Government to feed and take care of the growing army of homeless and destitute unemployed.

INSERT ~~(In connection with concentration of wealth)~~:

And so the program of this administration has protected the small business, the small corporation, the small shop from the wave of deflation which threated them. We realized then as we do now that the vast army of small business men, small factory owners and shop owners — from the backbone of the industrial life of America, and our long range plan we recognized that the prosperity of America depended upon, and will continue to depend upon, the prosperity of them all.

Something had to be done. A national choice had to be made. ~~It was clear that~~ We could do one of two things. Some people - who sat across my desk in those days -- urged me to let nature take its course, and continue a policy of doing nothing. I rejected that advice. Nature was in an angry mood.

To have accepted this advice would have meant a continued wiping out of people of small means -- the continued loss of their homes and farms and small businesses -- a transfer of their ownership into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices. It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and families and small corporations. You would have seen a concentration of property ownership in the hands of one or two per cent of the population, a concentration unequalled in any great nation since the days of the later Roman Empire.

I rejected that advice for an additional reason. I had promised, and my Administration was determined, to keep the people of the United States from starvation.

I refused to leave human needs solely in the hands of local communities -- local communities which themselves were almost bankrupt. To have accepted that advice would have been to offer bread lines again to the American people, knowing this time that in many places the lines would last far longer than the bread. In those dark days, between us and a balanced budget, stood millions of needy Americans, denied the promise of an American life.

To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had to make a capital levy that would have been confiscatory, or we would have had to set our face against human suffering with callous indifference. When Americans suffered, we refused to pass by on the other side. Humanity came first.

No one lightly lays a burden on the income of a nation. But this vicious tightening circle of our declining national income simply had to be broken. The bankers and the industrialists of the Nation cried aloud that private business was powerless to break it. They turned, as they had a right to turn, to the government. We accepted the final

responsibility of government, after all else had failed, to spend money when no one else had money left to spend.

I adopted, therefore, the other alternative ~~—adopted it because we had looked the facts in the face, and~~ having ~~seen them, we had~~ cast aside a do-nothing or a wait-and-see policy.

As a first step in our program we had to stop the quick spiral of deflation, and decline in the national income. Having stopped them, we went on to restore purchasing power, to raise values and to start the national income upward.

~~In other words,~~ In 1933 we reversed the policy of the previous Administration. ~~We determined to marshall our forces to rescue a faltering economic system.~~ For the first time since the depression you had a Congress and an Administration in Washington which had the courage to provide the necessary resources which private interests no longer had or no longer dared to risk.

This cost money. We knew in March, 1933, that it would cost money. We knew that it would cost money for several years to come.

The people themselves understood that in 1933. They understood it in 1934 when they gave the Administration a full endorsement of its policy. They knew in 1933 ~~that it would take several years before the national income would be back to normal.~~ and they knew in

~~In 1934 it was the belief of the people, the Congress and myself~~ that the plan ~~was~~ is working. ~~It is the belief of the Congress and myself in 1936 that the plan continues to work. I am confident that that is the belief of the American people as well.~~

Now let us look at the cost. Since we could not get the money by taxes we borrowed it, and increased the public debt.

~~I have told you that~~ President Hoover's Administration increased the national debt in the net amount of over three billion dollars in three depression years. and there was little to show for it My Administration has increased the national debt in the net amount of about eight billion dollars. and there is much to show for it.

~~This figure allows a liberal estimate of one billion dollars for possible depreciation of recoverable assets and possible losses on contigent liabilities.~~

Put that figure of eight billions out here on the scoreboard and let me tell you where the dollars went.

Over a billion and a half went for the payment of the World War Veterans' Bonus this year instead of in 1945. That payment is now out of the way, and is no longer a future obligation of the government.

As for the other six and a half billions of the deficit, we didn't just spend money -- we spent it for something. America got something for what we spent.-- conservation of human resources through CCC camps and work relief; conservation of our natural resources of water, soil and forest; ~~great enlargement of our~~ enrichment ~~community assets of parks, roads, bridges, streets and public buildings~~; billions ~~in aid to provide~~ for security and a better life ~~living for farmers and city dwellers alike.~~ ~~When~~ While many who criticize ~~we~~ today were selling America short, we were ~~making an investment~~ investing in the future of America.

