

CONFIDENTIAL  
Press Conference #170,  
Executive Offices of the White House,  
January 2, 1935, 10.42 A. M.

THE PRESIDENT: Happy New Year!

Q Happy New Year to you, Mr. President!

Q Notice the expressions on all those faces?

THE PRESIDENT: Yes. (Laughter)

Q We are still alive. Where is Stevie (Mr. Stephenson)?

Q (Mr. Stephenson) Right here.

THE PRESIDENT: They told me you were laid up.

Q (Mr. Stephenson) I was.

Q (Mr. Storm) I am glad these holidays are over.

MR. DONALDSON: All in.

THE PRESIDENT: Well, Happy New Year to you all!

Q (Chorus) Same to you, Mr. President.

THE PRESIDENT: The crowd in the front row looks as though it came through  
in good shape.

Q Some of them were afraid they were going to live yesterday morning. (Laughter)

THE PRESIDENT: I do not think there is anything much in the way of news except the schedule. As far as I know, I am going up on Friday sometime, whenever the House and Senate finds it convenient. It will be between twelve and three, I imagine, either before or after luncheon, depending a little on what they want, and I will have the Message for you about an hour and a half before that --

MR. EARLY (interposing) Two hours.

THE PRESIDENT: Steve says two hours. We will make it an hour and three quarters. And then Friday afternoon, after the Message has been delivered, if you want to talk about it at the Press Conference, that is all right.

Then Saturday morning I think we will carry out last year's custom in inviting those of you who know the difference between a dollar and a dime to have our financial conference on the Budget, just as we did last year.

Q What hour, Mr. President?

MR. EARLY: At 11.30.

THE PRESIDENT: About 11.30. Meanwhile, you will have been given the Budget Message in strictest confidence about an hour before and the Budget Message won't go up until Monday. Of course, it won't be released until it is actually read in the House, but that will give you over the week end to write your Budget stories.

Q Mr. President, isn't there any chance of getting the regular Message a little before an hour and a half in advance? It is pretty tough in the afternoon, though not so bad for those who write for the morning papers. If we could have a little more time it would be a great help.

THE PRESIDENT: I will try to make it three hours. Do you think that is sufficient? (Turning to Mr. Early)

MR. EARLY: You gave me fifteen minutes and you gave him an hour. (Laughter)

THE PRESIDENT: If it is written by then. It is not written yet. It is still in draft form.

Q Do you plan to see the Congressional leaders this week?

THE PRESIDENT: I think they are coming in on Friday evening, some of them, just a few. It is not a formal conference, they are just dropping in to talk about the things in the Message and legislation in general.

Q Are they coming in individually or all together?

THE PRESIDENT: Four or five from each House, I think. I cannot have more because it is upstairs.

Q Mr. President, what are the facts behind this alleged hint from the White

House on Glavis and Burlew?

THE PRESIDENT: I think it is made out of whole cloth. I never heard about it until I read it in the paper this morning. Of course, there are complaints that come in about almost everybody in Washington from time to time. It looks to me as though it were a story that started somewhere else.

Q Do you have any idea?

THE PRESIDENT: No.

Q Have you any idea in mind as to when you would like the new St. Lawrence Treaty submitted to the Congress?

THE PRESIDENT: I cannot talk about it at the present time because we are not ready on it. We are still discussing things back and forth.

Q Have you received a petition from some local people for a reprieve on somebody to be electrocuted this week?

THE PRESIDENT: There have been a number of letters come in that have been sent over to Justice.

Q They have not come here?

THE PRESIDENT: There has been no report from the Department (of Justice).

Q Has Mr. Baruch's War Profit Committee made any report yet?

THE PRESIDENT: No. I think they are coming here next week for a meeting.

Q Baruch himself?

THE PRESIDENT: Yes, with that committee.

Q Well, I will say, thank you.

THE PRESIDENT: I am sort of holding back, but I have to do it.

Q Just one more question; There was a report in the morning papers that you had written a letter to Governor Allen of Louisiana in which you state that unless certain laws that were passed by the recent legislature were changed, there would be no funds for public works down in that State?

THE PRESIDENT: Oh, it did not say that. Heavens, no.

Q That was the inference?

THE PRESIDENT: No. There were two or three different kinds of forms to suit certain states, that is all, and there wasn't any trouble in any of them.

Q Did you hear from your farm manager?

MR. EARLY: That is about the screwworms.

THE PRESIDENT: No. I may put that in the Message. (Laughter)

Q Have you heard from that survey on taxes?

THE PRESIDENT: No, not yet. I think that is coming in next week.

