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

**Series 2: “ You have nothing to fear but fear itself:” FDR
and the New Deal**

File No. 1227

1939 May 22

Address to the American Retail Federation

SPEECH OF THE PRESIDENT
AMERICAN RETAIL FEDERATION
MAYFLOWER HOTEL
MAY 22, 1939

I am happy to speak at this first Forum of the American Retail Federation. I feel a kinship between your business and mine. The backbone of the customers we are both trying to satisfy is the same -- in your case the many small customers whose steady demand for the necessities and a few luxuries of life make up your volume -- in my case millions of average American families whose standard of living is the practical measure of the success of our democracy. (You have one advantage, however -- unlike Louis Kirstein, for example, I have no bargain basement).

For you who are in the honorable business of storekeeping, *Tonight I hope you are // with only // the best among // our retail partners* the flow of consumer purchasing power determines the difference between red and black on your account books; and for the nation the difference between unemployment and prosperity.

That is why I want to devote this opportunity to a discussion of government fiscal policy in relation to consumer purchasing power.

Some highbrow columnists and some high-gearred economists say that you and I think too much about consumers' purchasing power and look at our economic problems from the wrong end. They say that we should glue all of our attention on the heavy industries, and should do everything and anything just to get these industries to work and to get private investors to put up the money to build new buildings and new machines without regard to the average consumer's need or his ability to use these buildings or machines.

By and large, you will find that these experts are the same as those who in 1929 told us that conditions were sound and that we had found the way to end poverty when we were building luxurious office buildings, hotels and apartment houses which consumers did not need and had not the purchasing power to pay for.

Today in 1939 they tell you that conditions are not sound because we are trying to build the sort of houses and other things which our people really need, and because we are trying to make sure that our people have the purchasing power to pay for these things.

They were unrealistic and theoretical when they were prophesying their new era in 1939 -- they are just as unrealistic and theoretical and wrong -- when they are prophesying national bankruptcy in 1939.

To translate this into terms of ~~the retail~~ trade, the ^{and consumer stores} shelves of heavy industries ^A ~~merchants~~ in 1929 were seriously overstacked. You know what happens to ~~merchants~~ if they buy twice as much as the public can buy from them.

In the last analysis, therefore, consumer buying power is the milk in the cocoanut of all business.

Whether you are a big department store or do business in a small way on the Main Street of a small town, your sales are dependent on how much money the average family in the community earns. That is a homely way of putting it, but it is an eternal truth.

That is one reason why I have talked about the one-third of our population that is ill-clad, ill-housed, ill-fed. That third -- forty million people -- can buy very little at the stores. Therefore, their local stores can order very little at the factories. *H* Some of my friends laugh at me when I stress this, laugh at efforts to establish minimum wages. But the little and the big storekeeper understand and know they will sell more goods if their customers have more money. I want, and I think I have your help, to build up the purchasing power of the average of your customers.

How shall we produce more customers with more money?

One school of thought is what I call the school of the gamblers. You find some of them in every community -- as well as in Wall Street, and some of them, the political variety, even in the halls of the Congress and State Legislatures.

That school is eager to gamble the safety of the nation and of our system of private enterprise on nothing more than their personal hunch that if government will just keep its hands off the economic system customers will just happen.

I use the word "gamble" because there is no modern experience to support their theory.

In fact, modern experience denies their theory. Between 1925 and 1933 government abandoned practically all concern for business and put into effect a tax system such as "Old Dealers" dream about. Customers and the buying power of customers were left just to happen. You know how many and how much happened.

These people who are playing the "it may happen" hunch today are actually the wildest eyed radicals in our midst, because despite proved failures they want to gamble on their own hunch once more.

In the other school of thought we are conservative New Dealers. We are the conservatives because we simply cannot bring ourselves to take radical chances with other people's property and other people's lives.

Now the owner of a private business may have the legal right to take a long chance that may make or break his personal fortune. If he alone goes out of business, the economic system is not endangered.

But the people who run the three branches of our government do not have the moral right to gamble with the well-being of one hundred and twenty million Americans. If millions of citizens starve, it is no answer to the starving to say that in the sweet by-and-by business, left to itself, will give them a job. Partisans are going around the country scaring parents who are not starving by telling them of an increased national debt which their grandchildren will have to pay. Certainly that is not as alarming as telling parents who are already starving that an untrammeled business setup will provide their grandchildren with food in 1989. Yet that is what the radical gamblers of business and politics might have to say if they put their theories into practice next year.

Not one of you who are good Americans and practical Americans believe that we could repeat the catastrophe of those years immediately preceding and following 1929 and emerge from it with our economic and social system unchanged. No business man, big or little, can fairly or patriotically ask his government to take a course of action that runs that risk.

That is why our school of thought -- the conservative school -- holds the view that an intelligent nation should rest its faith in arithmetic rather than in a hunch.

Today, in order to provide customers for business, your government uses government capital to provide jobs, to prevent farm prices from collapsing and to build up purchasing power when private capital fails to do it. For example, out of every dollar spent by the Federal Government to provide jobs, more than fifty cents passes over the counters of the retail merchants of America.

We also use what we call social legislation -- such as legislation to encourage better pay for low-paid labor and thereby provide more and better customers for you; such as legislation to protect investors so that they may continue to be your customers without losing their savings in worthless stocks and bonds.

I wonder if you have any conception of the number of business men and bankers and economists whom I talk with briefly or at length in any given month of the year. I wonder if you have any conception of the variety of suggestions and panaceas they offer me. I wonder if you know the very large percentage of them who honestly and very naturally think of national problems solely in terms of their own business. I wonder if you will be surprised if I tell you that most of them leave my office saying to me — "Why, Mr. President, I did not know about that. You have given me a new perspective. I never thought of the problem in that way before."

I sit in my office with a business man who thinks the surest way to produce customers is to balance the federal budget at once. I say to him — "How?"

Sometimes he says — "How should I know? That is your job." Sometimes he says — "Cut the budget straight through 10% or 20%."

Then I take from my desk drawer a fat book and it is apparent at once that he has never seen or read the budget of the Government of the United States.

He tries to change the subject but I hold him to it. I say - "This budget is not all of one piece; it is an aggregate of hundreds of items. Either we will have to cut every item 10% or 20% or, if we do not do this, cut some items very much more than 10% or 20%."

I point out the one and a half billion dollars for the Army and Navy. He pounds the desk and says -- "Don't cut that item --- not in these days."

I show him the item of a billion dollars for interest on the public debt. He owns some government bonds and rejects any cut in his interest.

I show him the billion dollar item for war and civil service pensions. He says -- "No --- no cut there."

I mention the billion dollars for running the permanent functions of the regular government departments -- they cost less today than under my predecessor. He readily agrees that the postman and the G-man and the forest service cannot be curtailed. The only people he would sever from the payrolls are the tax collectors.

That gets us down to a few other big items -- totaling over four billion dollars to take care of four things -- payments to agriculture, federal public works (including P.W.A., reclamation and flood control), work relief for the unemployed (including C.C.C.) and assistance for our old people.

My visitor agrees with me that we are going through a transitional period seeking the best way to maintain decent prices for the farm population of America, trying to make them better customers of business men -- and that even if we have not yet ^{attained} ~~found~~ the permanent solution we have got away permanently from 5¢ cotton and 10¢ corn and 30¢ wheat.

I come to the public works item. He suggests that that can be cut 50%. I happen to know that his community is working tooth and nail to get a grant for a much needed new high school or that his County suffered severe property losses from recent floods. I suggest that we will start economy right there and not give the grants, defer building the levee or the flood control dam for twenty or thirty years.

In every case I find what I suspected. His local Chamber of Commerce, his local newspapers are yelling their heads off to have those projects built with federal assistance. And I say to him - "Consistency, thy name is geography. You believe with the United States Chamber of Commerce that federal spending on public works should cease -- except in your own home town."

The item of funds for work relief: there my visitor-customer makes a last stand. He wants that cut, and cut hard.

We agree that there are between three and four million American workers, who, with their families, need work or money to keep alive. I drive him to the inevitable admission that the only alternative is to put them on a dole.

That is where I make a stand.

I tell my visitor that never so long as I am President of the United States will I condemn millions of men and women to the dry-rot of idleness on a dole; never condemn the business enterprise of the United States to the loss of millions of dollars worth of customer purchasing power; never take the terrific risk of what would happen to the social system of American democracy if we foisted on it an occasional basket of groceries instead of the chance to work.

I well know the difficulties and the costs of a work policy.

I do not have to be told that 5% of the projects are of questionable value -- I know it. Or that 5% of the people on relief projects ought not to be on the rolls -- I know that too. But when you think of nearly three million men and women scattered over all the forty-eight States and all of the thirty-one hundred counties in America, I am proud of the fact that 95% of the projects are good, and that 95% of the people are properly on the rolls. And I know that the American people

cannot be fooled into believing that the few exceptions actually constitute the general practice.

My friend across the desk murmurs something about old age pensions. He is a bit half-hearted about this and he finally admits not only the need for dignified support of old age, given and accepted as a new American right, but he realizes that over a period of years this support will have to be extended rather than reduced. You and I and all Americans agree that we must work out this problem for our old people.

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And so my visitor leaves convinced, in nine cases out of ten, that balancing the budget today, or even next year, is a pretty difficult if not an impossible job.

A few words about federal taxes:

They fall into three principal categories -- consumer taxes, like the taxes on cigarettes and gasoline and liquor; personal taxes, like the personal income taxes and the inheritance taxes; and, finally, taxes on corporations. Together they yield nearly six billion dollars.

For good sound business reasons two things seem clear to me.

First, especially in view of the unbalanced budget, we ought not to raise less money from taxation than we are doing now.

Second, it would be bad for business to shift any further burden to consumer taxes. The proportion of consumer taxes to the total is plenty high enough as it is. Remember, as business men and as retailers, that any further taxes on consumers, like a sales tax, means that the consumers can buy fewer goods at your store.

Therefore, I want to leave the proportion between these three groups of taxes just where it is now.

That means that if we reduce so-called deterrent taxes on business corporations, we must find substitute taxes to lay on business corporations. That language is as plain as an old shoe.

Let me give you an example of what I call making a mountain out of a mole hill. There is a hullabaloo for the repeal of the undistributed earnings tax. You would think that this was the principal deterrent to business today. Yet it is a simple fact that out of one billion one hundred million dollars paid to the Federal Government by corporations, less than twenty million dollars comes to the government from the undistributed earnings tax -- less than 2% of the total.

Let me proceed. I am wholly willing to have this twenty million dollar tax, less than 2% of the total, wholly repealed on two simple conditions, which are based on principle.

The first is that this twenty million dollars shall be raised by some other form of tax against corporations and not against other groups of taxpayers -- and that it shall be raised in such a way that it will be paid by the twenty-eight thousand bigger corporations, earning more than \$25,000 a year, and not by the one hundred and seventy-five thousand little corporations earning less than that sum.

The second condition is that in the repeal of this tax we shall not return to the old tax evasion loophole by which a small group of very rich people were able to leave their profits in closely held corporations, thus avoiding the full rates of the higher brackets on their personal incomes. Patriotic people will not want to go back to that pernicious habit.

I have talked with you at some length about the radicals who have the hunch that we ought to go back to the conditions of 1929; about performing a major operation by amputating present functions of government; and about the efforts of some who would reduce corporation taxes and add to consumer taxes.

But I would not have you believe that the conservative attitude of this Administration plans as any permanent part of our American system an indefinite continuation of excess of out-go over cash receipts.

This week is dedicated by the opponents of the Administration to merchandising horror about the national debt. We are having a National Debt Week like a National Clean-Up and Paint-Up Week.

Let us talk about the debt in business men's terms.

In the first place, a nation's debt, like the deposit liability of a bank, must be considered in relation to its assets.

A large part of the government debt is offset by debts owed to the government — loans of many kinds made on a business basis by the R. F. C. and the Farm Credit Administration, for instance, and now being repaid on schedule. These assets are just as sound as the loans made by the bankers of the country.

Another portion of the debt is invested in Federally-owned enterprises, like Boulder Dam, which will pay out, principal and interest, over a period of years.

A third part of the debt has been invested in works like flood control dams and levees, to save us from heavy future losses. They will pay for themselves in a very few years by eliminating annual property damage which each year has run into hundreds of millions — pay by the saving of taxable values which otherwise would have floated off down stream.

The next thing to remember about the debt is that government, like business men, is investing in order to create a higher volume of business income and, therefore, a bigger net yield for government. National income will be greater tomorrow than it is today because government has had the courage to borrow idle capital and put idle labor to work.

The year before I took office, our national income was thirty-nine billions. In 1937 it got up to sixty-nine billions. In 1938 it went back to sixty-two billions. Today it is running at the rate of sixty-five billions. At eighty billions, the income from present taxes will be sufficient to meet expenditures on the present scale -- and actually to reduce our relief appropriations.

Today with no danger of surplus of goods over-hanging the market -- just because we have tried to keep consumer purchasing power up to production --- the nation is in an excellent position to move forward into a period of greater production and greater employment.

And when this week you see all the crocodile tears about the burden on our grandchildren to pay the government debt, remember this:

Our national debt after all is an internal debt owed not only by the nation but to the nation. If our children have to pay interest on it they will pay that interest to themselves. A reasonable internal debt will not impoverish our children.

But if we do not allow a democratic government to do the things which need to be done and hand down to our children a deteriorated nation, their legacy will be not a legacy of abundance or even a legacy of poverty amidst plenty, but a legacy of poverty amidst poverty.

Don't you agree that it is better to work unitedly to balance national income and national out-go at a level where government can do the things that have to be done to preserve our people and our resources than to play the speculative hunch and withdraw government from lending and investment, from conserving property and from providing work for our capital and our people, in the hope that in some mysterious way a

miracle will occur -- a miracle which our only experience under modern conditions has proved impossible?

I keep saying "Do not lose sight of the forest because of the trees." Let us always distinguish principles and objectives from details and mechanics. You cannot expect this Administration to alter the principles and objectives for which we have struggled the last six years.

But if you approve of the purposes that lie behind our policies, but believe our operating methods can be improved, then your help and your counsel are welcome -- doubly welcome in this Administration. That relates to the details of taxation, details of relief, the details of every administrative branch of the government.

If I have spoken to you seriously tonight, it is because I believe that you, too, are thinking of the well-being of every man, woman and child in our country -- that you go along with me in every effort that I can make for the preservation of world peace and for the preservation of domestic peace -- not merely

an armed peace which foregoes war for the moment, but a peace that comes from a knowledge, both abroad and at home, that there will be no further acts of aggression on the part of nations, on the part of groups or on the part of individuals. You think, rightly, of profits in your own business -- so does every other American -- so do I. But we are not ruled by the thought of profits alone. More and more we seek the making of profits by processes that will not destroy our fellow men who are our neighbors.

That is one of the functions of your government. It seeks your cooperation in the extension of that ideal. It is open to your advice and your help — because it believes that its fundamental ideals and yours are the same.

That is why I came to you not in the spirit of criticism, not with a big stick, but with a simple plea for your assistance as American citizens in working out our common problems with good-will and with the maintenance of the ideals of peace.

Franklin D. Roosevelt
Duly reading copy

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May 22, 1959

CAUTION: The following address of the President,
to be delivered before the Retailers' National Forum
at the Mayflower Hotel, MUST BE HELD IN CONFIDENCE
until released.

NOTE: Release to editions of all newspapers appearing
on the streets NOT EARLIER THAN 9:30 P.M., E.S.T., May 22, 1959.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President



SPEECH OF THE PRESIDENT
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~~THE MARKET FOR OUR COUNTRY'S PRODUCTION~~

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Today in 1938 they tell you that conditions are not sound because we are trying to build the sort of houses and other things which our people really need, and because we are trying to make sure that our people have the purchasing power to pay for these things.

They were unrealistic and theoretical when they were prophesying their new era in 1929 — they are just as unrealistic and wrong — when they are prophesying nation¹ bankruptcy and theoretical, in 1939.

To translate this into terms of the retail trade, the shelves of heavy industries in 1929 were seriously overstocked. You know what happens to storekeepers if they buy twice as much as the public can buy from them.

In the last analysis, therefore, consumer buying power is the milk in the cocoanut of all business.

Whether you are a big department store or do business in a small way on the Main Street of a small town, your sales are dependent on how much money the average family in the community earns. That is a homely way of putting it, but it is an eternal truth.

That is one reason why I have talked about the one-third of our population that is ill-clad, ill-housed, ill-fed. That third -- forty million people -- can buy very little at the stores. Therefore, their local stores can order very little at the factories. Some of my friends laugh at me when I stress this, laugh at efforts to establish minimum wages. But the little and the big storekeeper understand and know they will sell more goods if their customers have more money. I want, and I think I have your help, to build up the purchasing power of the average of your customers.

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In fact, modern experience denies their theory. Between 1925 and 1933 government abandoned practically all concern for business and put into effect a tax system such as "Old Dealers" dream about. Customers and the buying power of customers were left just to happen. You know how many and how much happened.

These people who are playing the "it may happen" bunch today are actually the wildest eyed radicals in our midst, because despite proved ^{falseness} ~~fairness~~ they want to gamble on their own bunch once more.

