CONFIDENTIAL
Press Conference #83,
Executive Offices of the White House,
January 3, 1934, 10.50 A.M.

THE PRESIDENT: I got to bed at 1.30.

Q After we wrote the stories that you were going to work all night on your Message?

THE PRESIDENT: Yes. (Laughter)

MR. DONALDSON: All in.

THE PRESIDENT: I don't think there is any particular news. You have a message. I think it speaks for itself. Tomorrow the Budget Message comes out and this afternoon we have arranged for a little party of the financial people who are coming over to the White House, to the Oval Room, and we will sit around and talk figures.

MR. EARLY: 4.30?

THE PRESIDENT: 4.30 in the Oval Room and try not to make it more than thirty or forty people, if you can, because you will all have to sit on the floor.

MR. EARLY: The Budget Director advises that he will have copies available at 3.30.

THE PRESIDENT: The copies will be available at 3.30 so that those who are going to come will be able to go over the copies.

Q When may we expect that the debt Message will go up?

THE PRESIDENT: I have no idea. There isn't any timetable on that.

On the pay cut thing you were asking about, a draft of Order came to me this morning and, because it did not have all the supporting figures which I want to go into myself, I have sent for the supporting figures and it will probably be some time before

I go through all the figures.

So there really isn't any news. Just as a hint, I would go a little slow about talking about large restorations and also I think that you do have to remember that I am bound by the law on this thing.

Q Is that six per cent a good guess?

THE PRESIDENT: I think it is a terrible guess. (Laughter)

Q Which way?

THE PRESIDENT: (No answer)

Q How would you guess?

THE PRESIDENT: I haven't the figures yet, that is it.

Q You said it would be some time. Is that hours or days, several days --

THE PRESIDENT: (interposing) I told you it is merely a question of my getting time to do it. It depends on when I get back to the house and when we get through with the Budget talk. I am going to try to get at it today but I cannot guarantee it.

Q Mr. President, is it permissible to discuss the text of the Message at this time?

THE PRESIDENT: I do not suppose that we had better talk about the details of the Message because, in the first place, most of your stories are written. What were you going to ask, what particular kind of a thing?

Q You said in the Message that some of the sister nations were not ready to stabilize. Does that mean that we are?

THE PRESIDENT: I do not think I need to elaborate on the language at all. It is perfectly clear and speaks for itself.

Q Mr. President, do the other Messages make specific recommendations?

THE PRESIDENT: I haven't any schedule at all. I don't know. There will be, of course, during the course of the session, other messages. I don't think that I will adopt the attitude of sending a message up on every specific subject. Some of the legislation will probably originate in committees. In other words, there will be a pretty close liaison between the White House and the committees and there will be substantial agreement. A good many things will not be -- will not take the form of messages to Congress at all. There probably will be a message, as I said the other day, on tariffs but there isn't any regular schedule of messages or even a determination of what things will take the form of messages and what won't.

Q Tentatively again, isn't every nation going to stabilize if it could name the parity figures?

THE PRESIDENT: If it could name its own figure? I don't know. I think you had better use this -- I suppose you can use it as background. There are a good many nations whose entire financial setup is so weak that it makes it awfully difficult for them to do anything -- unbalanced budgets, things of that kind. It is a little bit as if you and Stevie and I were to agree to enter into a partnership and each put in $100,000. (Laughter) And then you and I were to discover that while Stevie had $100,000., he was living away beyond his means. (Laughter) Well, the chances are that you and I would go ahead without Stevie and that is a perfectly good illustration of one of the international problems relating to permanent stabilization.

You will notice that when I used the word "stabilization," I also used the word "permanent" which is a very different thing than "temporary" and also the term "world-wide." In other words, we are looking a long ways or to the time when we can get it world-wide.

Q Are there any countries that just want to stay away from stabilization and stay away from gold and go on a managed currency entirely?

THE PRESIDENT: For instance, Sweden has a managed currency today.

Q Would Sweden have preferred to stay away?

THE PRESIDENT: Great Britain has a managed currency.

Q And there is some sentiment toward keeping it that way?

THE PRESIDENT: Yes.

Q Would you suggest that the N.R.A. be made permanent at this session of the Congress?

THE PRESIDENT: Well, I think you are a little premature, John (Boettiger). I think if you will read the message, it makes it perfectly clear that certain objectives or certain functions of the N.R.A. -- not necessarily because I very carefully said that there are some things that need readjustment of machinery -- but that certain objectives and purposes must not only be made permanent but are permanent. They are just there. The people who are kicking, they are just out of luck.

Q Mr. President, in the Interstate Commerce Commission, in the matter of the appointment of the successor of Brainerd (Mr. Ezra Brainerd, Jr.), has that matter been taken up?

THE PRESIDENT: I have not had time to take it up at all. Probably the vacancies on the R.F.C. won't be filled. I have to reappoint

the Board of the R.F.C. I think on the sixteenth of January, about then, and I will fill the two vacancies. There is one (now) and of course Mr. Couch (Mr. Harvey Couch) is going off until that time.

Q In your discussion of your Message, I guess we are bound to keep that until it is released?

THE PRESIDENT: Oh, I think so. You will have to keep this talk of the Message until it is actually delivered. Don't put anything on the wire until then.

Q Don't tell anything about my hundred thousand dollars?

THE PRESIDENT: No. (Laughter) Right, stout fellow.

Q (Mr. Stephenson) Thank you, Mr. President.

Q Have you discussed this matter of retiring submarginal lands?

THE PRESIDENT: Somebody wrote the story way back sometime during the summer when we announced the policy that for every acre we would put in by reclamation we would take out an equivalent number of acres that would produce the same crops. It is a perfectly definite policy and has been for months.

Q Thank you, Mr. President.

CONFIDENTIAL
Press Conference #84 - Budget,
Executive Offices of the White House,
January 3, 1934, 4.45 P.M.

THE PRESIDENT: Well, Gentlemen of the Senate, (laughter) I am sorry Lew Douglas is not here but Mrs. Douglas is not well up in New York and Lew had to go up this afternoon, so I haven't anybody to explain the details and I do not believe I can. I will do the best I can. I think I can talk about the high spots of the Budget Message but when it comes down to details you will have to dig into the figures yourselves, as I will have to dispense with Lew Douglas.

By the way, please note that the confidential release means "when delivered to the Houses," which will be, I take it, at the opening of the session tomorrow morning. They will be there at that time, anyway, so when they are handed in at the desk at the Senate and House, either one, let it go.

In regard to the Message, I suppose if I were writing your stories for you, I would say it is the most brutally frank Budget Message ever sent in. In other words, I am not mincing words or trying to hide anything. However, and this is going to be awfully hard for you to write, there isn't a single figure in this, except about a billion dollars in regard to this year's Budget -- this year's financial operations of the Government -- that you people have not been in possession of since the sixteenth of June and I am awfully sorry if you people have not used your own pencils. It is not my fault, the figures were there all the time and any one of you could have added them up. So I hope you will make it perfectly clear that what may appear in this particular fiscal year's

figures as being perhaps a bit of a shock is your fault and not mine because, when you come down to it -- let me give you a little philosophy in Budget-making -- a legislative body authorizes appropriations. From that moment on the authorized appropriation becomes a contingent liability. It may not be spent but it may be spent. It may not all be spent this year, some of it may be spent next year and some of it the year after; on the other hand, all of it may be spent this year, therefore it is a contingent liability.

Now, the authorizations of the last session of the last Congress, in other words, the Congress that went out on the fourth of March last, plus the authorizations of the special session, made it perfectly clear that we might very easily spend this current fiscal year that we are in now $10,000,000,000. Now, you ask, "How do you arrive at that figure?" Turn to page -- at the bottom of page V. It shows that we expect to spend -- to spend, mind you; there is all the difference in the world between expenditure and appropriation -- we expect to spend $9,403,000,000.

Turn over to the next page and that is itemized in that table into two main headings: for the general expenses of the Government, $3,045,000,000., and for emergency expenses, $9,403,000,000. (There was a slight pause.) Now, that $9,403,000,000. might have been a great deal bigger.

Q You mean $6,357,000,000.?

Q You mean six billion --

THE PRESIDENT: (interposing) I mean nine billions, the total of the figures. The total figures will be, as far as we can tell now,

$9,403,000,000.

Now, I say, that should not be a shock. First, there is a whole lot of stuff that has not been authorized by the Congress, has not been spent and is not going to be spent this fiscal year. For example, the total appropriations for public works, which were $3,300,000,000., we only have gone in for $1,677,000,000. We might, if we had allocated it differently, spend the whole $3,300,000,000. In the same way, on R.F.C., that big item, $3,969,000,000., Jesse Jones might have obligated the Government for the total amount. As I remember it, that is about $150,000,000. shy of what he could have spent or obligated the Government for -- what he could have spent this fiscal year. Therefore, and I am taking the offensive here -- therefore, if you people had only added up figures that were in your possession on the sixteenth day of June, you could have figured very, very easily that the expenditures during this fiscal year could have run beyond $10,000,000,000. So, do not blame me for springing things on you.