Contrast those expenditures and what we got for them, with certain other expenditures ~~which came out of the pockets~~ of the American people in the years between 1920 and 1930. During

that period not merely eight billions but many more billions came out of American pockets ~~and bank deposits. Those billions of dollars~~ and were sent abroad -- to foreign countries where the money was used for increasing foreign armaments, for building foreign factories to compete with us, for building foreign model dwellings, ~~recreation facilities,~~ swimming pools and slaughter houses, for giving employment to the foreign unemployed -- ~~for foreign boondoggling, if you will.~~ ¶ Those dollars were just as good American money -- just as hard-earned -- just as much the reward of our thrift -- as the dollars we have spent at home ~~on our domestic public works unemployment relief program.~~ giving work to the unemployed. ~~And~~ Most of those dollars sent abroad are gone for good. ~~And~~ Those billions, lost to us under previous Administrations, do not include the other billions loaned by the United States to foreign governments during and immediately after the War. I ask you the simple question: Hasn't it been ~~far better~~ a sounder investment for us during these past three years to spend eight billions ~~at home~~ for American industry, American farms, American homes and the care of American citizens?

A following ¶ on p. 12

¶ Compare the score board which you have in Pittsburgh now with the score board which you had when I stood here at second base in this field four years ago. At that time as I looked up the great anthrace ~~looked out of the train coming into Pittsburgh~~, I could see mile after mile of this greatest mill and factory area in the world, a dead panorama of silent black structures and smokeless stacks. I saw idleness and hunger instead of the whirl ~~the workers through the windows of buildings that once throbbed and hummed to the roar~~ of machinery. Today as I came through West Virginia I saw miners working ~~in~~ I found bustle and life, the hiss of steam, ~~the crash of steam hammers~~, the ring of steel on steel - the roaring song of industry.

I have used the figure of eight billion dollars as representing the net increase in our national debt. Immediately people will rush into print or run to the microphone to tell you that my arithmetic is all wrong. They will tell you that the increase in the national debt is thirteen billions instead of eight. That is technically and morally just as correct as if someone were to try to scare you about the condition of your bank by telling you of its liabilities and not telling you of its assets. 91

That is technically and morally just as correct as telling you good people here in Pennsylvania that none of your bank deposits or insurance policies are sound. 75

And, incidentally, tonight is an anniversary in the affairs of our government which I wish to celebrate with you and the American people. It is October first, and it marks the end of a whole year in which there has been not a single national bank failure in the United States. It has been fifty-five years since that kind of a record has been established. You and I can take this occasion to rejoice in that record. It is proof that the program has worked. (A) 119

Put in p. 12

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When you are told that the United States Treasury has thirteen billions more of liabilities than it had in 1933, you should also be told that it has six billion dollars of increased assets to set off against these liabilities.

~~I am going to give you only one more figure about debt.~~ In three years our net national debt has increased eight billion dollars. But in two years of the late War it increased as much as twenty-five billion dollars. National defense and the future of America were involved in 1917. National defense and the future of America were involved in 1933. Don't you believe that the saving of America has been cheap at that price? It was more than defense - it was more than rescue. It was an investment in the future of America.

And now a word as to this foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard won savings of the present generation. It is going to be paid out of an increased national income and increased individual income produced by increasing national prosperity.

The deficit of the national government has been steadily declining for three years running, although technically, this year it did not decline, because we paid the bonus this year instead of in 1945. Without the bonus the deficit would have declined this year.

The truth is that we are doing better than we anticipated in 1933. The national income has gone up faster than we dared then to hope. Deficits have been less than we expected. Treasury receipts are increasing.

The national income was thirty-eight billions in 1932. In 1935 it was fifty-three billions and this year it will be well over ~~eighty~~ sixty billions. If it keeps on rising at the present rate, as I am confident that it will - the receipts of the Government, without imposing any additional taxes will, within a year or two, be sufficient to care for all ordinary and relief expenses of the Government -- in other words, to balance the annual budget.