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But the people who run the three branches of our government do not have the moral right to gamble with the well-being of one hundred and twenty million Americans. If millions of citizens starve, it is no answer to the starving to say that in the sweet by-and-by business, left to itself, will give them a job. Partisans are going around the country scaring parents who are not starving by telling them of an increased national debt which their grandchildren will have to pay. Certainly that is not as alarming as telling parents who are already starving that an untrammeled business setup will provide their grandchildren with food in 1969. Yet that is what the radical gamblers of business and politics might have to say if they put their theories into practice next year.

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My visitor agrees with me that we are going through a transitional period seeking the best way to maintain decent prices for the farm population of America, trying to make them better customers of business men -- and that even if we have not yet found the permanent solution we have got away permanently from 5¢ cotton and 10¢ corn and 30¢ wheat.

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A few words about federal taxes:

They fall into three principal categories -- consumer taxes, like the taxes on cigarettes and gasoline and liquor; personal taxes, like the personal income taxes and the inheritance taxes; and, finally, taxes on corporations. Together they yield nearly six billion dollars.

For good sound business reasons two things seem clear to me.

First, especially in view of the unbalanced budget, we ought not to raise less money from taxation than we are doing now.

Second, it would be bad for business to shift any further burden to consumer taxes. The proportion of consumer taxes to the total is plenty high enough as it is. Remember, as business men and as retailers, that any further taxes on consumers, like a sales tax, means that the consumers can buy fewer goods at your store.

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A large part of the government debt is offset by debts owed to the government -- loans of many kinds made on a business basis by the R. F. C. and the Farm Credit Administration, for instance, and now being repaid on schedule. These assets are just as sound as the loans made by the bankers of the country.

Another portion of the debt is invested in Federally-owned enterprises, like Boulder Dam, which will pay out, principal and interest, over a period of years.

A third part of the debt has been invested in works like flood control dams and levees, to save us from heavy future losses. They will pay for themselves in a very few years by eliminating annual property damage which each year has run into hundreds of millions -- pay by the saving of taxable values which otherwise would have floated off down stream.

The next thing to remember about the debt is that government, like business men, is investing in order to create a higher volume of business income and, therefore, a bigger net yield for government. National income will be greater tomorrow than it is today because government has had the courage to borrow idle capital and put idle labor to work.

The year before I took office, our national income was thirty-nine billions. In 1937 it got up to sixty-nine billions. In 1938 it went back to sixty-two billions. Today it is running at the rate of sixty-five billions. At eighty billions, the income from present taxes will be sufficient to meet expenditures on the present scale — and actually to reduce our relief appropriations.

Today with no danger of surplus of goods over-hanging the market — just because we have tried to keep consumer purchasing power up to production — the nation is in an excellent position to move forward into a period of greater production and greater employment.

And, when this week you see all the crocodile tears about the burden on our grandchildren to pay the government debt, remember this:

Our national debt after all is an internal debt owed not only by the nation but to the nation. If our children have to pay interest on it they will pay that interest to themselves. A reasonable internal debt will not impoverish our children.

But if we do not allow a democratic government to do the things which need to be done and hand down to our children a deteriorated nation, their legacy will be not a legacy of abundance or even a legacy of poverty amidst plenty, but a legacy of poverty amidst poverty.

Don't you agree that it is better to work unitedly to balance national income and national out-go at a level where government can do the things that have to be done to preserve our people and our resources than to play the speculative hunch and withdraw government from lending and investment, from conserving property and from providing work for our capital and our people, in the hope that in some mysterious way a

miracle will occur -- a miracle which our only experience under modern conditions has proved impossible?

I keep saying "Do not lose sight of the forest because of the trees." Let us always distinguish principles and objectives from details and mechanics. You cannot expect this Administration to alter the principles and objectives for which we have struggled the last six years.

But if you approve of the purposes that lie behind our policies, but believe our operating methods can be improved, then your help and your counsel are welcome -- doubly welcome in this Administration. That relates to the details of taxation, details of relief, the details of every administrative branch of the government.

If I have spoken to you seriously tonight, it is because I believe that you, too, are thinking of the well-being of every man, woman and child in our country -- that you go along with me in every effort that I can make for the preservation of world peace and for the preservation of domestic peace -- not merely

an armed peace which foregoes war for the moment, but a peace that comes from a knowledge, both abroad and at home, that there will be no further acts of aggression on the part of nations, on the part of groups or on the part of individuals. You think, rightly, of profits in your own business — so does every other American — so do I. But we are not ruled by the thought of profits alone. More and more we seek the making of profits by processes that will not destroy our fellow men who are our neighbors.

That is one of the functions of your government. It seeks your cooperation in the extension of that ideal. It is open to your advice and your help — because it believes that its fundamental ideals and yours are the same.

That is why I came to you not in the spirit of criticism, not with a big stick, but with a simple plea for your assistance as American citizens in working out our common problems with good-will and with the maintenance of the ideals of peace.

Desert I.

A respectable school of thought, indulged in by some high-class Socialists and Communists, says that we will never increase employment till we increase the production of new buildings and new machinery - what they call the heavy goods of industry. They lived to 1929 when we were constructing ships and government and office buildings, and four Training schools and 75-trolley bus factories and building new roads on an unprecedented scale.

I have had but immature people forget two things: first that in 1929, notwithstanding the heavy industries put down the need for and use of them; and second that this was because consumer purchasing power did not keep pace with the production, and so caused ~~it to become~~ overproduction.

To translate this into terms of the retail trade, the sellers of heavy industries in 1929 were seriously overstocked - you know what happens to stockholders if they buy twice as much as the public can buy from them.

In the last analysis, therefore, consumer

buying power is the milk in the cream of all business.

Whether you run a big department store or do business in a small way on the main street of a small town, your sales are dependent upon how much money the average family has the community earns. That is a honest way of putting it, but it is an eternal truth.

That is one reason why I have talked about the $\frac{1}{3}$ of our population that is ill clad and ill housed and fed. That third - 40 million people - can buy very little at the stores. Therefore their local stores can order very little ~~further~~ at the factories. Some of my friends laugh at me when I state this, laugh at efforts to establish minimum wages, to keep hours of labor down, to get cheaper rents, to encourage home ownership. But the little ^{and thriving} storekeeper understands, and knows they will sell more goods if their customers have more money. I want, and I think I have given brief to build up the purchasing power of the average of your customers.

A

①

Without cuts 48%

With cuts 42%

I am happy to be the guest speaker at this first forum of the American Retailers Federation. I feel a kinship between your business and mine. Both of us have to sell a lot of things to a lot of people. You have ~~one~~ advantage — I can't have a bargain basement.

We have another bond. Both of us are at the delivery end of the economic system; we have to know, not theorize, about what makes business go. We agree, I think, that customers make it go — many small customers able to pay for food, shelter and clothing.

¶ For you that flow of consumer purchasing power determines the difference between red and black on your accounts -- for the nation it determines the difference between unemployment and prosperity.

front 17
We have magnificent ability to produce goods. But between 1929 and 1935 you retailers must have wondered whether we would ever again be able to produce a customer.

Today we still have two schools of thought on how to produce customers.

DIFFERENCE BETWEEN RISKS PRIVATE ENTERPRISE CAN TAKE
AND GOVERNMENT CAN TAKE

One school is what I call the gamblers. *You lend them money
and they never return it.* *Less older inventors
government, in Wall Street and, the political party,
are in Wall Street.* *In the halls of Congress and State legislature*
That school is eager to gamble the safety of the nation and

of our system of private enterprise on nothing more than their personal hunch that if government will just keep its hands off the economic system, customers will just happen. I say gamble

Modern
because there is no experience to support the theory. The

1925
last perfect conditions for its demonstration were between ~~1929~~ and 1935.

Government then kept its hands off business and maintained a tax system such as Old Dealers dream about. Customers were

left to just happen. You know how many happened.

Today, These people who are
following the "it may happen" hunch today are the scions of radicals of
In the other school of thought are we conservative New Dealers.

We simply can't bring ourselves to take such radical chances with other people's property and other people's lives.

Now the owner of a private business may be justified in taking

such a long chance with a desperate remedy that may make or break his
personal fortunes. For if he alone goes out of business the
economic system -- with government help -- can close around the wound.

But Government is responsible for the well-being of 120 million Americans -- its risks are on that scale -- and there is no one to bail out Government's mistakes.

No one believes that we could repeat the catastrophe of
preceding and following 1929
1935 and emerge with our economic and social system unchanged.

No business man, however bold with his own fortunes, can fairly ask government to take a course of action which runs that risk.

That is why the New Deal school — the conservative school — holds to the view that an intelligent nation should rest its faith in arithmetic rather than in a bunch in providing national income, national security and national confidence in our democratic way of living.

To provide customers the New Deal uses government capital to prevent ~~farm~~ ^{To prevent from collapsing and to build up} prices and purchasing power when private capital is unwilling to take the risks of providing them.

It also uses social legislation — such as legislation requiring that labor be given enough pay to be a good customer and that investors be protected so that they may continue to be customers for something more than ~~gold~~ ^{engraved} pieces of paper.

BUDGET

Time and again, I sit in my office with a business man who disagrees and who thinks the surest way to produce customers is to balance the budget.

In my innocent thirst for knowledge, I eagerly say — "How?" And usually he replies "Just cut it, that's all — straight through — ten percent".

Then, from my desk drawer, I take a long paper and I say

"Have you ever actually seen the budget of the United States?"

And he replies, "Well, of course, I have a general idea", -- and he tries to change the subject.

But I've been searching that particular knowledge so long that I can't bear to change the subject. I go on and say, "The budget of the United States is not all of a piece; it is not a single item off which you can slice ten percent. It is an aggregate of many items. If we are going to cut the government's whole outgo ten percent we'll have to cut each item ten percent or cut some items much more than ten percent.

"Now let's see. Item one is approximately a billion dollars for interest on the public debt. Shall we conveniently confiscate ten percent of that interest? ~~so that we can reduce the interest item ten percent?~~"

My visitor gasps: I am considerate: I myself say, "Of course not!"

The next item is approximately one and a half billion dollars for the Army and the Navy. I say: "Do you think we had better trim the Army and Navy by ten percent?"

My visitor pounds the desk: "Of course not -- in these days!"

I run my finger down to the next item -- approximately a billion dollars for war pensions and for civil service pensions.
I inquire: "Ten percent here?"

He squirms "No".

Next item -- nearly a billion dollars to run the familiar functions of the regular government departments -- to pay the postman and the G-man and the federal judge, the labor conciliator, and the Coast-Guardsmen, the patrol who fights the forest fire, the [inspector]
farm [agent] who fights the boll-weevil. For a moment my visitor looks hopefully fierce. But then I point out that ten percent of that particular billion will be only a little over 2 percent of all the items we have already considered. Whereupon he decides it is hardly worthwhile not to pay the postman -- provided only I will eliminate entirely the item to pay the tax collectors.

That gets us down to the really big items -- from four to give billions that take care of four things -- payments to agriculture, federal public works (including P.W.A., reclamation and flood control), work relief for the unemployed (including C.C.C.) and assistance for our old people.

I start with the payments for agriculture which the Senate, obedient to its sense of the public pulse, has just increased by about four hundred million dollars.

I say, "Those payments to agriculture mean decent prices for the farm population of America, the steadiest element in our population, which works harder, produces more goods and has more children than any other element — and is the best aggregate customer of everyone else in the United States. Did I hear you say ten percent off — for cash?"

He is silently unhappy.

I come to the public works item. He is sure that can be cut 50 percent. I ask, innocently, "By the way, how is that new concrete road through your county?"

His eyes light up. He tells me not only about the new roads but also about the new schools and the new sewer systems and the new bridges and the new dams that are being built — how much the community has needed them and how much trade the construction camps are bringing his town. He tells me that these public works have also given large orders to heavy industries and have created thousands of jobs for workers outside his community.

I ask him if the local Chamber of Commerce and the local newspapers have indorsed these projects. He replies with enthusiasm. The local newspapers he says took a patriotic lead in organizing *the projects* sentiment to demand them and the local Chamber has been lobbying



its head off for them and sending a delegation a day to Washington.

But then I tell him that the United States Chamber of Commerce and the press of the country as a whole are demanding an end to Federal spending and that I have been wondering whether I ought to take their advice and start at once with my visitor's home town — as good a place as any to begin — and wire out instructions to stop all Federal projects there.

Whereat my customer is horribly pained.

And whereat I observe to myself, "Consistency, thy name is geography".

Then we come to the last item — the funds for work relief.

There my visitor makes a last stand.

There he wants to cut and cut hard.

I push him into a corner. I ask him what alternative he proposes to provide for the unemployed who aren't otherwise permitted to be customers. He finally admits, that what he proposes is to end work relief, and leave those who are unemployed through no fault of their own to idleness on a dole.

Then, believe me, I make a last stand!

THE DOLE

I tell my visitor that never so long as I am President of the United States will I condemn millions of men and women to the dry rot of idleness on a dole; never will I condemn the business enterprise of the United States to the stagnation of the loss of millions of dollars worth of customer purchasing power; never will I risk the survival of the social system of American democracy under such a blow to its morale.

We have magnificent natural resources -- coal, iron, soil. Some may tell you that those things make us great. But I tell you that the deepest source of our greatness is the driving power of a Puritan inheritance that dedicates this nation to work -- the driving power of a moral conviction that men should labor for their living. From the standpoint of the national future it is fantastically shortsighted to try to destroy that asset by educating a large portion of the population to feel mentally easy and happy doing nothing on a dole.

I care not what the experience of other nations may be, I leave to others to argue how far the dole has deteriorated the national morale of other peoples who have adopted it; I leave it to those in the countinghouses to know how they would persuade a man with no stake in his country except a dole, to believe that such a stake is worth a man's fighting fog.

[The American people are a rule unto themselves and if I know them, there is nothing more impossible than to make them happy and maintain their energy doing nothing on a dole. Even men and women on honest work relief projects have been having a hard time in their hearts with the inconsiderate sneers of luckier people about relatives and snug suggestions that they be disfranchised and treated as pariahs. An intelligent America that wants to remain a free, an energetic, and if need be a fighting America, should never condemn workers in their productive years to the [dry-rot] of idleness any more than it should condemn them after their productive years to an insecure old age.]

I know the difficulties and the costs of a work policy; no one ^{then} has had more headaches over [that than I]. But the difference between what it costs to keep disheartened unemployed on a dole and what it costs to keep energetic Americans at work is the cheapest insurance any democracy — or any system of private economic enterprise — ever purchased.

The same considerations apply to the provision we have made for dignified support of old age, given and accepted as a right; a provision I know will have to be extended rather than retrenched before we can reach economic and social stability.

[In his heart, the fellow across the desk knows all those things,

as well as I know them. For often I say to him: "Go out on the front steps of the White House and tell the public through the press so that the public will know that you, a responsible man in private business, advocate the dole as the way to create customers and prosperity. Privately you advise me to take that position. Go out there and take that position for yourself."

My visitor never takes up the challenge.⁷

TAXES

My visitor wants to know why the Administration is so obdurate about business taxes.

I ask my visitor whether, if government expenditures are not reduced, he would favor unbalancing the budget further by reducing the aggregate amount of tax revenues.

"No", he says, "we need more, not less, revenues, but we ought to take off some of the taxes that deter business like the undistributed profits tax".

I point out that today, out of the eleven hundred millions in taxes which corporations pay, only thirty million dollars, less than three per cent, comes from the undistributed profits tax, and surely I say, this small and already emasculated undistributed profits

tax cannot be any great deterrent.

He seems surprised at the small percentage — three per cent — but mutters something about the principle of the thing.

But that's just my language. Because I'm also interested
in principles! I think it is a matter of principle that the right
people pay the substitute 50 million dollars we would lose by
the repeal of the undistributed profits tax. I also think it a
matter of principle that we should not repeal that tax unless we
know some other way to prevent high bracket individuals from leaving
their profits in corporate treasuries and thereby avoid paying
full rate on their personal income taxes.

My visitor is uncomfortable and says something about that being
a problem for the experts. He suggests that a small sales tax
which would not hurt anyone very much might be worth considering.

I tell him that my experts tell me that a sales tax is the
worst sort of tax, that it comes out of people with small means
and reduces their buying power. That's why, I suggest, the
American Federation of Retailers wouldn't like it.

Then I say that I know of no way of making up the taxes pro-
posed to be taken off the corporations, except by putting other
kinds of taxes on the corporations. He doesn't like that at all.

But
~~I-fool-passed~~, as I make him, and tonight I make every one
^

who feels like him this proposition. I am willing to sit down around a table, not with one business man or group of business men, but with representatives of both business men and consumers, and try to see if we can all agree, all cards on the table, how much of our tax revenues should be raised by taxes on corporations, how much by taxes on consumption and how much by taxes on individual incomes and estates. In that way, if we can agree, we will avoid the obvious effort on the part of some groups to transfer their tax burden to other groups.

That will be an open covenant openly arrived at. If we are going to have tax revision, the American people are entitled to know who is to pay for tax relief as well as to know who is to get tax relief.

WAGES AND HOURS: STOCK MANIPULATION

My visitor turns to the other method of the Administration about which there are misconceptions and complaints — the so-called restrictive legislation of the New Deal.

I ask him whether he is in sympathy with the objectives of this legislation. He usually answers "Yes".

I ask him what he thinks ought to be done. He replies that there ought to be some "perfecting amendments" to make the legislation less of what he calls a "deterrent". But when I ask what kind of

amendments, I find that he is following blindfolded the propaganda of some organized push aiming to destroy a law behind the guise of "a few perfecting amendments".