Q Do you know what the emergency expenditures are?

THE PRESIDENT: I have not got it.

Q Do you know whether the Government could spend money as fast as shown in here? People have added figures and concluded a deficit between four and five billion dollars, reckoning that the Government could not spend money faster than that, even with C.C.C. and --

THE PRESIDENT: (interposing) In the first place, this emergency list of $6,357,000,000. is made up by taking the lowest estimate of what each one of these agencies expects to spend. Their estimates that they think they can spend are higher than these. We are taking the

lowest.

Q We added it up to $5,000,000,000. and I cut it and said it was $4,000,000,000.

THE PRESIDENT: Well, for example, nobody on the sixteenth of June had the foggiest idea as to how much of the Public Works money could be spent before the first of July next, 1934. If we had not reached it the way we had, if we had just approved every application from every state and community all through the country, we would have spent it and a great deal besides. But it was available for expenditure and the actual rate of expenditure depended on the administrative methods for spending it. That amount of $9,000,000,000. does not represent nearly what we could have spent under authorizations that were all completed on the sixteenth day of June. That is the point I want to make. Therefore, there should not be anything surprising in the figures for this fiscal year.

Q Is direct relief in here?

THE PRESIDENT: Yes.

Q Under Public Works?

THE PRESIDENT: As I remember it -- now you are getting me down to details -- as I remember it, part of the relief money came from the R.F.C. and $400,000,000. of the C.W.A. came from Public Works. Am I right on that? I think that is right.

Q Carrying on this question of how fast the money can be spent, I think the Treasury's last statement showed that the R.F.C. spent $600,000,000. in the first six months. This figure would mean that in the coming six months they would have to spend five times that amount. Is there any expansion in the R.F.C. activities which

would enable them to do that?

THE PRESIDENT: I think that means they have spent 600 millions more than their receipts.

Q This is not a net figure then?

THE PRESIDENT: No, this is a gross figure.

Q Is there any figure showing the return to the Treasury by the R.F.C.?

THE PRESIDENT: I think that is in here but I could not tell you where. Now you have me; I do not know.

Q On page VI you say that there are certain additional expenditures in that $1,166,000,000. "shown in a subsequent table herein." Where is that table? I have not found it.

THE PRESIDENT: Maybe it is in the big book.

MR. EARLY: That is where I think it is.

THE PRESIDENT: I think it is in the big book.

Q Mr. President, just to clear this up, this $9,403,000,000. is the figure you actually expect to reach in this fiscal year?

THE PRESIDENT: Yes, the total expenditure.

Q That is exclusive of the things that may be spent but that are not going to be spent?

THE PRESIDENT: Yes.

Q Otherwise it would have totaled ten billions plus?

THE PRESIDENT: And most of them, if not all, appear in next year's Budget. For instance, the first item, page VII, (under emergency expenditures) is for Public Works, $1,089,000,000. Now, that is all monies appropriated before the sixteenth of June last, and there will still be some money out of the $3,300,000,000. that will be spent in the fiscal year 1935-1936. For example the

Triborough Bridge in New York and the building of Government ships and items of that kind will take three years to complete.

Then on page VI, the next paragraph below the table, the estimated receipts for the fiscal year are $3,259,000,000. Those, of course, are very distinctly better than we had any idea of last spring. In other words, taxes have been coming in in better shape during the last six months than we had anticipated. Then, leaving out certain additional expenditures over 1934, (reading from 1935 Budget)

> "On this basis, including, however, certain additional expenditures for 1934 which are not included in the Budget estimates but which I believe to be necessary and amounting to $1,166,000,000 as shown in a subsequent table herein --"

Where that subsequent table is I do not know. I can describe it to you. Those are amounts which we believe we have to get appropriations for very soon from the Congress, I mean within the next month, in order to carry us through on certain operations that are under way, all of it to be spent before the first of July. The principal item is the one we talked about the other day for continuing the C.W.A. In other words, we only have enough money to run the C.W.A. until the fifteenth of February and we believe that these four million people who are on the rolls of C.W.A. ought to be given work up to warm weather which, on the average of the country -- we set the date as of the fifteenth of April. That means providing the money for four million people for two months longer. That will come, as I remember it the last time they wrote the figures, to about $400,000,000. Then there are certain other items; I think there are four or five of them. There

is money needed for the Home Loan Bank building, for Farm Credit which is mostly, as I remember it, not direct loaning for farm credit on farms but is to take up the older financing of the land banks, the Federal Land Banks, as I remember it, which is 100 or 150 million dollars. There are several items of that kind to put the previous legislation into full effect and it totals $1,166,000,000.

Q That will bring the total expenditures for this fiscal year to $10,500,000,000.?

THE PRESIDENT: $10,569,000,000., yes -- no, no; on this basis, including, however -- we are wrong there -- including, however, certain additional expenditures for 1934 to the tune of $1,166,000,000. as shown in a subsequent table, the excess of expenditures over receipts is $7,309,000,000. Now that figure is arrived at -- you have it right -- the expenditures of $9,403,000,000. less the income of $3,259,000,000., plus the new expenditure of $1,166,000,000. -- right?

Q Yes, sir.

Q But the gross expenditures will be over $10,000,000,000.?

THE PRESIDENT: Yes. On the basis of these estimates the total debt, in the strict sense of the term, at the expiration of this fiscal year -- in other words, the debit side of the Government balance sheet -- will therefore amount to approximately $29,847,000,000., or an increase as shown above of $7,309,000,000. (Reading)

> "However, as against this increase in the total debt figure, it is right to point out that the various governmental agencies have loans outstanding with a book value of $3,558,516,189 against which collateral or assets have been pledged.

"In order to make clear to the Congress what our borrowing problem is for the next 6 months, permit me to remind you that we shall have to borrow approximately 6 billion dollars of new money and, in addition, 4 billion dollars to meet maturities of a like amount."

I do not think there is any question of the authority of the Government to borrow that amount of money for the next six months in view of the subsequent pages in this Budget Message, in other words, the proposals for the next two fiscal years.

Q This credit side of the ledger, this $3,558,000,000., against which collateral or assets have been pledged, does that include the Public Works loans already made, or does it include the R.F.C. loans to banks?

THE PRESIDENT: I could not tell you except -- and this, I must tell you, is part guess on my part -- I do not think that includes any of the Public Works loans except where the collateral is actually in the Government possession at this time, and that is only a very small percentage of the allotments that have been made to self-sustaining public works. In other words, a great deal of it, as you know, is in process of the actual signing up of the contracts with the municipalities and the delivery of the certificates of indebtedness or bonds or whatever it may be. Actually, this figure of $3,558,000,000. is a very conservative figure. It probably runs a good deal more than that and, in these figures, it is also fair to say that of the figures on the expenditures, as I said, we have taken the maximum.

Of course we all know that probably a good deal of this will not be spent this fiscal year but I am taking the worst side of

expenditures and the same way on the income side, the revenue end, I am taking the lowest figure that anybody has estimated. I do not want to make the mistake that has been made on certain previous occasions you are all familiar with.

Q Is there any estimate here on the amount of the processing taxes you were able to collect? I have not been able to find it. On page VI there is an item, "Agricultural Adjustment Administration, $103,000,000." but I have not been able to find any estimate of the processing tax.

THE PRESIDENT: I think they were left out on both sides. There is something about processing taxes a little later on.

Q Mr. President, on page 21 of the Secretary of the Treasury's Annual Report, the increase in the 1934 estimates makes it (the excess of expenditures over receipts) $6,141,000,000. and the increase in the public debt to $28,679,000,000. I do not quite understand how you reconcile that with the Budget figures, which are more than a billion dollars higher. Is that because the figure $1,166,000,000. is not taken into account?

THE PRESIDENT: I guess so. See if it checks.

Q It does not quite, to the extent of 30 or 40 million dollars.

THE PRESIDENT: Well, what is that between friends? (Laughter) I guess that is it. Of course when that report of the Secretary of the Treasury was made, he did not know about my $1,166,000,000.

Q I see.

Q Mr. President, on page VIII can you break down that $2,000,000,000. for the next fiscal year that you are going to ask for?

THE PRESIDENT: Let me come to that. On the top of page VII you take

up the fiscal year 1934.

Q Mr. President, just one more question before we go on. This sounds very silly: Why is it that the expenditures of this fiscal year, which ends June thirtieth, are taken up in this Budget report? I thought this Budget report dealt with the fiscal year 1934 and 1935.

THE PRESIDENT: Because, in dealing with the fiscal year 1934-5, I have got to tell the country how we started off on the first of July, 1934. If I were to tell the country that we started off on the first of July, 1934, with an estimated public debt of $29,847,000,000., without explanation, it would have been pretty bad.