The Government of this great Nation, solvent, sound in credit, is coming through a crisis as grave as war without having sacrificed American democracy or the ideals of American life.

PHONE CALEDONIA 5-7540-1-2

DN

The Good Neighbor League, Inc.

103 PARK AVENUE
NEW YORK

Drought trip file

August 10, 1936

Dear Marguerite:

Here's a copy of the fiscal speech which, as you will see, is changed rather fundamentally.

I hope it will be useful.

Sincerely,

Stanley

Stanley High

Enc:

Miss Marguerite Le Hand
Hyde Park
Duchess County
New York

As Chairman of the Board of Directors of the great enterprise which is the Government of the United States, I have made it a practise to report each year on the state of the nation's business to you who are its owners. I want to make such a report to you tonight. But I want to go beyond a fiscal accounting of the current year and review the progress we have made together during the last three and a half years; and to compute the results of those years not only in figures but in human values.

There can be no honest appraisal of our situation today that does not begin with the situation that faced us when this administration took office. We have advanced so far since the dark days of February and March, 1933, that some men - not desiring to remember - begin actually to forget the chaos and terror of that time.

All of us, then, had fallen into the pit and there were many who believed that the pit was bottomless. For those who have forgotten how far they had fallen and how sick they were, I can only say that the shortness of their memories does not alter the facts. I know how sick they were. I have their fever charts. I saw the trembling knees of many of our most rugged individualists. I heard the fluttering of their hearts. They came to Washington in great numbers. The government and the government agencies we set up at their suggestion to give them aid did not look like a bureaucracy. They looked like an emergency hospital - with a very distinguished list of patients.

Those who came to us, in their distress, were crying out for two things. They wanted a hypodermic to relieve the pain and a long-time course of treatment to cure the disease. We tried to give them both. The measure of our success can only be judged in terms of the health of our patients. Most of them are now doing very nicely. Some of them are even well enough to throw their crutches at the doctor.

But you who are on America's farms, tonight, I do not need to recall to you the hopelessness and despair with which you were confronted. Your wheat and your cotton, your corn and your hogs were as good as they ever were. But you were forced to sell in a Republican market at Republican prices. As a result your homes and your farms were overhung with debts too heavy to be borne; the spectre of foreclosure followed your plows.

You who are the great army of America's industrial workers - you will not soon forget the clouds which lay over your homes; the famine in your pay envelope; the lengthening hours punched on your time-clock; the stifling of your labor unions by those in power.

You who are the owners of the small factories, the small shops and the small stores - which are the backbone of American business - you will remember the balance sheets and the ledgers of those days; the ever-decreasing lists of your customers; the mark-offs written on your price tags; the red ink which told the same story at the end of every month and every year. You were crushed, on the one side by monopolies with which you could not cope and, on the other side, by cut-throat competition which you could not or, in conscience, would not meet. Your capital and your savings - the life-blood of your business - were frozen in banks which were about to close.

You whose thrift had provided homes of your own and savings against a rainy day - you will recall the income which had stopped; the interest payments which you could not meet; the insurance policies which had lapsed; the bank books wiped out by bank failures.

And you who are the captains of finance and the directors of our great American industries - you know that your empires, too, were crumbling; that your capital, your very fortunes were being rapidly blown away, like sand, into the ever-widening stream of the depression.

These plain and unpleasant facts cannot be denied. I am convinced that the average American citizen does not desire to deny them - any

more than he desires to deny the progress he is making today toward full recovery. For it is clear today that the stricken nation of February and March, 1933, is being helped back to its feet again. Every American knows, tonight, that he is at last beginning to get somewhere. He knows it by the state of his affairs and by the state of his mind.

I know it because I have travelled through all America and have met my fellow-citizens as they have come from their factories and their fields. I have met them in their homes. In an unparalleled and undiminishing stream of letters, they have opened their hearts to me. We had a program of recovery for the nation - for all the nation - and our program worked.