Let me give you an example:

Some time ago a committee from the New York Stock Exchange pressed some suggestions upon the Securities and Exchange Commission to change the law. As they publicized their purposes, they didn't want to abolish the law; they just wanted to make it more "workable" and give business "confidence". [Immediately many business men, not knowing the whole story, were inclined to sympathize.]

But when examined by government men who knew the stock market business, the Stock Exchange Committee demands came down to the practical emasculation of the law by permitting once again the kind of stock market pools that in 1929 helped demote the American public of its purchasing power and private enterprise of its customers -- the kind of manipulation that has been re-revealed to us in Justice Pecora's new book "Wall Street Under Oath". Parenthetically I understand that most people in Wall Street disagreed with the tactics of the Stock Exchange's Committee.

PERSONAL HELP FOR PEOPLE

That sort of thing makes me really grateful to the little group who drafted the recent resolutions of the United States Chamber of Commerce. At their face value, at least, they were [obey] honest reactionaries. They didn't try to fool anybody.

The Wage and Hour Law provides that the American worker shall not work more than forty hours a week while millions of other men are begging for work, and shall not be paid less than \$12 a week while American business is producing more goods than it can sell. That law has received unprecedented approval from the American people in poll after poll.

But the Chamber went on record not for any ~~freedom~~ amendment of the Act but for outright repeal.

~~The men who drafted those resolutions want labor for more than a forty-hour week and for less than \$12 a week, and openly defy public opinion,~~

How many customers do you think that sort of an attitude will provide the retailers or any other business men of America?

THE PROBLEMS AHEAD

What is important it seems to me is that at this stage of our economic picture we assume each other's intelligence and not waste each other's time trying to play the game in

any way but with cards face up. No advantage which any group or class within the nation can gain by confusing any other, measures up against the corrosive dangers of a nation unsure of itself.

Let's put the cards on the table.

SECRETARY MORGENTHAU'S SUGGESTION FOR ANNUAL MESSAGE

Our so-called problem of unemployment isn't a problem by itself. It is the aggregate symptom of a lot of deeper problems which have been cooking ever since the War between the States — problems on which we have achieved mightily in the last six years — but problems on which there is much more left to do.

Let me cite examples:
— Eliminating dead capital and unprofitable operations from our railroad system — after six years there are still no signs of agreement among the interests involved;

— Eliminating unintelligent glutting of markets, industrial as well as agricultural, by providing machinery for common knowledge of the real demand in the market.

Getting employers who never before had to negotiate with labor used to accepting the public's new attitude toward labor — and labor's new attitude toward itself;

— Revamping the whole federal tax system in view of the changed

relationships of federal, state and local units of government
and the degree to which tax-exempt securities are absorbing
what might be venture capital;

Educating venture capital to the fact that rates of return
and degrees of risk have changed for good in the modern world;

Breaking up the dangerous concentration of economic power —
with its inflexibility of markets, its irregularity of employ-
ment and its philosophy of profit without risk.]

AGGRESSION -- PLEA FOR LITTLE RETAILERS

May I at this point talk very frankly about the place of big
retailers in the problem of concentrated economic power. We are
a very proud, individualistic and sentimental people — right now
even abnormally sensitive to dangers to personal freedom. We
like the benefits of big organization but there is a certain
emotional point at which we want the freedom of the individual more
than we want efficiency. That is why, when they really see
concrete instances, most people in the United States oppose the
concentration of economic control in the hands of a very few in-
dividuals, either directly or through their representatives. That
is why in the long run ~~popular~~ popular support always gets behind efforts
to curb concentrated control.

I know from private conversations with many of you how strongly you share the general moral attitude of our people toward international aggression when big nations refuse to live and let live side by side with little nations. May I suggest to you that the American public might come to take a moral attitude about the way in which big business dictators drive out little business.

I am not intimating that the government, or you gentlemen, should guarantee the continued separate economic existence of every small storekeeper in the United States. An individual storekeeper may for many reasons fail to keep his head above water. But the reason should be a natural reason and not flow from acts of aggression on the part of the big fellow.

I do not want to be harsh. I am not deciding questions on which I am not informed. But I assume that you are thinking not in terms of this month's orders and this month's sales but in terms of the continuation of your businesses for five, ten and twenty years to come. On that assumption, I make a friendly suggestion -- do not overlook a public attitude that is just as important a fact to you as public buying power.

Remaining a moment ago
Some of the ~~many~~ problems I have enumerated can be worked
A
out in time. Some of them frankly will just have to ~~be~~ be run out

with time.

Meanwhile, as a practical problem of government, we have to maintain the momentum of our business system — and produce customers — in the atmosphere of a new social consciousness — a new awareness of the power and the rights of the mass of the people.

NECESSITY OF MAINTAINING REFORMS

Now as we face that situation two things must be as clear to every business man as they seem to be to me.

First, the way out to economic and social stability and security — is not to go back but to go through.

The social reforms of the New Deal — the principle of the Wage and Hour Law, the Securities and Exchange Act, the National Labor Relations Act and similar legislation, are now the status quo — the norm — in the minds and the hearts and the business system of the American people. To attempt to tear them out of the social fabric would not restore anything; it would only bring chaos.

NECESSITY OF GOVERNMENT INVESTMENT AND CREDIT

Loughlin
A second thing clear to me and to every business man. There is seasonal political talk about getting government out of business and balancing the budget at this time. But every responsible person knows that some really appreciable amount of government investment

and government credit is still necessary -- necessary to energize the system of private enterprise during this period while private capital is still shell-shocked from the effects of events abroad and the aftermath of the 1933 depression.

[The recession of 1937-1938 which occurred when government curtailed its net contribution to the purchasing power of the nation demonstrated by arithmetical proof that under modern conditions private enterprise today actually needs the support of government investment and government credit.] We can never again dare to place the risks of recession on those least able to bear them.

*Copy on
Insert in
page 20*

We do not have to decide now between the theorists -- whether we believe in government investment as a permanent steady policy, or as a compensatory policy varying with private activity or as a temporary stimulant only. We do not need to theorize at all.

The plain fact is that right now government investment and government credit maintain customers for present business and

is necessary to
buy us time in which to muster new energy to face without

economics-distress-deeper problems which the whole world has yet unsolved.

Government credit has and should be used to energize economic activity through private as well as public investment. Much

of our housing program, for example, has been stimulated through the insurance of private investment through F.H.A. Government assistance to the railroads has enabled them to buy new equipment and to keep up their maintenance programs. Through the R.F.C. we have also extended credit to private industrial enterprises and we are now studying the feasibility of furthering the expansion of industrial credits by insuring bank loans to business for periods running from one to ten years.

How much investment, how much credit is needed may be a point to argue about. But one thing is very clear — it will be far less costly to be sure we use enough in time, than to risk a repetition of the consequences of an abortive suspension of government activity which we had in the Spring of '57.

Insert from
page 19

INADEQUACY OF BOOKKEEPING APPROACH TO GOVERNMENT DEBT PROBLEM

In determining how much is enough, and what the use of government investment and government credit costs us as a nation, it is important that we think in terms of things and not in terms of bookkeeping. I believe in arithmetic — you merchants believe in arithmetic. But this nation is very easily fooled from time to time by statisticians' algebra that does not measure real values.

The nation was badly fooled by that kind of algebra in 1929, on the optimistic (bull) side, when it let the accountants and so-called stock market experts fool it into believing that securities were worth more than the earning power of the industries on which they were issued.

CORRECTED

Today the same kind of attempt is being made to fool the nation on the bear (pessimistic) side, by statistician's algebra about national debt, which has as little relation to real values in the country as the algebra of the stock market expert had to real values in 1929.

It is interesting to me that in both cases, the unrealistic appraisal of values comes from the supposed misdeacles of Wall Street. They were wrong in 1929. I tell you they are wrong in 1959.

The real values in the nation in 1959 are our heritage of natural resources, intelligent and energetic man-power willing and eager to work, and a youth that is far better educated and far more promising than its fathers.

No amount of financial theorizing can conceal the fact that it is more important that we should build up that heritage and provide work for our people than we should as a matter of mere bookkeeping balance our budget or reduce our national debt at this time.

⁴t seems strange to me that many good people should be worried about the burden of debt which may be handed down to

worried

their children and not about the deteriorated national estate
and social heritage that they are likely to hand down to their
children if we do not allow a democratic government to do the
things which need be done.

Our national debt after all is an internal debt. It is
not only owed by the nation but is owed to the nation. If our
children have to pay the interest on the national debt, they
will be paying that interest to themselves. [Our private resources
are greater today than they would otherwise be because private
enterprise had the courage to go into debt. Our national re-
sources may be greater tomorrow than they are today because
government has the courage to borrow and put to work some of
the surplus savings of our people.]

A legacy of internal debt need not impoverish our children.
But if we hand down to our children a wasted natural heritage,
their legacy will be not a legacy of abundance or even a legacy
of poverty amidst plenty, but a legacy of poverty amidst poverty,
a legacy of insurmountable hardship and woe. [A. J. As Dr. Johnson so
wisely remarked: "Poverty is a great enemy of human happiness;
it certainly destroys liberty, and it makes some virtues im-
practicable and others extremely difficult".]

DEPROLETARIAT

Without boasting and with considerable humility we should recognize that nature has been kind to us in America. It has given us a country probably unexcelled in natural resources. We are capable of producing within our own boundaries more of the things which we need than probably any other nation or group of nations in the world. We are not indebted to, or dependent upon the favor of, any foreign power.

We have the men, the knowledge, the skill and the resources to produce much more than we are producing -- to build things both of use and of beauty which we are not building -- to husband our great national heritage, to control our floods, to harness our waters, and to conserve our irreplaceable forests, minerals and soils -- to house our people better, to clothe our people better, to care better for their health, education and welfare.

We can give to every youth the opportunity to use his talents and his skills. We can give to our old people dignified security.

We have the wherewithal to build a better and more enduring standard of living in America than the world has ever known.

There is a grand old phrase in the litany of the Church -- "Sursum corda!" "Lift up your hearts! Lift up your hearts and take courage!"

No amount of pessimistic theorizing can conceal the fact that we can do all of these things and that if we do all of these things we will be a happier people and a richer and stronger nation.

And if we do all of these things we need not fear for the survival of our democracy at home or for its power to withstand foreign aggression. Proof that a tolerant democracy can really care for the security of its citizens will do more even than armaments, important as they are today, to prevail against the tyranny of brute force that would enslave the world.

President's Jnl.

B

1. Something in relation to the retailers.
2. A defense -- boiling Ben down - of spending.
3. I would then end up with a challenge -- a reiteration of the fact that nine people out of ten through speeches or through newspapers or over the air voice complaints against the Government and then find some means through avoidance of the subject or through changing the subject to present any form of constructive alternative. So far as anybody with average intelligence can determine the alternative on the question of national spending and so-called restrictive laws would be drastically to cut the expenditures and drastically to remove certain restrictions that have been placed on business. Let us, therefore, take up what is the necessary alternative proposition insofar as anybody can make it out.

Not once but a dozen times in public -- not once but a thousand times in private conferences with business men, I have said to them in effect - the Federal Government is spending X number of dollars - let us say nine billion dollars. You criticize that total as being three or four billion dollars too high. In other words, too high by the sum that represents the annual deficit. They agree to that. I say alright you must, therefore, in order to make the criticism be familiar with the Federal budget. That is where they begin to change the subject and that is where I try to pin them down as a practical matter of finding out just what their alternative is.

We take up the budget. I point out to them that two billion dollars goes for the Army and Navy. That another billion dollars goes for civil pensions and military pensions -- that a billion dollars goes to run the ordinary functions of the Government Departments, etc. This totals six billion dollars

or at least the total of the budget they recommend. I ask them whether they advocate cutting on these expenditures which I have named. They suggest cutting the total 10%. I point out to them that you cannot cut the interest on the debt 10%. We cannot safely cut military and naval expenditures 10%. That we cannot possibly get Congress to reduce pension payments 10%, and that while it might be possible to reduce the billion dollars for ordinary departmental operations by 10%, the total saving out of six billion dollars would be only one hundred million.

To this, after some thought, they in most cases agree.

That leaves the balance of the budget — or about three or four billion dollars. I point out to them that this sum, which is also about the same amount as the deficit, is taken up almost entirely by three items.

1. Work relief for the unemployed.
2. Public works of various kinds.
3. Special payments of various kinds to agriculture.

I then say to the gentlemen — do you recommend reductions here? In the case of work relief it is typical of them to come down, in the last analysis, to an advocacy of the dole instead of work. They say that if we would give people a weekly dole instead of work relief it would save half the cost. That is correct. Therefore, on that item of between a billion and a half and two billion dollars it would be possible to save from three-quarters of a billion to one billion by adopting a national dole policy instead of a national work policy. But my difficulty and my complaint is that while these gentlemen in private conversation with me are willing to admit that in order to be consistent they are driven to adopt the dole policy, it is absolutely impossible to persuade them to go out on the front steps of my office and tell the Press that they have been driven into that inescapable conclusion. In other words, while privately they

admit they are driven to advocate the dole, they have not the courage publicly to say so.

2. It is possible to save a large sum on public works. Consistency in this case is a matter of geography. The man who comes to my desk to demand savings in Government expenditure says to me - make big reductions in public works - and when I ask him whether such a proposed large project or series of small projects in his home State should be eliminated he holds up his hands in horror and says - no, they are very essential to my part of the country. It is the same story with the great majority of newspapers of the country. It is the same story with the great majority of Chambers of Commerce of the country. You find them advocating reductions of Federal expenditures for public works and on the same editorial page or in the same meeting of the local Chamber of Commerce you find them crying aloud for Federal funds for local improvements.

3. Come then to the third category of large expenditures which conceivably could be curtailed -- aids to agriculture.

Wind up with a challenge to the Chamber of Commerce and Associations of Manufacturers to bring to my desk a concrete plan which will accomplish three things:

1. Save money on Federal expenditures.
2. Keep people from starving by giving them work and not a dole, for I will never accept the principle of a dole.
3. Keep up the consumer's purchasing power without having it go through a long slump period in the hope that eventually it will be restored. And make this a definite challenge.

Taxes.

Is it any wonder that there is grave suspicion on the part of the little business men, on the part of the middle income groups in the United States, and grave suspicion on the part of the lower income groups in the nation that the hidden objective of many of those who seek repeal of certain corporation taxes, on the ground that they are deterrents, want the loss of revenue made up not by corporation or other direct taxes, but by additions to consumer taxes. In other words, by devices like a national sales tax.

And, therefore, what I am pleading for tonight is honesty in stating the facts because the facts have not been honestly brought to the attention of the American public. People who will not tell half a truth in the hope that thereby they can push the burden of taxation, push the responsibility on to some other group than the ones to which they belong.

200

• 第二章 算法基础

question at 7:50 now tot number as I have, etc., etc., but
you need ten and stop off around about off number
one place. Only number off to numbers off of myself
and you take what you do off in which a line like son like
of no particular set and, perhaps, to method and draw
yourself from time to time as you do other things.

SPEECH OF THE PRESIDENT
AMERICAN RETAILERS' FEDERATION

MAY 22, 1939

May.

I am happy to speak at this first Forum of the American Retailers' Federation. I feel a kinship between your business and mine. *Insert A book of us are in the business of satisfying the consuming public.* (You have one advantage, however -- unlike Louis Kirstein, for example, I have no bargain basement).

We agree I think that customers make our business go -- many small customers who have the wherewithal to pay for necessities of life and some luxuries of life.

For you who are in the honorable business of storekeeping, the flow of consumer purchasing power determines the difference between red and black on your account books; and for the nation ~~the same flow of consumer purchasing power determines~~ the difference between unemployment and prosperity.

Insert C world and E A respectable school of thought, indulged in by some highbrow columnists and economists, says that we will never increase employment till we increase the production of new buildings and new machinery -- what they call the heavy goods of industry. They point to 1929 when we were constructing hotels and apartments and office buildings, and four-tracking

RH

INSERT A. PAGE 1

A
The backbone of the customers we are both trying to satisfy is the same -- in your case the many small customers whose steady demand for the necessities and a few luxuries of life make up your volume -- in my case millions of average American families whose standard of living is the practical measure of the success of our democracy.

INSERT B. PAGE 1

-- between cynicism and belief in democracy

INSERT C. PAGE 1

C
That is why I want to devote this opportunity to a discussion of government fiscal policy in relation to consumer purchasing power.

INSERT D. PAGE 1

D

Some highbrow columnists and some high-gearred economists, say that you and I think too much about consumers' purchasing power and look at our economic problems from the wrong end. They say that we should glue all of our attention on the heavy industries, and should do everything and anything just to get these industries to work and to get private investors to put up the money to build new buildings and new machines without regard to the average consumer's need or his ability to use these buildings or machines.

By and large, you will find that these experts are the same as those who in 1929 told us that conditions were sound when we were building luxuricous office buildings, hotels and apartment houses which consumers did not need and had not the purchasing power to pay for.

Today in 1939 they tell you that conditions are not sound because we are trying to build the sort of houses and other things which our people really need, and because we are trying to make sure that our people have the purchasing power to pay for these things, ██████████.

Today in 1939 they tell you that conditions are not sound because we are trying to build the sort of houses and other things which our people really need, and because we are trying to make sure that our people have the purchasing power to pay for these things they need.

E They were unrealistic and theoretical when they were prophesying their new era 1929 -- they are just as unrealistic and theoretical in 1939.