Now, the fiscal year 1935. (Reading)

> "The Budget estimates of expenditures, exclusive of debt retirement of $525,763,800 and exclusive also of such sum as may be necessary for new and extraordinary recovery purposes, for the fiscal year ending June 30, 1935 amount to $3,960,798,700."

On the expenditures for the fiscal year ending June 30, 1935, under general expenditures, we have for Departmental, Legislative and Independent establishments the total amount of $3,237,000,000.

Then, under emergency expenditures, we have the Public Works Administration, $1,089,000,000. already appropriated for; the Agricultural Adjustment Administration, $5,000,000., which has already been obligated; Emergency conservation work, $65,000,000.; the R.F.C., $480,000,000., which is the excess of credits and you will therefore deduct it; the Tennessee Valley Authority, $31,000,000., which is the balance of the $50,000,000. appropriated to them, already authorized but not expended; and Federal Land

Banks, $12,650,000., making the total for the year, not counting any new emergency expenditures, of $3,960,000,000. (Reading)

"It will be noted that many of these items such as public works fall under appropriations made in 1933, the actual expenditures not taking place until after June 30, 1934. (For details of above expenditures see Budget Statement No. 3, table A.)

"The above figures do not include additional loans by the Reconstruction Finance Corporation. If its loaning authority is extended beyond June 30, 1934, it is contemplated that any additional loans by it would thereafter be taken from the new and additional recovery fund hereinafter referred to."

In other words, what we have done there is in our figures of receipts and expenditures of the R.F.C., we close them out as of the thirtieth of June, which means that if their life is extended and they go on for another year, anything additional they spend in the new year will come out of new appropriations.

Q Doesn't their lending power expire this January? Don't you have to have it extended to June thirtieth?

THE PRESIDENT: Part of it does and part does not. I think some of it does have to be extended.

Now, as against that figure of total estimated expenditures, we get estimated receipts for the next fiscal year, exclusive of foreign debt payments and, by the way, that does not mean that we have abandoned asking and trying to get foreign debt payments -- and of increased revenue flowing from amendments to the existing revenue law, amounting to $3,974,000,000. (Reading)

"Therefore, exclusive of debt retirement, these Budget estimates for the next fiscal year show a small surplus of $13,866,779. But it must be borne in mind that this surplus does not include any ad-

ditional expenditures for extraordinary recovery purposes."

So you might fairly say that, exclusive of those two, exclusive of foreign debt, liquor taxes and increased revenue from tightening up on the existing law, on the credit side of the ledger, we would have a surplus for the next fiscal year of $13,000,000., without counting any new appropriations towards recovery.

Then I go on: (Reading)

"It is clear that the necessity for relief and recovery will still be with us during the year 1934-35. Additional relief funds will be necessary. Further needs of the country prohibit the abrupt termination of the Recovery Program. No person can on this date definitely predict the total amount that will be needed, nor the itemizing of such an amount."

That is the answer to your question. (Reading)

"It is my best judgment at this time that a total appropriation of not to exceed 2 billion dollars will, with the expenditures still to be made next year out of existing appropriations, be sufficient.

"I shall therefore ask the Congress for appropriations approximating that amount."

Now, the best way to put it to you is the way I put it to the Senate and House leaders the other day. I said, "I am going to ask you for $2,000,000,000. and I don't care, it is up to you gentlemen on the Hill, as to how you are going to pass that $2,000,000,000. You can either give it to me as a lump sum, or, if you prefer, you can itemize it according to the best information and recommendations I can give you at the present time in regard to those items. But if you do itemize it, I hope that you will give me the authority to shift amounts from one item to another as may be needed."

Now, roughly speaking, -- I do not see that there is any reason why I should not tell you now, this is very general -- as to the itemizing, and it gives a pretty good example too, take the question of relief for next winter: nobody knows what that will run to. We cannot tell until we know the conditions next fall. We do not believe that we can cut off Federal assistance to the states or municipalities altogether. We do not think there is a possibility of that. We think it may run a minimum around $300,000,000.; we think it may run a maximum of $800,000,000., but we cannot tell in between those figures. Therefore, if I were asked what amount I would put in the itemization of the $2,000,000,000. for relief, I would say "Somewhere around 550 or 600 million dollars." When the time comes, it may be less or it might be more.

Another item, public works, ought to have some leeway again. We have the carryover of a little over a billion dollars to spend next year but there will undoubtedly be certain projects which ought to go on, both because of their own merit and also in order not to chop off the work in any given locality. We probably ought to have a comparatively small additional sum for public works. There again, I could not tell on the second day of January exactly what the situation would be, or even on the first day of July, and I would put down as a rough figure $500,000,000. for public works.

Then, the third major item relates to the R.F.C. There probably will be, next year, certain necessities for Government lending, which is very difficult to forecast at the present time. It may be necessary to use some additional Public Works -- R.F.C.

money, for example to help out weak banks, for the purchase of the assets of banks. It may be necessary or advisable for the R.F.C. to take care of certain other financing that has not been cleared up yet and probably -- I think probably you had better treat this as off the record because we do not want to scare people -- we may need, when we come down to it, certain financing for building and loan associations. There is no legislation to take care of it. We may be able to work it out this year, before the first of July. After all, we have insured the savings banks and all the other banks and even the Morris Plan Bank that came in yesterday, and some of the building and loan associations that are used for the investment of savings may need the same kind of assistance we have given to other savings institutions. I would rather you did not say anything about it because it may cause a run on building and loan associations. Take another instance: The insurance company problem is a good deal better than it was because, now that the fuss is over, you and I can talk privately among ourselves and admit that last March there was not a solvent insurance company in the United States. The Federal Government has never gone into the insurance field in any way. It has always been a state matter. We may need to strengthen some of the insurance companies next fall. Not that they are not today technically solvent, all of them. Then some of the mortgage guarantee companies, which have spread an enormous volume of securities -- guarantee mortgages -- out through some of the larger centers of the country, we may need to do some financing on some of those. Therefore, I am putting in $500,000,000. for the R.F.C.

That brings you to $1,600,000,000., those three items, $600,000,000. for relief, $500,000,000. for R.F.C., $500,000,000. for public works, which is $1,600,000,000. Then $300,000,000. for the Civilian Conservation Corps, because I am going to recommend that that go through another year. That is $1,900,000,000. The last $100,000,000., I have forgotten now, but I think it is Farm Credit and Home Loan. But, as I say, I want to have -- I have asked Congress to give me authority to shift from one item to the other as may be necessary, at least until Congress meets next January.

Q Will the N.R.A. additional expenditures come out of Public Works?

THE PRESIDENT: I think -- and on this again you had better check it -- I think I have allocated enough out of Public Works already to tide them over to the end of their legal life.

Q Did the off-the-record apply to the mortgage guarantee companies only?

THE PRESIDENT: I would make it apply to the building and loan and insurance and mortgage guarantee, all three. You might call it the emergency needs of the R.F.C.

Q That mortgage guarantee has already been done to a small extent?

THE PRESIDENT: Yes, but we are not out of the woods on it yet. (Reading)

> "This amount is not included in the Budget estimates. If appropriated and expended, therefore, it will change the small estimated surplus of 13 million dollars into a debt increase of nearly 2 billion dollars. It is only fair, of course, to say that such a debt increase would be partially offset by loans made against collateral and assets pledged."

That would be so in the case of R.F.C. and Public Works. (Reading)

"Therefore, the total debt, if increased by the sum of 2 billion dollars during the fiscal year 1935, would amount to approximately $31,834,000,000. on June 30, 1935."

Then come what is really these two things, which amount to the most important part of the Budget Message from the point of view of putting the lid on unlimited Government expenditures. (Reading)

"It is my belief that so far as we can make estimates with our present knowledge, the Government should seek to hold the total debt within this amount."

That really is the most significant phrase in the entire Message. (Reading)

"Furthermore, the Government during the balance of this calendar year should plan to bring its 1936 expenditures, including recovery and relief, within the revenues expected in the fiscal year 1936."

In other words, plan definitely as a part of Government policy during the balance of this year to bring in a Budget next year that will be absolutely balanced and with no deficit in it. In other words, a Budget that will include recovery and relief as well as general expenses of the Government and have that all covered by revenue. (Reading)

"Let me put it another way: The excess of expenditures over receipts during this fiscal year amounts to over 7 billion dollars. My estimates for the coming fiscal year show an excess of expenditures over receipts of 2 billion dollars. We should plan to have a definitely balanced Budget for the third year of recovery and from that time on seek a continuing reduction of the national debt."

Q Mr. President, reverting to the top paragraph of the page, you leave out liquor taxes. Are you saying that the liquor taxes will take care of such appropriations as Congress will make which you are

not contemplating?