To understand what we have done to put things right, it is necessary to understand what was wrong. The economists are still debating just what it was that hit us in the depression. But whatever it was, we could see very plainly, by March, 1933, that some too-long delayed measures needed to be taken if we were to begin to recover from the blow. By that time the sources which normally supplied our economic system with the fuel to keep going had all but run dry. The average man had about run out of funds. The bigger business man had run out of confidence. The housewife was obliged to buy less and less from the store; the store-keeper was forced to order less and less from the manufacturer; the manufacturer, with fewer orders, ran his plant fewer days in the month and employed fewer men.

That vicious and tightening circle had to be broken. The bankers and the industrialists of the nation agreed that private business could not break it. They turned, as they had a right to turn, to the government. And the government of the United States marshalled its resources for the aid of our faltering economic system.

We provided, from government sources, the necessary fuel which was not available from private sources. The wheels began to turn again.

Today, the average man has more money in his pocket. The bigger business man has more confidence in the future. The housewife buys more from the store; the store-keeper orders more from the manufacturer; the manufacturer, with bigger orders, runs his plant on three shifts a day and employs more men at better pay. The vicious circle we were in has not only been broken, it has been reversed. The spiral is no longer down; it is up.

In some quarters the present administration is attacked as an enemy of our American private profit system. I can only say that the facts of this administration's regard for the private profit system are written plainly in the record of what we did to save that system.

The farmer knows what we think of our American system. He had had enough of salvation by resolution. We promised him action and we acted. And every farmer who read this morning's market reports knows that that promise has been kept. Leave out of account all goverhment benefits and his crops sold for two billion dollars more in 1935 than they sold for in the Republican year, 1932. For the farmer our American system has begun to work again.

The American working-man knows what we think of our American system. In 1933 he was not looking for sympathy. He had had, from those in power, the best sympathy that money could buy..But that did not put two cars in his garage. We offered him something tangible; something that he would feel in his pay envelope on Saturday night. And the working-man knows that that promise has been kept. He knows that - put in dollar bills - his pay envelope is more than twice as thick today as it was in 1932; and that there are 2,300,000 more men employed by industry. For the laboring-man, our American system has begun to work again.

The average American business man knows what we think of our American system. In 1932, he wanted something better than a confession of faith in private initiative. He wanted action; action of the kind that would show up in his ledgers. We promised that we would act and we did act. Today,

for the first time in seven years, the banker, the store-keeper, the small factory owner can lean back in their swivel chairs and enjoy the company of their balance sheets. Most of them are in the black. There were less than half as many commercial failures last year ~~than~~ as in the prosperous year of 1929; the liabilities of firms in bankruptcy were less than in any year since 1920. Sales in our country stores had increased more than 100 per cent over 1932. For the average business man, our American system has begun to work again.

The thrifty American man and woman, with home and savings against a rainy day, they know what we think of our American system. Their bank accounts have been made safe. Bank failures which numbered 1502 in 1932 dropped to 36 during the first half of 1936. The bank deposits of the average man and woman - all deposits up to $5000 - are now insured - just as houses and automobiles are insured. More than homes have been saved from foreclosure through the Home Owners Loan Corporation. For the thrifty American, our American system has begun to work again.

And those who direct the finance and the great industries of the nation, they should know, too, what we think of the American system. The record of what we think is written, in large letters, in the list of substantial loans made by the government, during these years, to private industry. It is written, also, in terms of net earnings. 168 leading industrial corporations which showed a deficit of 87 million dollars during 1932 showed a net profit of five hundred and eighty million dollars in 1935. For America's big business men, our American system has begun to work again.

This record does not look like the end of our American system. It looks like the rebirth of our American system. We are ready to grant that we changed that system - changed it from the weakened condition in which we found it at the end of the Republican administration to the revived and recovering system we have today. Republican spokesmen regard that change as undesirable. But the American citizen who has been helped out of the economic mire by what

we did, will feel differently.

As I have already pointed out, the federal government, in 1933, stepped in to finance recovery because private industry was unable to do so. As a result of this first-aid to business and to the unemployed, the government had to go into debt. That is, it had to spend more than it took in. Now these deficits represented the sums invested by your government in the future of the American system. We believed that the nation would recover, and we backed our belief with the credit of the government. The facts indicate that our confidence was amply justified.