There is no use producing anything unless it is useful. There is no sense stocking goods that can't be sold.

We are trying to balance production and consumption on the basis not simply of increased production but of increased consumers' purchasing power.

If we say we can't solve that problem of balance -- we are saying that we can't use the present form of our economy.

~~railroads and re-tooling our factories and building new ones on an unprecedented scale.~~

Those good but immature people forgot two things: First, that in 1929 productions in these heavy industries outran the need for the use of them; and, second, that this was because consumer purchasing power did not keep pace with the production and so caused overproduction.

To translate this into terms of the retail trade, the shelves of heavy industries in 1929 were seriously overstuffed. You know what happens to storekeepers if they buy twice as much as the public can buy from them.

In the last analysis, therefore, consumer buying power is the milk in the cocoanut of all business.

Whether you are a big department store or do business in a small way on the Main Street of a small town, your sales are dependent on how much money the average family in the community earns. That is a homely way of putting it, but it is an eternal truth.

That is one reason why I have talked about the one-third of our population that is ill-clad, ill-housed, ill-fed. That third -- forty million people -- can buy very little at the stores. Therefore, their local stores can order very little

at the factories. Some of my friends laugh at me when I stress this, laugh at efforts to establish minimum wages, ~~to keep hours of labor down, to get cheaper rents to encourage home ownership.~~ But the little and the big storekeepers understand and know they will sell more goods if their customers have more money. I want, and I think I have your help, to build up the purchasing power of the average of your customers.

How shall we produce more customers with more money?

One school of thought is what I call the school of ~~the~~ gamblers. You find some of them in every community -- as well as in Wall Street, and some of them, the political variety, even in the halls of the Congress and State Legislatures.

That school is eager to gamble the safety of the nation and of our system of private enterprise on nothing more than their personal hunch that if government will just keep its hands off the economic system customers will just happen. I use the word "gamble" because there is no modern experience to support their theory. ^G ~~In~~ fact, ~~no~~ modern experience^{N.Y.M.} ~~which~~ their theory. Between 1925 and 1933 government abandoned practically all concern for business and put into effect a tax system such as "Old Dealers" dream about. Customers and the buying power of customers were left just to happen. You know how many and how much happened.

These people who are playing the "it may happen" hunch today are actually the wildest eyed radicals in our midst because after ~~anything~~ failures they want to gamble on their own hunch once more.

In the other school of thought are we conservative New Dealers. We are the conservatives because we simply cannot bring ourselves to take radical chances with other people's property and other people's lives.

Now the owner of a private business may have the legal right to take a long chance that may make or break his personal fortune. If he alone goes out of business, the economic system is not endangered.

// But the people who run the three branches of our government do not have the moral right to gamble with the well-being of one hundred and twenty million Americans. If millions of citizens starve, it is no answer to the starving to say that in the sweet by-and-by business, left to itself, will give them a job. Partisans are going around the country scaring parents who are not starving by telling them of an increased national debt which their grandchildren will have to pay. Certainly that is not as alarming as telling starving parents that an untrammeled business setup will provide their grandchildren with food in 1969. Yet that is what the radical

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Certainly that is not as alarming as telling ~~starving~~ parents who are already ^{starving} that an untrammeled business setup will provide their grandchildren with food in 1969. Yet that is what the radical

American People Living Well
1932 June 14

gamblers of business and politics might have to say if they put their theories into practice next year.

Not one of you who are good Americans and ~~patriots~~^{practical} Americans believe that we could repeat the catastrophe of those years immediately preceding and following 1929 and emerge from ~~unscathed~~^{it} with our economic and social system unchanged. No business man, big or little, can fairly or patriotically ask his government to take a course of action that runs that risk.

That is why our school of thought -- the conservative school -- holds the view that an intelligent nation should rest its faith in arithmetic rather than in a hunch.

Today, in order to provide customers for business, your government uses government capital to provide jobs, to prevent farm prices from collapsing and to build up purchasing power when private capital fails to do it. *First F.*

W. ~~is~~ also used what we call social legislation -- such as legislation to encourage better pay for low-paid labor and thereby provide more and better customers for you; such as legislation to protect investors so that they may continue to be your customers without losing their savings in worthless stocks and bonds.

I wonder if you have any conception of the number of business men and bankers and economists whom I talk with briefly or at length in any given month of the year. I wonder if you have any conception of the variety of suggestions and panaceas they offer me. I wonder if you know the very large percentage of them who honestly and very naturally think of national problems solely in terms of their own business. I wonder if you will be surprised if I tell you that most of them leave my office saying to me -- "Why, Mr. President, I did not know about that. You have given me a new perspective. I never thought of the problem in that way before."

I sit in my office with a business man who thinks the surest way to produce customers is to balance the federal budget at once. I say to him - ~~asking~~ "How?"

Sometimes he says - "How should I know? That is your job." Sometimes he says - "Cut the budget straight through 10% or 20%."

Then I take from my desk drawer a fat book and it is apparent at once that he has never seen or read the budget of the Government of the United States.

He tries to change the subject but I hold him to it. I say - "This budget is not all of one piece; it is an aggregate of hundreds of items. Either we will have to cut every item 10% or 20% or, if we do not do this, cut some items very much more than 10% or 20%."

I point out the one and a half billion dollars for the Army and Navy. He pounds the desk and says - ~~that~~ that item -- not in these days."

I show him the item of a billion dollars for interest on the public debt. He owns some government bonds and rejects any cut in his interest.

I show him the billion dollar item for war and civil service pensions. He says - "No -- no ~~out~~ there."

~~Ch. 10~~ I ^{maintain} run down the billion dollars for running the permanent functions of the regular government departments -- [and point out that the same functions are] costing less today than ^{they} _{under} they did in the days of my predecessor. He ~~rightly~~ readily agrees that the postman and the G-man [and the customs' people] and the forest service [and the Consuls and the labor conciliators] cannot be curtailed. The only people he would swear from the payroll are the Tax collectors.

-8-

That gets us down to a few other big items -- totaling over four billion dollars to take care of four things -- payments to agriculture, federal public works (including P.W.A., reclamation and flood control), work relief for the unemployed (including C.C.C.) and assistance for our old people. ^{If my visitor} If ^{he} know anything about agriculture he agrees with me that we are going through a transitional period seeking the best way to maintain decent prices for the farm population of America, trying to make them better customers of business men -- and that we have not yet found the permanent solution ^{we} ^{haven't} ^{haven't} have got away permanently from 5¢ cotton and 10¢ corn and 30¢ wheat.

I come to the public works item. He suggests that that can be cut 50%. I happen to know that his community is working tooth and nail to get a grant for a much needed new high school, and I suggest that we will start economy right there and not give the grants.

Or I happen to know that his County suffered severe property losses from recent floods, and I suggest to him that we defer building the levees or the flood control dam for twenty or thirty years.

[And I find what I suspected in every case, His local Chamber of Commerce, his local newspapers are yelling their heads off to have those projects build with federal assistance. And I say to him - "Consistency, thy name is geography. You believe with the United States Chamber of Commerce that federal spending on public works should cease -- except in your own home town."

{Then we come to the item of funds for work relief! There my visitor-customer makes a last stand. He wants that cut, and cut hard. [We argue about it.] We agree that there are between three and four million American workers, who, with their families, need work or money to keep alive. I drive him to the inevitable admission that the only alternative is to put them on a dole. That is where I make a stand.

I tell my visitor that never so long as I am President of the United States will I condemn millions of men and women to the dry-rot of idleness on a dole; never [will I] condemn the business enterprise of the United States to the loss of millions of dollars worth of customer purchasing power; never [will I] take the terrific risk of what would happen to the social system of American democracy if we foisted on it ~~shortly~~^{an abnormal habit of peace} instead of the chance to work.

I well know the difficulties and the costs of a work policy.

haven't told
I do not ~~suspect~~ that 5% of the projects are of questionable value — I ~~suspect~~ it. I do not ~~suspect~~ that 5% of the people on relief projects ought not to be on the rolls — I ~~suspect~~ it. *haven't told*
~~I do not admit that 5% of the people who work on or run relief projects are engaged in some way or other in political activities — I suspect it.~~
~~I suspect it. But when you think of nearly three million men and women scattered over [all of the cities, great and small, in] all [of] the forty-eight States and all of the thirty-one hundred counties in America, I am proud of the fact that 95% of the projects are good, that 95% of the people are properly on the rolls ~~and that 95% of them are not engaged in any kind of political activities.~~ [I have only contempt for those, who, for partisan or other reasons, try to fool] *And I know it* the American people into believing that the few exceptions actually constitute the general practice.~~

My friend across the desk murmurs something about old age pensions. He is a bit half-hearted about this and he finally admits not only the need for dignified support of old age, given and accepted as a new American right, but he realizes that over a period of years this support will

INSERT G

You and I and all Americans agree
that we must work out this problem
for our old people,

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have to be extended rather than reduced.

Wm T G.

And so my visitor leaves [me] convinced, in nine cases out of ten, that balancing the budget today, or even next year, is a pretty difficult if not an impossible job.

[I have only time enough to say] A few words [to you] about federal taxes: They fall into three principal categories; - [bringing in a total of ~~about~~ ^{nearly} six billion dollars]. [They consist of] consumer taxes, like the taxes on cigarettes, and gasoline and liquor; personal taxes, like the personal income taxes and the inheritance taxes; and, finally, taxes on corporations. Together they will ~~make~~ nearly six billion dollars.

For good sound business reasons two things seem clear to me. First, especially in view of the unbalanced budget, we ought not to raise less money from taxation than we are doing now. Second, ~~that~~ it would be bad for business to shift any further burden [of taxation] to consumer taxes. The proportion [that] consumer taxes [bear] to the total is plenty high enough as it is. Remember, as business men and as retailers, that any further taxes on consumers [such, for example] ^{like} ~~as~~ a sales tax, means that the consumers ^{can} ~~will~~ buy fewer goods at your store.

Therefore, I want to leave the proportion between these three groups of taxes just where it is now.

That means that if we reduce so-called deterrent taxes on business corporations, we must find substitute taxes to lay on business corporations. That language is as plain as an old shoe. [Please] let me give you an example of what I call making a mountain out of a mole hill. There is a hullabaloo for the repeal of the undistributed earnings tax. You would think that this was the principal deterrent to business today. Yet it is a simple fact that out of one billion one hundred million dollars paid to the Federal Government by corporations, less than ~~thirty~~ ^{twenty} million dollars comes to the government from the undistributed earnings tax -- less than ~~2%~~ ²/₃ of the total.

Let me proceed. I am wholly willing to have this ~~twenty~~ ^{thirty} million dollar tax, less than ~~2%~~ ²/₃ of the total, wholly repealed on two simple conditions, which are based on principle.

Invert H
~~First~~ The first ~~of these conditions~~ is that this thirty million dollars shall be levied by some other form of tax against corporations and not against other groups of taxpayers — ~~and~~ levied in such a way that it will not have to be paid by the little corporations. By that I mean that out of a total of 200,000 corporations, such a substitute tax should not fall

-13-

on the shoulders of the 180,000 little corporations who are earning less than \$25,000 a year.

One reason for imposing original undistributed earnings tax was to prevent a small group of very rich people, whose incomes were in the upper brackets, from continuing the practice of leaving their profits in closely held corporations — with the net effect of avoiding the payment in the higher brackets on their personal income taxes. No red blooded American with a scrap of unselfishness in his veins wants to go back to that pernicious habit.

I spoke of making mountains out of mole hills. Go along with me in admitting, in the first place, that a large part of this talk about taxes is a mole hill, and then go along with me in removing the mole hill without hurting the pocketbooks of your own customers.

I have talked with you at some length about the radicals who have the hunch that we ought to go back to the conditions of 1929; about performing a major operation by amputating present functions of government; and about the efforts of some who would reduce corporation taxes and add to consumer taxes.

But I would not have you believe that the conservative attitude of this Administration plans as any permanent part of our American system an indefinite continuation of excess of out-go over cash receipts.

In the first place, a very large part of the present national debt is not, speaking honestly, a debt at all. It exists in the form of loans of many kinds — potential liabilities, if you like — but loans nevertheless which so far have been made on a business basis and so far are being repaid to the Government of the United States. They are just as sound as the loans made by you as individuals, or by your corporations, or by the bankers of the country.

~~xxxxxxxx~~ Another large portion of the debt is invested in enterprises which will pay themselves out over a period of years through the process of amortization and interest. That part of the debt is another form of government investment — an investment which is as sound as your own investments. A third part of the debt has been paid into various forms of public works which will save us and our children in the future from very heavy annual losses. Just as an example, I point out to you that the investment in flood control dams and levees will pay for themselves in a very few years through the elimination of annual property damage, which, in the flood

This week is dedicated by the opponents of the Administration to merchandising horror about the national debt. We are having a National Debt Week like a National Clean-Up and Paint-Up Week.

Let us talk about the debt in businessmen's terms.

In the first place, a nation's debt, like the deposit liability of a bank, must be considered in relation to its assets.

A large part of the Government debt is offset by debts owed to the Government -- loans of many kinds made on a business basis by the R.F. C. and the ~~Farm~~ Farm Credit Administration, for instance, and now being repaid on schedule. These assets are just as sound as the loans made by the bankers of the country.

Another portion of the debt is invested in Federally-owned enterprises, like Boulder Dam, which will pay out principal and interest, over a period of years.

A third part of the debt has been invested in works like flood control dams and levees, to save us from heavy future losses. They will pay for themselves in a very few years by eliminating annual property damage which each year has run into hundreds of millions -- pay by the saving of taxable values which otherwise would have floated off down stream.

The next thing to remember about the debt is that Government, like businessmen, is investing in order to create a higher volume of business income and therefore a bigger net yield for government. National income will be greater tomorrow than it is today because government has had the courage to borrow idle capital and put idle labor to work.

The year before I took office, our national income was ³⁷ billions. In 1937 it got up to ⁶⁹ billions. In 1938 it went back to 52 billions. Today it is running at the rate of

65 billions. At 80 billions, the income from present taxes will be sufficient to meet expenditures on the present scale -- and actually to reduce our relief appropriations.

Today with no danger of surplus of goods over-hanging the market -- just because we have tried to keep ~~maximizing~~ consumer purchasing power up to production -- the nation is in an excellent position to move forward into a period of greater production and greater employment.

And, when this week you hear all the crocodile tears about the burden on our grandchildren to pay the government debt, remember this:

Our national debt after all is an internal debt owed not only by the nation but to the nation. If our children have to pay interest on it they will pay that interest to themselves. A reasonable internal debt will not impoverish our children.

But if we do not allow a democratic government to do the things which need to be done and hand down to our children a deteriorated nation ~~in~~, their legacy will be not a legacy of abundance or even a legacy of poverty amidst plenty, but a legacy of poverty amidst poverty. Don't you agree that it is better to work unitedly to balance national income and national outgo at a level where government can do the things that have to be done to preserve our people and our resources than ~~it~~ to

areas of the nation, has run each year into hundreds of millions of dollars. That again is not money thrown out of the window, because it will come back to the government many times over in taxes on property which otherwise would have floated off downstream.

We are spending enough today but not too much because there is definite reason to expect that two things will happen. First of all, the nation is in an excellent position to move forward into a period of greater production and greater employment. There is no dangerous surplus of good overhanging our economy. Such an increase means a higher national income. That income was thirty-nine billions the year before I took office. It got up to sixty-nine billions in 1937. It went back to fifty-nine billions in 1938. It is running at the rate of sixty-five billions today. If it goes up to eighty billions, the income from present taxes will be sufficient to meet expenditures on the present scale.

I think you will agree with me that it is better to work unitedly for that objective than it would be to play the speculative hunch of government withdrawal from the fields of lending, of conserving property, and of giving people work, in the hope that in some mysterious way an

play the speculative hunch and withdraw government from ~~the~~
and investment,
lending, from conserving property and from providing work for
our capital and our people, in the hope that in some mysterious
way a miracle will occur-- a miracle which our only experience
under modern conditions has proved impossible.

~~impossible miracle would occur.~~

~~Tonight~~ You gentlemen know a favorite expression of mine - "Do not lose sight of the forest because of the trees." Let us always distinguish principles and objectives from details and mechanics. For six years now the American people have stood with amazing agreement behind definite objectives -- and it is my belief that they still do. Let us not be deceived into believing that an attack on details and management will ever create a successful national or political issue. The reason is that every person in this Administration has been told repeatedly that methods and details can be and should be constantly improved -- that those which do not work should be discarded -- that those which do not work well should be improved -- and that all of us are ready at any time to sit around the table with those who have honest ideas for bettering the mechanics of government.

~~Insert I~~ [The problems which I have spoken of tonight are being worked out -- but it will take time to work them out. Some of them will wear out because they will no longer be current problems.]

INSERT I

I keep saying "Do not lose sight
of the forest because of the trees."

Let us always distinguish principles
and objectives from details and

*You cannot expect
mechanics. If you disagree with the
this Administration to alter
principles and objectives of the
the principles and objectives of the
Government of the United States, do
not waste your time and mine by
last six years
coming to Washington.]*

But if you approve of the pur-
poses that lie behind our policies,
but believe our operating methods
*then your help and your counsel
can be improved, then you are welcome -*

INSERT I

-2-

doubly welcome in this Administration.

That relates to the details of taxation,
details of relief, the details of every
administrative branch of the government.