THE PRESIDENT: I am not talking about those they are not contemplating at all. But we certainly will get quite an additional sum, as far as any human being can tell, from the liquor taxes and the tightening up on the income taxes, et cetera, yes.

Q You speak of that (the continuing reduction of the national debt) from that time on. Is there to be any annual debt retirement in the interval?

THE PRESIDENT: That is just what I talked about. I said, "Why don't you put debt retirement down?" But, what is the use if you are borrowing more than your debt retirement; why not leave it out? We could very easily put debt retirement in and borrow that much more but, as long as you are running a deficit, it is simpler this way.

Q Later on in this Message you indicate that the revenues from these sources, liquor and income taxes, will amount in a few years to approximately $400,000,000. and nowhere in the Budget does that show as an offset. If the estimates of revenue from that source prove sound, would that mean that the deficit in two years will be approximately $400,000,000. less?

THE PRESIDENT: Yes but, of course, I cannot take cognizance of that because that is up to Congress.

Q Are we not abating some taxes, those taxes that were levied for the emergency?

THE PRESIDENT: Yes, they do not appear in this.

Q Therefore the liquor tax is to take the place of those sources of revenue, is it not?

THE PRESIDENT: As I remember it, we abated about $110,000,000. worth of taxes --

Q (interposing) $227,000,000.

Q (by a representative of the Budget Bureau) It was $220,000,000.

THE PRESIDENT: Was it $220,000,000. that went out?

Q (by a representative of the Budget Bureau) Yes, that was the carrying charge on the $3,300,000,000.

Q By increased taxes you mean all over $1.10?

THE PRESIDENT: All over $1.10, and I can tell you that the gentlemen from the Hill, when I read this the night before last and showed them that I was only estimating $50,000,000. on that, they said, "You are way low." I said, "It is up to you gentlemen." So that might come way up.

Q You are not including any new taxes on new tax legislation passed this Congress?

THE PRESIDENT: No.

Q On this $2,000,000,000. emergency and recovery fund you asked for in this 1935, either in a lump sum or specified, plus these points you make about the total public debt, am I right in assuming that your policy or intention is to slough off these public works or emergency activities --

THE PRESIDENT: (interposing) I said today in the Message to Congress, in a nutshell, that we are engaged in -- you might almost call it rebuilding the face of the country and that it will be, eventually, a national plan. You take, for example, the Missouri River or the Arkansas River or the Upper Mississippi: what we are doing out of Public Works is some of the obvious work at the major places, some

of these big dams. Eventually, as we go through with the entire planning which, in the case of a river watershed, might run anywhere up to twenty-five or forty years, my thought is that by another year and a half we will have those plans pretty well nationalized so that there will be a complete national picture and that we will proceed on them at a rather definite yearly rate with the object of getting back as much as we can of that financing, knowing at the same time that we are increasing general national values, even if it does not come back to the Treasury, very largely and doing it in an orderly way and, as we are doing it, paying for it out of current revenues. In other words, putting it, as far as national planning goes, on a pay-as-you-go basis. These Public Works programs are taking care of some of the larger projects first.

What I would like to see -- and this is an expression of what I hope will happen in another year and a half -- is that we will definitely advocate, as a national policy, the expending of $500,000,000. a year to restore the face of nature and that will be paid for, not out of bond issues but out of current revenues.

Q What I had in mind was a certain school of thought which advocates vast housing undertakings, not slum clearings but housing, something along the lines done in England or Germany, as a measure for restoring the economic structure. That probably is not included in this plan.

THE PRESIDENT: No. It involves a great many difficulties. Of course I have belonged to the school of thought that says we ought to clean out our slums but it is pretty obscure as to how we are going to do it and nobody has yet, not even Brother Sprague, has come

forward with a practical method of doing it. The simplest illustration I know of is that on the East Side of New York, in those worst slum areas, there are probably two or three hundred thousand human beings living in rooms that cost $5. per room per month. Now, those families, most of them foreigners, cannot afford to pay more than that and I do not yet understand the method of tearing down those buildings and putting up new buildings that will cost $11. or $12. per room per month because those unfortunate human beings cannot afford that rent.

A lot of people say, "Move them out into the extreme limits of Queens County." Now, that presupposes that we can probably provide it for them at $5. a month and that also presupposes that they have the carfare to get them in to where they work or the transportation facilities. It means building a new subway. It is a very difficult problem.

This is strictly off the record: Brother Sprague, the last time he came in to see me, the last time I went to Warm Springs, I said, "Professor, have you any real solution?" He said, "I have. Start immediately and spend $4,000,000,000. for suburban housing." I said, "Where?" "Everywhere." I said, "Let us see: Take the towns I know. Take Poughkeepsie: There are about 200 vacant suburban houses that you could pick up for a song today. Very nice. Take Atlanta, Georgia; Columbus, Georgia; Albany, New York. It is the same story in the Middle West and the same story, largely, in New England. It would be fine to spend $4,000,000,000. but you would never get it back and there are a lot of people who could not afford to live in your type of house."

It is a very difficult problem and I do not know the answer to it.

Q In lifting the face of Miss America, is it still the same thought to give the St. Lawrence a dip in the cosmetic bags? (Laughter)

(The President indicated the affirmative.)

Q Mr. President, talking about the emergency expenditures which will expire in 1935, do you think that recovery will have been restored by then to normality?

THE PRESIDENT: I would not say normality or normalcy. I hope we won't have to have large recovery expenditures after that.

Q They are mostly to take care of unemployment and I notice that you use the Federal Reserve index, which is quite high for 1935 and 1936 receipts, which would indicate that there would not be any need for extensive unemployment relief during that year?

THE PRESIDENT: Of course it is anybody's guess. In a nutshell, what we are doing is tapering off from the $7,000,000,000. this year to the $2,000,000,000. next year, which $2,000,000,000. includes well over a billion dollars already authorized, and then, the third year, to cut it out altogether except for such items as we have been talking about for the general rebuilding of the face of nature.

Q That is what you meant a little while ago when you said there would not be any question about the ability of the Government to borrow $10,000,000,000. in the next few months in view of the subsequent pages?

THE PRESIDENT: Yes. (Reading)

"This excess of expenditures over revenues

amounting to over 9 billion dollars during 2 fiscal years has been rendered necessary to bring the country to a sound condition after the unexampled crisis which we encountered last spring. It is a large amount, but the immeasurable benefits justify the cost."

The nature of the table on page IX, I do not understand it myself -- (laughter) it shows the estimate for those past years, based on some kind of an index, and the expected rise in Government receipts on an index basis. Quite a lot of the Treasury people figure a good deal higher than this. We are taking the most conservative estimates made by the Treasury.

Then you come down to appropriations. (Reading)

"The Budget estimates of appropriations for 1935, exclusive of Agricultural Adjustment Administration benefit payments and refunds of processing taxes, but inclusive of all other appropriations for regular departments and independent establishments including interest on the debt and debt retirement are $2,980,293,833.60. When compared with Budget estimates of appropriations transmitted in the Budget for 1934 they show a reduction of $684,913,167."

In other words, that is a direct comparison with the Budget that was sent up in December, 1932, and is the net measure, as I understand it from Douglas, a net measure of the savings we have made in the cost of running the regular Government.

Next we have taxes. (Reading)

"The estimates of receipts take no account of the additional revenue which may be obtained from an increase in liquor taxes and from the proposed changes in the income-tax law. Since neither of these tax measures has come before Congress as yet, no accurate estimate can be made of their yield. However, if as proposed by the Committee of Ways and Means, the tax on distilled spirits is increased from $1.10 a gallon to $2 a gallon, and the rates of tax on wines are also increased, the estimated revenue would be increased by approximately $50,000,000, --"

and, as I told you, the members of the House and Senate say it will probably be a good deal more than that -- (reading)

> "-- assuming that consumption is not affected by additional gallonage taxes imposed by the States."

That is a gentle hint they should not make liquor too expensive. (Reading)

> "Considerable additional revenue can also be secured from administrative changes in the income-tax law, which may amount to as much as $150,000,000 for a full year.
>
> "The estimates for the Post Office Department are predicated upon a continuation of the 3-cent postal rate for nonlocal mail. It is highly important that this rate be continued. I recommend its continuance.
>
> "ECONOMY LEGISLATION
>
> "The estimates of appropriations submitted in the Budget are predicated on the continuation of certain economy legislative provisions which I ask to be enacted and which are appended hereto. The most important is that having to do with reduction of compensation of Federal employees."

Therefore, on the actual estimates in the departments we have based the figures on a restoration by law of five per cent of the cut. In other words, one-third of the fifteen per cent on the first of July is mandatory and the other ten per cent will remain, as it is, discretionary depending on the cost of living figures of the Department of Labor. (Reading)

> "It is eminently fair that, the cost of living having fallen as compared with 1928, the employees of the Government sustain some reduction in compensation. This is not inconsistent with our policy of advocating an increase in wages in industry. For wages there had fallen far beyond any reduction contemplated for Federal employees and in most grades are even now substantially below compensation paid Federal employees under the maximum reduction of 15 percent.