Q Thank you, Mr. President.

## CONFIDENTIAL

Press Conference #171,  
Executive Offices of the White House,  
January 4, 1935, 4.15 P. M.

THE PRESIDENT: It looks like a full house,

Q Are we to come down today to talk about the Budget?

THE PRESIDENT: Tomorrow morning. What time, Steve?

MR. EARLY: 11.30, sir.

THE PRESIDENT: 11.30. I should think this room would be the thing, if you will sit on the floor. We will have an old-fashioned party confined to the financial writers, and we will talk about the Budget.

MR. EARLY: For Monday's release.

THE PRESIDENT: Oh, yes; for Monday's release when actually up there and being read, whichever House it is read in first.

Q We will get the copies of the Message first?

THE PRESIDENT: You will get the copies of the Message about 9.30 over at the Budget Director's office.

MR. EARLY: I think it will probably be 10.00 or 10.30, I am afraid.

THE PRESIDENT: Steve thinks it will be 10.30 before you get the actual copy.

Q Do we have to know the difference between a dollar and a dime to get in there? (Laughter)

THE PRESIDENT: My boy Jimmy suggested having it early tomorrow morning because if I said to the financial crowd that we were going to spend so many billions, they would not know whether we are spending billions or millions, which is a very happy thought. (Laughter)

Q In your Message, when you referred to holding companies, did you mean the "evil features" of the holding companies should be abolished or the "evils" of the holding companies?

THE PRESIDENT: What did I say?

Q I think in reading it you left out the word "features."

THE PRESIDENT: Feature? Oh! Well, I don't know.

Q Can you tell us what you meant?

THE PRESIDENT: There isn't much difference between "evils" and "evil features."

Q Evil?

MR. EARLY: Evil features.

THE PRESIDENT: I think I said evil features. If I did not, I said evils.

Q That clears it. (Laughter)

Q Can you give us some line on your conference tonight with the legislative leaders?

THE PRESIDENT: Just to go over things in general; nothing specific. Just about the bills and the calendars of the two Houses.

Q What issue will be taken up first in the Senate?

THE PRESIDENT: No idea at all.

Q You do not think that will be decided tonight?

THE PRESIDENT: No, just to talk about general legislation -- twelve or fifteen subjects, maybe more.

Q Will you elaborate your discussion of evils in taxation forms and methods?

THE PRESIDENT: Nothing yet. It is still under study.

Q On the new public works program, are you prepared to say who will administer that?

THE PRESIDENT: No. Only, as to the details, there is one thing I think that you ought to be a little bit careful about: Well, you will see the total figures in the Budget Message tomorrow and I gave a list today of various things. I think you want to be careful not to say, "So many millions for this and so many millions for that," because obviously the total program of that kind requires merely that I give assurance to the Congress

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that there were enough different kinds of public works which had been worked out, practical public works, for the amount of money that will appear in the Budget Message.

Now, that does not mean to say that to "A" there will be so many dollars allotted and to "B" and "C", so many dollars. There is a long list of things and it will depend a little bit on the way the actual things work out before we are able to determine the definite allocations in dollars to each project.

Q Mr. President, will you require special legislative authority to use unexpended balances in this program?

THE PRESIDENT: I think that in some cases I do and in some cases I don't.

Q Mr. President, would you care to elaborate on your reference to foreign affairs -- for the establishment of more representative government?

THE PRESIDENT: No. I think that speaks for itself.

Q Under this new public works plan, will distinction be made between unemployed not on relief and unemployed on relief?

THE PRESIDENT: This is primarily for the unemployed now on the relief rolls.

Q There would be some distinction?

THE PRESIDENT: Of course, there is this to remember that in any sum of money spent there is a certain amount which goes to direct labor and also a very large amount which goes to indirect labor, in other words, materials and transportation and things of that kind. It has been estimated, depending on the job, that for every man you put to work directly on a job it means that a certain proportion of other people are put to work on the indirect end of it. When you come down to trying to say how many men are put to work indirectly, it is a difficult thing and depends a good deal on how much goes to direct labor and how much to indirect labor.

Let us take a practical example: Suppose a hundred dollars goes to

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a given project, fifty dollars of it to direct labor and fifty dollars of it to materials and transportation. In all probability at least one other person is put to work. Suppose you put one person to work for \$50, the chances are that you put another person to work outside of Government employ on labor and materials. That is a very conservative estimate.