INSERT H

The first is that this ~~thirty~~^{twenty} million dollars shall be raised by some other form of tax against corporations and not against other groups of taxpayers -- and that it shall be raised in such a way that it will be paid by the twenty thousand bigger corporations, earning more than \$25,000 a year, and not by the one hundred and ~~sixty-five~~^{-eight} thousand little corporations earning less than that sum.

The second condition is that in the repeal of this tax we shall not return to the old tax evasion loophole by which

a small group of very rich people,
[whose incomes were in the upper
brackets,] were able to leave their
profits in closely held corporations,
thus avoiding [high payment of personal
income taxes ~~of~~ the full rates of the
on their personal incomes
higher brackets.] Patriotic people
will not want to go back to that
pernicious habit.

~~expressions~~ But, in the meantime, we cannot afford to discard the principles and objectives because those are based on decent morality and a decent respect for our fellow man.

I know from private conversations with many of you how strongly you share the general moral attitude of the American people toward international aggression when big nations refuse to live and let live side by side with little nations. May I suggest -- and I think you will agree with me again -- that aggression within our own citizenship, within our own borders, is just as reprehensible, just as destructive to human beings, as aggression in the international field.

I do not speak of honest competition. I refer to that type of aggression which is based on force -- force so strong that it can override the resistance of the weak.

If I have spoken to you ~~sincerely~~ tonight, it is because I believe that you, too, are thinking of the well-being of every man, woman and child in our country -- that you go along with me in every effort that I can make for the preservation of world peace and for the preservation of domestic peace -- not merely an armed peace which foregoes war for the moment, but a peace that comes from a knowledge, both abroad and at home, that there will be no further acts of aggression on the

part of nations, on the part of groups or on the part of individuals. You think, rightly, of profits in your own business -- so does every other American -- so do I. But we are not ruled by the thought of profits alone. More and more we seek the making of profits by processes that will not destroy our fellow men who are our neighbors.

That is one of the functions of your government. It seeks your cooperation in the extension of that ideal. It is open to your advice and your help, because it believes that its fundamental ideals and yours are the same.

That is why I came to you not in the spirit of criticism, not with a big stick, but with a simple plea for your assistance as American citizens in working out our common problems with good-will and with the maintenance of the ideals of peace.

Progressive

May 30, 1939.

Would it not be worthwhile at meetings of business men -- local meetings, state meetings, national meetings -- to discuss how to prevent the recurrence of errors committed in the past? More worthwhile than merely to hurl epithets at honest efforts recently made in this direction.

For example, one important cause of the crash of 1929 was over-building -- you and I know that in almost every large community of the United States the years from 1925 to 1929 saw the construction of more new hotels, more new office buildings, more new theatres than the individual community could possibly support. They meant unrented, vacant spaces and, therefore, no dividends and, in many cases, loss of capital.

Ask yourselves about the history of overproduction in many lines of goods -- automobiles and textiles, for instance.

Ask yourselves whether in boom-times the boom itself has not been caused in large part by business itself -- by a failure to think things through -- by a silly optimism that goes back to the silly theory that in any line of production the more you produce the more you can consume "ad infinitum."

Ask yourselves whether as of today you are willing to sit at the table with me or with anybody else in Government and earnestly tackle problems like that of overproduction.

By such an honest meeting of the minds we will not be able to cure everything but we can be unanimous before the country in agreeing that over any period of years it is just as dangerous to have a crazy boom as it is to have a smashing depression.

ANOTHER THOUGHT

Are the business men of the country willing to sit around the table with me or anybody else in the Government and agree to a simple division of the burden of Federal taxes? It would be grand for all of us if we could agree also to a dividing up, on a non-overlapping basis, of all taxes, local, state and Federal -- but that will take years to accomplish. Therefore, let us confine ourselves as of today to the subject of Federal taxes.

May I ask are you willing to sit down with me and say something like this: What proportion of the total of Federal taxes should be paid directly by the consumer -- things like cigarette taxes and liquor taxes and gasoline taxes and customs duties? What percentage of the total should be paid by corporations? What percentage should be paid on individual incomes?

If you people will agree on the percentages, we will all of us automatically eliminate efforts by the different groups themselves to pass their burden on to a different group. We will avoid the obvious effort on the part of some business organizations to transfer business taxes from corporations to the backs of the consuming public, and we will eliminate efforts of individual income tax payers to

ANOTHER THOUGHT

-2-

pass a portion of their individual taxes on to corporations or the consuming public.

In other words, we will eliminate the smoke-screen of a perfectly natural selfishness and get down to brass tacks. Incidentally, that is a challenge on my part to the representatives of business and the representatives of the large income taxpayers throughout the nation. Come and see me about it.

I am convinced that if we could get a meeting of minds on these percentages that it would be a much simpler matter to get a substantial meeting of minds on the particular types of taxes within these three groups.

Let me illustrate: The papers have been full of statements and editorials about repealing the undistributed earnings tax on corporations. The public in this country has been given the impression that this tax is a terrific deterrent to the investment of new capital. The public and a great many business men will be somewhat surprised to learn that the total receipts from the undistributed profits tax amount to less than thirty million dollars out of total taxes on corporations of one billion one hundred million.

ANOTHER THOUGHT

-3-

The undistributed earnings tax costs the corporations of the United States only 2½% of their total Federal tax. So much for the misconception that this tax is a principal deterrent to business.

Never mind -- let us repeal it. But gentlemen, in repealing it, remember that we cannot add that thirty million dollars which the Treasury will lose to some other kind of tax other than corporation taxes. That would not be fair to the consumers or to the payers of personal income taxes. They, too, have a right to be heard. That thirty million dollars, therefore, has to be made up by some other form of taxes on business corporations -- a small amount in comparison with their total.

Furthermore, in repealing it we must in honesty prevent the return to a definite abuse which has existed in the past -- the abuse under the old law which allowed an individual or a group ~~is~~ of a few individuals to leave their profits in a corporation instead of declaring a dividend -- thereby saving themselves from personal income tax payments in the higher brackets.

END

-1-

As a matter of practical fact, too little emphasis has been laid by American business men and the American public on the influence of world affairs on our present economy. For the last two years especially there has been an undercurrent of uncertainty and of pessimism throughout the world. The American people have rightly believed that there is little danger of the United States itself becoming involved in war. But the American people, like other peoples, have felt hanging over their heads the possibility of a great war or wars on other Continents.

Therefore, the American business man and the American consumer has weighed the effect of such a war on our own American economy. And we have come to the inevitable conclusion that such a war or wars would hurt us -- hurt us even if we continued to keep our trade going, and hurt us even more greatly if we built a huge wall around ourselves and were not even on speaking acquaintance with anybody outside that wall.

The fear, quite frankly, has been the fear of aggression — aggression on the part of a small number of powerful nations. It is an international fear and affects the United States just as it affects all others.

END

-3-

Aggression means taking by force from somebody else a thing which you desire -- territory, population, resources or riches.

Let me give you a thought to take home to bed with you. If fear of international aggression slows up the wheels of trade and destroys confidence internationally, is it not possible that the fear of aggression wholly within a nation may not produce fear and destroy confidence? In any given industry in the United States we believe in the principle of free competition. I ask you retailers whether it would be an act of aggression in a community with twenty-five retail stores for four or five of them to get together and organize for the purpose of putting out of business the other twenty.

I ask you if it would be an act of aggression for one or two steel companies to get together and put out of business all the other forty or fifty steel companies and control the national market for steel.

We Americans have whole-hearted sympathy for little nations which want to continue to govern themselves and lead their own lives. What is the real difference between the little nation and the little retailer?

I am not intimating that the Government or you gentlemen should guarantee the continued separate economic existence of every small storekeeper in the United States. An individual storekeeper may, for many reasons, fail to keep his head above water. But the reason should be a natural reason and should not flow from acts of aggression on the part of the big fellows.

We can be highly moral when we talk of aggression in international affairs. Is it not time to be equally moral when we talk about aggression by individual groups within our own country.

That is why so many people in the United States oppose the concentration of economic control in the hands of a very few individuals, either directly or through their representatives. That is why in the long run popular support always is given to efforts to curb this concentration of control. That is why in your own interest you ought to devote days and months and years to planning against concentration of control.

Those may seem harsh words but I suggest them to you because I believe that you are thinking not in terms of this month's orders and this month's sales, but also in terms of the continuation of your own businesses for five and ten and twenty years to come.

Apply aggression with its attendant fear to your own
conferences and your own ~~greedy~~ acts. If you are opposed to
dictators in the international field, why not oppose dictators
in your own field of industry?

[Signature]

ADDRESS OF THE PRESIDENT
Delivered before the Retailers' National Forum
of the American Retail Federation
Mayflower Hotel, Washington, D. C.
May 22, 1939, 9:30 P.M.

(The President was introduced by Mr. Louis E. Kirstein, president of the American Retail Federation.)

MR. KIRSTEIN, DR. CRAIG, MY FELLOW RETAILERS: (Applause)

I am happy to speak at this first Forum (of) for the American Retail Federation. I feel a kinship between your business and mine. (Laughter) The backbone of the customers we are both trying to satisfy is the same -- (laughter-applause) in your case the many small customers whose steady demand for the necessities and a few luxuries of life make up your volume -- in my case millions of average American families whose standard of living is the practical measure of the success of our democracy. You have one advantage over me, however: unlike Louis Kirstein, for instance, I have no bargain basement. (Laughter-applause)

I hope tonight that you are all cash customers. (Laughter)
With one exception, after carefully searching the room, I certify
that you are all retailers. That one exception is Henry Morgenthau,
Jr. and he is a wholesaler.

For you who are in the honorable business of storekeeping, the flow of consumer purchasing power determines the difference between red and black on your account books; and for the Nation the difference between unemployment and prosperity.

That is why I want to devote this opportunity to a discussion of -- a difficult and probably exceedingly dangerous discussion of Government fiscal policy in relation to consumer pur-

Franklin D. Roosevelt Library

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

chasing power.

There are some highbrow columnists and some high-gearred economists, who say (that you and I think) to you that we think, you and I, too much about consumers' purchasing power and that we look at our economic problems from the wrong end. They say that we should glue all of our attention (on) to the heavy industries, and should do everything and anything just to get (these) those industries to work and to get private investors to put up the money to build new buildings and new machines without regard to the average consumer's need or his ability to use (these) the buildings (or) and the machines after they are erected.

By and large, you will find that these experts are the same individuals as those who (in 1929) just ten years ago were telling (told) us that conditions were sound and that we had found the way to end poverty. In those days, when we were building luxurious office buildings and hotels and apartment houses (which consumers did not need and had not the purchasing power to pay for) and four-tracking the railroads -- doing all this, all this work for consumers who did not need it as much as those experts thought, consumers who did not have the purchasing power to pay for them.

Today in 1939 they tell you that conditions are not sound because we are trying to build the sort of houses and other things (which) that our people really need, and because we are trying to make sure that our people have the purchasing power to pay for these things when they are built.

They (were) are unrealistic, these people, and theoretical. They were that when they were prophesying their new era in 1929 --

and they are just as unrealistic and theoretical and wrong -- when they are prophesying national bankruptcy in 1939.

To translate (this) that into terms of (the retail) trade, the shelves of heavy industries and the shelves of consumers in 1929 were seriously overstacked. We did not think so then, perhaps, but we know it now. You know what happens to (storekeepers) merchants of all kinds if they buy twice as much as the public can buy from them.

In the last analysis, therefore, consumer buying power is the milk in the cocoanut of all business.

Whether you are a big department store or do business in a small way on the Main Street of a small town, your sales are dependent on how much money the average family in the community (earns) is earning. Yes, that is a homely way of putting it, but it seems to me that it is an eternal truth.

And that is one reason, my friends, why I have talked so much about the one-third of our population that is ill-clad and ill-housed and ill-fed. That third -- forty million (people) Americans -- can buy very little at the stores and, therefore, I do not have to tell you that their local stores can order very little at the factories.

Some of my friends laugh at me when I stress (this) that, laugh at efforts, for example, to establish minimum wages and to get more purchasing power for the lowest groups. But the little and the big store-keepers understand and know they will sell more goods if their customers have more money. I want, and I think I have, your help, to build up the purchasing power of the average of your customers and mine.

How shall we produce more customers with more money in their pockets?

One school of thought that we hear about is what I call the school of the gamblers. Yes, you find some of them in every community -- as well as in Wall Street, and some of them, of the political variety, even in the halls of the Congress itself (and State Legislatures). (Applause)

That school, that school of the gamblers is eager to gamble the safety of the Nation, (and) the safety of our system of private enterprise on nothing more than their personal hunch that if Government will just keep its hands off the economic system, customers will just happen. I use the word "gamble" because there is no modern experience to support their theory.

In fact, modern experience denies their theory. Between 1925, let us say, and 1933 -- that is, March 4, 1933 (laughter) -- the Government in this country of ours abandoned practically all concern for business and put into effect a tax system in those years, a tax system such as "Old Dealers" dream about. Customers and the buying power of customers were (left) just left to happen. And you and I know how many and how much happened.

These people who are playing the "it may happen" hunch today are actually the wildest eyed radicals in our midst, because despite proved failures they want to gamble on their own hunch once more.

And in the other school (of thought) we are the conservative New Dealers. (Applause) And here is the proof: We are the conservatives because we simply cannot bring ourselves to take radical chances with other people's property and other people's lives.

Now the owner of a private business may have the legal right to take a long chance, a chance that may make or break his personal fortune. If he alone goes out of business, the economic system is not endangered.

But the people who run the three branches of our Government do not have the moral right to gamble with the well-being of (one) a hundred and twenty million Americans. If millions of citizens starve, it is no answer to the starving to say that in the sweet by-and-by business, left to itself, will give them a job. Partisans are going around the country scaring parents, parents who are not starving, by telling (them) those parents of an increased national debt which their grandchildren will have to pay. Certainly that is not as alarming as telling parents who are already starving that an untrammeled business setup will provide their grandchildren with food in 1989. And yet that is what the radical gamblers of business and politics might have to say if they were to put their theories into practice (next year) in 1941.

Not one of you who are good Americans and practical Americans believe that we could repeat the catastrophe of those years immediately preceding and following 1929 and emerge from it with our economic and social system unchanged. No business man, big or little, can fairly or patriotically ask his Government to take a course of action that runs that risk.

And that is why our school of thought -- the conservative school -- holds the view that an intelligent nation should rest its faith in arithmetic rather than in a hunch.

Today, in order to provide customers for business, your

Government uses Government capital to provide jobs, to prevent farm prices from collapsing and to build up purchasing power when private capital fails to do it. For example, out of every dollar spent by the Federal Government to provide jobs, more than fifty cents passes over the counters of the retail merchants of America.

We also use what we call social legislation -- such as legislation to encourage better pay for low-paid labor and thereby provide more and better customers for you; such as legislation to protect investors so that they may continue to be your customers without losing their savings in worthless stocks and bonds.

I wonder if you have any conception of the number of businessmen and bankers and economists whom I talk with briefly or at length in any given month of the year. I wonder if you have any conception of the variety of suggestions and panaceas that they offer to me. I wonder if you know the very large percentage of them who honestly and in good faith and very naturally think of national problems solely in terms of their own business. I wonder if you will be surprised if I tell you that most of them leave my office saying to me -- "Why, Mr. President, I did not know about that. You have given me a new perspective. You have told me new things that are happening, new causes, new effects. I never thought of the problem in that way before."

I sit in my office with a businessman who thinks the surest way to produce customers is to balance the Federal budget now, this year (at once). And I say to him - "How?"

Sometimes he says -- "How should I know? That is your job." Sometimes he says -- "Cut the budget, cut it straight through 10% or 20%."

And then I take from my desk drawer a fat book and it is apparent at once from his expression that he has never seen or read the budget of the Government of the United States.

He tries to change the subject but I hold him to it. I say - "This budget is not all of one piece; it is an aggregate of (hundreds) thousands of items. (Either we will) I will, therefore, have to cut every item ^{the} 10% or 20% you ask or, if we do not do this, I will have to cut some items very much more than 10% or 20%."

I point out the one and a half billion dollars for the Army and Navy. He pounds the desk and says in patriotic fervor -- "Don't cut that item -- not in these days."

I show him the item of a billion dollars for interest on the public debt. He owns some Government bonds and he rejects any cut in his interest.

I show him the billion dollar item for war and civil service pensions. And he says -- "No -- (no cut there) we couldn't get enough popular support to cut this."

I mention the billion dollars for running the permanent functions of the regular Government departments -- and I tell him that they cost less today for those functions than under my predecessor. And he readily agrees that the postman and the G-man and the forest service and the custom people cannot be curtailed. The only people he would sever from the payrolls are the tax collectors.

(Laughter)

Well, that gets us down to a few other big items -- totaling over four billion dollars to take care of four major things -- payments to agriculture for the benefit of agriculture, Federal public

works, including P. W. A. and reclamation and flood control, work relief for the unemployed, including the C. C. C. Camps, and assistance for our old people.

My visitor agrees with me that we are going through a transitional period seeking the best way to maintain decent prices for the farm population of America, trying to make them better customers of businessmen -- and that even if we have not yet (found) attained the permanent solution we have got away permanently from 5¢ cotton and 10¢ corn and 30¢ wheat.

I come to the public works item. He suggests that that can be cut 50%. I happen to know that his community is working tooth and nail to get a grant for a much needed new high school (or) and that his county suffered severe property losses from recent floods. And I suggest that we will start public works economy right there and not give the grants, and that we will defer building the school-houses or the levee or the flood control dam for twenty or thirty years.