"Among the legislative provisions appended hereto is one prohibiting automatic increases in compensation except in the Army, Navy, and Marine Corps. The personnel of these three services are engaged in a life service to their country. Some, by reason of the pay freezes, have sustained reduction in compensation of more than 25 percent."

As I understand it, if you get promoted you do not get the additional compensation that goes with the promotion. (Reading)

"They are, therefore, in a different category from those in other governmental agencies. They should, in 1935, be released from the restrictions on automatic increases in compensation.

"CONTROL"

And this is quite an important piece of news. Listen: (Reading)

"Up to now there has been no coordinated control over emergency expenditures. Today, by Executive order, I have imposed that necessary control in the Bureau of the Budget.

"Heretofore, emergency expenditures have not been subject to audit by the Comptroller General of the General Accounting Office. Today I am, by Executive order, reposing in him the authority to conduct such an audit and to continue to audit each such expenditure. Hereafter, therefore, just as in the departmental expenditures, there will be, in emergency expenditures, a pre-Budget and a post audit."

And so, it puts the spending of money by all these new agencies exactly on the same basis that all the old departments are. You have to go to the Director of the Budget for the approval of the items of expenditures and, after that has been done and the orders placed, you have to go to the Comptroller General before the money is actually paid out. (Reading)

"By reason of the fact that the Bureau of the Budget has had no control in the past over the various expenditures, obligations, and allotments made by the emergency organizations, the task of preparing the present Budget has been the most difficult one

since the Budget and Accounting Act went into effect in 1921. These difficulties, in future years, will be substantially minimized by the control which I have established.

"It is evident to me, as I am sure it is evident to you, that powerful forces for recovery exist. It is by laying a foundation of confidence in the present and faith in the future that the upturn which we have so far seen will become cumulative. The cornerstone of this foundation is the good credit of the Government.

"It is, therefore, not strange nor is it academic that this credit has a profound effect upon the confidence so necessary to permit the new recovery to develop into maturity.

"If we maintain the course I have outlined, we can confidently look forward to cumulative beneficial forces represented by increased volume of business, more general profit, greater employment, a diminution of relief expenditures, larger governmental receipts and repayments, and greater human happiness.

"FRANKLIN D. ROOSEVELT.

"January 3, 1934."

In other words, as we were talking before, through the very definite Government plan of expenditures in this year which will create a deficit of seven billions, we believe we can advance a Government plan of reducing that to two billions next year, balance the Budget the following year and, from that time on, pay some of the debts.

Q Is there any thought of changing the present sinking fund requirements in connection with the reduction of debts beginning in 1936?

THE PRESIDENT: Changing them? How?

Q It is so very much larger that the present sinking fund would not take it down fast enough. Therefore, the sinking fund would have

to be increased by the next Congress if they are to guarantee a reduction in 1936.

THE PRESIDENT: I do not know. I never went into that phase of it at all. What are the sinking fund requirements for it at the present time? Fifty-year basis on the average?

Q About that. It is 2½%.

THE PRESIDENT: Then it is less than fifty years?

Q Forty years.

Q It is a cumulative arrangement there.

Q The 2½% is not on the entire debt. There are peculiar arrangements. They take the war debt and deduct the amount that Europe owes us and then set up a sinking fund for the remainder.

THE PRESIDENT: Yes.

Q And then, there is a sinking fund in the National Recovery Act.

Q Are we going to go ahead with the sinking fund for the $3,300,000,000.?

THE PRESIDENT: We are, in effect. We are getting taxes to equal a sinking fund. Of course, as I said the other day, it does not make any difference whether you actually put your sinking fund in and add it to the total or leave it out. You get the same total in the long run.

Q This reference to taxes seems to indicate that, aside from plugging up the loopholes in the income tax, that you do not plan additional legislation. Is that a correct inference?

THE PRESIDENT: I think it is a pretty good inference for this year and the reason for it is that I am very hopeful that the actual tax receipts will run a good deal higher than the estimates we have here. I think it is better to plug the loopholes rather than get

into a discussion of taxes at this session.

Q Can you give us a concrete and definite illustration of how the new Accounting Office control is going to work for emergency expenditures?

THE PRESIDENT: No. 1, it will mean that all purchases by N.R.A. or Public Works will have to go through the centralized purchasing bureau before the money is spent. No. 2, on any question of pay, salaries, et cetera, -- well, as a concrete illustration, before General Johnson fixes anybody's salary, he will have to go to Lew Douglas. (Laughter)

Q This is not retroactive, is it?

THE PRESIDENT: No; have a heart. (Laughter)

Q Would he have to go to General McCarl or Lew Douglas?

THE PRESIDENT: He will have to go to Lew Douglas in the first instance. And then, before the check is made out, he has to go to General McCarl.

Q He is going to have a hard time of it.

Q They will have to go through the same procedure, step by step, that the old organization went through?

THE PRESIDENT: Yes. Of course you could not do that during organization but the time has come where we should not exercise the same powers we have in the past.

Q You do not contemplate any restoration of pay of the Government people between now and July first?

THE PRESIDENT: You are a little ahead of time. I have not finished reading the various documents yet.

Q I noticed it has one from July first on.

THE PRESIDENT: Yes.

Q Is the five per cent mandatory provision included?

THE PRESIDENT: Yes, it is included in the actual estimates in each department for pay of personnel. The additional ten per cent restoration does not appear in figures but would be accomplished through authorizing me to incur a deficit if the cost of living went up sufficiently.

Q Does not the $3,900,000,000. for R.F.C. include about a billion for which you have to get new authority?

THE PRESIDENT: You mean authority from the first of January on?

Q Yes.

THE PRESIDENT: I think so. In other words, as I understand it, their total borrowing capacity is, roughly, $4,000,000,000., and if we extend their borrowing capacity up to the first of July, they will be able to loan out again certain payments that will be made, repayments, between now and the first of July so that on the first of July they will have actually loaned out practically all that they are authorized to lend out. Is that right? I think that is correct.

Q The effect of the Budget on public works is for carrying out existing commitments?

THE PRESIDENT: For carrying out existing commitments and carrying out a general plan which, after that, would be carried out through current revenue.

To avoid any misunderstanding, anything said today is confidential until the Budget is released tomorrow.

Q Is it background?

THE PRESIDENT: Background, except for R.F.C.

Q How about the illustration?

THE PRESIDENT: Yes. (Laughter) Stevie (Mr. Stephenson), you would ask that. (Laughter)

Q In the event that between now and July first you restore to the Federal employees one or two or three per cent of that cut, what is the situation after July first? Does that add to the five per cent?

THE PRESIDENT: No; then it depends on the new figures on the first of July.

Q I still do not think you could spend money this fast.

THE PRESIDENT: I hope not. But, as I said, I think we have gone the limit.

CONFIDENTIAL
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Q There was a lot this week, Mr. President, but the boys seem anxious for more.

THE PRESIDENT: Yes. Fred Storm suggests that you are bears for punishment, that you had an awful lot of news this week and are just coming back for more.

Q Was there any news in the report of the Appropriation Committee Chairman?

THE PRESIDENT: No, just talking about various aspects of the total picture and I told them I thought they should live within the total picture, that I regard it as of very great importance that they should live within the picture, and they all agreed.

Q Have you received Mr. Peek's report yet?

THE PRESIDENT: I do not know. I think I have, but I have not read it.

Q You cannot tell us whether it recommends the establishment of a foreign trading corporation?

THE PRESIDENT: I think it does but the thing is only in a very preliminary stage yet. We haven't got to the point of working the thing out. As I say, I have not even read it yet.

Q Mr. President, have you in mind any recommendations for the reforming of N.R.A.?

THE PRESIDENT: No; you mean what we were talking about the other day?

Q I mean that and perhaps there are some other things such as preventing exorbitant profits and protecting the consumer.

THE PRESIDENT: No. The only thing that happened was that we talked

about the use of the Federal Trade Commission for certain perfectly obvious things that they are charged by law to do. In other words, the theory is this: When you come down to unfair trade practices, the complainant would go in the first instance to the N.R.A. organization and the N.R.A. organization would try to settle the matter, sitting around the table, without formal proceedings. If, for example, the matter involved let us say a labor question, it would go to Senator Wagner's labor committee. If it involved a violation of the Sherman Anti-Trust Law or a similar unfair trade practice within the jurisdiction of the Federal Trade Commission, it would be referred, via me, to the Federal Trade Commission for determination.

You see, in that way you get a more or less formal decision by an existing agency which is fitted to handle it. But that does not mean that it takes the jurisdiction away from the N.R.A. as the first place to lay your complaint. What we are trying to do is to handle it on a practical basis -- settle it, if we can, around the table and if we cannot settle it then to send it to the official body for an official ruling.