A good many people go into the refinements of it and say, for example, taking a simple illustration, that if it is a job for laying pipe and if you spend fifty dollars on direct labor for laying that pipe and the other fifty dollars to employ a man to make the pipe, there is a school of thought that says that both the man who is laying the pipe and the man who made it are spending between them a hundred dollars, which is a good deal more than they are spending at the present time, and therefore, in addition to the extra person who is making the pipe, the two of them between them put perhaps a third person to work through their increased purchasing power. But that is something that is speculative and you cannot tell about it.

Going over this thing with a great deal of care, the safest thing to say is that for every dollar you spend on direct labor or putting it another way for every man you employ directly, one other man is taken on to provide materials, transportation and so forth.

Q Mr. President, does that mean that you are asking the Congress to put 3,500,000 men to work directly?

THE PRESIDENT: Directly, that is right.

Q Can you give us some idea on how that is to be handled? In other words, are you going to let contracts to contractors?

THE PRESIDENT: No contract work, not by contract.

Q By direct work?

THE PRESIDENT: Or by local governments.

Q How far up the scale will you use the unemployed?

THE PRESIDENT: Depends entirely on the job, as far as we can.

Q How long after unemployment insurance becomes a law would it begin to operate

THE PRESIDENT: You will have to wait on that until my message to Congress on the whole security program. I think it will be ready in the course of another week.

Q Can you tell us how you arrive at the figure of 1 1/2 million responsibility of local public and private agencies?

THE PRESIDENT: By checking and re-checking and by what we knew the situation was in 1926, '27, '28 and '29.

Q Is there any assurance that those agencies can take care of that many people?

THE PRESIDENT: Yes, in all probability, because if you look at it in this other way -- quite aside from any other assurances -- take for instance the City of New York: These are very rough figures but as I remember it in the City of New York, the Federal Government is only spending about 60 per cent of the money; the other 40 per cent is being spent either by the City of New York or by the State of New York. Now, this plan for the Federal Government to take care of 3 1/2 million people relieves the state of its share, the 40 per cent share that they are now spending, the state and the city, in taking care of everybody.

Q What happens to be southern states where the percentage of local contribution is around 1 and 2 per cent?

THE PRESIDENT: I think it will encourage them to spend more.

Q They say they are broke.

THE PRESIDENT: Well, that is a relative term.

Q How are you going to differentiate between those two groups? How are you going to take this man out of the group and say, "This is in one class

and that is in another?"

THE PRESIDENT: The criterion is employability. If they are employable, that is fine; we will take them on.

Q If there are five million unemployed, what do you figure that to be in people on relief, 20 million?

THE PRESIDENT: I think it is a grave and serious mistake for anybody to confuse the figures. In other words, I think it is a mistake to take one scale or the other and then to mix them. There has been an awful lot of confusion in the public mind, largely because of newspaper stories. Quite frankly, you read in one paper that there are 5,000,000 unemployed and in another column you read that there are 20 million people unemployed. What does the average layman say when he reads that paper? In other words, I don't care which criterion you take. You can either talk about men, women and children, families, everyone else, in which case you talk in terms of 20 million people, or you can talk about the men who support the families or the women who support the families that are now on relief.

It is a much simpler figure to take the figure that European nations have taken and everybody else has taken and list the people who are the breadwinners of the families. That is why I am opposed to taking 22 million or 20 million or 18 million or any other figure. Let us have one yardstick in all of our stories. There are 5,000,000 people on the relief rolls and that is the simplest way to go about it.

Q But the women and children are not on the relief rolls.

THE PRESIDENT: They are dependent on the people on the relief rolls. In other words, a family that is getting today \$10 a week in the form of cash or market baskets, they are getting it because the worker in that family is out of a job. If you once go into the question of how many children there are and their individual needs, your figures will be

interminable. It is much easier to take the one measure.

Q Any estimates as to how long this number of men, 3,500,000 men, can be put to work on this program?

THE PRESIDENT: Let's keep that for later. There is a story in that all by itself. In other words, the best way to answer that, Stevie (Mr. Stephenson), is to say that it does take a long time to get all of these new projects set up and that the objective is the fiscal year 1936. Some will start earlier and some may run over a little bit, but that is the objective.

Q In the meantime then, direct relief this Winter will have to be maintained?

THE PRESIDENT: Yes, either direct or work.

Q My idea in suggesting the five million figure was not to bring in another yardstick into the question; I was trying to find out whether this would clean up the whole problem if five million were employed.

THE PRESIDENT: That is what we hope.

Q There are a number of women on these relief rolls. What could they do on a program like this?

THE PRESIDENT: We hope they will fit in.

Q I don't want to crowd the calendar, but do you think you are going to the Pacific Coast this summer?