And in every case I find what I suspected. His local Chamber of Commerce, his local newspapers are yelling their heads off to have those projects built with Federal assistance. (Applause) And I say to him - "Consistency, thy name is geography. (Applause) Why, I think you believe with the United States Chamber of Commerce that Federal spending on public works should cease -- except in your own home town." (Laughter-applause)

And then we come to the item of funds for work relief: there my visitor-customer makes a last stand. He wants that cut, and cut hard.

We agree that there are between three and four million American workers, who, with their families, need work (or money) to keep alive. I drive him to the inevitable admission that the only alternative to work is to put them on a dole.

And that is where I make a stand.

I tell my visitor that never so long as I am President of the United States will I condemn millions of men and women to the dry-rot of idleness on (a) the dole; never condemn the business enterprise of the United States to the loss of millions of dollars worth of customer purchasing power; never take the terrific risk of what would happen to the social and economic and political system of American democracy if we foisted on it an occasional market basket of groceries instead of the chance to work. (Applause-prolonged)

Yes, I well know the difficulties and the costs of (a) work relief (policy).

I do not have to be told by any Congressional Committee or any United States Chamber of Commerce that 5% of the projects are of questionable value -- I know it. Or that 5% of the people on relief projects ought not to be on the rolls -- I know that too, and so do you. But when you think of nearly three million men and women scattered over all of the forty-eight states, including the four that are not here, and all of the thirty-one hundred and some odd counties in America, I am proud of the fact that 95% of the projects are good, and that 95% of the people are properly on the rolls. And I know that the American people cannot be fooled into believing that the few exceptions actually constitute the general practice. (Applause)

And, finally, my friend across the desk murmurs something

about old age pensions. He is a bit half-hearted about this and he finally admits not only the need for dignified support of old age, given and accepted as a new American right, for all time to come from now on, but he realizes that over a period of years this support will have to be extended rather than reduced. You and I and all Americans agree that we must work out this problem for (our) the old people of our Nation.

And so, at the end, my visitor leaves convinced, in nine cases out of ten, that I am not a complete and utter fool and that balancing the budget today, or even next year, is a pretty difficult if not an impossible job.

And now we come to the other side of the budget, the receipts:

A few words about Federal taxes:

Federal taxes, I have discovered after about a quarter of a century in public life of one kind or another interspersed with various forays into business and the law -- I have discovered that taxes (they) fall into three principal categories -- consumer taxes like the taxes on cigarettes and gasoline and liquor; personal taxes, like the personal income taxes and the inheritance taxes; and, finally, taxes on corporations. Together, (they) these taxes yield (nearly) to the Federal Government about six billion dollars.

For good sound business reasons two things seem pretty clear to me.

First, especially in view of the unbalanced budget, and in order to bring it more rapidly into balance, we ought not to raise less money from taxation than we are doing now.

You have with you a very delightful gentleman, a great merchant of London, Mr. Selfridge. I hope very much that you will put him into a corner and ask him about the taxes that he pays without a murmur to keep England afloat. (Applause)

And, secondly, I think it would be bad for business, for business itself, to shift any further burden to consumer taxes. The proportion of consumer taxes to the total is plenty high enough (as it is) now. Remember, as businessmen and as retailers, that any further taxes on consumers, like a sales tax, means that the consumers can buy fewer goods at your store. (Applause)

Therefore, I want to leave the proportion between these three groups of taxes (just where it is now) about where they are today.

That means that if we reduce so-called deterrent taxes on business corporations, we must find substitute taxes to lay on business corporations. That language, that sort, is as plain as an old shoe. Let me give you an example of what I call making a mountain out of a mole hill. There is a great hullabaloo for the repeal of the undistributed earnings tax. You would think that this was the principal deterrent to business today. And yet it is a simple fact that out of one billion one hundred million dollars paid to the Federal Government by corporations, less than twenty million dollars comes to the Government from the undistributed earnings tax -- less than 2% of the total.

Let me proceed. I am wholly willing to have this twenty million dollar tax, which is less than 2% of the total, wholly repealed on two simple conditions, which are based not on whim, not

on hunch, but on principle.

The first is that this twenty million dollars shall be raised by some other form of tax against corporations and not against other groups of taxpayers -- and that it shall be raised in such a way that it will be paid by the twenty-eight thousand bigger corporations, earning more than \$25,000. a year, and not by the one hundred and seventy-five thousand little corporations that earn(ing) less than that sum. (Applause)

And the second condition is that in the repeal of this tax we shall not return to the old tax evasion loophole by which a very small group of (very rich) people with incomes in the very high brackets (were) used to be able, until two years ago, to leave their profits in closely held corporations, thus avoiding the full rates of the higher brackets on their personal incomes. It seems to me that patriotic people everywhere will not want to go back to that old pernicious habit.

I have talked with you at some length about the radicals who have the hunch that we ought to go back to the conditions of 1929; about performing a major operation by amputating present functions of government; and about the efforts of some who would reduce corporation taxes and add to consumer taxes.

But I would not have you believe that the conservative attitude of this Administration plans as any permanent part of our American system an indefinite continuation of excess of out-go over cash receipts.

This week, I understand, is dedicated by the opponents of the Administration to merchandising horror about the national debt.

(Laughter) We are having a National Debt Week like a National Clean-Up and a National Paint-Up Week. (Laughter)

Right; let us talk about the debt in business men's terms.

In the first place, a nation's debt, like the deposit liability of a bank, must be considered in relation to its assets.

A large part of the Government debt is offset by debts owed to the Government -- loans of many kinds made on a business basis by the R. F. C. and the Farm Credit Administration, for (instance, and) example, loans that are now being repaid on schedule. (These) Those assets are just as sound as the loans made by the bankers of the country.

Another portion of the national debt is invested in Federally-owned enterprises, like Boulder Dam, which is finished, and Bonneville Dam, which is finished, and Grand Coulee Dam, a great irrigation project where we hope to put the Dust Bowl farmers, which will be finished in another year or so, projects which are paying out and will pay out, principal and interest, over a period of years.

A third part of the debt has been invested in works like flood control dams and levees, to save us from heavy future losses. They will pay for themselves in a very few years by eliminating annual property damage which each year has run literally into hundreds of millions of dollars -- pay by the saving of taxable values which otherwise would have floated off down stream.

The next thing to remember about the debt is that Government, like business men, is investing in order to create a higher volume of business income and, therefore, a bigger net yield for Government and for business. National income will be greater tomorrow than it is

today because Government has had the courage to borrow idle capital and put it and idle labor to work.

The year before I took office, 1932, our national income was thirty-nine billions. In 1937 it got up to sixty-nine billions. In 1938 it went back almost to sixty-two billions. And today it is running at the rate of better than sixty-five billions. At eighty billions -- and this is an eighty-billion-dollar country -- the income from present taxes will be more than sufficient to meet expenditures on the present scale -- and actually (to reduce our relief appropriations) when that time comes, the expenditures will be less because our relief bill will be lowered.

Today with no danger of surplus of goods overhanging the market -- just because we have tried to keep consumer purchasing power up to production -- the Nation is in an excellent position to move forward into a period of greater production and greater employment. That is my sincere belief and I believe that it is your belief too. (Applause)

(And) So, when, (this week) at the end of this famous week we are getting into, you see all the crocodile tears about the burden on our grandchildren to pay the Government debt, remember this:

Our national debt after all is an internal debt owed not (only) by the Nation but to the Nation. If our children have to pay interest on it they will pay that interest (to) themselves to themselves. A reasonable internal debt (will not) is not going to impoverish our children or put the Nation into bankruptcy.

But if we do not allow a democratic Government to do the things (which) that need to be done and hand down to our children a

deteriorated nation, their legacy will be not a legacy of abundance or even a legacy of poverty (amidst) amid plenty, but a legacy of poverty (amidst) amid poverty.

Don't you agree that it is better to work unitedly to balance national income and national out-go at a level where Government can do the things that have to be done to preserve our people and our resources than to play the speculative hunch and withdraw Government from lending and investment, from conserving property and from providing work for our capital and our people, in the hope that in some mysterious way a miracle will occur -- a miracle which we only experience under modern conditions (have) has proved impossible?

I keep saying "Do not lose sight of the forest because of the trees." Let us always distinguish principles and objectives from details and mechanics. You cannot expect this Administration to alter the principles and objectives for which we have struggled (the last six years) for more than six years.

But if you approve of the purposes that lie behind our policies, but believe our operating methods can be improved, then your help and your counsel are welcome -- doubly welcome in this Administration. (Applause) That relates to the details of taxation, the details of relief, the details of every administrative branch (of the government) in Washington and in every state.

If I have spoken to you seriously tonight, it is because I believe that you, you too, are thinking of the well-being of every man, woman and child in our country-- that you go along with me in every effort that I can make for the preservation of world peace and for the preservation of domestic peace -- (applause) not merely an

armed peace (which) that foregoes war for the moment, but a peace that comes from a knowledge, both at home and abroad (and at home), that there will be no further acts of aggression on the part of nations, on the part of groups or on the part of individuals. You think, rightly, of profits in your own business -- so does every other American -- and so do I. But we are not ruled by the thought of profits alone. More and more we seek the making of profits by processes that will not destroy our fellow men, our fellow men who are our neighbors.

That is one of the functions of your Government. It seeks your cooperation in the extension of that ideal. It is open to your advice and your help -- because it believes that its fundamental ideals and yours/are just the same.

That is why I came to you not in the spirit of criticism, not (with) wielding a big stick, but coming with a simple plea for your assistance as American citizens in working out our common problems with good will and with the maintenance of the ideals of peace.
(Applause-prolonged)

STATEMENTS FILE
Shorthand by Kanner

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May 22, 1939

CAUTION: The following address of the President,
to be delivered before the Retailers' National Forum
at the Mayflower Hotel. MUST BE HELD IN CONFIDENCE
until released.

NOTE: Release to editions of all newspapers ap-
pearing on the streets NOT EARLIER THAN 9:30 P.M.,
E.S.T., May 22, 1939.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

I am happy to speak at this first Forum of the American Retail Federation. I feel a kinship between your business and mine. The backbone of the customers we are both trying to satisfy is the same -- in your case the many small customers whose steady demand for the necessities and a few luxuries of life make up your volume -- in my case millions of average American families whose standard of living is the practical measure of the success of our democracy.

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money to build new buildings and new machines without regard to
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By and large, you will find that these experts are the
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shelves of heavy industries in 1929 were seriously overstocked.
You know what happens to storekeepers if they buy twice as much
as the public can buy from them.

* * *

In the last analysis, therefore, consumer buying power is the milk in the cocomat of all business.

Whether you are a big department store or do business in a small way on the Main Street of a small town, your sales are dependent on how much money the average family in the community ~~terms~~. That is a homely way of putting it, but it is an eternal truth.

That is one reason why I have talked about the one-third of our population that is ill-clad, ill-housed, ill-fed. That third -- forty million people -- can buy very little at the stores. Therefore, their local stores can order very little at the factories. Some of my friends laugh at me when I stress this, laugh at efforts to establish minimum wages, but the little and the big storekeeper understand and know they will sell more goods if their customers have more money. I want, and I think I have, your help, to build up the purchasing power of the average of your customers.

How shall we produce more customers with more money?

One school of thought, is what I call the school of the gamblers. You find some of them in every community -- as well as in Wall Street, and some of them, the political variety, even in the halls of the Congress ~~and State legislatures~~.

That school is eager to gamble the safety of the nation and of our system of private enterprise on nothing more than their personal hunch that if government will just keep its hands off the economic system, customers will just happen. I use the word "gamble" because there is no modern experience to support their theory.

In fact, modern experience denies their theory. Between 1925 and 1933 government abandoned practically all concern for business and put into effect a tax system such as "Old Dealers" dream about. Customers and the buying power of customers were left just to happen. You know how many and how much happened.

These people who are playing the "it may happen" hunch today are actually the wildest eyed radicals in our midst, because despite proved failures they want to gamble on their own hunch once more.

In the other school of thought we are conservatives Now Dealers. We are the conservatives because we simply cannot bring ourselves to take radical chances with other people's property and other people's lives.

Now the owner of a private business may have the legal right to take a long chance that may make or break his personal fortune. If he alone goes out of business, the economic system is not endangered.

But the people who run the three branches of our government do not have the moral right to gamble with the well-being of ~~one~~ hundred and twenty million Americans. If millions of citizens starve, it is no answer to the starving to say that in the smot by-and-by business, left to itself, will give them a job. Partisans are going around the country scaring parents who are not starving by telling ~~them~~ of an increased national debt which their grandchildren will have to pay. Certainly that is not as alarming as telling parents who are already starving that an untrammeled business setup will provide their grandchildren with food in 1949. Yet that is what the radical gamblers of business and politics might have to say if they put their theories into practice next year.

Not one of you who are good Americans and practical Americans believe that we could repeat the catastrophe of those years immediately preceding and following 1929 and emerge from it with our economic and social system unchanged. No business man, big or little, can fairly or patriotically ask his government to take a course of action that runs that risk.

That is why our school of thought — the conservative school — holds the view that an intelligent nation should rest its faith in arithmetic rather than in a hunch.

Today, in order to provide customers for business, your government uses government capital to provide jobs, to prevent farm prices from collapsing and to build up purchasing power when private capital fails to do it. For example, out of every dollar spent by the Federal Government to provide jobs, more than fifty cents passes over the counters of the retail merchants of America.

We also use what we call social legislation — such as legislation to encourage better pay for low-paid labor and thereby provide more and better customers for you; such as legislation to protect investors so that they may continue to be your customers without losing their savings in worthless stocks and bonds.

I wonder if you have any conception of the number of business men and bankers and economists whom I talk with briefly or at length in any given month of the year. I wonder if you have any conception of the variety of suggestions and panaceas they offer me. I wonder if you know the very large percentage of them who honestly and very naturally think of national problems solely in terms of their own business. I wonder if you will be surprised if I tell you that most of them leave my office saying to me — "Why, Mr. President, I did not know about that. You have given me a new perspective. I never thought of the problem in that way before."

I sit in my office with a business man who thinks the surest way to produce customers is to balance the federal budget ~~at once~~. I say to him — "How?"

Sometimes he says — "How should I know? That is your job." Sometimes he says — "Cut the budget straight through 10% or 20%."

Then I take from my desk drawer a fat book and it is apparent at once that he has never seen or read the budget of the Government of the United States.

He tries to change the subject but I hold him to it. I say — "This budget is not all of one piece; it is an aggregate of hundreds of items. ~~Either~~ we will have to cut every item 10% or 20%, or, if we do not do this, cut some items very much more than 10% or 20%."

I point out the one and a half billion dollars for the Army and Navy. He pounds the desk and says — "Don't cut that item — not in these days."

I show him the item of a billion dollars for interest on the public debt. He owns some government bonds and rejects any cut in his interest.

I show him the billion dollar item for war and civil service pensions. He says — "No — no cut there!"

I mention the billion dollars for running the permanent functions of the regular government departments -- they cost less ~~to~~ costly than under my predecessor. His readily agrees that the postmen and the ~~postmen~~ and the forest service cannot be curtailed. The only people he would save from the payrolls are the tax collectors.

That gets us down to a few other big items -- taking over four billion dollars to take care of four things -- payments to agriculture, federal public works, including P. W. A., relief nation, and flood control; work relief for the unemployed, including C. C. C., and assistance for our old people.

My visitor agrees with me that we are going through a transitional period seeking the best way to maintain decent salaries for the then population of America, trying to make them better customers of business men -- and that even if we have not yet ~~done~~, the permanent solution we have got away permanently from 5¢ cotton and 10¢ corn and 30¢ wheat.

I come to the public works item. He suggests that that can be cut 60%. I happen to know that his community is working tooth and nail to get a grant for a much needed new high school -- that his County suffered severe property losses from recent floods. I suggest that we will start economy right there and not give the Grants' dollar building the houses or the flood control dam for twenty or thirty years.

In every case I find what I suggested. His local Chamber of Commerce, his local newspaper are yelling their heads off to have these projects built with Federal assistance. And I say to him -- "Constitution, try name is Geography." You believe with the United States Chamber of Commerce that Federal spending on public works should consist -- except in your own home town.

The item of funds for work relief -- that's my visitor's customer makes a last stand. He wants that cut, and cut hard.

We agree that there are between three and four million American workers who, with their families, need work ~~or~~ ^{every} to keep alive. I drive him to the inevitable admission that the only alternative is to put them on a dole.

That is where I make a stand.

I tell my visitor that never so long as I am President of the United States will I condemn millions of men and women to the dray-work of idleness on ~~make~~; never condemn the business enterprises of the United States to the loss of millions of dollars worth of customer purchasing power; never take the terrible risk of what would happen to the social system of America democracy if we foisted on it an economic basket of groceries instead of the old now to work.

I well know the difficulties and the costs of work ~~make~~.

I do not have to be told that 5% of the projects are of questionable value -- I know it. Or that 10% of the people on relief projects ought not to be on the rolls -- I know that too. But when you think of nearly thirty million men and women scattered over all the forty-eight states and all of the thirty-one hundred counties in America, I am proud of the fact that 95% of the projects are good, and that 95% of the people are properly on the rolls. And I know that the American people cannot be fooled into believing that the few exceptions actually constitute the general practice.