Deficits, however, are not pleasant - either in public or in private finance. But they are not uncommon. In some quarters, our national deficits are being talked about as though they had never been heard of until the present administration. Let me refresh your memories.

In the Republican fiscal year ending June 30th, 1931, there was a deficit. In the Republican fiscal year, 1932, there was a deficit. In the Republican fiscal year, 1933, there was a deficit. The accumulated deficit of these three Republican years was $5,800,000,000. That was the deficit of the last Republican administration.

We do not criticize this deficit merely because it is a deficit. Every business man knows that there are times when a deficit is necessary. Any national administration may be compelled by national emergency, as any business man may be compelled by commercial emergency, to incur an operating deficit

But we have a right to ask, as the stockholder of a business has a right to ask: what did the deficit accomplish? What did the American people get from this Republican excess of expenditures over receipts?

The official figures of the Department of Commerce answer that question. The American people got from the Republican deficits a continuous

drop in national income from sixty-eight billion dollars, in 1930, to thirty-nine billion dollars -, where the Republicans left it in 1932.

Now let us look at the column for the three years of the present administration. We, too, have a deficit. But the net result for the nation is very different. The total deficit of the three years of this administration totals nine billion, four hundred million dollars. That, of course, excludes the soldiers' bonus. The bonus was originally payable in 1945, and is not properly chargeable to any one fiscal year. Thus, this administration has incurred deficits which are some three billion, six hundred million dollars larger than the deficits of the previous Republican administration.

But what did the American people get from our excess of expenditures over receipts? The official figures of the Department of Commerce answer that question, too. The American people got from our deficits, not a continuous drop, but a continuous rise in the national income; a rise from thirty-nine billion dollars in the Republican year of 1932 to an estimated sixty billion dollars in the present year.

In other words - under the expenditures of the present administration, the incomes of the American people have grown by 21 billion dollars.

Now, this is more than a matter of dollars and cents. National income means food, clothing, light, heat, medical services, transportation. It includes nearly all those things which sustain our American life. Under the Republican administration the American people - each year, had less of the necessities and luxuries than they had the year before until, by 1933 - they had been deprived of 42 per cent of them. Under the present administration, that constant decrease in the number of things that the average American could afford to buy was brought to a stop. An increase began. Today, the average American and his family are able to

buy again. They have won back 75 per cent of the buying power which, during the previous administration, they had lost.

In terms of dividends to the American people, the money invested for recovery during the last three and a half years has produced results which few private enterprises can surpass.

These deficits - which represent the investment of this administration in the future of our American system - are, of course, added to the public debt. In some quarters, today, the public debt is talked about as though that, too, were something totally unknown before in our history. Debts, like deficits, are not pleasant - either in public or in private business. But they are not uncommon. At the end of the World War our public debt had risen to more than twenty-five billion dollars. There followed a period of prosperity. We paid off our government obligations in large amounts. In twelve years that total was reduced to 16 billion dollars. But by the end of the Republican year, which closed on June 30, 1933, Republican expenditures had increased the debt to 22 billion dollars.

But this was not as bad as it sounds. If you subtract the cash in the federal treasury and the loans on which the government expected to recover, the net total debt when the Republicans left office was only 18,370,000,000. Today, our national debt has risen to 33 billion dollars. But if you deduct the same items - that is, cash in the treasury and loans on which the government expects to recover, our net debt today is only 26,100,000,000. That is a total only millions more than our national debt at the ned of the World War.

Meanwhile, under the present administration, the national credit has steadily improved. As a result, the rate of interest which the government is obliged to pay has been reduced. Today, therefore, the cost of carrying the debt is only 1/12 more than what it was in 1932.

Despite these facts - despite the fact that the growth of the federal debt is not so large as has been represented; despite the fact that the interest charges have increased so slightly - despite these things, it is still and will continue to be a matter of concern to all of us that there are deficits and that there is a debt. We do not propose to rest content until the deficit has been wiped out and the debt substantially reduced. The time when this can be accomplished is not far distant. With the steady rise in national income and the steady decline in unemployment, we look forward confidently to a day when already existing taxes will produce not only a budget balance but also a budget surplus. It is our firm intention to establish not only that balance, but also that surplus. The record of prosperity will be written in the books of the government after this depression as clearly as they were written there after the war.