THE PRESIDENT: You are just one jump ahead of the game.

Q Will you comment on the report that you have asked the Navy to make a cruiser available in case you go?

THE PRESIDENT: I have not asked the Navy.

Q As to your Executive Order today, you may know that Government employees are working up sentiment in Congress to restore their pay as of January first. Assuming they are successful in Congress, have you anything to say on that right now?

THE PRESIDENT: I think this had better be off the record because it will spoil the Budget story. In the Budget there is a distinct statement that I see no reason for extending the 5 per cent payment back to the first of January for two good reasons: The first is that on these figures made public today, the cost of living has not gone up anywhere near the 5 per cent reduction and the second reason is that, in all human probability, the cost of living won't go up in the course of the next fiscal year to beyond the 5 per cent reduction.

Q That is off the record?

THE PRESIDENT: Yes, because it is in the Budget Message, so keep it for that story.

Q Will you give us your idea of the sequence in time of the specific messages to go up later?

THE PRESIDENT: I'm going to talk about that tonight. Of course, obviously, the appropriation to start this work program will be one of the first things because, as you know, the relief money runs out fairly soon.

Q In that connection, will there be a specific legislation on this work relief program?

THE PRESIDENT: Oh, yes; there has got to be. I need the money.

Q You refer in your message to a new coordinating authority to take charge; will that be a new agency?

THE PRESIDENT: You will have to wait until we get a bill passed.

Q What are the names of the gentlemen who have been invited in tonight?

THE PRESIDENT: I don't know. I asked the Speaker to bring half a dozen of them.

MR. EARLY: Senator Robinson has announced them on the Hill.

THE PRESIDENT: I don't know who is coming. There will be about six from each House.

Q Will it be a bi-partisan conference or Democratic?

THE PRESIDENT: After all, why draw the distinction now? (Laughter)

Q This morning I believe you said that you would not want the wages the Government would pay to be sufficiently high to keep wage earners from going back into private work, that you had decided to set an average of maximum of Government pay?

THE PRESIDENT: No, that has not been taken up but there are two principles: Higher pay than relief but not sufficiently high to take people out of private work.

Q Would that policy affect contracts under FWA?

THE PRESIDENT: No; any contract that has actually been let stands.

Q Anything under contract would be at the prevailing wage, the same as the prevailing contract?

THE PRESIDENT: What did you say?

Q Did you say there would be a distinction between wages under the contracts --

THE PRESIDENT (interposing): What I said was that contracts already made will, of course, stand.

Q Will you tell us what is meant by the term, "old age pension?"

THE PRESIDENT: What is that?

Q Old age insurance.

THE PRESIDENT: That is coming. I cannot tell you the details yet.

MR. STEPHENSON: Thank you, Mr. President.

(The Press Conference adjourned at 4.30 P. M.)

CONFIDENTIAL

Press Conference #172 -- Budget,  
Executive Offices of the White House,  
January 5, 1935, 11.37 A. M.

THE PRESIDENT: Well, we are all here.

I want it distinctly understood when I say billions, don't think I said millions; I am really talking about billions.

Steve (Mr. Early) suggested that I repeat what I said yesterday, that anything I say here is not for writing up in any shape, manner or form until after the thing is sent to the Congress on Monday. I suppose it will be presented in one House or the other at noon on Monday. As soon as it is read it will be released.

We have tried to make the Budget this year so simple that even I can understand it. We have tried to take it in an orderly way.

The first part relates to known figures -- in other words, to the fiscal year 1934. We have all those figures. They appear on page V and VI

Then there is a discussion of the economic situation in the fiscal year 1934, I should say beginning with the summer of 1933 and carrying through into the fall of 1934, or, in other words, bringing it up to date, or half way through the fiscal year 1935.

Then, on page VIII you come to the actual figures of the fiscal year 1935 which, however, can only be certain figures for the first six months -- in fact, less than that, I think the first of December because, of course, the final figures for December were not ready when the Budget Message was prepared. The remaining seven months are necessarily estimates rather than actual figures.

Then on page X we come to the budget for the following year and it seems to me that the easiest way of talking about this budget is to concentrate more or less on the table at the foot of page X, which gives the

comparison of the 1934, which are actual figures, with the 1935, which is seven-twelfths estimate, and the 1936, which is all estimate.

Then the other important table is the first table at the end of the General Budget Summary in the supporting schedules, page A-3, that is the first page of the Summary, which shows the Budget Summary Tables for the three fiscal years.

Going back to page X, we break down the figures in the Summary and also, on page XI, we show the details of receipts. On pages XII and XIII we have a breakdown of the expenditures, and on page XIII we speak particularly of the continuation of emergency agencies and of the economy legislation.

