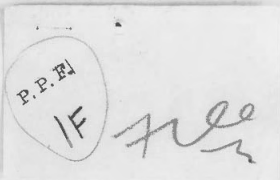


April 20, 1937

[Relief Message To Congress]

FDR Speech File



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CONFIDENTIAL: To be held in STRICT CONFIDENCE
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President's message to the Congress has begun.
CAUTION: Extreme care must be exercised to
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STEPHEN EARLY
Assistant Secretary to the President

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STEPHEN EARLY
Assistant Secretary to the President

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TO THE CONGRESS OF THE UNITED STATES:

In my Budget message of January 5, 1937, I said that I would transmit at a later date an estimate of appropriation for work relief for the fiscal year 1938. In connection with this estimate it is desirable to review our present fiscal situation.

Budget estimates made last December indicated a net deficit for the current fiscal year of \$2,248,000,000. They also indicated a net surplus for the fiscal year 1938 of \$1,537,000,000, exclusive of any provision for a work relief appropriation. On the basis of these estimates, therefore, an appropriation for work relief for the fiscal year 1938 of any sum less than \$1,537,000,000 would have left at the end of that year a budget in balance.

Since then, however, new factors have so altered the fiscal situation as to make it necessary to present revised estimates of receipts and expenditures. There is attached to this message a statement showing the present estimates for the fiscal years 1937 and 1938 as compared with the estimates in my Budget message. A glance at this statement will show that the principal factor is the decline in tax receipts below our previous expectations.

Fiscal Year 1937

The analysis of returns received in March 1937 under the new tax law indicates that income taxes will produce \$267,200,000 less than the former estimate for the fiscal year 1937. The receipts for the first nine months of this fiscal year indicate that other revenues will be \$337,000,000 less than the estimate, which is due in large part to the obstruction of collections by numerous lawsuits against the Government.

In view of the reduction in revenue it became apparent that every effort should be made to offset this loss as far as possible by a reduction in expenditures. To this end I have directed the heads of various Government activities to make a careful examination of their expenditure requirements for the last three months of the present fiscal year with a view to making substantial savings by eliminating or deferring all expenditures not absolutely necessary during this period, the money so saved to revert to the Treasury. Information thus far available indicates that the 1937 expenditures will probably be \$295,000,000 below the estimate of last January.

The amount of the net deficit for the fiscal year 1937 is therefore estimated at \$2,557,000,000, an increase of \$309,000,000 over the January estimate.

Fiscal Year 1938

For the fiscal year 1938 it is now believed that receipts will be \$387,600,000 less than was anticipated last January, the reduction of \$410,000,000 in the estimate of income taxes being slightly offset by increases in other receipts.

Pending the enactment of the 1938 appropriation bills it has been impossible to make any material revision of the estimates of expenditures for that fiscal year, other than for recovery and relief.

The revised estimates of receipts and expenditures for the fiscal year 1938 as here presented indicate an estimated net deficit of \$418,000,000. There is included in the estimates of expenditures the \$1,500,000,000 for work relief hereinafter recommended.

I propose to use every means at my command to eliminate this deficit during the coming fiscal year. I expect to accomplish this by taking definite action at the beginning of the next fiscal year (1) to withhold from apportionment for expenditure in so far as possible with due regard to proper functioning of the executive departments and agencies a substantial percentage of the funds available for that year, and (2) to increase the receipts of the Treasury through the liquidation of assets of certain of the emergency agencies.

I regard it as extremely important that we should achieve a balance of actual income and outgo for the fiscal year 1938, and I appeal to you to join me in a determined effort to bring about that result.

What I have said is predicated on two highly important conditions. The first is the extension of existing taxes which expire this year. The second is the maintenance of appropriations made at this session within the total of the Budget estimates. An increase in appropriations would of course nullify our efforts to prevent a deficit in 1938.

And while I recognize many opportunities to improve social and economic conditions through Federal action, I am convinced that the success of our whole program and the permanent security of our people demand that we adjust all expenditures within the limits of my budget estimate.

Future Fiscal Policy

I emphasize here what I said last January with respect to our future fiscal policy:

"Expenditures must be planned with a view to the national needs; and no expansion of Government activities should be authorized unless the necessity for such expansion has been definitely determined and funds are available to defray the cost. In other words, if new legislation imposes any substantial increase in expenditures either in the expansion of existing or the creation of new activities, it becomes a matter of sound policy simultaneously to provide new revenue sufficient to meet the additional cost."

Bills being pressed for enactment during the present Session would commit the Government to early expenditures of more than \$5,000,000,000. About \$3,000,000,000 of these authorizations are for the construction of additional public works, even though there are existing authorizations of almost \$2,000,000,000 for this purpose. In the Budget for the past three years I have set up a program for general public works and have often said that such a program should be kept within the limit of \$500,000,000 a year. An annual program of this size should meet normal needs for highway, flood control, rivers and harbors, reclamation, Federal buildings, and other public works.

I recognize the need for flood prevention and control, but it should be realized that to finance such large immediate expenditures as are contemplated by the majority of the flood control bills now pending in the Congress would impose an unjustifiable burden upon the Federal Treasury.

Bills involving additional authorizations of more than \$500,000,000 for highways have been introduced despite the fact that expenditures for this purpose during the last four years have exceeded one billion dollars and that there are existing authorizations for expenditures during the next two years of nearly \$480,000,000.

The maintenance of a sound fiscal policy requires the careful planning of authorizations as well as appropriations. It is impossible to maintain the proper balance between revenues and expenditures unless restraint is exercised with respect to authorizations of appropriations. It is a matter of concern to you and to me who are working for a balanced budget that so many special groups exert the strongest pressure to bring about increases in Government expenditures. They pay little attention to the fact that the budget, as submitted, represents a coordinated fiscal program and that material departures therefrom destroy the whole purpose of the program. If we are to avoid a continuation of deficits, we must resist these importunities or provide the necessary revenues to meet the increasing costs.

It is a matter of common knowledge that the principal danger to modern civilization lies in those nations which largely because of an armament race are headed directly towards bankruptcy. In proportion to national budgets the United States is spending a far smaller proportion of Government income for armaments than the nations to which I refer. It behooves us, therefore, to continue our efforts to make both ends of our economy meet.

Survey of Tax Structure

It has become apparent that there is an immediate need for a careful survey of the present tax structure. The Treasury will be prepared by November, next, to present to the appropriate committees of the Congress information as to such loopholes as may exist in the present revenue laws, and suggestions for such new or additional taxes as may be necessary to meet deficiencies, if any, in the revenue-producing power of the present levies. This will permit these committees to study such information and suggestions for the purpose of proposing early in the next session of the Congress legislation necessary to remedy defects in the present tax laws.

Work Relief

I recommend that an appropriation of \$1,500,000,000 be provided for work relief for the fiscal year 1933, and that it be made available early in June so that its expenditure can be properly planned prior to July first.

REVISED ESTIMATE OF RECEIPTS AND DISBURSMENTS FOR THE
FISCAL YEAR 1957 AND 1958 AS COMPALED WITH REVI-
SANTS INCLDIED IN THE 1956 BUDGET FOR FISCAL
YEAR.

General and Special accounts	Revised Estimates Fiscal year 1956	Revised in 1956 Budget Fiscal year 1956	Revised estimates Fiscal year 1957	Revised in 1958 Budget Fiscal year 1957
I. Receipts				
General revenues	\$ 6,403,000,000	\$ 6,418,100,000	\$ 6,700,000,000	\$ 6,700,000,000
Customs	100,000,000	100,000,000	100,000,000	100,000,000
Miscellaneous receipts	200,000,000	100,000,000	100,000,000	100,000,000
Total, receipts	\$ 6,603,000,000	\$ 6,618,100,000	\$ 6,900,000,000	\$ 6,900,000,000
II. Expenditures				
1. Legislative, judicial and executive	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000
2. Civil departments and agencies	112,000,000	112,000,000	112,000,000	112,000,000
3. General Public Works Program	100,000,000	100,000,000	100,000,000	100,000,000
4. National defense	991,000,000	991,000,000	991,000,000	991,000,000
5. Veterans' pensions and benefits	270,000,000	270,000,000	270,000,000	270,000,000
6. National communication systems	100,000,000	100,000,000	100,000,000	100,000,000
7. Agricultural adjustment programs	100,000,000	100,000,000	100,000,000	100,000,000
8. Civilian Conservation Corps	100,000,000	100,000,000	100,000,000	100,000,000
9. Social Security	100,000,000	100,000,000	100,000,000	100,000,000
10. Welfare programs	100,000,000	100,000,000	100,000,000	100,000,000
11. Interest on the public debt	100,000,000	100,000,000	100,000,000	100,000,000
12. Reserve and relief	100,000,000	100,000,000	100,000,000	100,000,000
13. Supplemental items	100,000,000	100,000,000	100,000,000	100,000,000
Total, expenditures (exclusive of debt retirement)	\$ 7,320,000,000	\$ 7,320,000,000	\$ 7,320,000,000	\$ 7,320,000,000
III. Surplus (or deficit)	\$ 1,283,000,000	\$ 1,298,100,000	\$ 1,980,000,000	\$ 1,980,000,000

1/ Funds for construction of the Christian Conservation Corps are included under "Supplemental items."