In the meantime, we cannot be deceived by those who talk as though the mere balancing of the budget would be a cure for all our ills. We had both a balanced budget and a budget surplus in 1929. But that did not spare us from the depression.

No one lightly lays a burden on the income of the nation. But I do not need to ask you whether the collapse of our national economy in 1933 warranted borrowing in order to finance recovery. I do not need to ask you whether the recovery we have won is sufficient proof of the wisdom of that borrowing. You and I know that in 1933 a balanced budget would have been a crime against the American people that would have involved either confiscatory taxation or a callous disregard for human suffering. This administration will continue to reject confiscatory taxation. When there is human suffering, we will continue to to refuse to pass by on the other side.

Let those who speak so easily about a balanced budget bring forward their prescription. Let them be specific about it. Let them write

out for us and for the American people the individual items in our present budget that they would cut out. In the speeches of our critics, I have searched diligently for such concrete suggestions. To date, I have found none.

The fact is that between us and a balanced budget stand millions of unemployed Americans. Substantial savings could be made in our federal expenditures. But they would have to be made at the expense of our unemployed. It is my conviction that the restoration of the breadlines of 1932 is too high a price to pay for a balanced budget.

In regard to the problem of unemployment, this administration has followed a fixed principle that it will not abandon. We do not believe in the dole. We will not have the dole. We do believe in work. We will continue to provide work. We will continue to provide work because we believe that men need to be saved from starvation; and that they need, also, to be saved from disintegration. Our millions of Americans on work-relief have lost many things in the depression. But they have not lost their self respect. That is because they have continued to produce. We have come through the worst economic crisis in history, and we have kept our morale in balance. We propose to see to it that that balanced morale is maintained.

But we have done more than maintain and strengthen the spirit of those out of work. We have helped them to make a socially useful contribution to America. Across the nation, the army of our working-unemployed has built a series of vast structures that will stand - for generations to come - as proof of the soundness of this plan. The TVA, the Triborough Bridge in New York City, the Boulder Dam, the Golden Gate Bridge - these and other great undertakings have added to the permanent wealth and happiness of our people.

Similar achievements on a smaller scale can be found in your town and mine - in fact, in almost every community in America. It would

be a healthy thing if you tonight resolved to find out for yourself just what this program of work relief has built in your community. I happen to know that throughout the nation sewage systems have been built;- schools have been improved;- new school buildings erected;- miles of old road improved;- miles of new road built;- playgrounds and swimming pools for your children;- there has been reforestation, soil erosion and flood prevention work in many areas. Make your own inventory in your own community. And the next time you meet the man who speaks of our unemployed and their work only in ridicule show him the list of improvements which the unemployed workers have made in his town and for his particular benefit, improvements which, without this program, might have been long delayed.

For undertakings as vast as these, there is no peace-time parallel in American history. We make no claim that they have all been carried through without waste or inefficiency. No human enterprise of such scope, involving so many people and requiring such speed could have been wholly free from these things. But I ask you to bear in mind what has actually been achieved and to remember, also, that under this administration there has been no Tea Pot Dome.

We regard work-relief as necessary today. We do not regard work-relief as permanently necessary in the life of our country. Our aim is to continue our efforts to raise the level of private employment to the place where public employment for relief purposes will be entirely unnecessary.

Under our American system, successive generations have grown from boyhood to manhood inspired by a few traditional American principles. It is American to believe that individual efforts and talent will find outlet and just reward; that we should be able to live independent lives,

secure in such private property as we can justly accumulate by our effort and our thrift; that as free citizens we should fear no master and suffer no unjust coercion; and that no small group should control our working lives or throttle our opinions. I know no finer principles. I know, too, that America has suffered whenever and in so far as we have departed from those principles; that America has grown in those things that make a nation great when those prinmiples have been observed.

I look upon it as the duty of all of us who love the American system to re-dedicate ourselves to thoseprinciples. I look upon it as the task of all of us who love the American system to make those principles work for the creating and maintaining of conditions under which that system can yield its fullest promise.