On page XIV we speak of improvements in the form of the Budget and on page XV of better methods of fiscal control.

I think possibly the easiest thing to do is to go back to page X and take that table at the bottom of the page.

The regular receipts, the normal receipts of the Government in 1934, were \$2,763,000,000; in 1935 it is estimated they will be \$3,123,000,000, and in 1936, assuming we keep the present emergency taxes on the books for another year, the regular receipts ought to be \$3,422,000,000.

Coming to the expenditures, the regular departments and establishments in 1934 they were \$1,086,000,000, in 1935 they were \$1,235,000,000 and it is estimated that for 1936 they will be \$1,622,000,000. A little later on I will explain the increase in the regular departments. I have put a great many things in the regular departments that used to be carried in the emergency expenditures.

The veterans' expenditures go up from \$556,000,000 in 1934 to \$610,000,000 in 1935 and \$740,000,000 in 1936. That is due in part to the regulations issued by the Veterans' Administration and myself and in

part, also, to the legislation of last spring.

The interest on the national debt goes up slightly, \$757,000,000 (in 1934), \$835,000,000 (in 1935) and \$875,000,000 (in 1936). The rate of interest, on the other hand, has gone down.

On tax refunds, \$63,000,000 (in 1934), \$68,000,000 (in 1935) and \$65,000,000 (in 1936).

The total regular expenditures go from \$2,462,000,000 last year to \$2,748,000,000 the present year, and in 1936 to \$3,302,000,000.

Coming to the second division, "Recovery and Relief," the AAA processing taxes are slightly lower for the coming year than what we estimate they will be for this year. The expenditures, including refunds of processing taxes, are definitely down in 1936 from what they are expected to be in 1935. They come down from \$788,000,000 to \$472,000,000. The excess of expenditure over taxes in this division shows for the fiscal year 1934 an excess of taxes of \$63,000,000; this year a deficit on taxes of \$199,000,000, and for 1936 the excess of taxes over expenditures will be \$98,000,000.

Coming to No. 2, "Other recovery and relief expenditures," in 1934 they were \$3,993,000,000; in 1935, the current year, we think they will be \$4,472,000,000 and in 1936 we think they will be cut to \$4,110,000,000. That is the big item that I referred to yesterday in round figures for the new work program -- in round figures \$4,000,000,000, as some of you discovered quite early this morning or late last night.

In other words, the total recovery-relief expenditures for the fiscal year ending last June were \$3,930,000,000; for the current year, \$4,671,000,000 and for the following fiscal year there will be a cut of over \$650,000,000, down to \$4,012,000,000.

The total expenditures, exclusive of debt retirements, of the Govern-

ment for 1934 were \$6,392,000,000; for 1935, the present year \$7,419,000,000 and slightly less for next year or \$7,314,000,000, which is what we hope is a beginning of a series of annual reductions.

The net deficit, therefore, for the Government in 1934 was \$3,629,000,000 plus debt retirements or a total of \$3,989,000,000. The deficit for 1935, the current fiscal year, is estimated at a net of \$4,296,000,000, with debt retirements of \$573,000,000 or a total gross deficit of \$4,869,000,000. For 1936 the net deficit is estimated at \$3,892,000,000, plus debt retirements of \$636,000,000 or a gross deficit of \$4,528,000,000, which is nearly \$350,000,000 less than the current fiscal year. We worked very hard to get it at a lower figure and I think we have done it.

Then, going back to the General Budget Summary, at the end, it is worth picking up one or two figures in there. (Referring to page A-3) On receipts -- I just call your attention to the fact that the three columns are transposed, 1936 in this tabulation is the first column instead of the last column. Suppose we take the last column first, which is the way I would do it although the modern accounting methods put the following year first -- why I never understood and neither does the Director of the Budget but the public accountants say it ought to be done that way. Taking the last column first, the internal revenue receipts were \$2,640,000,000 (for 1934); \$3,197,000,000 (for 1935) and estimated \$3,443,000,000 (for 1936). The customs were \$313,000,000. for 1934; \$287,000,000 for 1935 and (estimated) \$298,000,000 for 1936. Miscellaneous revenues were \$152,000,000 for 1934; \$217,000,000 for 1935 and (estimated) \$171,000,000 for the following year, 1936.

The totals run \$3,106,000,000 for 1934; for the present year (1935), \$3,702,000,000 and for the next, the following year, \$3,912,000,000.