2/ Data furnished by any amount appropriated by Congress for emergency relief for the fiscal year 1958. As indicated in the account in the report the amount will not exceed \$1,000,000,000.

DRAFT OF RELIEF MESSAGE

In my message of January 11, 1937, I requested a supplemental appropriation to finance the relief program for the balance of the current fiscal year. At that time I said: "We have promised that the men, women, and children of America who are destitute through no fault of their own shall not be neglected. Before the end of this fiscal year I shall make specific recommendations to the Congress, defining in detail my views relative to the continuing problem of unemployment relief and its administration in 1938."

During the past four years the efforts of the Federal Government have been devoted in large measure to the immediate problems of recovery and relief. The advances made on these lines are familiar to you all. Recovery in business has been substantial, and our policies have resulted in a return to a more normal condition of economic activity. Our endeavors in the field of relief have prevented acute physical suffering on the part of a large segment of the American people. We have faced these two major problems and we acted

in a forthright manner in dealing with them. Our efforts have met with success.

The large numbers of needy employable persons who remain without work, make it imperative for the Federal Government to continue to assist the several States in dealing with this problem of employment.

These needy employable persons fall into four groups:

- (1) Those whose capacity for work is such that they cannot be readily absorbed by industry.
- (2) Those who have the capacity to work but have not yet been absorbed by industry.
- (3) Those whom changing industrial conditions have temporarily deprived of their regular lines of employment.
- (4) Those in seasonal occupations who are not now earning sufficient wages to carry them over the period of temporary unemployment.

The employment insurance programs established by the States under the Social Security Act should eventually cover the needs of a large percentage of the last two groups and industry should ultimately absorb those in the second group. Certain of those in the first group will need to be provided for until they regain their capacity for work in the occupations followed by them prior to the depression or fit themselves for other lines of endeavor and are absorbed by industry. Those who do not fall within these two categories must be cared for until such time as they become wholly unemployable and ^{are} ~~must be~~ cared for by the States or local communities.

A year ago more than 3,400,000 employable persons were being provided for by the Works Program, not including the Civilian Conservation Corps. The existing program provides for about 2,580,000. It is expected that there will be further reductions with the increase in private employment during the late spring and summer.

A works program must be provided for the remaining unemployed. It seems probable that it will be necessary to provide such a program for approximately 2,000,000 persons. Accordingly, I recommend that Congress appropriate for the works program for the period July 1, 1937, to March 1, 1938, the sum of \$1,000,000,000. As stated in my Budget message of today I propose to review prior to March 1, 1938, the unemployment situation and make such recommendations at that time as appear to be justified.

4-20-37

April 15th
20

TO THE CONGRESS OF THE UNITED STATES:

In my message to the Congress of January 5, 1937, transmitting estimates of receipts and expenditures for the current fiscal year and budget estimates for the fiscal year 1938, I said that later on I would transmit estimates for relief expenditures for next year at a later date.

Figures computed four months ago gave a net government deficit for the current fiscal year (not including debt retirement) of \$2,200,000,000. They showed an estimated balance (not including debt retirement) for the fiscal year 1938 of \$1,537,000,000 without any recommendation for relief appropriations. On these figures, therefore, an appropriation for relief for the year 1938 of any sum less than \$1,537,000,000 would have left a favorable balance in the Treasury for the year ending June 30, 1938. In other words, no new Federal fund would have had to be borrowed during that fiscal year.

Since January, however, certain new factors make it right and necessary for me to advise the Congress that as of today new estimates must be reported.

The principal factor lies in tax receipts below our expectations. The following table shows the new revision for 1937 and for 1938 in comparison with the figures submitted on January 5.

(table with four columns. The first two showing falling off of taxes as of ^{June}~~January~~ 30, 1937. The next two showing falling off of taxes for fiscal year 1938).

The government, therefore, would have a deficit for the current fiscal year of \$2,800,000,000 or an increase of \$600,000,000. In order to reduce this increase, I have taken every step possible by calling on the heads of all departments and agencies of the government to curtail their expenditures as much as possible between now and July first, the money so saved to revert to the Treasury. In regard to the fiscal year 1938, I propose, insofar as possible with due regard to proper functioning of the executive departments and agencies, to withhold, beginning July first, as large a percentage of all funds appropriated as possible. I anticipate, therefore, that in both fiscal years that actual expenditures from the Treasury will be materially less than the estimates sent to the Congress last January and that a substantial portion of the decrease in estimated tax receipts will be made up for by less spending. If the Congress is still in session at the end of this fiscal year I shall be glad to give to you a further picture of the situation as it then appears.

It is my belief that the Treasury estimates of tax receipts during the balance of this year and during the next year are

conservative and it is possible that actual receipts will slightly exceed these estimates.

All of the above, I have predicated on two highly important conditions. The first is the extension of existing taxes which expire this year. The second is the maintenance of actual appropriations by the Congress at this session within the total of the estimates. Any substantial increase in appropriations would of course definitely throw the 1938 budget out of balance. And, while I recognize the desirability of improving many social and economic conditions, I trust that new programs, if adopted by the Congress, will call for a minimum of additional expenditures, at least until we can see more clearly what existing taxes will bring in.

May I respectfully repeat what I said in January.

(put in here the demand for new taxes if new appropriations are made in any large volume.)

There remains the item of an appropriation for relief of the unemployed -- an appropriation which I trust can be made available early in June in order that proper planning can be undertaken for its expenditure from July first on.

In approaching the problem of relief once more it is clear that it still remains a problem and will remain a problem of the national government for many years to come.

Many intelligent persons approach it with insufficient knowledge and with the primary consideration of dollars and cents. Their attitude, in effect, is that the states and counties and municipalities should reassume the whole burden as was the case prior to 1933. The simple answer is that the great majority of states, counties and municipalities cannot assume the whole burden and remain solvent. This school of thought then proceeds to the hypothesis that the Federal Government should cut its relief appropriations to whatever sum is necessary to balance the Federal budget. When it is pointed out to them that such a sum would be wholly insufficient to give work to those unemployed who can work, they fall back on the suggestion that the government give them home relief only or in other words a dole without work.

I continue my oft expressed opposition to a dole. These same gentlemen to bolster their argument then tell us that the work performed by those on work relief projects is less efficient than if the same work were carried on by a private contractor. That is to a certain extent true, but to a less degree than they suppose.

Let me give a simple illustration. If a needy unemployed man on the dole is paid twenty dollars a month to keep soul and body together, you have the cheapest form of relief. If he is paid forty dollars in the course of a month for actual work performed, it is possible that because he is unskilled or because he is old, he does not perform so efficiently as a contractor's man. Even if he is only seventy-five percent as efficient as a contractor's man, the government still saves money by paying him the extra twenty dollars to work instead of sitting idly at home.

Therefore, I strongly recommend that work continue to be provided for the unemployed just as far as the Federal Government can properly provide it.

During the past year a continuing check up has been made for the purpose of eliminating from the relief rolls those who should not be given work relief. Furthermore, there has been large reemployment by private industry. The result is that today only 2,200,000 unemployed are at work on Federal projects as against 3,300,000 last year.

Definite progress is being made in making it possible for persons performing relief work to take private employment and if

this private employment ends to return to the relief rolls without an unconscionable delay.

The character of work performed has also improved in quality and usefulness.

It is idle to say that no more useful work can be found. Many projects in cities, villages and country districts, calling for a maximum of labor and a minimum of materials still exist. It is my thought that as we develop ~~business~~ planning for the preservation of our natural resources more and more useful work of such kind can be made available to relief workers. As a corollary to this it seems wise, at this time, to spend less money on permanent structures which require a large amount of heavy material and a small amount of labor on the site.

I should like to make two appeals. The first is to those citizens in every part of the country who complain of the conduct of work relief or the projects undertaken to bring to the attention of the government any and all specific cases of which they have knowledge. To assist in this, I am causing to be published as widely as possible, the name of the principal relief agent in every state, county and municipality. Every complaint will be investigated and

if the complainant is ^{not} satisfied, appeal can be taken directly to Washington. If any citizen knows of any person or group of persons who do not deserve to be on the relief rolls, let him or her speak up. If any person knows of any individual on the relief rolls who declines to take a job in private employment, let him or her speak up. This does not include, however, the many cases where private employers have offered to give jobs to relief workers at starvation wages. No relief worker should be compelled to take starvation wages in private employ.

My other appeal is to the ~~other~~ employers throughout the Nation. On them will rest the final figures of necessary relief expenditures for the fiscal year 1936. It should be pointed out to them that a very large proportion of those now on the relief rolls are unskilled workers or men and women above the age of forty and not yet eligible for old age pensions. If every employer in the United States, large and small, could give jobs to these fellow-citizens who are now doing relief work, our problem in the national legislature and in the Administration would be greatly simplified. Even if such employment is given for only a few months -- even if it ^{requires} ~~represents~~ only a small proportion of those now employed by private

industry, it would greatly help. There are today in the United States approximately forty million people who work for wages. If the employers of the United States would, during the coming year, take on two million or even one million of those now on the relief work rolls, they would be doing more than helping their government — they would be helping humanity as well.

1030
April 17
No 1

TO THE CONGRESS OF THE UNITED STATES:

In my Budget message of January 5, 1937, I said that I would transmit at a later date an estimate of appropriation for work relief for the fiscal year 1938. In connection with the transmission today of this estimate it is desirable to review our present fiscal situation.