Q Would that take care of the complaint of the little fellows that they have to bring their complaints before a Code Authority which is originally hostile to them?

THE PRESIDENT: If they felt that they had been badly treated by the Code Authority, the first thing they would do would be to go to the N.R.A. and that body would try to straighten it out without formal or court action and then, if they could not straighten it out, that matter would be referred to the Federal Trade Commission.

Q You spoke of a special board in the N.R.A. that might be set up to hear these complaints?

THE PRESIDENT: No, I don't know what the details will be.

Q Anything new on the Newspaper Code?

THE PRESIDENT: No, I have not looked at it.

Q Any changes contemplated in the child labor provisions?

THE PRESIDENT: I think I am going to make some inquiry about it.

Q Mr. President, today Secretary Wallace indicated that he is working out an official solution for the jurisdiction over the code of the N.R.A. and A.A.A.

THE PRESIDENT: I thought that was done. I did not know it had not been done.

Q He said it was being done at the time.

THE PRESIDENT: I do not know; I have not heard a word about it.

Q Have you picked a successor to Senator Wagner?

THE PRESIDENT: Not yet.

Q Would you say that something in the nature of a trading corporation is a good guess?

THE PRESIDENT: I would not guess because, as I said, I have not read any of the reports, either the Committee report or Peek's suggested setup.

Q Mr. President, the other day Phillips, Acting Secretary of State, said he was going to refer -- ask you about a report which he said was not complete concerning the Foreign Policy Committee. Can you discuss that?

THE PRESIDENT: I have got three, in that basket, different things, none of which I have read. One is from the State Department and another

this Joint Committee and another from Peek. I do not know what is in them.

Q May we look today for the Order on the pay restoration, or part of it?

THE PRESIDENT: I doubt it. I haven't got to that yet. I have got to act very soon on account of the fifteenth of January checks.

Q Can you amplify what you said about your conference with the Committee Chairman?

THE PRESIDENT: We just talked about various phases. No news in it. Going over lots of different kinds of appropriations.

Q Anything on the Interstate Commerce Commission and Mr. Brainerd?

THE PRESIDENT: No, not yet.

Q In view of the amount of money that you recommend for public works in the year 1935, does that indicate that you see the end of public works allocations at some definite time? In other words, the amount is comparatively small, $500,000,000.

THE PRESIDENT: Were you there at the Budget discussion?

Q No.

THE PRESIDENT: We took that up at that time and it is a pretty long story. The general situation I outlined was this: That, in line with national planning, we would probably, as a Federal Government, go ahead on a very large national plan which would take in all parts of the country, that is watersheds, etc., with perhaps -- I would hate to call it a 25-year or 50-year plan because that sounds too much like some other country -- a long-range plan for public works. Such a plan would, in a sense, take into consideration the economic and, to a certain extent, a good many social

features in preventing waste, better land use, prevention of soil erosion, prevention of floods, and so forth and all the various elements that go into forestry. The idea of that is that eventually the National Government would work out a plan by which it would spend a certain definite amount towards that program every year with a definite objective, but that that amount would be cared for out of the current annual revenue so that it would not get the Government into any more debt. That amount might run four or five hundred million dollars a year as a perfectly definite thing.

Q Mr. President, will there be any more new money for public works during this fiscal year, prior to July first?

THE PRESIDENT: I have not got that table. You mean within the $1,166,000,000.?

Q Yes, sir.

THE PRESIDENT: Gosh, I haven't the table; I do not know.

Q That was not broken down in the table.

Q I think you named Civil Works as one item in that.

THE PRESIDENT: Civil Works. I cannot remember the amount, it was either 350 or 400 millions for Civil Works.

Q Can you tell us something about the R.F.C. funds, what they are going to be used for?

THE PRESIDENT: Which?

Q The increased funds for the R.F.C. How they are going to be allocated?

THE PRESIDENT: I think Lew Douglas is the only man in the world who has the table and he is in New York.

Q For the gold policy, for instance?

THE PRESIDENT: And I think there was an item in there for additional gold purchases but I couldn't tell you the amount.

Q Was the discussion of the land buying program a part of this general plan you speak of? Would that be a part of it?

THE PRESIDENT: Yes.

Q Was there anything definite arrived at today when Secretary Wallace spoke with you?

THE PRESIDENT: We did not talk about that; we talked about liquor.

Q I thought you talked about the land plan?

THE PRESIDENT: You see, there is nothing new on the land purchase thing. That was decided way back August or September, somewhere along there.

Q What can you tell us about liquor?

(The President did not answer.)

Q What don't you know about liquor? (Laughter)

THE PRESIDENT: I got a darned good story about Scotch whisky but I cannot tell you. Go to the British Embassy and ask them.

Q Going to be cheaper Scotch?

THE PRESIDENT: No, less.

Q How about Canadian Rye?

THE PRESIDENT: Well, we are letting quite a lot of that in.

Q Have the British come forward for any other request for additional quota?

THE PRESIDENT: I might tell you this, off the record. I cannot tell you the results but I can tell you off the record entirely what the situation is. We are trying, quite frankly, to get rid of

certain agricultural surpluses, especially hog surpluses and butter surpluses and our good friends, the British, are now getting about sixty-five per cent of all their hogs and a good part of their butter from Denmark and, out of the kindness of their hearts, they have been allowing us to send in six per cent of their consumption. They, very generously, have offered to raise that to seven and a half, and they think it is very generous, but we have not yet decided how much Scotch whisky we are going to allow in. And, for the story itself, I am only going to give you a lead as to where to go. For the story itself, consult the British Embassy and the State Department.

Q So there won't be any misunderstanding, the International News had it in their story this morning.

THE PRESIDENT: That is all right. (Laughter)

Q May we have it as background or off the record?

THE PRESIDENT: Off the record, because it is not in my jurisdiction yet.

Q Would you care to discuss the subject of the French wine and liquor quotas in connection with the same thing?

THE PRESIDENT: I think that is all settled up.

Q I thought there were still some matters in connection with the wine to be settled?

THE PRESIDENT: I do not know; I had an idea it was settled up.

Q When do you intend to make your tariff proposals to the Congress?

THE PRESIDENT: Probably not for some time.

Q Can you tell us anything about war debts?

THE PRESIDENT: About war debts?

Q Yes.

THE PRESIDENT: I am going to say something to Congress later on but I do not know when.

Q Have you anybody preparing material for you on the subject?

THE PRESIDENT: Not for me. I think the Senate passed a Resolution; they wanted the data from the Treasury Department to be given them.

Q Have you any specific message to be sent at an early date for any specific legislation?

THE PRESIDENT: No. In all probability, as background. But only as a probability, and that is that next week there will be some kind of a recommendation -- I don't know whether a message or a letter to the Committee -- in relation to the Farm Credit Administration bonds.

What I would like to do is to consolidate the gains we have already made. You know, last spring we actually took nine money-lending organizations and put them together in the Farm Credit Administration. Now, the last special session authorized them to issue up to two billion dollars in bonds, on which the Government guaranteed the interest but not the principal. Now the question comes up as to whether we should not be honest and face the fact. The fact is that the public and the Congress at some future date, in case these bonds, the principal of these bonds, showed a slight deficiency, the public and the Congress would undoubtedly feel that it was a moral obligation on the part of the Government to make good that deficiency.

There is a very interesting parallel on that. In the State of New York and a number of other states, the state governments created what they called authorities or quasi-public corporations

affecting some particular district. These authorities are run by individuals who are named by the state governor and they market out their own securities. They are quasi-public only in the sense that they are created by the state and the state runs them through its own appointee.

Two or three years ago there was in the State of New York what was called a river-regulating district that had been so created to prevent floods in one of the tributaries to the Mohawk River. Theoretically, this river-regulating district corporation was self-liquidating through taxes and assessments on the property benefited. Actually they made a miscalculation and the receipts of the Corporation were not sufficient to pay the interest and retire the annual amount of funds. Thereupon an individual bondholder brought suit against the State and the Court of Appeals of the State of New York held that while the bondholder could not obtain a judgment against the State that there was a moral obligation -- not a legal obligation but a moral obligation -- on the Legislature to make good the deficiency on the bonds. The Legislature recognized that dictum on the part of the Court of Appeals and appropriated the money, thereby making the principal of the bonds good.