Realization on assets was only \$8,000,000 in 1934; \$9,000,000 for the present year, and we hope next year it will be \$78,000,000. So the total receipts were \$3,115,000,000 for 1934; \$3,711,000,000 for 1935 and (estimated) \$3,991,000,000 for 1936.

Breaking down the expenditures, the legislative, judicial and executive departments remain practically constant with \$32,000,000 for 1934, \$36,000,000 for 1935 and \$36,000,000 for 1936. The civil departments and agencies were \$573,000,000 for 1934, \$566,000,000 for 1935 and \$788,000,000 for 1936. The reason for that increase is chiefly items which might be called public works items, which were carried as emergency items but which it is probably not fair to carry as emergency items because every year we will appropriate at least that amount for new public buildings, highways and TVA. I am putting TVA into the regular expenses of the Government this year for the first time, the reason being that the present outlook is that for three or four years to come TVA will require a regular annual appropriation of somewhere around, just roughly, \$50,000,000 a year.

Q How much?

THE PRESIDENT: \$50,000,000 a year.

That item also, the increase of 1936, is due to the fact that we have put rivers and harbors into the regular budget instead of leaving it as pork barrel legislation in a separate item or as emergency. In other words, we have to keep up our rivers and harbors and the average expenditure on that for a great many years has been somewhere around sixty or seventy million dollars a year.

National defense, in the fiscal year 1934, was \$479,000,000. The Army got very little that year and in that year we started bringing the Navy back to treaty strength, but that item appeared in the emergency budget and came out of Public Works. The same way this past year, while

we put some Army and some Navy items into the regular budget, we also took out of Public Works some additional money for increase of the Navy. During the next fiscal year we are putting all of the Army and Navy expenditures into the regular budget, hence the increase from \$612,000,000 to \$792,000,000, an increase of \$180,000,000, caused solely by Army and Navy expenditures.

Q Can you tell us right there what the amount charged up to public works was for the Navy during this fiscal year?

THE PRESIDENT: Roughly, \$150,000,000.

Q The Treasury report showed \$106,000,000 for national defense under emergency and that would raise the aggregate to something more than \$900,000,000?

THE PRESIDENT: The Treasury report?

Q The Treasury report allocated to national defense.

THE PRESIDENT: In what year?

Q 1936.

THE PRESIDENT: 1936?

Q Under the heading of emergency expenditures. That is in addition to the 700 million plus.

MR. BELL: That is right.

THE PRESIDENT: That is to carry on, during the following fiscal year, the ships that were laid down last year.

Q It is old money?

THE PRESIDENT: It is the old program. Actually they are ships being built at the present time.

Q That comes out of the 150 million that is part of that?

THE PRESIDENT: Yes.

Veterans' benefits: That is up again, because of Executive Orders and because of last spring's legislation, from \$545,000,000 this year to

\$704,000,000 for the fiscal year 1936.

Debt charges -- we have talked about that already -- \$835,000,000 for this year and \$875,000,000 for next year; that is interest. Retirements, \$572,000,000 has gone up to \$636,000,000 for the year 1936.

Refunds remain practically the same.

Recovery and relief has gone this year up from \$4,283,000,000 (for 1934) to \$5,259,000,000 (for 1935) and the following year it comes down from \$5,259,000,000 to \$4,582,000,000.

Supplemental items --

Q (interposing) On recovery and relief, is that broken down any place?

THE PRESIDENT: Yes. Where is that broken down?

MR. BELL: Schedule 3.

THE PRESIDENT: Schedule 3.

Q Schedule 3 takes care of the past but I do not see what it does for the future.

THE PRESIDENT: Well, out of your \$4,582,000,000, \$4,000,000,000 is for the employment program and \$582,000,000 is carryover from existing appropriations. I guess that is as near as I can give it to you, offhand.

Q \$582,000,000 would be continuing public works projects now going and appropriated for?

THE PRESIDENT: I suppose so.

MR. BELL: That is right.

THE PRESIDENT: \$400,000,000 is RFC and \$180,000,000 must be something else.

Q Are the camps in the relief program, the CCC?

THE PRESIDENT: They are in the \$4,000,000,000, yes.

Then, to come back to the General Budget Summary again, it shows the deficit for 1934, for the current fiscal year and for 1936. For 1936 it is \$4,528,000,000, which shows \$340,000,000 better off on the deficit

than the present year.

Then, on means of financing the deficit, it means in effect that this current fiscal year that \$263,000,000 will be financed out of money already in the Treasury and that the Secretary of the Treasury has borrowed or will borrow \$4,606,000,000. In the next fiscal year (1936) we will use \$739,000,000 out of the Treasury and only have to borrow \$3,788,000,000. That is the easiest way of putting it.