Budget estimates of four months ago indicated a net deficit for the current fiscal year (not including debt retirement) of \$2,248,000,000. They also indicated a surplus (not including debt retirement) for the fiscal year 1938 of \$1,537,000,000, exclusive of any provision for a work relief appropriation. On the basis of these estimates, therefore, an appropriation for work relief for the fiscal year 1938 of any sum less than \$1,537,000,000 would have left at the end of that year an excess of receipts over expenditures.

Since January, however, new factors have so altered the fiscal situation as to make it necessary to present revised estimates of receipts and expenditures. There is attached to this message a statement showing the present estimates

of receipts and expenditures for the fiscal years 1937 and 1938
as compared with the estimates of last January.

1937

A glance at this statement will show that the
principal factor is the decline in tax receipts below our previous
expectations. The analysis of returns received in March 1937
under the new tax law indicates that income taxes will produce
\$267,200,000 less than the estimate for the fiscal year 1937.

The receipts for the first nine months of this
fiscal year indicate that other revenues will be \$354,500,000 less
than the estimate, which is due in large part to the obstruction
of collections by numerous lawsuits against the Government.

In view of the reduction in revenue it became
apparent that every effort should be made to offset this loss
as far as possible by a reduction in expenditures. To this end
I have directed the heads of various Government activities to
make a careful examination of their expenditure requirements for
the last three months of the present fiscal year with a view to
making substantial savings by eliminating or deferring all ex-
penditures not absolutely necessary during this period, the
money so saved to revert to the Treasury. Information thus far

available indicates that the 1937 expenditures for this year will probably be \$250,000,000 below the estimate of last January.

The amount of the net deficit for the fiscal year 1937 is therefore estimated at \$2,585,252,300, an increase of \$340,123,526 over the January estimate.

For the fiscal year 1938¹⁹³⁸ it is now estimated that receipts will be \$419,400,000 less than was anticipated last January, of which \$410,000,000 represents a reduction in the estimate of income taxes.

Pending the enactment of the 1938 appropriation bills it has been impossible to make any material revision of the estimates of expenditures for that fiscal year, other than for recovery and relief.

The revised estimates of receipts and expenditures for the fiscal year 1938 as here presented indicate an estimated net deficit of \$432,765,000. There is included in the estimates of expenditures the \$1,500,000,000 for work relief hereinafter recommended. I propose to use every means at my command to eliminate this deficit. I expect to accomplish this by

taking definite action at the beginning of the next fiscal year to withhold from apportionment for expenditure in so far as possible with due regard to proper functioning of the executive departments and agencies a substantial percentage of the funds available for that year and to increase the receipts of the Treasury through the liquidation of assets of certain of the emergency agencies.

What I have said is predicated on two highly important conditions. The first is the extension of existing taxes which expire this year. The second is the maintenance of appropriations made at this session within the total of the Budget estimates. Any substantial increase in appropriations would of course nullify my efforts to prevent a deficit in 1938. And, while I recognize the desirability of improving many social and economic conditions, I trust that new programs, if adopted by the Congress, will call for a minimum of additional expenditures.

I wish to emphasize here what I said last January with respect to our future fiscal policy:

"Expenditures must be planned with a view to the national needs; and no expansion of Government activities should be authorized unless the necessity for such expansion has been definitely determined and funds are available to defray the cost. In other words, if new legislation imposes any substantial increase in expenditures either in the expansion of existing or the creation of new activities, it becomes a matter of sound policy simultaneously to provide new revenue sufficient to meet the additional cost."

Bills being pressed for enactment during the present Congress would commit the Government to early expenditures of more than \$5,000,000,000. About \$3,000,000,000 of these authorizations are for the construction of additional public works, even though there are existing authorizations of almost \$2,000,000,000 for this purpose. In the Budget for the past three years I have set up a program for general public works and have announced that I propose to keep such a program within the limit of \$500,000,000 a year. An annual program of this size should meet normal needs for highway, flood control, rivers and harbors, reclamation, Federal buildings, and other public works.

I recognize the need for flood prevention and control but it should be realized that to finance such large immediate expenditures as are contemplated by the majority of the

flood control bills now pending in Congress would impose an unjustifiable burden upon the Federal Treasury.

Bills involving additional authorizations of more than \$500,000,000 for highways have been introduced despite the fact that expenditures for this purpose during the last four years have exceeded one billion dollars and that there are existing authorizations for expenditures during the next two years of nearly \$450,000,000.

The maintenance of a sound fiscal policy requires the careful planning of authorizations as well as appropriations. It is impossible to maintain the proper balance between revenues and expenditures unless restraint is exercised with respect to authorizations of appropriations. It is a matter of concern to all of us who are working for a balanced budget that organizations, associations, and other groups exert the strongest pressure to bring about increases in Government expenditures. These pressure groups pay little attention to the fact that the budget, as submitted, represents a coordinated fiscal program and that material departures therefrom destroy the whole purpose

of the program. If we are to avoid a continuation of deficits, we must resist these importunities or provide the necessary revenues to meet the increasing costs.

It has become apparent that there is an immediate need for a careful survey of the present tax structure. The Treasury will be prepared by November, next, to present to the appropriate committees of Congress information as to such loopholes as may exist in the present revenue laws, and suggestions for such new or additional taxes as may be necessary to meet deficiencies in the revenue-producing power of the present levies. This will permit these committees to study such information and suggestions for the purpose of proposing early in the next session of Congress legislation necessary to remedy defects in the present tax laws.

I now come to the subject of relief of the unemployed for the fiscal year 1938. In approaching this subject once more it is clear that it still remains a problem and will remain a problem of the national Government for many years to come.

Many intelligent persons approach it with insufficient knowledge and with the primary consideration of dollars and cents. Their attitude, in effect, is that the States and counties and municipalities should reassume the whole burden as was the case prior to 1933. The simple answer is that the great majority of States, counties and municipalities cannot assume the whole burden and remain solvent. This school of thought then proceeds to the hypothesis that the Federal Government should cut its relief appropriations to whatever sum is necessary to balance the Federal budget. When it is pointed out to them that such a sum would be wholly insufficient to give work to those unemployed who can work, they fall back on the suggestion that the Government give them home relief only or in other words a dole without work.

I continue my oft expressed opposition to a dole. These same gentlemen to bolster their argument then tell us that the work performed by those on work relief projects is less efficient than if the same work were carried on by a private contractor. That is to a certain extent true, but to a less degree than they suppose.

27

Let me give a simple illustration. If a needy unemployed man on the dole is paid twenty dollars a month to keep soul and body together, you have the cheapest form of relief. If he is paid forty dollars in the course of a month for actual work performed, it is possible that because he is unskilled or because he is old, he does not perform so efficiently as a contractor's man. Even if he is only seventy-five percent as efficient as a contractor's man, the government still saves money by paying him the extra twenty dollars to work instead of sitting idly at home.

Therefore, I strongly recommend that work continue to be provided for the unemployed just as far as the Federal Government can properly provide it.

During the past year a continuing check up has been made for the purpose of eliminating from the relief rolls those who should not be given work relief. Furthermore, there has been large reemployment by private industry. The result is that today only 2,200,000 unemployed are at work on Federal projects as against 3,300,000 last year.

Definite progress is being made in making it possible for persons performing relief work to take private employment and if

-4-

this private employment ends to return to the relief rolls without an unconscionable delay.

The character of work performed has also improved in quality and usefulness.

It is idle to say that no more useful work can be found. Many projects in cities, villages and country districts, calling for a maximum of labor and a minimum of materials still exist. It is my thought that as we develop maximum planning for the preservation of our natural resources more and more useful work of such kind can be made available to relief workers. As a corollary to this it seems wise, at this time, to spend less money on permanent structures which require a large amount of heavy material and a small amount of labor on the site.

I should like to make two appeals. The first is to those citizens in every part of the country who complain of the conduct of work relief or the projects undertaken to bring to the attention of the government any and all specific cases of which they have knowledge. To assist in this, I am causing to be published as widely as possible, the name of the principal relief agent in every state, county and municipality. Every complaint will be investigated and

- 7 -

if the complainant is not satisfied, appeal can be taken directly to Washington. If any citizen knows of any person or group of persons who do not deserve to be on the relief rolls, let him or her speak up. If any person knows of any individual on the relief rolls who declines to take a job in private employment, let him or her speak up. This does not include, however, the many cases where private employers have offered to give jobs to relief works at starvation wages. No relief worker should be compelled to take starvation wages in private employ.

My other appeal is to the other employers throughout the Nation. On them will rest the final figures of necessary relief expenditures for the fiscal year 1938. It should be pointed out to them that a very large proportion of those now on the relief rolls are unskilled workers or men and women above the age of forty and not yet eligible for old age pensions. If every employer in the United States, large and small, could give jobs to these fellow-citizens who are now doing relief work, our problem in the national legislature and in the Administration would be greatly simplified. Even if such employment is given for only a few months -- even if it reports only a small proportion of those now employed by private

industry, it would greatly help. There are today in the United States approximately forty million people who work for wages. If the employers of the United States would, during the coming year, take on two million or even one million of those now on the relief work rolls, they would be doing more than helping their government — they would be helping humanity as well.

I recommend an appropriation of \$1,500,000,000 for this purpose to cover the fiscal year 1938. I trust that this appropriation can be made available early in June so that proper planning can be undertaken for its expenditure after July first.

