FDR Speech File

STATEMENT by the President.

The Public Debt Act of 1943 is before me for signature. This bill increases the limitation on the face amount of obligations issued under the Second Liberty Bond Act that may be outstanding at any one time from 125 billion dollars to 210 billion dollars.

I pointed out the need for this increase in my Budget message on January 6. A bill to authorize the increase was introduced in the House of Representatives on January 25 by Chairman Doughton of the Ways and Means Committee. The Treasury informed the Ways and Means Committee that the present debt limit would be insufficient to cover the necessary bond issues which would be required during the month of April.

The Treasury has advised me that, to permit the execution of its war financing plans the Public Debt Act must become effective without further delay. I am accordingly allowing the Bill to become law without my signature, in order to avoid embarrassment to our war financing program.

If the circumstances were otherwise, I should veto the bill. Even so, I cannot permit this legislation to become effective without registering my protest against the attachment to this Bill of an irrelevant and unwarranted rider.

There was attached to this Bill in the House a provision which would have taken from the President the right to stabilize salaries until they were raised above $67,200 or the annual rate paid on December 7, 1941, whichever was the greater. This rider would have destroyed the entire stabilization program. It would obviously have been unfair to stabilize wages, and yet leave salaries free to rise to $67,200.

This patently indefensible provision was eliminated in the Senate. But instead of dropping it altogether, the Senate substituted a provision removing from the Act of October 2, 1942, the President's authority, granted in terms by that Act to reduce wages or salaries "to the extent that he finds necessary to correct gross inequities and also to aid in the

effective prosecution of the war." The effect of this provision, which was accepted in conference, is to terminate the authority given to and exercised by me to prevent the payment during the war of salaries in excess of $67,200.

The reasons which prompted me to exercise the authority conferred upon me are fully explained in the letter which I sent to Chairman Doughton of the Ways and Means Committee on February 15. A copy of that letter is appended to this statement. As I explained in my letter, I agree with those who say that the limitation on salaries does not deal adequately with the problem of excessive incomes. Practical limitations ~~should~~ ought to be placed by appropriate taxation on all income, earned and unearned. I urged and would have welcomed a special tax measure applicable to all excessive incomes from whatever source derived ~~in substitution for~~ in place of the flat $67,200 salary limitation.

But the Congress has chosen to rescind my action limiting excessive salaries without even attempting to offer a substitute. The result is that Congress has authorized the drafting of men into the Army for $600 a year regardless of whether they ~~may be~~ are earning $1,000 or $100,000 a year, but has refused to authorize the reduction in the salary of any man not drafted into the Army no matter how high his income may be.

At the same time the stabilization program enacted by the Congress requires wage increases to be denied to workers earning $1,500 a year even when their employers are willing to pay those wage increases. The essence of stabilization is that each should sacrifice for the benefit of all. This principle the Congress has failed to recognize.

Some 2 or 3 thousand persons who on September 15, 1942 were receiving salaries in excess of $67,200 may continue to receive them. About 750 persons will be able to receive salaries in excess of $100,000; about 30 persons, salaries in excess of $250,000; and 3 or 4 persons, salaries in excess of $500,000.

One hundred and thirty million Americans can make the stabilization program work even though a relative handful of ~~a couple of thousand~~ persons are not obliged to cooperate as they should. The exemption accorded these excessively high

salaries does not help morale, but American morale is too strong to be permanently injured by this ill-considered action.

The Act of October 2 laid down a general stabilization program covering wages, salaries and prices. That program may, of course, be revised or repealed by the Congress. But under the Constitution all Congressional enactments must be submitted to the President for his approval or veto, and no measure can be passed over his veto except by a two-thirds vote of both houses.

The Congress has sought to deprive the President of his existing power to adjust salaries to correct gross inequities. It has done this not by a spearate enactment, but by a rider attached to the Public Debt Bill of 1943.

If I veto the Bill with its rider, the Treasury's war financing plans may be seriously retarded. I have no means of assuring prompt action on a veto or prompt repassage of the Act without the rider. I have no means of preventing indefinite delay if the House or the Senate should decide to recommit the measure to a committee for further study.

My constitutional power to veto has been effectively circumvented. I have no alternative save to submit and to permit the Act to become law without my signature. I shall not do so without this earnest objection.

I still believe that justice and fairness require the limitation of excessive incomes. I respectfully urge the Congress at the earliest possible moment to give consideration to the imposition of a special war supertax on net income, from whatever source derived, which after the payment of regular income taxes exceeds $25,000. Differences as to methods should not obscure our common objective---equality of sacrifice in wartime.

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The Act of October 2, 1942 set up a stabilization program covering wages, salaries and prices. It could, of course, be revised or repealed by the Congress but subject, under the Constitution, to the approval or veto by the President.

The Congress, however, did not adopt this constitutional method.

It chose to take away the authority of the President to adjust salaries which were grossly inequitable, not by a separate law, but by attaching a rider to a Bill increasing the debt limit.