Now, as I see it in the case of these Farm Credit bonds, there is the same moral obligation on the part of the Federal Government to make them good in case there is a deficiency. Now, if there is that moral obligation which might arise twenty years or thirty years from now, why, in all common sense, should we not recognize it now. In other words, why not guarantee the principal and the interest of these bonds now. The net result of doing that would

actually save the Government a great deal during the present period. It would mean, in effect, that the Farm Credit bonds would be a direct obligation of the Government. They would be just as good and perhaps better than the ordinary Government bonds because they would have real estate behind them besides the Government credit. Of course, that is a thing that I would not emphasize but in any event they are just as good and they would, at the same time, give you the right to go to the bank with them and borrow 100 per cent on them just the same way that you can go to the Federal Reserve Bank and borrow 100 per cent on a Government bond. Immediately they would have a value commensurate with Government bonds, which is around par. Immediately, also, people would take these bonds in lieu of cash. It would mean also that the Farm Credit Corporation can finance itself instead of having to go to the Treasury and getting the Treasury to finance them.

So, in all probability, next week there will be either a letter or a message along that line.

Q Would that apply to Home Loan bonds too?

THE PRESIDENT: I have not taken that up to the point where I can say "Yes" but I think the chances are that it will also apply to Home Loan bonds.

Q The principle is exactly the same?

THE PRESIDENT: The principle is the same. As a matter of fact, the Home Loan bonds carry this interesting statement, I am told -- I never saw one -- that the Government guarantees the interest on these bonds until they are paid. That means, of course, that if it is a 30-year bond and the principal was not paid at the end of

thirty years, the Government would keep on paying interest. So, you can see that it is tantamount to a Government guarantee of the principal.

Q There are two billion dollars of Home Owners Loan, are there not?

THE PRESIDENT: Yes, and, as I said in one of my Messages, the way the applications are coming in we think the Congress made a pretty darn good guess as to the total amount that would be needed. We hope there won't be a call for more than the two billion. We think that is the upper limit to meet the needs of the case.

Q Both?

THE PRESIDENT: Both Farm Credit and Home Loan.

Q Congress seems to feel it ought to get together with you on the question of inflation to see if they cannot bring the two factions there more closely together. How does the idea strike you?

THE PRESIDENT: Will you act as the go-between and arrange the meeting? (Laughter) I'd be delighted.

Q One more question about these bonds: Will that extra $4,000,000,000. added in the commitments make any difference in the financing program?

THE PRESIDENT: Not at all.

Q Cannot those bonds be put into the Treasury and currency issued on them under this plan?

THE PRESIDENT: You've got me, Stevie (Mr. Stephenson), I do not know. What -- currency issued against them?

Q I thought they might be.

THE PRESIDENT: What?

Q Discounted by the Federal Reserve?

THE PRESIDENT: You borrow on them, that is a different thing. That is not issuing currency on them. You talk like Senator Thomas. (Laughter)

Q Mr. President, would you explain to a person who does not understand just exactly what you mean by saying that by this guarantee of principal as well as interest the Farm Credit Administration would be able to finance itself instead of going to the Treasury? The point is not quite clear to me.

THE PRESIDENT: For instance, suppose you are the holder of a mortgage on a farm and the farmer wants it refinanced. You have been charging him seven per cent and the farmer thinks it is too darned high and so does everybody else. You are willing to have the mortgage paid off. At the present time the only way in which it can be paid off is to have the Farm Credit Administration take its bonds and go to the Treasury and say, "Give me the money?" That means the Treasury has to raise that money some way. Then the Farm (Credit) people do not give you the actual cash. Under this method you would be entirely willing to accept these good bonds because you can always borrow on them up to one hundred per cent at the bank.

Q In either case, do these bonds constitute a part of the regular debt of the United States?

THE PRESIDENT: Yes and no. It depends on a legal decision that has never been rendered. At the present time it is certainly a moral obligation, from my point of view, on the Government.

Q Would you guarantee all principal for the bonds already outstanding, as well as those to be issued?

THE PRESIDENT: Well, this plan involves creating the machinery of a separate corporation under the Farm Credit Administration. That is merely a pure technicality and that new corporation will actually issue the bonds and take up all those now outstanding. It would mean that the R.F.C. would be repaid whatever it is that they have loaned up to the present time; I think it is $150,000,000.

Q That means taking up all land bank bonds out now?

THE PRESIDENT: Oh, no.

Q These are land bank bonds, these two billions?

THE PRESIDENT: No -- are they land bank bonds?

Q Yes.

THE PRESIDENT: I could not tell you.

Q There are a lot of old bonds out and the new two billions?

THE PRESIDENT: This only applies to the new two billions.

Q Mr. President, do you care to say anything about your plans for raising this $10,000,000,000. in the next six months that you speak of in the Budget Message?

THE PRESIDENT: I will take care of it in normal course.

Q The Home Loan bonds under this proposition would put an end to all objection now by people who are objecting to taking those bonds and would put that outfit right on its feet?

THE PRESIDENT: Yes.

Q Thank you, Mr. President.

(One of the newspaper correspondents asked the President a question about the St. Lawrence River, to which the President did not respond. Another correspondent asked the President about Bob Gore and the President replied that he had not seen him yet.)

CONFIDENTIAL
Press Conference #86,
Executive Offices of the White House,
January 10, 1934, 10.45 A.M.

Q (Mr. Storm) You have got a full house this morning.

THE PRESIDENT: There isn't any news.

Q (Mr. Stephenson) We will find out.

THE PRESIDENT: I tried to invent something but could not do it.

Q (Mr. Young) You did the same thing Friday and it was pretty good.

THE PRESIDENT: Yes, Friday I had a happy thought.

Q (Mr. Stephenson) You told us no news Friday and we filled up the paper.

THE PRESIDENT: Yes, I know it.

MR. DONALDSON: All in.

THE PRESIDENT: Somebody is sure to ask the question -- (interrupted by the noise of a falling object) who died?

Q Just a bottle of rye fell down. (Laughter)

THE PRESIDENT: Only a bottle of rye? (Laughter) Charlie (Mr. Hurd), are you all set?

Q (Mr. Hurd) Go right ahead, sir.

THE PRESIDENT: Somebody is sure to ask a question about the Home Loan bonds. Mr. Fahey was over here yesterday and we agreed that we would say the following: that, obviously, the home bonds will have to be treated on a basis of substantial equality with the farm bonds although they are not in today's Message, which relates only to the farm bonds. The Home Loan Board is now preparing for me a recommendation as to methods of handling some form of guarantee and also certain additional legislation on the Home Owners'

Loan Corporation needs. Mostly, it is clarification stuff. Nothing very important but they think they need a few small amendments in the law.

Q Mr. President, will the Home Loan bonds be guaranteed as to principal?

THE PRESIDENT: That is what they are working on at the present time. All he said is that they should be treated on a basis of substantial equality with the farm bonds.

Q Will there be a Message on that, Mr. President?

THE PRESIDENT: I do not know, Fred (Mr. Storm). I suppose so. It might originate in the Committee, however.

Q How are you coming on the St. Lawrence Message?

THE PRESIDENT: I haven't written the Message as yet. I have to write it right away because I hope to get it up this afternoon if the Senate sits in session long enough.

Q Are you going to take up the diversion of water in Chicago?

THE PRESIDENT: Yes, John (Mr. Boettiger).

Q Can you tell us what it is?

THE PRESIDENT: Yes, I can tell you what it is. You had better hold this until after the Message goes up there, if you don't mind. With that understanding, I would put it this way, generally: That the War Department feels, and everybody else who studied it feels, that the Treaty in its existing form provides for enough water to maintain the flow of Chicago sewers and also such navigation as is desirable between Chicago and the Mississippi. And then, of course, in regard to the lower Mississippi -- this is background stuff for after the Message goes in -- there is a certain amount of what might be called local opposition on the southern end of

Mississippi and around Missouri.

It is not equitable or fair that we should divert water out of the Great Lakes. It can only be done, as a matter of justice, by agreement with Canada. The water is not ours. It belongs to Canada and to us. There is no getting around that fact. We cannot go ahead bluntly and take all the water we want out of the Great Lakes and divert it into a different watershed. It is not a square thing to do to a neighboring country. Whatever diversion we take must come by agreement with Canada, Chicago to the contrary notwithstanding. The general problem of the Mississippi navigation, which is an entirely different watershed, we believe can be solved through this rather broad national planning which I have talked about. It can be solved within the Mississippi watershed itself by the control of waters at the headwaters. That would be by flood prevention and the construction of reservoirs so that we can have a continuous and natural flow through the Mississippi Valley with enough water for adequate navigation purposes.

When it comes down to a question of shipping the products of the Middle West and Northwest, it is very largely a question of mileage. Suppose you want to ship a thing from St. Louis to London, let us say, what is the straight line? Well, the straight line is down to the Great Lakes and out through the Great Lakes to the Atlantic Ocean and then across the Atlantic Ocean. I suppose it might help New Orleans if we went around three sides of the square instead of going straight, but it is "agin" nature. You would have to go down the Mississippi to the Gulf and then you would have to go east through the Cuba channel, and then you

would head north to get up to the latitude of London. In other words, it is going around three sides of a square instead of one. Obviously that would apply to wheat from Montana or the Dakotas. The logical outlet is the straight line. It is against nature to have that wheat shipped down to Galveston or Houston and then go around three sides of the square instead of going straight.