April 17
No 2

TO THE CONGRESS OF THE UNITED STATES:

In my Budget message of January 5, 1937, I said that I would transmit at a later date an estimate of appropriation for work relief for the fiscal year 1938. In connection with ~~this estimate~~ of this estimate it is desirable to review our present fiscal situation.

Budget estimates ^{made last December} ~~of four months ago~~ indicated

a net deficit for the current fiscal year ~~(not-including-debt-retirement)~~ of \$2,218,000,000. They also indicated a surplus ^{not} ~~(not-including-debt-retirement)~~ for the fiscal year 1938 of \$1,537,000,000, exclusive of any provision for a work relief appropriation. On the basis of these estimates, therefore, an appropriation for work relief for the fiscal year 1938 of any sum less than \$1,537,000,000 would have left at the end of that year ^{a budget in balance.} ~~an excess of receipts over expenditures.~~

^{Then,}
Since ~~however~~, however, new factors have so altered the fiscal situation as to make it necessary to present revised estimates of receipts and expenditures. There is attached to this message a statement showing the present estimates

~~of receipts and expenditures~~ for the fiscal years 1937 and 1938 as
in my budget message.
compared with the estimates ~~of last January.~~ A glance at this
statement will show that the principal factor is the decline in
tax receipts below our previous expectations.

Fiscal Year 1937

The analysis of returns received in March 1937
under the new tax law indicates that income taxes will produce
\$267,200,000 less than the estimate for the fiscal year 1937.

The receipts for the first nine months of this fiscal year indicate
that other revenues will be ^{\$37,000,000} ~~\$34,300,000~~ less than the estimate,
which is due in large part to the obstruction of collections
by numerous lawsuits against the Government.

In view of the reduction in revenue it became
apparent that every effort should be made to offset this loss
as far as possible by a reduction in expenditures. To this end
I have directed the heads of various Government activities to make
a careful examination of their expenditure requirements for the
last three months of the present fiscal year with a view to making
substantial savings by eliminating or deferring all expenditures
not absolutely necessary during this period, the money so
saved to revert to the Treasury. Information thus far

*Sac. Sec.
init. & m.
23.5.37.*

available indicates that the 1937 expenditures for this year will probably be ²⁸⁵\$280,000,000 below the estimate of last January.

The amount of the net deficit for the fiscal year 1937 is therefore estimated at ^{2,557,000,000}\$2,588,252,300, an increase of ^{309,000,000}\$309,123,520 over the January estimate.

Fiscal Year 1938

For the fiscal year 1938 it is now estimated that receipts will be ^{397,000,000}\$39,400,000 less than was anticipated last January, of which ⁷⁶\$410,000,000 represents a reduction in the estimate of income taxes, *being slightly offset by increases in other receipts.*

Pending the enactment of the 1938 appropriation bills it has been impossible to make any material revision of the estimates of expenditures for that fiscal year, other than for recovery and relief.

The revised estimates of receipts and expenditures for the fiscal year 1938 as here presented indicate an estimated net deficit of ^{418,000,000}\$432,765,000. There is included in the estimates of expenditures the \$1,500,000,000 for work relief hereinafter recommended. I propose to use every means at my command to eliminate this deficit. I expect to accomplish this by

taking definite action at the beginning of the next fiscal year (1) to withheld from apportionment for expenditure in so far as possible with due regard to proper functioning of the executive departments and agencies a substantial percentage of the funds available for that year, and (2) to increase the receipts of the Treasury through the liquidation of assets of certain of the emergency agencies.

I regard it as extremely important that we should achieve a balance of actual income and outgo for the fiscal year 1936, and I appeal to you to join me in a determined effort to bring about that result.

What I have said is predicated on two highly important conditions. The first is the extension of existing taxes which expire this year. The second is the maintenance of appropriations made at this session within the total of the Budget estimates. Any substantial increase in appropriations would of course nullify our efforts to prevent a deficit in 1936.

And while I recognize many opportunities to improve social and economic conditions through Federal action, I am ~~strongly~~ convinced that the success of our whole program and the permanent security of our people demand that we adjust all expenditures within the limits of my budget estimate.

Future Fiscal Policy

I ~~wish to~~ emphasize here what I said last January with respect to our future fiscal policy:

"Expenditures must be planned with a view to the national needs; and no expansion of Government activities should be authorized unless the necessity for such expansion has been definitely determined and funds are available to defray the cost. In other words, if new legislation imposes any substantial increase in expenditures either in the expansion of existing or the creation of new activities, it becomes a matter of sound policy simultaneously to provide new revenue sufficient to meet the additional cost."

Bills ~~have been introduced~~ ^{presented} during the pre-

(4/21)

session sent Congress would commit the Government to early expenditures

of more than \$5,000,000,000. About \$3,000,000,000 of these

authorizations are for the construction of additional public

works, even though there are existing authorizations of almost

\$2,000,000,000 for this purpose. In the Budget for the past

three years I have set up a program for general public works and

^{often said that} have ~~announced that I propose to keep~~ such a program ^{should be kept} within the

limit of \$500,000,000 a year. An annual program of this size

should meet normal needs for highway, flood control, rivers and

harbors, reclamation, Federal buildings, and other public works.

I recognize the need for flood prevention and

control but it should be realized that to finance such large

immediate expenditures as are contemplated by the majority of the

flood control bills now pending in Congress would impose an unjustifiable burden upon the Federal Treasury.

Bills involving additional authorizations of more than \$500,000,000 for highways have been introduced despite the fact that expenditures for this purpose during the last four years have exceeded one billion dollars and that there are existing authorizations for expenditures during the next two years of nearly \$450,000,000.

The maintenance of a sound fiscal policy requires the careful planning of authorizations as well as appropriations. It is impossible to maintain the proper balance between revenues and expenditures unless restraint is exercised with respect to authorizations of appropriations. It is a matter of concern to ^{the public} ~~all of us~~ _A who are working for a balanced budget that ^{so many special} ~~organizations, associations, and other groups~~ _A exert the strongest pressure to bring about increases in Government expenditures. ^{They} ~~These pressure groups~~ _A pay little attention to the fact that the budget, as submitted, represents a coordinated fiscal program and that material departures therefrom destroy the whole purpose

of the program. If we are to avoid a continuation of deficits, we must resist these importunities or provide the necessary revenues to meet the increasing costs.

Insert A

Survey of Tax Situation
It has become apparent that there is an immedi-

ate need for a careful survey of the present tax structure.

The Treasury will be prepared by November, next, to present to the appropriate committees of Congress information as to such loopholes as may exist in the present revenue laws, and sug-

gestions for such new or additional taxes as may be necessary to meet deficiencies ^{if any} in the revenue-producing power of the present levies.

This will permit these committees to study such information and suggestions for the purpose of proposing early in the next session of Congress ^{the} legislation necessary to remedy defects in the present tax laws.

Insert B. a 2/5

Relief of Unemployed

I now come to the subject of relief of the unemployed for the fiscal year 1938. Many intelligent persons approach this subject with insufficient knowledge and with the primary consideration of dollars and cents. Their attitude, in

effect, is that the States, counties and municipalities should carry the whole burden of relief for the needy unemployed. The simple answer is that the great majority of States, counties and municipalities cannot assume the whole burden and remain solvent. This school of thought then proceeds to the hypothesis that the Federal Government should cut its relief appropriations to whatever sum is necessary to balance the Federal budget. When it is pointed out that such a sum would be wholly insufficient to give work to those of the unemployed who can work, the suggestion is made that the Government give home relief only — in other words, a dole without work. I continue my opposition to a dole as expressed in my message of January 3, 1935 —

"To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. It is inimical to the dictates of sound policy. It is in violation of the traditions of America. * * * We must preserve not only the bodies of the unemployed from destitution but also their self-respect, their self-reliance and courage and determination."

We are told that the work performed by those on work relief projects is less efficient than if the same work were carried on by a private contractor. While this is doubtless true it does not justify the conclusion that work relief should be abandoned.

The benefits to the workers on relief projects thoroughly justify, as indicated above, the additional cost of such projects. Therefore, I strongly recommend that work continue to be provided for the unemployed just as far as the Federal Government can properly provide it.

During the past year a continuing check has been made for the purpose of eliminating from the work relief rolls those who should not be so assisted. Furthermore, there has been large reemployment by private industry. The result is that today only 2,200,000 unemployed are at work on Federal projects as against 3,300,000 last year.

Definite progress is being made in making it possible for persons performing relief work to take private employment and if this private employment ends to return to the work relief rolls without an undue delay. The character of work performed has also improved in quality and usefulness.

There can be no question as to the availability of useful work relief projects. Many projects in cities, villages, and county districts, calling for a maximum of labor

and a minimum of materials, still exist. Furthermore, as we develop maximum planning for the preservation of our natural resources, more useful work of this kind can be made available to relief workers. As a corollary to this it seems wise, at this time, to spend less money on permanent structures which require a large amount of heavy material and a small amount of labor on the site.