This system of attaching riders to Bills relating to a wholly different subject has been used by former Congresses in a number of notable cases. Such abuses of sound legislative procedure have been protested by many former Presidents, and the practice has been condemned by sound opinion. It is noteworthy that

the Constitutions of many States require that a proposed law shall relate to only one subject.

In this particular case the problem is easy to understand.

If I veto this Bill, with its rider, the Treasury's war financing plans may be seriously retarded. I have no means of assuring prompt action by the Congress ~~in the face of the~~ on a great bond issue, the sale of which is about to start. I have no means of preventing indefinite delay if either branch of the National Legislature should decide to recommit the measure to a Committee for further study.

If I ~~had~~ signed the Bill I would ~~have been~~ accused of giving my ~~assent~~ approval to salaries which most persons regard as excessive in the midst of a war for the survival of this nation.

Thus the Congress has successfully and effectively circumvented my power to veto.

All that remains to me is to permit the Act to become a law without my signature.

I am doing this with two earnest objections. The first is against the practice of attaching extraneous riders to any Bill. The second is to make clear to the country that I still hope and trust that the Congress, at the earliest possible moment, will give consideration to imposing a special war supertax on net income, from whatever source derived, which after the payment of all ~~regular income~~ taxes exceeds $25,000.

I still believe that the nation has a common purpose -- equality of sacrifice in war time.

Re: Salary Limitation

February 15, 1943

Dear Mr. Chairman:

Some days ago you wrote me that there was a proposal before your Committee to amend the Public Debt Bill by adding a provision nullifying the Executive Order issued by me under the Act of October 2, 1942, limiting salaries to $25,000 after taxes, and asked if I cared to submit any views with reference to the proposal. In reply, I told you that I hoped the Public Debt Bill could be passed without adding amendments not related to the subject, but that if the Committee thought otherwise, I would later write you my views.

In a message to the Congress on April 27, 1942, I stated, ". . . discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than $25,000 a year." Thereafter the Treasury advised the Committee, "To implement the President's proposal, the Treasury now recommends the enactment of a 100% war supertax on that part of the net income after regular income tax which exceeds a personal exemption of $25,000. * * * It is recommended that for the purpose of the supertax, joint returns be made mandatory and that a personal exemption of $25,000 for each spouse be allowed, or in effect $50,000 for the married couple."

So far as I know, neither House of the Congress acted upon the recommendation.

When the Act of October 2, 1942 was passed, it authorized me to adjust wages or salaries whenever I found it necessary "to correct gross inequities and also aid in the effective prosecution of the war." Pursuant to this authority, I issued an Executive Order in which, among other things, it was provided that in order to correct gross inequities and to provide for greater equality in contributing to the war effort, no salary should be authorized to the extent that it exceeds $25,000 net after the payment of taxes. Provision was made for certain allowances in order to prevent undue hardships.

The legality of the Executive Order was attested by the Attorney General, prior to its issuance. No Executive Order is issued without such approval.

The regulation issued under this Order, with my approval, was so worded that it affected only gross salaries in excess of $67,200, the amount of taxes due upon such salaries reducing them to approximately $25,000 net. I could not exercise the discretion vested in me by the

Congress to adjust salaries, without finding that it is a gross inequity in wartime to permit one man to receive a salary in excess of $67,200 a year while the government is drafting another man and requiring him to serve with the armed forces for $600 per year. I believed it a gross inequity for the President of a Corporation engaged in the production of materials for the government, to receive a salary and bonus of $500,000 a year while the workers in the Corporation were denied an increase in wages under the provisions of the law and my Executive Order. The correction of such inequities, I believed, would aid in the effective prosecution of the war.

I call your attention to the fact that the limitation of salaries was, by the language of the Order, limited to the war period; and that the law upon which the Order was based expires June 30, 1944, and can be continued only by the affirmative action of the Congress. Therefore, no fair argument can be made that the limitation was intended either by the Congress or by the Executive to become permanent law. The intention was made plain in my original message. I then and there affirmed my belief that this limitation should be made "in time of this grave national danger when all excess income should go to win the war."

This desire to limit personal profits during wartime is no nw thought. Its origin is neither alien nor obscure. It is in accord with the solemn pledges of the Republican Party and the Democratic Party.

In 1924, just after our soldiers had returned from the first World War and the leaders of both parties were conscious of the views of the returning soldiers as to war profiteering, the Republican Party declared in its platform:

> "We believe that in time of war the nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities, whether utilized in actual warfare or private activity."

The Democratic Party platform the same year solemnly pledged:

> "In the event of war in which the man power of the nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits."

I repeat, this was in 1924, not 1928, and that these were the platforms of the Republican and Democratic Parties.

I agree with those who say that the limitation of salaries does not deal adequately with the problem of excessive personal profits and

that the limitation should extend to all income. My Executive Order endeavored to correct the inequity to the extent of the power granted me. The Congress can, however, make the limitation adequate by extending it to the coupon clipper as well as the man who earns the salary.