That is one of the principal answers to some of the objections to the Treaty. It is the rule of common sense.

Q May we use this for background?

THE PRESIDENT: Yes.

Q Mr. President, does this mean that the Treaty ratification will be advocated on the basis of the present form, then? Do they want any reservations?

THE PRESIDENT: I don't know of any reservations.

Q I think that the Engineers' report showed there has to be more water through the Chicago Canal and the Illinois River, otherwise they will have backwater of the thing?

THE PRESIDENT: There is a new War Department report which covers that pretty well.

Q Is it the one out last month?

THE PRESIDENT: Yes, that one. Has that been released? Have you had it?

Q Yes, sir.

THE PRESIDENT: What does it say?

Q It says that the District and Division Engineers and the Board of Engineers feels that the question should be left with the Chief of Engineers to increase the diversion, if it becomes necessary,

and the Chief of Engineers disagreed with all the subordinates.

THE PRESIDENT: I think that is provided for in the Treaty. In other words, the chief objection on the part of the Engineers, even the Sanitary Engineers, is that at certain times of the year there might be a necessity of taking quite a large volume of water over a very short period in order to flush out the Chicago sewage system. Now, in effect, that is provided for in the Treaty.

Q That would take quite a lot of water, wouldn't it?

THE PRESIDENT: I imagine it would. (Laughter) But I think the Canadians would take that into consideration. (Laughter) They know Chicago, too, you know. That is not background. (Laughter)

Q Do I understand, Mr. President, we can use this as background now?

THE PRESIDENT: No, after the Message goes up.

Q Anything further about publication of income taxes?

THE PRESIDENT: I have not thought about it at all. I suppose that will come up in conference with some of the House people and Senate people.

Q Can you tell us the status of the proposed Navy-Coast Guard measure?

THE PRESIDENT: I have not heard anything more about it. I heard in the paper something of a report made.

Q Our trade negotiators are telling us that, as far as they know, after March we shall abandon the liquor embargo system and go to the old system of unrestricted flow?

THE PRESIDENT: I do not know anything about it.

Q The liquor quota system, as far as they know, was only temporary, to end March thirty-first.

THE PRESIDENT: I would be very leary of that. (Laughter)

Q Mr. President, in this milk strike out west there some of the strikers, within the last twenty-four or forty-eight hours, have stopped or waylaid a train, which was interstate commerce, and dumped about 12,000 gallons of milk. That was night before last. Has that been called to your attention?

THE PRESIDENT: No, where was that?

Q It was on the Soo Line between Mundelein, Wisconsin (Illinois?), and a Minnesota town.

THE PRESIDENT: Was it headed for Chicago?

Q Yes, sir; it was between two stops in one state and another.

THE PRESIDENT: I had not heard about it. Who do you suppose would know about that, the Department of Commerce?

Q I imagine it would have been called to their attention, sir.

Q Mr. President, do you favor the amortization of railroad debts through sinking funds as recommended by the Interstate Commerce Commission in its annual report to the Congress?

THE PRESIDENT: Yes, absolutely. One of the chief troubles, of course, with the whole railroad financial problem has been the fact that such a very large proportion of the capital structure has been in the form of a mortgage debt rather than stock.

Last spring, without naming any names of roads, a number of the largest and most important carriers that had been solvent for a great many years were faced with receivership and if the conditions of the first three months had continued they would probably, as we know now -- I don't think there is any particular reason why it should not be stated as a fact that six months would have seen receiverships for a number of the major roads of the United States.

Of course, that would have been caused by their inability to meet the interest on their mortgage debts, which, in many cases, ran as high as 50 to 60% of their entire capital structure. It has been the history of railroading in this country -- it is the old school of thought -- that when a mortgage becomes due, when the life of a bond issue came to an end, instead of paying it off out of a sinking fund or instead of amortizing it over a period of years, the railroads would refund the debt by borrowing an equal amount of money and extending the debt for thirty years or fifty years, or something like that.

One of the best illustrations is the road running past our place in Hyde Park, built in 1841. They issued, for the construction of the Hudson River Railroad, seven per cent gold bonds. I think they were thirty-year bonds, but they never established a sinking fund and, when 1871 came along, they refunded by another issue of thirty-year bonds, and when those came due they refunded that with another issue, and then finally, when the market was good, around 1911 or 1912, they refunded with a new issue which, if I remember it correctly, was due in the year 2001.

In effect, there was a debt for the construction of a railroad which was incurred in 1841, and they never paid off a cent of it, and it has now been extended so that it may be paid in the year 2001. In other words, it is just borrowing from John in order to pay Paul, or something like that. Most people today feel that the Interstate Commerce Commission is dead right in demanding, as a broad principle, that the railroads, as fast as it is financially possible for them to do so, should set up sinking funds for annual

payments of some kind out of earnings, so as to pay off an incurred mortgage obligation when it falls due.

Going back again to the situation last spring which I was talking about, these major railroads faced difficulties because they had not made enough money to pay the interest on their mortgage debts. In most cases, if their mortgage debt had been a great deal lower in proportion to their capital, they would have had enough money to get by with. In other words, if stock has replaced that mortgage debt, assuming that the total capitalization was correct, if stock had replaced that mortgage debt, all they would have done would be to pass the dividend on to stocks. That does not throw any corporation into bankruptcy.

So I think the tendency is going to be -- and I think it is from the viewpoint of sound financing of public utilities -- that from now on they will make every effort to set up some fund for amortization.

Now that means, to be fair to the railroads, that regulatory bodies like the Interstate Commerce Commission and other utility commissions of states, ought to seek in their decisions and orders to make it possible for the utilities to earn enough to set up this sinking fund or amortization fund. That is only fair.

Q Would you set up the amortization out of earnings or out of operating expenses?

THE PRESIDENT: That is a technical question which I cannot answer; I don't know. It is about as long as it is short, isn't it?

Q The railroads favor it to come out of operating expenses.

Q In view of what you said about railroads, does the same thing apply

to public utilities?

THE PRESIDENT: On public utilities?

Q Telephones and everything?

THE PRESIDENT: Yes.

Q On the liquor situation, is it a good guess that we shall continue to insist on concessions from countries abroad in return for imports into this country?

THE PRESIDENT: I do not know. We are going ahead on the present basis for a three-months period, or something like that --

Q (interposing) It is a four-months period.

THE PRESIDENT: And we have not taken up what we will do at the end of the period.

Q Any comments on the situation with Russia? Could you lead us in any fashion in our United States-Russia stories which are coming to the front all the time?

THE PRESIDENT: I don't think there is any news outside of receiving the Ambassador. You had better go and see Bill Bullitt.

Q He is quite quiet.

THE PRESIDENT: The only thing I have talked to Ambassador Bullitt about is what we are going to do about housing.

Q Mr. President, is there any progress in setting up some corporation or other organization to trade with Russia?

THE PRESIDENT: No. There is nothing more on that. I do not believe there will be very much in the way of news of any export corporation or export plan until the Secretary of State gets back. We want him back here before we get any very definite plan.

Q When do you expect him?

THE PRESIDENT: About the twenty-fifth.

Q Comptroller Tremaine (Morris S. Tremaine) of New York State conferred the other day with the Tax Board on making warrants and certain securities of states and cities discountable with the Federal Reserve Board.

THE PRESIDENT: Who did, Broderick?

Q Tremaine, of the New York State Board.

THE PRESIDENT: New York City and other cities?

Q I believe the proposition is that where the taxes had been in arrears in previous years, they would still have a certain percentage discountable with the Federal Reserve System, which would unfreeze a lot of notes now lying around in banks.

THE PRESIDENT: I had not heard anything about it. As a matter of fact, the tax arrear payments are coming along pretty well in most of the New York cities.

Q This would not apply only to New York but all over the country.

THE PRESIDENT: Yes, even over the country they are beginning to pay arrearages.

Q Where can I get any figures on that, do you know?

THE PRESIDENT: I do not know.

Q There was a suggestion at Mr. Ickes' conference yesterday that you might ask Congress for further appropriations on the Public Works program. Can you enlighten us a little on that?

THE PRESIDENT: Only what I told you before, the $1,166,000,000. that will be going up sometime soon and the $2,000,000,000. fund, the allocation of which we are not certain about yet, for the following fiscal year. That is as far as we got.

Q Coming back for a moment to this question of setting up a sinking fund, you said that as far as possible regulatory bodies should seek to make possible such payments. Does that involve the idea that in specific instances it might be advisable or necessary to increase rates to make possible such payments? Do you think that would be possible?

THE PRESIDENT: Let's put it the other way around: In the reduction of rates, they should not be reduced so as to make it impossible.

MR. EARLY: Let's go.