I should like to make an appeal to the private employers throughout the Nation. On them will rest the final figures of necessary relief expenditures for the fiscal year 1938. It should be pointed out to them that a very large proportion of those now on the relief rolls are unskilled workers or men and women above the age of forty and not yet eligible for old age pensions. If every employer in the United States, large and small, could give jobs to these fellow-citizens who are now on work relief, our problem in the national legislature and in the Administration would be greatly simplified. Even if such employment is given for only a few months — even if it covers only a small proportion of those now employed by private industry, it

would greatly help. There are today in the United States approximately forty million people who work for wages. If the employers would, during the coming year, take on one million of those now on the work relief rolls, they would be doing more than helping their government — they would be helping humanity as well.

Work Relief

that there are

I recommend an appropriation of \$1,500,000,000 *be provided*

work relief for

for ~~such purpose~~ to ~~serve~~ the fiscal year 1938. — ~~I trust that,~~

and that it

~~this appropriation can be made available early in June so that its expenditure can be properly planned prior to proper planning can be undertaken for its expenditure after~~

B

July first.

Approved
Re-3

TO THE CONGRESS OF THE UNITED STATES:

In my Budget message of January 5, 1937, I said that I would transmit at a later date an estimate of appropriation for work relief for the fiscal year 1938. In connection with this estimate it is desirable to review our present fiscal situation.

Budget estimates made last December indicated a net deficit for the current fiscal year of \$2,245,000,000. They also indicated a net surplus for the fiscal year 1938 of \$1,537,000,000, exclusive of any provision for a work relief appropriation. On the basis of these estimates, therefore, an appropriation for work relief for the fiscal year 1938 of any sum less than \$1,537,000,000 would have left at the end of that year a budget in balance.

Since then, however, new factors have so altered the fiscal situation as to make it necessary to present revised estimates of receipts and expenditures. There is attached to this message a statement showing the present estimates for the fiscal years 1937 and 1938 as compared with the estimates in my

Budget message. A glance at this statement will show that the principal factor is the decline in tax receipts below our previous expectations.

Fiscal Year 1937

The analysis of returns received in March 1937 under the new tax law indicates that income taxes will produce \$267,200,000 less than the estimate for the fiscal year 1937. The receipts for the first nine months of this fiscal year indicate that other revenues will be \$337,000,000 less than the estimate, which is due in large part to the obstruction of collections by numerous lawsuits against the Government.

In view of the reduction in revenue it became apparent that every effort should be made to offset this loss as far as possible by a reduction in expenditures. To this end I have directed the heads of various Government activities to make a careful examination of their expenditure requirements for the last three months of the present fiscal year with a view to making substantial savings by eliminating or deferring all expenditures not absolutely necessary during this period, the money so saved to revert to the Treasury. Information thus far available

indicates that the 1937 expenditures ~~for this year~~ will probably be \$295,000,000 below the estimate of last January. ✓

The amount of the net deficit for the fiscal year 1937 is therefore estimated at \$2,557,000,000, an increase of \$309,000,000 over the January estimate.

Fiscal Year 1938

For the fiscal year 1938 it is now ^{believed} ~~estimated~~ that receipts will be \$357,600,000 less than was anticipated last January, the reduction of \$410,000,000 in the estimate of income taxes being slightly offset by increases in other receipts.

Pending the enactment of the 1938 appropriation bills it has been impossible to make any material revision of the estimates of expenditures for that fiscal year, other than for recovery and relief.

The revised estimates of receipts and expenditures for the fiscal year 1938 as here presented indicate an estimated net deficit of \$415,000,000. There is included in the estimates of expenditures the \$1,500,000,000 for work relief hereinafter recommended.

I propose to use every means at my command to
eliminate this deficit ^{during the coming fiscal year.} I expect to accomplish this by taking
definite action at the beginning of the next fiscal year (1)
to withhold from apportionment for expenditure in so far as
possible with due regard to proper functioning of the executive
departments and agencies a substantial percentage of the funds
available for that year, and (2) to increase the receipts of the
Treasury through the liquidation of assets of certain of the
emergency agencies.

I regard it as extremely important that we should
achieve a balance of actual income and outgo for the fiscal year
1935, and I appeal to you to join me in a determined effort to
bring about that result.

What I have said is predicated on two highly im-
portant conditions. The first is the extension of existing
taxes which expire this year. The second is the maintenance of
appropriations made at this session within the total of the
Budget estimates. ^{On} ~~any~~ increase in appropriations
would of course nullify our efforts to prevent a deficit in 1935.

And while I recognize many opportunities to im-
prove social and economic conditions through Federal action, I

am convinced that the success of our whole program and the permanent security of our people demand that we adjust all expenditures within the limits of my budget estimate.

Future Fiscal Policy

I emphasize here what I said last January with respect to our future fiscal policy:

"Expenditures must be planned with a view to the national needs; and no expansion of Government activities should be authorized unless the necessity for such expansion has been definitely determined and funds are available to defray the cost. In other words, if new legislation imposes any substantial increase in expenditures either in the expansion of existing or the creation of new activities, it becomes a matter of sound policy simultaneously to provide new revenue sufficient to meet the additional cost."

Bills being pressed for enactment during the present Session would commit the Government to early expenditures of more than \$5,000,000,000. About \$3,000,000,000 of these authorizations are for the construction of additional public works, even though there are existing authorizations of almost \$2,000,000,000 for this purpose. In the Budget for the past three years I have set up a program for general public works and have often said that such a program should be kept within

the limit of \$500,000,000 a year. An annual program of this size should meet normal needs for highway, flood control, rivers and harbors, reclamation, Federal buildings, and other public works.

I recognize the need for flood prevention and control, but it should be realized that to finance such large immediate expenditures as are contemplated by the majority of the flood control bills now pending in Congress would impose an unjustifiable burden upon the Federal Treasury.

Bills involving additional authorizations of more than \$500,000,000 for highways have been introduced despite the fact that expenditures for this purpose during the last four years have exceeded one billion dollars and that there are existing authorizations for expenditures during the next two years of nearly \$450,000,000.

The maintenance of a sound fiscal policy requires the careful planning of authorizations as well as appropriations. It is impossible to maintain the proper balance between revenues and expenditures unless restraint is exercised with respect to authorizations of appropriations. It is a matter of concern to

you and to me who are working for a balanced budget that so many special groups exert the strongest pressure to bring about increases in Government expenditures. They pay little attention to the fact that the budget, as submitted, represents a coordinated fiscal program and that material departures therefrom destroy the whole purpose of the program. If we are to avoid a continuation of deficits, we must resist these importunities or provide the necessary revenues to meet the increasing costs.

It is a matter of common knowledge that the principal danger to modern civilization lies in those nations which largely because of an armament race are headed directly towards bankruptcy. In proportion to national budgets the United States is spending a far smaller proportion of Government income for armaments than the nations to which I refer. It behooves us, therefore, to continue our efforts to make both ends of our economy meet.

Survey of Tax Structure

It has become apparent that there is an immediate need for a careful survey of the present tax structure. The

Treasury will be prepared by November, next, to present to the appropriate committees of Congress ^{7/81} information as to such loopholes as may exist in the present revenue laws, and suggestions for such new or additional taxes as may be necessary to meet deficiencies if any in the revenue-producing power of the present levies. This will permit these committees to study such information and suggestions for the purpose of proposing early in the next session of the Congress legislation necessary to remedy defects in the present tax laws.

Work Relief

I recommend that an appropriation of \$1,500,000,000 be provided for work relief for the fiscal year 1935, and that it be made available early in June so that its expenditure can be properly planned prior to July first.

REVISED SUMMARY OF RECEIPTS AND EXPENDITURES FOR THE
FISCAL YEAR 1957 AND 1956 AS COMPARED WITH
SAME PERIODS OF THE 1956 FISCAL YEAR

General and Special Accounts	RECEIPTS Fiscal year 1957	EXPENDITURE IN 1956 Budget Fiscal year 1956	RECEIPTS Fiscal year 1956	EXPENDITURE IN 1956 Budget Fiscal year 1956
I. Receipts:				
Internal revenue	\$ 4,351,000,000	\$ 4,369,452,000	\$ 4,358,000,000	\$ 4,369,452,000
Customs	540,000,000	540,000,000	540,000,000	540,000,000
Miscellaneous receipts	250,000,000	250,000,000	250,000,000	250,000,000
Total, receipts	\$ 4,941,000,000	\$ 4,959,452,000	\$ 4,948,000,000	\$ 4,959,452,000
II. Expenditures:				
a. Legislative, judicial and executive	\$ 11,000,000	\$ 11,500,000	\$ 10,000,000	\$ 11,500,000
b. Civilian departments and agencies	720,000,000	720,000,000	680,000,000	680,000,000
c. Federal Public Works Program	620,000,000	621,128,000	340,000,000	340,000,000
d. National defense	915,000,000	920,112,000	820,000,000	821,000,000
e. Veterans' pensions and benefits	570,000,000	571,128,000	570,000,000	570,000,000
f. Federal compensation payments	500,000,000	500,000,000	500,000,000	500,000,000
g. Agricultural adjustment program	100,000,000	100,000,000	100,000,000	100,000,000
h. Civilian Conservation Corps	100,000,000	100,000,000	100,000,000	100,000,000
i. Social Security	800,000,000	800,000,000	800,000,000	800,000,000
j. Unemployment compensation	100,000,000	100,000,000	100,000,000	100,000,000
k. Federal aid to the public debt	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
l. Recovery and relief	170,000,000	170,000,000	170,000,000	170,000,000
Total, expenditures (excludes debt retirement)	\$ 4,360,000,000	\$ 4,379,628,000	\$ 4,360,000,000	\$ 4,379,628,000
III. Net deficit (-) or net surplus (+)	\$ 581,000,000	\$ 579,824,000	\$ 588,000,000	\$ 579,824,000

1/ Funds for continuation of the British Occupation Corps are included under "Supplemental Items."