Therefore, I urge the Congress to levy a special war supertax on net income from whatever source derived (including income from tax exempt securities) which, after payment of regular income taxes, exceeds $25,000 in the case of a single person, and $50,000 in the case of a married couple. If the Congress does not approve the recommendation submitted by the Treasury last June that a flat 100% supertax be imposed on such excess incomes, then I hope the Congress will provide a minimum tax of 50% with steeply graduated rates as high as 90%. The exact amount of the exemptions to be allowed and the exact rate of taxation to be applied are necessarily arbitrary and these are matters the Congress must decide.

If taxes are levied, which substantially accomplish the purpose I have indicated, either in a separate bill or in the general Revenue Bill you are considering, I shall immediately rescind the section of the Executive Order in question. The Congress may appropriately provide that such taxes should take the place of the $25,000 limitation imposed by Executive Order.

I trust, however, that without such tax levies, the Congress will not rescind the limitation and permit the existence of inequities that seriously affect the morale of soldiers and sailors, farmers and workers, imperiling efforts to stabilize wages and prices, and thereby impairing the effective prosecution of the war.

Very truly yours,

Hon. Robert L. Doughton,
Chairman, Ways and Means Committee,
House of Representatives.

FOR THE PRESS IMMEDIATE RELEASE APRIL 8, 1943

STATEMENT BY THE PRESIDENT

The Executive Order I have signed today is a Hold-the-Line order.

To hold the line we cannot tolerate further increases in prices affecting the cost of living or further increases in general wage or salary rates except where clearly necessary to correct sub-standard living conditions. The only way to hold the line is to stop trying to find justifications for not holding it here or not holding it there.

No one straw may break a camel's back, but there is always a last straw. We cannot afford to take further chances in relaxing the line. We already have taken too many.

On the price front, the directions in the Order are clear and specific.

All items affecting the cost of living are to be brought under control. No further price increases are to be sanctioned unless imperatively required by law. Adjustments in the price relationships between different commodities will be permitted if such adjustments can be made without increasing the general cost of living. But any further inducements to maintain or increase production must not be allowed to disturb the present price levels; such further inducements whether they take the form of support prices or subsidies, must not be allowed to increase prices to consumers. Of course, the extent to which subsidies and other payments may be used to help keep down the cost of living will depend on Congressional authorization.

Some prices affecting the cost of living are already above the levels of September 15, 1942. All of these cannot be rolled back. But some of these can and should be rolled back. The Order directs the reduction of all prices which are excessively high, inequitable, or unfair. The Stabilization Act was not intended to be used as a shield to protect prices which were excessively high on September 15, 1942.

On the wage front the directions in the Order are equally clear and specific.

There are to be no further increase in wage rates or salaries' scales beyond the Little Steel formula, except where clearly necessary to correct substandards of living. Reclassifications and promotions must not be permitted to affect the general level of production costs or to justify price increases or to forestall price reductions.

The Order also makes clear the authority of the Chairman of the War Manpower Commission to forbid the employment by an employer of any new employee except in accordance with regulations of the Chairman, the purpose being to prevent such employment at a higher wage or salary than that received by the employee in his last employment unless the change of employment will aid in the prosecution of the war.

It further calls the attention of all agencies of the federal government and of state and municipal authorities concerned with the rates of common carriers and public utilities to the stabilization program in the hope that rate increases will be disapproved and rate reductions ordered so far as may be consistent with federal and state laws.

For sometime it has been apparent that this action must be taken because of the continued pressure for increased wages and increased prices. I have heretofore refrained from acting because of the contention of the supporters of the Bankhead bill that under the Act of October 2, 1942, I had no authority to place ceiling prices on certain commodities at existing levels. My views on that question were set forth in my message of April 2, vetoing the Bankhead bill.

The Senate did not vote upon the question of passing the bill over the veto. Its author moved to recommit the bill to the Committee on Agriculture, stating that there were not sufficient votes to override the veto.

I am advised that weeks or months from this date the bill may be reported for consideration. I am also advised that in the history of the Congress no bill vetoed by a President and recommitted to a committee has ever become law.

I cannot wait to see whether the Committee at some future date will again report the bill to the Senate. I cannot permit a continuance of the upward spiral of prices.

Some groups have been urging increased prices for farmers on the ground that wage earners have unduly profited. Other groups have been urging increased wages on the ground that farmers have unduly profited. A continuance of this conflict will not only cause inflation but will breed disunity at a time when unity is essential.

Under the Act of October 2, 1942, Congress directed that so far as is practicable, wages, salaries and prices should be stabilized as of the level of September 15. Under that direction inflation has been slowed up. Now we must stop it.

We cannot stop inflation solely by wage and price ceilings. We cannot stop it solely by rationing. To complete the job, Congress must act to reduce and hold in check the excess purchasing power. We must be prepared to tax ourselves more, to spend less and save more. The details of new fiscal legislation must be worked out by the appropriate committees of the House and the Senate. The executive departments stand ready to submit suggestions whenever the committees desire.

I am exerting every power I possess to preserve our stabilization program.

I am sure the Congress will cooperate.

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