(The next question, which was inaudible to the stenographer, asked about the increase in special funds.)

THE PRESIDENT: Because, I think starting about 1930 or 1931, these various funds that ought to have been set up each year were not set up. I think they dropped them out of the Budget altogether in the 1933 Budget. They reduced the adjusted service and they reduced the employees' compensation funds so that on the maintenance of those funds the Government was running behind definitely every year. Last year we increased slightly and this year we have increased some more. It is quite a sharp rise this year but we haven't got it back to what it ought to be and we hope in another year to put the whole amount in that ought to be put in. We have not the actual requirements on it. As I said in the Message itself, we haven't sufficient figures to give a definite answer but we know that we are not quite high enough this year but a whole lot better than it was last year.

Q Can you explain why, on the General Budget Summary, this means of financing the deficit, in the working balance there is a decrease of almost \$500,000,000 and it does not explain it in this chart on page 4?

THE PRESIDENT: That is the extra amount of money we have in the general balance fund of the Treasury.

Q I am trying to find out why there would be that amount in the Treasury. Are you going to make use of the exchange and other profits?

THE PRESIDENT: Oh, no. As I understand that thing on the General Budget, we

use more money that we have in the Treasury the following fiscal year than we do this year. In other words, at the end of the year we will have less balance than we have this year, so that we won't carry such a big surplus in the Treasury as we are carrying at the present time.

Q The general balance fund in the Treasury, as shown by Schedule 4, was less in 1936 than in 1935 and yet, in your summary, you show \$500,000,000 more.

THE PRESIDENT: On that line there (indicating) the total working balance is less than 1936 by \$300,000,000.

(At this point, Mr. Bell briefly discussed the figures with the President.)

You see that increase, plus your decrease, makes your working balance 739 millions in 1936 as against 263 millions in 1935.

MR. BELL: You are starting with the general balance at the beginning of the year and you drop down to the bottom and you get the 739 millions.

Q Several of the credit agencies, like the RFC and the FCA and the Commodity Credit Corporation have nothing listed for them in 1936. You spoke in your general Message of tapering off some of those things. Is that what it means?

THE PRESIDENT: The RFC has the authority to use or release the money coming in on the repayment of old loans. They have that authority today. In other words, on RFC we think the receipts will take care of the expenditures.

Q That means they are wash items?

THE PRESIDENT: That is right.

Q Does that hold for the FCA and the Commodity Credit?

THE PRESIDENT: Same thing. The only question, and it does not appear in the Budget at all, is on HOLC and we have not any definite determination on Home Owners' Loan Corporation as to whether we will give them an additional credit for the coming year. That is not an expenditure -- it is not listed as an expenditure.

Q How would that be listed?

THE PRESIDENT: Under contingent liabilities on the debt end of it.

Q Does that add to the national debt? Suppose you authorize another billion dollars for Home Owners' Loan, does that figure in the bookkeeping as part of the national debt?

THE PRESIDENT: You can and you can't. You can debate (the point) for two hours either way.

Q Expenditures under Agricultural Adjustment legislation -- any details?

THE PRESIDENT: I do not think there are any details on it. It is the estimate of the AAA -- they expect to have a balance the coming year. Dan (Mr. Bell) says there is a lag in the collection of those taxes -- there has been up to the present time, during the current fiscal year, there is quite a lag and that will come back and give us a plus figure over 1936. It ought to wash out.

Q A year ago you looked forward to 1936 as being the year when the Budget might possibly be balanced?

THE PRESIDENT: Ought to if we could and we couldn't.

Q Are you looking forward to another year when it might well be?

THE PRESIDENT: I hope so. Hope springs eternal. We hope this year, having shown a smaller deficit for 1936 than for 1935, we hope the following year, with this program of unemployment, we will cut that as much as we can.

Q You look forward to a series of reductions, year by year?

THE PRESIDENT: Yes. And then of course there is this other thing, and do not forget this, the thing that nobody can do more than speculate on. I emphasized yesterday the fact that this employment program ought to be so planned and carried out that, as fast as people get back to private employment, we will reduce the actual public works. So there is always the hope in here that this deficit for 1936 will not be always what it

actually is estimated to be in the 1936 budget.

Q Does that apply to self-liquidating projects?

THE PRESIDENT: Yes.

Q, How much is the spending behind the actual authorizations, say to next year, June 1936? You say the deficit will be \$31,000,000,000. Will that include everything authorized up to that date or how much more authorized by the Congress is not included in that? Is there any way to estimate that?