2/ To be financed by any amount appropriated by Congress for recovery and relief for the fiscal year 1956. As indicated in the margin it is hoped the amount will not exceed \$1,000,000,000.

In my budget message of last January I stated that I planned to transmit at a later date an estimate of appropriation for work relief during the fiscal year 1938. In connection with the transmission today of this estimate it is important to review the budget situation for the fiscal years ending June 30, 1937, and June 30, 1938, in the light of the March 1937 tax returns and the actual expenditures for the first nine months of the present fiscal year.

Fiscal Year 1937

Receipts— The estimates of revenue for the fiscal year 1937 were necessarily based to a large extent on the Revenue Act of 1936. This Act made material revisions in the tax structure and for this reason there was no adequate experience which could be used as a satisfactory guide in formulating the estimate of income taxes. The analysis of returns received in March 1937 indicates that income taxes will produce

\$2,105,700,000 in 1937, or \$267,200,000 less than the estimate for that year in the 1938 Budget.

Based on collections for the first nine months of this fiscal year it is now estimated that other revenues will amount to \$3,100,800,000, or \$354,500,000 less than the estimate, which reduction is due in large part to pending litigation.

The reduction in revenue estimates for the fiscal year 1937 will therefore amount to \$621,700,000.

Expenditures-- In view of the reduction in revenue it became apparent that every effort should be made to offset this loss as far as possible by a reduction in expenditures. To this end I addressed a letter to the heads of various Government activities directing them to make a careful examination of their expenditure requirements for the last three months of the present fiscal year with a view to making substantial savings by eliminating or deferring all expenditures not

absolutely necessary during this period. Information thus far available indicates that expenditures for the year, ~~exclusive of statutory debt retirement~~, can probably be reduced \$280,000,000 below the estimate contained in the 1938 Budget.

298 Deficit— The amount of the net deficit for the fiscal year is therefore estimated at \$2,588,252,300, an increase of \$340,123,526 over the estimate contained in the 1938 Budget.

Fiscal Year 1938

Receipts— For the fiscal year 1938 it is now estimated that there will be receipts of \$6,874,200,000, or \$419,400,000 less than was anticipated last January. Of this loss \$410,000,000 represents a reduction in the estimate of income taxes.

Expenditures— Pending the enactment of the 1938 appropriation bills it has been impossible to make any material revision of the estimates of expenditures for that fiscal year, other than those for statutory debt retirement and for recovery and relief.

In my message of today on the latter subject I am recommending an appropriation of \$1,000,000,000 to provide for the continuation of the work relief program from July 1, 1937, to March 1, 1938. Prior to this latter date I propose to review the unemployment situation to determine the additional amount required to carry the work relief program for the last four months of the fiscal year. My present opinion is that the additional amount required for this purpose for the balance of the year will not exceed \$500,000,000.

Deficit— While the revised estimates of receipts and expenditures for the fiscal year 1938 as here presented indicate an estimated net surplus of \$67,215,000, the probable expenditure of an additional amount of \$500,000,000 for recovery and relief would result in a net deficit of \$432,785,000. I propose to use every means at my command to eliminate this deficit. I expect to accomplish this by taking definite

action at the beginning of the next fiscal year to withhold from apportionment for expenditure a substantial percentage of the funds available for that year and to increase the receipts of the treasury through the liquidation of assets of certain of the emergency agencies.

Debt Retirement

In the revised tables of expenditures, provision has been made for the expenditure of only \$100,000,000 in each of the fiscal years 1937 and 1938 for statutory debt retirement. These amounts are included to cover payment of Treasury bonds and Treasury notes presented for redemption in cash during these years. As long as expenditures exceed receipts by more than the amount for debt retirement, the expenditure of funds for this purpose has no effect on the total public debt. For the fiscal year 1939, however, we should provide for a completely balanced budget, including provisions to meet the statutory debt retirement liabilities accruing in that year. It should be

possible, moreover, to begin in that year the reduction of the debt retirement liabilities that have accrued during the preceding three years.

Public Debt

I wish to emphasize here what I said last January with respect to our future fiscal policy:

"Expenditures must be planned with a view to the national needs; and no expansion of Government activities should be authorized unless the necessity for such expansion has been definitely determined and funds are available to defray the cost. In other words, if new legislation imposes any substantial increase in expenditures either in the expansion of existing or the creation of new activities, it becomes a matter of sound policy simultaneously to provide new revenue sufficient to meet the additional cost."

Control of Legislative Authorizations— Bills being pressed for enactment during the present Congress would commit the Government to early expenditures of more than \$5,000,000,000. About \$3,000,000,000 of these authorizations are for the construction of additional public works, even though there are existing authorizations of almost \$2,000,000,000 for this purpose. In the Budget for the past three years I have set up a program for general public works and have announced that I propose to keep such a program within the limit of \$500,000,000 a year. An annual program of this size should meet normal needs for highway, flood

control, rivers and harbors, reclamation, Federal buildings, and other public works.

I recognize the need for flood prevention and control but it should be realized that to finance such large immediate expenditures as are contemplated by the majority of the flood control bills now pending in Congress would impose an unjustifiable burden upon the Federal Treasury.

Bills involving additional authorizations of more than \$500,000,000 for highways have been introduced despite the fact that expenditures for this purpose during the last four years have exceeded one billion dollars and that there are existing authorizations for expenditures during the next two years of nearly \$450,000,000.

Another major class of pending authorizations is that providing grants and aids to States or to certain groups of citizens without any thought of increasing the revenues therefor.

Principal among these bills is one providing for grants to States for educational purposes. This bill would commit the Government to a new field of expenditure heretofore occupied exclusively by the States, at a cost of \$100,000,000 for the first year and increasing annually to \$300,000,000.

Bills to aid agriculture are pending in Congress which would add \$200,000,000 to the 1938 expenditures of the Federal Government despite the fact that the Government will spend in 1938 for the benefit of the farmer more than \$600,000,000, aside from the benefits he derives from the construction of highways.

Numerous bills have been introduced for the purpose of providing additional compensation to veterans and their dependents. In the fiscal years 1936 and 1937 total expenditures of nearly \$3,500,000,000 were made for payment of adjusted compensation and other benefits to veterans.

The maintenance of a sound fiscal policy requires the careful planning of authorizations as well as appropriations. It is impossible to maintain the proper balance between revenues and expenditures unless restraint is exercised by the Legislature with respect to authorizations of appropriations. It is a matter of concern to all of us who are working for a balanced budget that organizations, associations, and other groups exert the strongest pressure to bring about increases in Government expenditures. These pressure groups pay little attention to the fact that the budget, as submitted, represents a coordinated fiscal program and that material departures therefrom destroy the whole purpose of the program. If we are to avoid a continuation of deficits, Congress must resist these importunities or provide the necessary revenues to meet the increasing costs.

Tax Study--- It has become apparent that there is an immediate need for a careful survey by the Congress of the present tax structure with a view to preventing loss of revenue through such loopholes as may now exist as well as simplifying the present tax laws. The Congress should also give careful consideration to new or additional taxes necessary to meet any deficiencies in the revenue-producing power of the present levies. This study should be undertaken sufficiently in advance of the presentation of next year's budget, say November, in order that revenue measures may be considered in connection with the appropriations to be provided for the fiscal year 1939.



STATEMENT

"Labor Message"
file

3/4/37

(1) A civilized community demands that both labor and capital respect its law. It is the essence of democracy that the law should reflect the community's sense of right and of justice and not that of any one class or group. Those who look to the law and the community for protection may not themselves defy the law and the community's will.

(2) Enlightened public opinion has recognized for some years that before we can achieve and maintain industrial peace we must create conditions under which labor will be in a position to act and bargain collectively and with dignity. We cannot expect industrial peace until we can expect and ask for collective responsibility on the part of labor, and we cannot expect collective responsibility on the part of labor without a frank recognition of a democratically chosen collective leadership. The very preservation of private enterprise in industry depends upon its willingness to permit the irresistible demand of the average man for a larger share of control over, and consequent responsibility for, the conditions of his work.

(3) The recognition of the collective rights and of the collective duties of labor has been delayed long beyond the just expectation of enlightened public opinion. For years the law of the courts has lagged behind economic events and social needs. Law or the absence of law has throttled normal developments in the labor field when such developments should have been encouraged to proceed gradually and orderly.

As early as 1898 the Congress saw the need of recognizing the right of workers to organize for their mutual protection and passed a law outlawing the use of yellow-dog contracts, and forbidding interstate carriers to discriminate against their workers because of their union affiliations. But in 1908 this law was invalidated by a 6 to 2 decision of the Supreme Court which held that even a corporate employer had a constitutional right to refuse to employ or keep in his employment any worker who belonged to or joined a labor union. Six years later, in Cromwell v. Kansas, 236 U. S. 1, the Supreme Court in a 6 to 3 decision held that a state no more than the federal government had the power to prevent an employer discriminating as he pleased against union workers.

The decision in *Coppage v. Kansas* for years paralyzed any effort on the part of a state to set up machinery to encourage and safeguard collective bargaining.