In the past three and one-half years, the government has helped farmers to meet emergencies of two kinds. The first was a collapse of prices resulting from oversupply. The second was a failure of crops in wide areas resulting from drought. Each of these emergencies, except for government action to assist farmers, would have had devastating consequences to consumers and business as well as to farmers.

The time has come to work out permanent measures guarding farmers and consumers against disasters of both kinds. This, I believe, can be done by supplementing existing features of the nation's farm program. We need provisions for crop insurance, and a system of storage reserves for some of our most important farm products so that the surpluses of fat years can be carried over for use in the lean years.

Measures of this kind would make three important contributions to the general welfare of the country as a whole; first, protection of the individual farmer's income against the hazards of crop failure or price collapse; second, protection of consumers against shortages of food supplies and against extremes of prices; and third, assistance to both business and employment through providing an even flow of farm supplies and the establishing of stability in farm buying power. Since 1933, the AAA payments have proved their usefulness to agriculture as well as business in assuring farmers some income both in time of price collapse and in time of crop failure.

The Department of Agriculture is hard at work developing actuarially sound methods for affording farmers the use of the insurance principle in protecting them against the hazards which for centuries have handicapped their occupation. The Department is studying a plan providing for the

payment of premiums and insurance in commodities. It would base the premium rates on the productivity of the individual farms as shown by records of past production, a large number of which the AAA county committees already have on file. This method would avoid making farmers of one region pay for the risks of another region. By making this insurance available only to farmers cooperating in farm and soil conservation programs, the plan would be safeguarded from the price dangers which the Federal Farm Board operations invited in the years from 1929 to 1932. By using existing records of cooperating farmers and farm committeemen premiums based on risk experience can be as fairly assessed as with existing forms of private insurance. Moreover, the expense in the past to Federal, state and local governments of burdens caused by drought shows it is high time to use the economical principle of insurance to lessen the financial and human costs of drought in the future.

At an appropriate time, I again intend to call the men representing agriculture and the farm leaders in Congress into Washington, this time to confer with me on a workable plan of crop insurance. Making such a plan effective will be an important milepost in the advance of American agriculture. There is no question that the welfare of the entire nation would be served by including, as keystones of our agricultural policy, crop insurance and storage of reserves along with conservation of soil and water, better land use, and increased farm income. Efforts now being made in the Department of Agriculture and elsewhere to develop a workable plan of crop insurance have my thoroughgoing approval and support.

Kid the crowd. Instead of talking about Americanism - life, liberty and the pursuit of happiness, I'm going to do something in a ball park under the Klieg lights that nobody has ever done before. That no candidate for office would have dared to do until this year. I'm going to talk higher mathematics to a crowd of average Americans and I believe they are not only going to understand it, but like it.

In th days of Jefferson or Jackson or Lincoln, the box score on the fence behind me would have been Greek to any American. Today beca se of the a,azing progress in our interest in public affairs during the past few years we can understand public finances on condition that we get all the facts.

I am asking each and every one of you here tonight to think of yourselves as stockholders in a great enterprise known as the United States. Some of you own several hundred shares of stock but every one of you owns at least one share of stock. Think of me as the Chairman of the Board of Directors making a report to you the shareholders. For the sake of comparison, your chairman tonight is not going to give you a parallel between this year's assets and liabilities and earnings and last year's. I am going to give you a comparison between March, 1933 and October 1, 1936.

Between your income as an individual a d the income of 120 million Americans, there is one simply difference - a matter of ciphers, a series of zeros. The principle is the same in both cases. That is why evefy one of you is perfectly capable of understanding the national debt and the national revenue and the national balance sheet - on one condition - a very big one - that you receive all of the figures and not a part of the figures. I will come back to this insistence on all of the figures.

First of all, it is necessary for us to be certain we are talking about the same thing. Some people who are deliberately trying to befuddle you are

14 billion instaed of 7 billion. Technically that is true. But against tha assets which are as good as gold. It is just as unfair to talk about gross debtsas it would be to list the liabilities of a bank and leave out the assets.

4:30 135 C.P.W.

End 2 - 44 [illegible]