My friend across the desk murmurs something about old age pensions. He is a bit half-hearted about this and he finally admits not only the need for dignified support of old age, given and accepted as a new American right, but he realizes that over a period of years this support will have to be extended rather than reduced. You and I and all Americans agree that we must work out this problem for our old people.

And so my visitor leaves convinced, in nine cases out of ten, that balancing the budget today, or even next year, is a pretty difficult if not an impossible job.

A few words about federal taxes:

They fall into three principal categories -- consumer taxes, like the taxes on cigarettes and gasoline and liquor; personal taxes, like the personal income taxes and the inheritance taxes; and, finally, taxes on corporations. Together they yield nearly six billion dollars.

For good sound business reasons two things seem clear to me.

First, especially in view of the unbalanced budget, we ought not to raise less money from taxation than we are doing now.

Second, it would be bad for business to shift any further burden to consumer taxes. The proportion of consumer taxes to the total is plenty high enough as it is. Remember, as business men and as retailers, that any further taxes on consumers, like a sales tax, means that the consumers can buy fewer goods at your store.

Therefore, I want to leave the proportion between these three groups of taxes just where it is now.

That means that if we reduce so-called deterrent taxes on business corporations, we must find substitute taxes to lay on business corporations. That language is as plain as an old shoe. Let me give you an example of what I call making a mountain out of a mole hill. There is a hullabaloo for the repeal of the undistributed earnings tax. You would think that this was the principal deterrent to business today. Yet it is a simple fact that out of one billion one hundred million dollars paid to the Federal Government by corporations, less than twenty million dollars comes to the government from the undistributed earnings tax -- less than 2% of the total.

Let me proceed. I am wholly willing to have this twenty million dollar tax, less than 2% of the total, wholly repealed on two simple conditions, which are based on principle.

The first is that this twenty million dollars shall be raised by some other form of tax against corporations and not against other groups of taxpayers -- and that it shall be raised in such a way that it will be paid by the twenty-eight thousand bigger corporations, earning more than \$25,000 a year, and not by the one hundred and seventy-five thousand little corporations earning less than that sum.

The second condition is that in the repeal of this tax we shall not return to the old tax evasion loophole by which a small group of very rich people were able to leave their profits in closely held corporations, thus avoiding the full rates of the higher brackets on their personal incomes. Patriotic people will not want to go back to that pernicious habit.

I have talked with you at some length about the radicals who have the bunch that we ought to go back to the conditions of 1929; about performing a major operation by amputating present functions of government; and about the efforts of some who would reduce corporation taxes and add to consumer taxes.

But I would not have you believe that the conservative attitude of this Administration plans as any permanent part of our American system an indefinite continuation of excess of out-go over cash receipts.

This week is dedicated by the opponents of the Administration to merchandising horror about the national debt. We are having a National Debt Week like a National Clean-Up and Paint-Up Week.

Let us talk about the debt in business men's terms.

In the first place, a nation's debt, like the deposit liability of a bank, must be considered in relation to its assets.

A large part of the government debt is offset by debts owed to the government -- loans of many kinds made on a business basis by the R. F. C. and the Farm Credit Administration, for instance, and now being repaid on schedule. These assets are just as sound as the loans made by the bankers of the country.

Another portion of the debt is invested in Federally-owned enterprises, like Boulder Dam, which will pay out, principal and interest, over a period of years.

A third part of the debt has been invested in works like flood control dams and levees, to save us from heavy future losses. They will pay for themselves in a very few years by eliminating annual property damage which each year has run into hundreds of millions -- pay by the saving of taxable values which otherwise would have floated off down stream.

The next thing to remember about the debt is that government, like business men, is investing in order to create a higher volume of business income and, therefore, a bigger net yield for government. National income will be greater tomorrow than it is today because government has had the courage to borrow idle capital and put idle labor to work.

The year before I took office, our national income was thirty-nine billions. In 1937 it got up to sixty-nine billions. In 1938 it went back to sixty-two billions. Today it is running at the rate of sixty-five billions. At eighty billions, the income from present taxes will be sufficient to meet expenditures on the present scale -- and actually to reduce our relief appropriations.

Today with no danger of surplus of goods over-hanging the market -- just because we have tried to keep consumer purchasing power up to production -- the nation is in an excellent position to move forward into a period of greater production and greater employment.

And, when this week you see all the crocodile tears about the burden on our grandchildren to pay the government debt, remember this:

Our national debt after all is an internal debt owed not only by the nation but to the nation. If our children have to pay interest on it they will pay that interest ~~to themselves~~. A reasonable internal debt will not impoverish our children.

But if we do not allow a democratic government to do the things which need to be done and hand down to our children a deteriorated nation, their legacy will be not a legacy of abundance or even a legacy of poverty amidst plenty, but a legacy of poverty amidst poverty.

Don't you agree that it is better to work unitedly to balance national income and national out-go at a level where government can do the things that have to be done to preserve our people and our resources than to play the speculative hunch and withdraw government from lending and investment, from conserving property and from providing work for our capital and our people, in the hope that in some mysterious way a miracle will occur -- a miracle which our only experience under modern conditions has proved impossible?

I keep saying "Do not lose sight of the forest because of the trees." Let us always distinguish principles and objectives from details and mechanisms. You cannot expect this Administration to alter the principles and objectives for which we have struggled the last six years.

But if you approve of the purposes that lie behind our policies, but believe our operating methods can be improved, then your help and your counsel are welcome -- doubly welcome in this Administration. That relates to the details of taxation, details of relief, the details of every administrative branch of the government.

If I have spoken to you seriously tonight, it is because I believe that you, too, are thinking of the well-being of every man, woman and child in our country -- that you go along with me in every effort that I can make for the preservation of world peace and for the preservation of domestic peace -- not merely an armed peace which foregoes war for the moment, but a peace that comes from a knowledge, both abroad and at home, that there will be no further acts of aggression on the part of nations, on the part of groups or on the part of individuals. You think, rightly, of profits in your own business -- so does every other American -- so do I. But we are not ruled by the thought of profits alone. More and more we seek the making of profits by processes that will not destroy our fellow men who are our neighbors.

That is one of the functions of your government. It seeks your cooperation in the extension of that ideal. It is open to your advice and your help -- because it believes that its fundamental ideals and yours are the same.

That is why I came to you not in the spirit of criticism, not with a big stick, but with a simple plea for your assistance as American citizens in working out our common problems with goodwill and with the maintenance of the ideals of peace.

- - - - -

Louis E. Cirelstein

I am happy to be the guest speaker at this first forum of the American Retailers Federation not only because of the honor but because I feel a kinship between your business and mine. Both of us have to sell a lot of things to a lot of people. You have one advantage -- I am not permitted a bargain basement.

We have another bond of kinship. Both of us are at the delivery end of the economic system and cannot afford to play with theories about what makes business go -- we agree, I think, on the plain fact that customers make it go -- many small customers able to pay ~~the~~ ^{the} needs of the great aggregate of consumers for the food, shelter and clothing that they need. That flow of consumer purchasing power determines for you the difference between red and black on your accounts -- it determines for this nation the difference between unemployment and prosperity.

We have magnificent ability to produce goods. But between 1929 and 1955 you retailers must have wondered whether we would ever again be able to produce a customer.

Today we still have two schools of thought on how to produce customers. One school is what I call the gamblers. Its advocates are eager to wager the safety of the nation and of our system of private enterprise on nothing more than their hunch that if govern-



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sent will just keep its hands off the economic system; customers will just happen. I say "hunch" because there is no modern experience to support their theory. Between 1920 and 1935 when it was last tried government kept its hands off business and maintained a tax system such as Old Dealers dream about. Customers were left to just happen. And you know how many happened.



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In the other school of thought are we conservative New Dealers. We simply can't bring ourselves to take such radical chances with other people's property and other people's lives.

We recognize that the owner of a private business may be justified in taking a 51 per cent chance with a desperate remedy that may make or break his personal fortunes. For if he alone goes out of business ~~if limited~~ the number of lines are affected and the economic system will close around the wound.

They urge those administering government to follow the kind of economic judgment they would use in their own business ~~and~~ forgetting that the responsibilities of government are a far different kind than those of business men ~~and~~ ~~responsible for the consequences~~.

Who have ~~relaxed responsibility~~ ^{relaxed responsibility}. They for those administering government policy are responsible for the well-being of 120 million Americans — and their risks are on that scale. I doubt whether anyone here believes that we could repeat the experience of

1925 and emerge with our economic and social system unchanged. I doubt
✓
 about the boldest business man/ would fall that government was justified
 in daring to take that risk. That is why the New Deal school -- the con-
 servative school -- holds to the view that an intelligent nation should
 rest its faith in arithmetic rather than in a bunch in caring for national
 income, national security and national confidence in our Democratic way
 of living.

This New Deal school of thought relies on two main methods to provide
 the customers that we need.

The first method is to use government capital to provide jobs, good
 farm prices and purchasing power when private capital is unwilling to take
 the risks of providing them.

The second method is social legislation of a wide variety -- such
 as our legislation requiring that labor be given enough pay to be a good
 customer and that investors be protected so that they may continue to be
 customers for something more than gilt-edged pieces of paper.

Time and again, I sit in my office with a business man who disagrees
 and who thinks the surest way to produce customers is to balance the budget.

I, in innocent thirst for knowledge, say -- "How?" And usually he
 replies "Just cut it, that's all -- straight through -- ten percent".

Then from my desk drawer I take a long paper and I say "Have you
 ever actually seen the budget of the United States?" And he replies,



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"Well, of course, I have a general idea", — and he tries to change the subject.

But I've been searching for knowledge so long that I can't bear to change the subject. I go on and say, "The budget of the United States is not all of a piece; it is not a single item off which you can slice ten percent. It is an aggregate of many items. If we are going to cut the government's whole outgo ten percent we'll have to cut each item ten percent or cut some items much more than ten percent."

"Now let's see. Item one is approximately a billion dollars for interest on the public debt. Shall we conveniently confiscate ten percent of that interest so that we can reduce the interest item ten percent?"

My visitor gasps; I am reassuring; I say, "Of course not!"

The next item is approximately two billion dollars for the Army and the Navy. I say: "Do you think we had better trim the Army and Navy by ten percent?"

My visitor pounds the desk: "Of course not in these days!"

I run my finger down to the next item — approximately a billion dollars for war pensions and for civil service pensions. I inquire:

"Ten percent here?"

He squirms "No".

Next item — approximately a billion dollars to run the familiar



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From this point on
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functions of the regular government departments -- to pay the postmen and the G-men and the federal judges, the labor conciliator, and the Coast-guardmen, the patrol who fights the forest fire, the farm agent who fights the boll weevil. For a moment my visitor looks hopefully fierce. But when I point out that ten percent of that particular billion will be only 2 percent of the 5 billions we have already considered, he decides it is worthwhile to pay the postman -- provided only I will eliminate entirely the item to pay the tax collectors.

So there we are down to the really big items -- from three to four billions that takes care of four things -- payments to agriculture, federal public works (including reclamation and flood control), work relief for the unemployed, and assistance for our old people.

I start with the payments for agriculture which the Senate, obedient to its sense of the public pulse, has just increased by about four hundred million dollars.

I say, "Those payments to agriculture mean decent prices for the farm population of America, the steadiest element in our population, which works harder, produces more goods and has more children than any other element. Did I hear you say ten percent off?"

He looks very unhappy.

I come to the item about public works. He is sure that can be cut



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50 percent. I ask, innocently, "By the way, how is that new concrete road through your county?"

His eyes light up. He tells me not only about the new roads but also about the new schools and the new sewer systems and the new bridges and the new dams that are being built — how much the community has needed them and how much trade the construction camps are bringing to the town. He tells me that these public works have also given large orders to heavy industries and have created thousands of jobs for workers outside his community.

I ask him if the local Chamber of Commerce and the local newspapers have indorsed these projects. He replies with enthusiasm. The local newspapers he says took a patriotic lead in organizing sentiment to demand them and the local Chamber has been lobbying its head off for them and sending a delegation a day to Washington.

But then I tell him that the United States Chamber of Commerce and the press of the country as a whole are demanding an end to Federal spending and that I have been wondering whether I ought to take their advice and start at once with my visitor's home town — as good a place as may be begin — and wire out instructions to stop all Federal projects there.

Whereat my customer is horribly pained.

And whereat I observe to myself, "Consistency, thy name is geography."

Then we come to the last item — the funds for work relief.



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visitor
There my/examiner makes a last stand.

There he wants to cut and cut hard.

I push him into a corner. I ask him what alternative he proposes to provide for the unemployed who aren't otherwise permitted to be customers. He finally admits, that what he proposes is to end work relief, and leave those who are unemployed through no fault of their own to idleness on a dole.

Then, believe me, I make a last stand.

I tell my visitor that never so long as I am President of the United States will I condemn millions of men and women to the ignominy of idleness on a dole; nor will I condemn the business enterprise of the United States to the stagnation of the loss of millions of dollars worth of customer purchasing power; nor will I risk the survival of the social system of American democracy under such a blow to its morale. We have magnificent natural resources -- coal, iron, soil. Some may tell you that those things make us great. But I tell you that the deepest source of our greatness is the driving power of a Puritan inheritance that dedicates this nation to work -- the driving power of a moral conviction that men should labor for their living. From the standpoint of the national future it is fantastically short-sighted to try to destroy that asset by educating a large portion of the population to feel mentally easy and happy doing nothing on a dole.

If care not what the experience of other nations may be, I leave to others to argue how far the dole has deteriorated the national morale of



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other peoples who have adopted it; I leave it to bookkeepers to know how they would persuade a man with no stake in his country but a dole, to believe that such a stake is worth a man's fighting for.

The American people are a rule unto themselves and if I know them, there is nothing more impossible than to make them happy and maintain

their energy doing nothing on a dole. Even men and women on honest work relief projects have been having a hard time in their hearts with the inconsiderate smears of luckier people about relief and sly suggestions that relief workers be disfranchised and treated as pariahs. An intelligent America that wants to remain a free, an energetic, and if need be a fighting America should never condemn workers in their productive years to the ignominy of idleness any more than it should condemn them after their productive years to an insecure old age.

I know the difficulties and the costs of a work policy; no one has had more headaches over that than I. But the difference between what it costs to keep disheartened unemployed on a dole and what it costs to keep energetic American at work is the cheapest insurance any democracy -- or any system of private economic enterprise -- ever purchased.

The same considerations apply to the provision we have made for dignified support of old age, given and accepted as a right; a provision I know will have to be extended rather than retrenched before we can reach economic and social stability.



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In his heart, the fellow across the desk knows all those things, as well as I know them. For often I say to him: "Go out on the front steps of the White House and tell the public through the press so that the public will know that you, a responsible man in private business, advocate the dole as the way to create customers and prosperity. Privately you advise me to take that position. Go out there and take that position for yourself."

My visitor never takes up the challenge.

Rather, my visitor turns to the other method of the Administration about which there are misconceptions and complaint -- the so-called restrictive legislation of the New Deal.

I ask him whether he is in sympathy with the objectives of this legislation. He usually answers "Yes".

I ask him what he thinks ought to be done. He replies that there ought to be some perfecting amendments to make the legislation less of what he calls a "deterrent". But when I ask what kind of amendments, I find that he is following blindfolded the propaganda of some organized push really to destroy a law behind the guise of "a few perfecting amendments".

Let me give you an example:

Some time ago a committee from the New York Stock Exchange pressed some suggestions upon the Securities and Exchange Commission to



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change the law. As they publicized their purposes, they didn't want to abolish the law; they just wanted to make it more workable and give business confidence. Immediately many business men, not knowing the whole story, were inclined to sympathize with them.

But when examined by government men who knew the stock market business, the Stock Exchange Committee demands came down to the practical emasculation of the law by permitting once again the kind of stock market pools that in 1929 helped denude the American public of its purchasing power and private enterprise of its customers, the kind of manipulation that has been re-revealed to us in Judge Peccora's new book "Wall Street Under Oath".

That sort of thing makes me really grateful to the little group who drafted the recent resolutions of the United States Chamber of Commerce. They were honest reactionaries. They didn't try to fool anybody.

The Wage and Hour Law in substance provides that the American worker shall not work more than forty hours a week while millions of other men are begging for work, and shall not be paid less than \$12 a week while American business is producing more goods than it can sell. That law has received unprecedented approval from the American people in poll after poll.

But the resolutions of the Chamber went openly on record not for any [fancy] amendment of the Act but for outright repeal.

The men who drafted those resolutions want labor for more than a



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forty-hour week and for less than fifteen a week, and openly defy public opinion.

How many customers do you think that sort of an attitude will provide the retailers or any other business men of America?

My visitor wants to know why the Administration is so obdurate about business taxes. Time and again I have tried to make clear to the public one fundamental consideration which governs my attitude toward proposed reductions in corporation taxes.

Let me try to restate it here. It would be very easy for me to be popular with people who complain about taxes by pretending to be convinced by unconvincing arguments and letting our tax laws be whittled to pieces while I looked the other way. But it would not be honest.

I have been told that certain forms of taxes on corporations are a "deterrent" to business in its efforts to find customers. I have replied that I have had no objection to the modification of those taxes in an effort to help business — provided that a sum of revenue equal to that which would be lost by the modifications would be provided by other taxes on the same general source, i.e., corporations.