When told by the Supreme Court that it was their constitutional right to refuse to deal with or continue in their employment workers with union cards, many employers brought up in the school of laissez-faire economics were encouraged to take action to vindicate that supposed constitutional right. They engaged detectives and spies to ferret out the union members from their employ and they thereby held back the natural growth of unionism within their plant, while they sought protection against the interference of outside agitators and trouble-makers. As the investigations of the Senate sub-Committee have shown, large corporate employers used extensive systems of espionage to stamp out any form of independent unionism in their plants and when unionism got under way they used thugs as strike-breakers against their own union workers.

Thus, costly and critical years have been lost in developing orderly, responsible relationships between industry and labor.

(4) The enactment of the Wagner Act was a significant step forward in the application of the principle of collective bargaining and collective responsibility to industries whose labor relations cannot be effectively controlled by any one state. Many employers refused to accept the Wagner Act as the law of the land and even sought to prevent the National Labor Relations Board from holding hearings to ascertain the facts. As it has been justly said, many corporations have carried on "sit-down" strikes against this Act as well as other acts passed to make democracy workable in a modern world.

Whether the Act will be sustained or will be given a sufficiently broad construction to accomplish its ends, will depend upon forthcoming decisions of the Supreme Court.

But whatever the decisions of the Supreme Court may be, the Administration will not relax in its effort to establish and improve the process of collective bargaining and collective responsibility as an integral part of industrial democracy. We believe that this can be done within the Constitution as it now stands.

(5) It is true that the courts in years past have refused to recognize laws which the community deemed necessary to maintain some measure of equality in the bargaining power of labor and capital. And the attitude of the courts has to that extent impaired the sanctity of the law in the minds of large sections of the community. For courts which refused to enforce the laws of the people could not expect the people indefinitely to give willing respect to the decrees of the courts.

But if democracy is to succeed, respect for law and order must be maintained. And if respect for law and order is to be maintained, the law must reflect the community's sense of justice, and not the demands of any one class or group. That is the very essence of democracy. And if the law reflects the community's sense of justice, no class or group may defy or set itself above or beyond the law, without bringing upon itself the just resentment of the whole community.

(6) In an orderly democracy the law adapts itself to changed economic and social conditions, as the ideas and attitudes of the community itself are adapted to changed economic and social conditions.

It is true that if the law lags, as it has dangerously lagged in recent years, behind public sentiment, the community inevitably tends to lose some of its respect for the law. But notwithstanding this lag in the law, if any group or class presses its demands beyond what the community as a whole regards as the bounds of reason, there is danger that the community may reject its just as well as its unjust demands. In a democracy men must accomodate their demands to the demands of others, there must always be a large measure of give and take in the adjustment of human relations. A civilized democracy demands patience and self-restraint from all of its citizens.

(7) Labor unrest causes national concern. The Administration has moved and is moving to provide machinery for the legal right and responsibility of labor to bargain collectively. These efforts of the Administration may be seriously embarrassed by excessive labor disturbances now visible in different sections of the country. Labor which was extremely patient when Government was insensitive to its needs should not lose its self-restraint when Government has demonstrated its

awareness of labor's just demands.

If machinery for the orderly recognition and adjustment of the collective relations of labor and capital is to be provided, it is important that both labor and capital strive to speak a common language and to find common grounds of agreement. Industrial warfare is an ugly thing, costly to labor, to capital and to the public.

It is not helpful for corporate management, which has not always so reverentially observed the law or respected other people's property, to brand every sit-down strike regardless of its justification as a lawless, morally indefensible trespass upon other people's property. It is not helpful for labor to think that because sit-down strikes in one or two instances may have brought corporate managements to a better appreciation of their responsibilities to corporate workers that such strikes may be resorted to at will, without regard to the wishes of their fellow workers, to wrest every possible advantage from embarrassed employers.

(8) It may not be asking too much for labor and capital to attempt to adjust their relationships by a better understanding of the

problems and difficulties of each other. It may not be too much to suggest that

(a) Labor and capital should both attempt to use the machinery provided by the Wagner Act. Let this be done voluntarily without further quibbling which threatens to embarrass the winning litigant as much as the defeated litigant.

(b) Capital should scrap its espionage system, and abandon the use of strike-breakers, thereby removing any excuse on the part of labor for resorting in self-protection to sit-down strikes and other retaliatory methods, or for refusing to permit the workers themselves to choose their representatives.

(c) If the courts are resorted to -- and the courts have not as yet shown themselves to be practically effective instruments in the adjustment of labor disputes, -- the courts should recognize that

(1) the basis of the employer-employee relationship has changed radically in modern times and that the old legal precedents are not necessarily applicable to an essentially different factual situation; (11) if judicial intervention is unavoidable under state law, judicial relief

should not take the form of a unilateral decree operating only in favor of one party to the employment relationship, but should be conditioned upon all parties to the employment relationship observing all reasonable obligations consequent upon that relationship. It would certainly be not disadvantageous to the interests of labor and capital or to the prestige or effectiveness of the courts, if the courts deliberately sought to write their opinions and to draft their decrees so that intelligent men and women not trained in the mysteries of legalism might be convinced that the opinion and decrees were based upon something more than the meaningless jargon of outworn precedents and were adapted to provide a settlement not offensive to the claims of justice and common sense. It necessarily reflects upon our courts when a decree is issued which even the employer obtaining it hesitates to use before yielding as a matter of favor to the employees concessions which in fairness and common decency should have been included as a matter of right in the court's decree.

4/20/37

WORKS PROGRESS ADMINISTRATION

WALKER-JOHNSON BUILDING
1734 NEW YORK AVENUE NW.
WASHINGTON, D. C.

HARRY L. HOPKINS
ADMINISTRATOR

April 10, 1937

The President
The White House
Washington, D. C.

Dear Mr. President:

Here is the proposed message on relief. It seems to me it is important in this message that you give a fairly comprehensive review of the need for an integrated security program. This message is written with that in mind.

I have put a sentence in this message which would indicate the possibility of our building small detached and cheap houses for the very poor. You will find this on page eight. I want to urge that this be included because I am convinced we can get all the money for materials from public authorities and our only cost would be for labor. We could build these houses using only those materials in which the production is now very low and the price not excessive. In the main, the materials which we need are all locally produced. In other words, I think it would be to your advantage to have the power in this bill, over and above the Wagner Act which in the main should be used in the big cities for housing.

As you know, I am leaving tonight and will be away for ten days. Mr. Williams will be available for any conferences you may desire relative to this message.

Very sincerely,



Administrator

Draft of Presidential Relief Message

During the past four years the efforts of the Federal Government have been devoted in large measure to the immediate problems of recovery and relief. The advances made on these lines are familiar to all of you. Recovery in business has been substantial, and our policies have resulted in a return to a more normal condition of economic activity. Our endeavors in the field of relief have prevented acute physical suffering on the part of a large segment of the American people. We have faced these two major problems and we acted in a forthright manner in dealing with them. Our efforts have met with success.

It is not enough, however, merely to direct governmental policy towards the revival of business activity and the relief of destitution on an emergency basis. The time has come for our policies to be directed towards the future solution of our basic problems in order that this nation shall not again suffer the losses and hardships of the period 1930-1933.

Two problems which have confronted this nation and which continue to be of pressing importance are the economic instability of the nation and the economic insecurity of the individual. Many of our measures in recent years have been designed to reduce the instability in our economic life. I refer to our agricultural program,

our banking reform, the insurance of bank deposits, and other similar measures. We must consolidate and strengthen these measures and develop future policies to the end that economic stability will be more nearly realized in the future than it has been in the past.

Our second major problem is the economic insecurity of the individual. The worst phases of insecurity have been evident to all of you during the depression years. Depressions, however, merely aggravate a problem of insecurity that faces a large part of our population at all times. We must direct our efforts to achieve for this part of the American people a greater measure and a greater assurance of permanent economic security. It is true that we have taken steps in the direction of a lasting program. The Social Security Act of 1935 was a major advance in progressive government in the United States. This Act cannot stand alone, however.

There are many groups whose hardships are not mitigated by the Social Security program. We must recognize this fact. Permanent provision must be made for those groups who do not come under the existing long-term measures. I am convinced that the time is at hand when we must devise adequate machinery of government and enlightened social policies to meet the needs of the unemployed, the rural groups, and others not benefited by the social security act.

This permanent program must be a Federally administered program.

These twin problems of the economic insecurity of the individual and the economic instability of the nation are closely related. A substantial part of the insecurity in American life is due to the instability in employment and trade in this country. Our existing measures designed to reduce unemployment and the additional means which may be adopted for this purpose will tend to reduce economic insecurity. On the other hand, the enlightened and adequate provision for the security of the American people will tend, in turn, to achieve greater stability in production and profits for our business enterprises. The maintenance of a large and adequate consumers' purchasing power is one of the basic requisites for this economic stability. A comprehensive system of social security by providing income to otherwise destitute groups will contribute to stability and good business.

It is of vital importance that this relationship between economic instability of the nation and economic insecurity of the individual be borne in mind. We must plan our permanent works program in order that both these major social objectives, stability and security, be achieved. We must act now not only for the present but for future years and future generations of Americans.

In line with the responsibility which rests with me and my office as President, I want to present to you my recommendations

concerning the future policies and the permanent governmental reorganization required to deal with the problem of economic insecurity.