Increasing taxes on people of small means who in the aggregate provide the bulk of the buying power in the American business system, reduces that buying power. Therefore, I am against additional taxes on consumption, such as sales taxes, because instead of helping balance the budget they unbalance



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the national economy.

I want to be sure that the effect of tax revision is not simply to shift some of the tax burden from corporations to individual consumers. If there is to be tax revision, the American people have a right to know who is to pay for tax relief as well as to know who is to get tax relief.

What is important it seems to me is that at this stage of our economic picture we assume each other's intelligence and not waste each other's time trying to play the game anyway but with cards face up. No advantage which any group or class within the nation can gain by confusing any other, measures up against the corrosive dangers of a nation unsure of itself.

Let's put the cards on the table.

Our so-called problem of unemployment isn't a problem by itself.

It is the aggregate symptom of a lot of deeper problems which have been cooking ever since the War between the States — problems on which we have achieved slightly in the last six years — but problems on which there is much more left to do.

Every business man who tries to think beyond his own business — and those are days when every business man should try to do that — knows what some of these problems are. I enumerated some of them in my annual messages

Eliminating dead capital and uneconomic operations from our railroad system — after six years there are still no signs of agreement among



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the interests involved;

Getting employers who never before had to negotiate with labor used to accepting the public's new attitude toward labor and labor's new attitude toward itself;

Breaking up the dangerous concentration of economic power — with its effect upon inflexibility of markets and irregularity of employment;

Revamping the whole federal tax system in view of the changed relationships of federal, state and local units of government and the degree to which tax-exempt securities are absorbing what might be venture capital;

Educating venture capital to the fact that rates of return and degrees of risk have changed for good in the modern world.

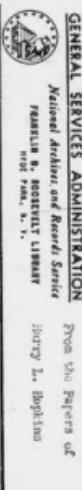
Some of these problems can be worked out in time. Some of them frankly will just have to wear out with time.

Meanwhile we have to maintain the momentum of our business system — producing customers — in the atmosphere of a new social consciousness — a new awareness of the power and the rights of the mass of the people.

B Now as we face that situation two things must be as clear to every business man as they seem to be to me.

First, the way out to economic and social stability and security, is not to go back but to go through.

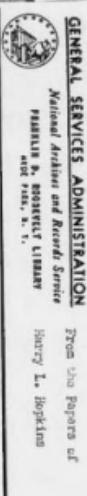
Even the draftsmen of the resolutions of the United States Chamber



of Commerce themselves can hardly have taken those resolutions seriously as a platform which they had any expectation that the American people would accept. The social reforms of the New Deal — the principle of the Wage and Hour Law, the Securities and Exchange Act, the National Labor Relations Act and similar legislation, are now the status quo — the norm — in the minds and the hearts and the business system of the American people. To attempt to tear them out of the social fabric would not restore any order; it would only bring real chaos.

Spokesmen for business interests and business associations who talk about eliminating or tearing up these things and who know what they say are consciously bluffing with the public. They would be frightened if their own platforms were followed; they are talking for trading purposes, for political advantage only.

The second thing clear to me and to every business man is that despite large political talk about getting government out of business and balancing the budget at this time, every responsible person knows that some really appreciable amount of government investment and government credit is still necessary — necessary to energize the system of private enterprise during this period while private capital is still shell shocked from the effect of events abroad and the aftermath of the 1929-1935 depression.



We do not have to decide now between the theorists — whether we believe in large government investment as a permanent policy, or as a compensatory policy varying with private activity or as a temporary stimulant only. We do not need to theorise at all. The plain fact is that right now government investment and government credit maintains customers for present business and buys us time in which to muster new energy to face without economic distress deeper problems which the whole world has yet unsolved.

The recession of 1937-1938 which occurred when government curtailed its net contribution to the purchasing power of the nation demonstrated by arithmetical proof that under modern conditions private enterprise actually needs the support of government investment and government credit. We can never again dare to place the risks of recession on those least able to bear them.

The government invests and uses its credit, not as some people seem to think, to throw money to the wind and to destroy national wealth. The government spends and uses its credit to energize economic activity so that our manpower and savings will not be wasted but shall be used to create a higher standard of living for the present and a more valuable national estate for the future.

Investment in public projects is after all only one phase of the use



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of government credit to energize economic activity. Government credit has and should be used to energize economic activity through private as well as public investment. Much of our housing program, for example, has been stimulated through the insurance of private investment. Government assistance to the railroads has enabled them to buy new equipment

and to keep up their maintenance programs. Through the R.F.C. we have also extended credit to private industrial enterprises and we are now studying the feasibility of furthering the expansion of industrial credits by insuring bank loans to business for periods running from one to ten years. How much investment, how much credit is needed may be a point to argue about. But one thing is very clear — it will be far less costly to be sure we use enough in time than to have a ~~expensive~~ repetition of the consequences in the Spring of '37 of an abortive suspension of government activity.

In determining how much is enough and what the use of government investment and government credit costs us as a nation it is important that we think in terms of things and not in terms of bookkeeping. I believe in arithmetic — you merchants believe in arithmetic. But this nation is very easily fooled from time to time by a bookkeeper's arithmetic that does not measure real values.

The nation was badly fooled by the bookkeeper's arithmetic in 1929,



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From the President

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Harry L. Hopkins
Editor

on the optimistic side, when it let the accountants and so-called stock market experts fool it into believing that securities were worth more than the earning power of the industries on which they were issued.

Today the same kind of an attempt is being made to fool the nation on the bear side by bookkeeper's arithmetic about national debt which bears as little relation to real values in the country as the arithmetic of the stock market expert bore to real values in 1929.

The real values in the nation in 1959 are our heritage of natural resources, intelligent and energetic men-power willing and eager to work, and a youth that is far better educated and far more promising than its fathers. Other nations have thrown away their bookkeeping conventions by which we prophesied they must fail and have shown us how human assets and natural resources are the only real assets in national security and in national prosperity.

No amount of financial argument can conceal the fact that it is more important that we should build up our great national heritage and provide work for our people than we should as a matter of mere bookkeeping balance our budget or reduce our national debt at this time.

It seems strange to me that many good people should be worried about the burden of debt which may be handed down to their children and not



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William A. Rogers
Secretary of Defense

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Harry L. Hopkins

about the deteriorated national estate and social heritage that they are likely to hand down to their children if we do not allow a democratic government to do the things which need be done.

Our national debt after all is an internal debt. It is not only owed by the nation but is owed to the nation. If our children have to pay the interest on the national debt, they will be the recipients as well as the payers of that interest. Our private resources are greater today than they would otherwise be because private enterprise had the courage to go into debt. Our national resources may be greater tomorrow than they are today because government has the courage to borrow and put to work some of the surplus savings of our people.

A legacy of internal debt need not impoverish our children. But if we hand down to our children a wasted natural heritage, their legacy will be not a legacy of abundance or even a legacy of poverty amidst plenty, but a legacy of ~~poor~~ poverty amidst poverty, a legacy of insurmountable hardship and woe. As Dr. Johnson so wisely remarked: "Poverty is a great enemy of human happiness; it certainly destroys liberty, and it makes some virtues impracticable and others extremely difficult."

Without boasting and with considerable humility we should recognize that nature has been kind to us in America. It has given us a country



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probably unexcelled in natural resources. We are capable of producing within our own boundaries more of the things which we need than probably any other nation or group of nations in the world. We are not indebted to, or dependent upon the favor of, any foreign power. We have the men, the knowledge, the skill and the resources to produce much more than we are producing. We have the men, the knowledge, the skill, and resources to build things both of use and of beauty which we are not building. We have the men, the knowledge, the skill and resources to husband our great national heritage, to control our floods, to harness our waters, and to conserve our irreplaceable forests, minerals and soils. We have the men and the resources to house our people better, to clothe our people better, to care better for their health, education and welfare. We can give

to every youth the opportunity to use his talents and his skills. We can give to our aged dignified security. We have the wherewithal to build a better and more enduring standard of living in America than the world has ever known.

There is a grand old phrase in the service of the church — "Bursts cordai" "Lift up your hearts and have courage".

No amount of pessimistic theorizing can conceal the fact that we can do all of these things and that if we do all of these things we will be a happier people and a richer and stronger nation.



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And if we do all of these things we need not fear for the survival
of our democracy at home or for its power to withstand foreign aggression.
Proof that a tolerant democracy can really care for the security of its
citizens will do more even than armaments, important as they are today,
to prevail against the tyranny of brute force that would enslave the
world.



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THE POSITIVE FISCAL PROGRAM

16-22193
Steps have already been taken, which should be briefly revised, relating to those items in the budget which in the public mind cause a deficit in the budget, namely; the armament program; work relief; civilian conservation corps; social security, in so far as it is appropriations from the Treasury; the farm program; flood control; soil erosion; Youth Administration; U. S. Housing Authority, where the subsidy is confined to interest; road program.

All of the above items have either been provided for by the Congress or recommended by the President.

The addition programs which in the mind of the public come under the general heading of those tending to create deficit spending are: ~~EINIX~~.

1. P.E.A. This item has been omitted from the



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budget entirely, and the suggestion is that it be restated by the President in the form of a positive recommendation and with the recommendation that it be financed and handled the same way the U. S. Housing funds are handled, either that the subsidy be in the form of interest or in some manner equivalent to that. It may be in many cases that it will only require loans from the R. F. C., but a positive public program should be stated and recommended in a fashion that will not compromise the position already taken by the Administration.

2. The increased farm program, which further out-balances the budget, should be so presented as to indicate the President's full understanding of why the proponents of the increases are anxious to protect the farmers' interest, by restating its position that with this increase should go a tax proposal to compensate ~~the~~ adequately the increased appropriation. Additional taxes, however, should not be ~~the~~



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be either in the form of sales taxes or other consumption taxes, but rather in the form of income taxes in the middle brackets, state taxes, and other tax sources which tend largely to draw out savings. The President's statement here should give a public impression of genuine concern for the farm program and the feeling on his part that the country never can get any reasonable recovery and prosperity unless the farmer attains reasonable prosperity.



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Note. Present appropriations by Congress plus the recommendations already made by the Executive Department indicate a deficit in the fiscal year of 1940 which is generously estimated at three billion dollars. Assuming that the tax to make up for increased farm payments and some subsidy in P.W.A. would require another net increase in the deficit not to exceed fifty million dollars.

XXXX

CREDIT.

Credit facilities ~~now~~ should be increased or improved

as follows:

1. Liberalization of credit for private housing

for which many possibilities are open without ~~increasing~~
increase in the budget.

2. Provision of insuring loans to small businessmen

(the Mend Bill or a modification of it).

3. Railroad equipment rental, approximately

\$500,000,000, funds to be provided by the R.F.C., with capital
structure of \$100,000,000 and authorization of debentures up
to \$500,000,000. The technique to be used would be a rental
technique rather than loans to railroads for equipment.

4. Self-liquidating projects, such as toll bridges,

tunnels, express highways, as carefully worked out by the
Bureau of Public Roads.



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Notice should be taken by the President in his speech of
the new technique used by the ~~Fascist~~ Totalitarian States by giving a clear
indication in his speech that that type of competition must be
appropriately met. The ~~satellites~~ details of this
should be avoided in
this speech. He might well mention by name the functions of
the Export-Import Bank in regard to this matter without going
into too much detail.

III

A statement indicating the importance of the solution
of the railroad problem. This should not be overstated. It
should indicate that it is a problem that has grown up over a
period of the last 70 or 80 years, but it should give a clear
impression that the President wants Congress to take some affirmative
steps at once, realizing that it isn't the whole problem.



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2. Taxes. Restating the affirmative things that he has recommended. Indicating that he is not opposed to a modest tax reform, providing that taxes are not shifted from one group to another, namely, if there is any modification to any ~~existing~~ type of corporation taxes, that that shall be put back on other types of corporation taxes. A clear indication that he is opposed to any means of tax evasion and his reaffirmation of gradual abolition of tax ~~exempts~~.

5. The implications should be developed of his letter to Senator O'Mahoney of May 16th, indicating that one of our great problems is to bring savings and investment in balance and to provide outlets for savings, clearly recognizing that government has a part in this on a permanent basis; that the government's place in it is important not only as a guarantee of the general welfare of the people in terms of protection, but the President should strike an



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an affirmative note of hope and confidence and awareness that the economic system can be implemented by the government's understanding and determination to aid with proper safeguards the investments of savings in productive ventures. The speech should indicate that there are great frontiers yet to be captured in America. The whole tone as indicated in the last three or four paragraphs should be one of complete confidence that there still remains ample opportunities for all of young people in America to gain a reasonable confidence and for all people jobs during their working years and security in their old age.

Footnote. There might well be reference in the speech to two items which represent the basic principles of the New Deal, namely, the Wage Hour Bill and the S.E.C. Referring in to the Chamber's attack on the whole Wage Hour Bill indicate the abolition of that Act. The implications



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(Footnote continued)

in the recommendations by a special committee of the Exchange with reference to the S.E.C. regulations and law.

In using these examples the President should vigorously indicate that he will not compromise with anybody, although, he should indicate the position that he has taken before that all of these reforms may require some amendment.



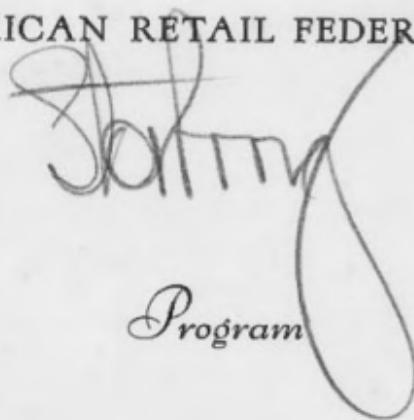
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AMERICAN RETAIL FEDERATION



RETAILERS' NATIONAL FORUM

THE MAYFLOWER HOTEL

WASHINGTON, D. C.

May 22, 23, 1939

MONDAY, MAY 22

Registration
9:00 to 12:00 A. M.

*

Luncheon
12:30 P. M.

CHAIRMAN, W. W. WELSH, *President, Welsh's, Peru, Indiana*

1:30 P. M.
DR. DAVID R. CRAIG, *President, American Retail Federation* Call to Order and General Introductory Remarks

1:45 P. M.
HON. HARRY L. HOPKINS, *Secretary of Commerce* "The Retailer and the National Life"

MONDAY AFTERNOON SESSION

2:30 P. M.

CHAIRMAN, E. C. SAMS, *President, J. C. Penney Co.*

3:00 P. M.

HON. JOSEPH W. MARTIN, JR., "The Problems That Persist"
*Republican Floor Leader,
House of Representatives*

3:30 P. M.

DR. BEARDSLEY RUMMEL, "The Retailer and National
*Treasurer, R. H. Macy & Co.,
Inc., and Member of the Na-
tional Resources Committee*

3:55 P. M.

EDGAR J. KAUFMANN, *President,
Kaufmann Department Stores,
Inc.* "The Retailer and the Consumer"

4:15 P. M.

HON. ROBERT E. FREER, "The Federal Trade Commission
*Chairman of the Federal Trade
Commission*" and The Retailer"

4:55 P. M.

DR. JOHN M. CASSELS, *Director,
Institute for Consumer Educa-
tion, Stephens College, Co-
lumbia, Missouri* "The Changing Composition of
Consumer Demand"

5:00 P.M.

BENJAMIN F. SISSON, *Discussion Leader, Vice-President, Sisson
Brothers, Welden Co.*

Adjournment

5:15 P. M.

MONDAY EVENING

Banquet

7:00 P. M.

CHAIRMAN, LOUIS E. KIRSTEIN
*Chairman of the Board of Trustees of the
American Retail Federation*

ADDRESS

THE PRESIDENT OF THE UNITED STATES

9:30 P. M.

TUESDAY, MAY 23

9:00 A. M.

CHAIRMAN, NATHAN S. SACHS

*Treasurer, Sachs Quality Furniture Company,
President, National Retail Furniture Association*

9:05 A. M.

SENATOR JOS. C. O'MAHONEY, "Influences Retarding the Flow
Chairman, Temporary National Economic Committee
of Goods"

9:30 A. M.

HOMER W. LADD, *Vice-President and General Manager, Ladd Furniture Company, Fort Worth, Texas*
"The Retailer and the South"

9:50 A. M.

B. EARL PUCKETT, *President, Allied Stores Corporation*
"The Various Forms of Distribution"

10:20 A. M.

JOHN W. RUDIN, *Treasurer, Dowds-Rudin Co., Mt. Vernon, Ohio*
"Economic Opportunity for Small City Retailers"

10:45 A. M.

GENERAL ROBERT E. WOOD, *Chairman of the Board, Sears, Roebuck & Co.*
"The Social Responsibility of the Retailer"

11:15 A. M.

WILLIAM H. HAGER, *Discussion Leader, President, Hager & Bro., Lancaster, Pa.*

Adjournment

11:30 A.M.

TUESDAY LUNCHEON

12:30 P. M.

CHAIRMAN, MORTON J. MAY
President, May Department Stores Company

1:30 P. M.

HON. HENRY A. WALLACE, *Secretary of Agriculture*
"The Agricultural Surpluses"

2:00 P. M.

HUNTER C. PHILAN, *President, D. Pender Grocery Co., Norfolk, Va., and Past President, National Association of Chain Stores*
"The Distribution of Agricultural Surpluses"

2:30 P. M.

LOUIS E. KIRSTEIN, *Chairman of the Board of Trustees*
"The Interests of the Retail Industry"

Adjournment