The major part of the problem has to do with unemployment. The measures needed to deal with the unemployed include unemployment insurance, an employment program to provide work and training, and the strengthening of the public employment offices.

Unemployment insurance programs established by the States under the Social Security Act are the first line of defense for the unemployed. Of necessity, however, this insurance will not care for a large number of the destitute unemployed. As a complement to the social insurance program the Federal Government must devise a long-term Federal work program to care for these unemployed.

It is my firm conviction that the American people want this permanent program to be based on the principle that work must be given to these unemployed men and women. We must put into practice what has been assumed to be a fundamental American principle that the right to work is the birthright of every citizen. Social recognition of the right to a job must be a basic principle of democratic society. You and I know, however, that industry has left a large group of American labor stranded without the opportunity to work. Millions of our citizens have been out of work through no fault of their own, and millions still are without work in private industry.

I have said before, and I emphasize again, that if industry cannot provide these millions with employment the Federal Government, in cooperation with State and local governments, will give them work. This is the American way of meeting a problem which, unless met, might some day threaten the foundation of this democratic society. Providing public employment to those deprived of private work is a benefit to the community in which we live, to business and industry, and to those who obtain the work.

Federal responsibility for undertaking to provide work for the unemployed is rooted in the economic origins of the unemployment problem. The causes and underlying conditions of mass unemployment are national in scope. Unemployment in any one community may be due to conditions existing in the markets throughout the country or in another part of the world. These economic bases of Federal responsibility are evident to anyone who has carefully considered the nature, structure, and functioning of our economic processes. For this reason it is possible to meet the hardships arising from unemployment only through the vigorous exercise of the powers of Federal Government.

Federal responsibility is also essential for financial reasons. It has been conclusively demonstrated that local governments cannot bear the entire burden of adequate relief to the unemployed. In recent years local governments courageously attempted to care for

their unemployed citizens, but, as you all know, the task was soon found to be beyond their power. Even with Federal assistance, local governments are now spending many times the amount spent for relief purposes prior to the depression. Furthermore, local and State governments are being called upon to support certain classes of destitute persons under the Social Security Act which reduces their ability to care for all the unemployed. The states and localities also provide aid to many unemployed through direct relief.

Moreover, it is not just or fair that local governments should be called upon to carry the entire unemployment burden alone. Local taxes are borne by small property owners, small salaried groups, and wage earners. The burden on these groups is already large, and, with justice, they cannot be asked to shoulder that which properly rests with the nation at large.

As another basic principle in my recommended permanent program, I believe that the American people want the unemployed kept in the stream of regular employment opportunities. An effective public employment service must be an integral part of the program. The program must not lead the unemployed away from the opportunities of regular employment and into a state of permanent dependency. The work opportunities that the employment program should afford

must maintain the efficiency and work habits of the workers and prepare workers so that they will be able to enter regular employment at the earliest moment.

To all those project workers who return to private employment, I believe that Congress should provide means for a speedy restoration to the works program jobs when these workers lose their private employment through no fault of their own. In the past some workers on the programs were loath to accept private employment which might last for only a short time because they had no assurance of returning to the program. I believe such assurance would facilitate the transfer and remove the possible penalties attached to the shift to short term private employment.

I also recommend that the permanent works program be improved in another respect over the present program. I refer to compensation for injury and death. The present compensation system provides for a maximum payment of \$25 a month and \$3,500 for permanent disability and death. This is a wholly inadequate compensation, a fact which prompted the United States Employees Compensation Commission to recommend liberalization to the Congress. Liberalization of the present compensation provisions would be entirely in the public interest and would involve a negligible increase in costs.

The types of work to be performed under this employment program must, of course, be designed to fit the capabilities of the

unemployed and, at the same time, to provide socially useful projects. Several major types of work can be pointed out at this time which meet these requirements. I believe that several hundred thousand men can be used to carry out an extensive program of municipal improvements which could include construction and repair of streets; the extension and modernization of water and sewer systems; and the further development of recreational facilities, such as parks, playgrounds, and swimming pools.

There are extensive opportunities for useful employment in connection with a slum clearance program to remove blighted areas in our American cities and to bring decent living conditions to great numbers of underprivileged families. A substantial contribution might well be made to the construction of small homes, designed to give decent living accommodations to the families who are now living in houses which do not measure up to what we accept as an adequate American standard.

Another type of work that I should like to see performed is the construction of rural schools and of small public hospitals in the many communities in this country where such facilities are not available at this time. The benefits to the American people in terms of improved health and higher standards of education are obvious.

In both urban and rural areas large numbers of men can be profitably employed on projects designed to increase the safety and convenience of air travel.

The building of farm-to-market roads should be an important part of the general plan, as should measures for flood control and flood protection, for water conservation and for the control and prevention of soil erosion.

Also I would emphasize the necessity for employment for men and women in the non-construction field who comprise more than one fifth of the persons now being cared for on the Works Program. This includes workers in the arts as well as workers in the professional, clerical, educational, and recreational categories.

And it is also essential to carry on, as part of the program, extensive research into relief, unemployment, and related economic and social problems in order to guide public policy.

To fulfill its proper purpose the projects undertaken by the employment program must have unquestioned integrity. By this, I mean projects must be worthwhile and well done. The social and economic value of the types of projects outlined above are evident to all of us, but their integrity is largely a matter of having sufficient funds. It is thus essential to assure the States and communities participating in the employment program of the continuance of Federal funds. The assurance of Federal funds permits

long-range planning on the part of the various governments engaged in the work and makes possible more substantial financial arrangements on the part of the States and local governments. In the past our work relief programs have been definitely handicapped by the absence of this assurance. Planning has been difficult, and States and cities have hesitated to provide funds for projects when there was no assurance of continued Federal support. Assurance of Federal funds will draw out larger amounts of State and local funds for materials and equipment and will permit long-range planning and careful selection of projects.

This planning is essential in view of the probable continuance of unemployment for a long time in the future. I am aware of the fact that many people will not agree that unemployment is a lasting problem. But the lessons of history and an analysis of our industrial system show that unemployment has been and will continue to be a vexing social problem. The causes of the permanent unemployment problem are many. We are all familiar with the recurrence of depression periods, with their high levels of unemployment and poverty. Accordingly, we must establish policies and organizations to deal promptly with unemployment in future years.

There is also the continual displacement of workers by technological improvements. It is said that technological unemployment over a long period of time does not exist. That, however, is small

comfort to the displaced wage earner who, while temporarily displaced, must feed and clothe himself and his family right now. And to enable him to do this is the social responsibility of progressive government.

The difficulties created by depression unemployment and technological displacement are also aggravated by the annual increase of some 500,000 wage earners as a result of growing population.

Industry itself, through many of its policies, directly adds to the group of jobless workers. The high speed of work in many major industries wears the workers out prematurely. High speed industry demands and will accept only younger and stronger men. Consequently, many industries will not employ a man over 40 and will discharge their workers when they reach that age. Under present industrial policies these workers, and the many unemployed above this age, stand little chance of private employment. What shall be done with these workers whom industry discards? The answer is clear: Government must and shall provide them with opportunities for useful work.

This, in broad outline, is the principal problem we must face. The unemployed, however, do not constitute the only group in America in need of a permanent program of public assistance. Other groups remain outside the scope of the present permanent security program. I refer in particular to the large numbers in many rural areas who live in conditions of great poverty. A permanent program is required

to rebuild these areas and restore these people to the standards recognized as part of the heritage of every American citizen.

The special problems of youth require the continued attention and financial assistance of the Government. The very future of our democracy depends on our ability to ensure to the youth of this nation that they will earn their proper places in the community. We must therefore continue the work which we have begun: the task of providing opportunities to youth for education and training in the arts of work and life.

There are, in addition, grave problems of health facing a large part of the people of this country. We have already begun to cope with these problems. Under its relief and work relief programs the Federal Government has aided in disease eradication, immunization, elimination of stream pollution, medical care, and other similar worthwhile activities. To safeguard the nation this work too must go on.

There is, in short, a tremendous social need arising out of the widespread insecurity of the underprivileged American men, women, and children in this country. This need constitutes a challenge to progressive, democratic government. We cannot afford to ignore the necessity for permanent measures to meet this need. This permanent program must be established at the earliest possible moment. I urgently recommend to the Congress that the manifold social

needs of the unemployed, the destitute rural groups, the youth, the aged, and other groups in want be met through a coordinated program under a new Federal department as recommended to the Congress at an earlier date.

It is essential that the costs of this permanent program be made a part of the regular budget and that the program be established as a regular function of Government. The major part of the program will deal with providing work for those destitute workers unable to obtain private employment. The program must be flexible so as to reflect the changes in private employment. For the coming year it seems probable that approximately 2,000,000 persons should be employed on this works program. While no one knows at the present time the extent of the need a year hence, I am hoping that \$1,500,000,000 will be sufficient. Accordingly, I recommend that Congress appropriate this sum for the works program for the fiscal year 1939. The adequacy of this amount will depend upon the state of private employment and upon the course of prices and living costs during the coming year.

In June 1934 in a message to Congress I said: "Among our objectives I place the security of men, women, and children of the nation first. . . ." Part of these objectives have been achieved. It is now time to dedicate ourselves anew to the task of completing this vital work, not only for the present but for the future security of men, women, and children of this nation.