THE PRESIDENT: I don't believe it is possible. We thought last year the money would be spent a lot quicker than it was this year. We hope it will be spent in accordance with the figures.

Q The PWA are away behind their allotments right now. Is it contemplated that the \$4,000,000,000 may be increased by including the unexpended balances?

THE PRESIDENT: No. They are all allocated and out on contract, in fact.

Q You won't get them back?

THE PRESIDENT: No. Anything that has been allocated is a contract and has to be carried through.

Q In that \$900,000,000 set aside for current relief this year, until the work relief program comes in, which is to be a reappropriation of unexpended balances, in that reappropriation of unexpended balances, is there any conversion of funds which were originally appropriated to be used as loans, such as the RFC, and which have been repaid, is there any conversion of repaid loans into direct expenditures?

THE PRESIDENT: In that \$900,000,000, or \$880,000,000, we are taking \$500,000,000 from RFC. It is a little difficult to say whether that is an original appropriation or apparently money paid back. It is all in the same pot. They have the power to lend out that \$500,000,000 and we are taking it.

away from them and using it for relief. Actually, they do not think they need it.

Q There was a statement in this Economy Association's estimate of what the accounts should be for the next year -- they made the statement that during the next calendar year the RFC would collect back a billion dollars more than they expended. Is that an accurate statement? Is there such an expectation?

THE PRESIDENT: I do not know that there is anything to base it on. I think that crowd got the idea in making that -- this is off the record -- they got the idea that all this money that Jesse Jones loaned out on preferred stock, that the bank would repay it. Now, some of the banks want to and some of them don't. I don't know; it is anybody's guess as to how much of that will be repaid, whether they will buy that stock back or not.

Q In the future loans of RFC, for making up the Budget do you allow for any repayments to RFC in excess of what RFC might use in the course of the year?

THE PRESIDENT: We (RFC) don't get any more money.

Q I mean on returned money to the RFC. I wondered if you would allocate any such item in the current Budget or whether that would be an item in excess --

THE PRESIDENT (interposing) As I said, we are taking \$500,000,000 from RFC. Now, that leaves them everything else they get in the way of repayments, if their life is extended, to lend out again.

Q Where does the other \$400,000,000 come from? You say you are taking \$500,000,000 from RFC; where does the balance come from?

THE PRESIDENT: It comes from a lot of places. Some comes from Public Works, some from Hopkins himself, which he had allocated to items not ready to shoot, and some from AAA. I do not know -- there must be fifteen or

twenty items.

Q Has any of that come from the amount allocated to the Treasury?

THE PRESIDENT: No. I think all of that is under contract at the present time and those will be carried through on the present basis. All the public buildings will go right on.

Q How long is this figure to run? Senator Robinson spoke last night and said it would be to the first of November, speaking about the 880 million figure.

THE PRESIDENT: No. The \$880,000,000 is expected to carry relief, as such, through the first of July. Now, as a matter of fact, as I explained to Senator Robinson last night, in getting into this big employment program, there are some projects that we can get under way beginning, say, the first of April and we will gradually transfer people on relief over to work and we hope to get the full employment program under way and the relief program ended by some time in the fall because, on a great many of these projects, you cannot tell how soon they will be started because they involve engineering and the purchase of land. Others do not require that and can be started earlier.

Q How long would it take to segregate the employables and the unemployables?

THE PRESIDENT: Oh, that is a comparatively simple thing. I don't know. We have not any machinery for it because we have the local lists. We take the local lists and it is a pretty easy thing to find out whether a man is employable or not.

Q Is it correct to say to expect the \$880,000,000 will be all you require for direct relief?

THE PRESIDENT: Yes. Some of it may not be spent by the first of July but there may be some direct relief needed after the first of July and we think that is all that is needed.

Q You asked for a lump sum appropriation of \$4,000,000,000. Who allocates the four billion? (Laughter)

Q On that point, it has been anticipated that work relief will be more expensive. Will you explain to us how you hope to make a reduction of recovery work when you go into the work relief program?

THE PRESIDENT: You have the drought appropriation of \$525,000,000; you have all sorts of things that appear in that item last year that won't appear again.

Q That included Public Works and TVA?

THE PRESIDENT: Yes.

Q Coming back to these loans a moment, if those loans in the first instance were all treated as expenditures, as appropriations for money to be loaned --

THE PRESIDENT (interposing): You mean the RFC loans?

Q Yes. Isn't there a possibility of a very rapid improvement in the budgetary situation when these repayments begin to come in in large volume? Won't they then have to be treated as receipts if there is no further demand for relending?

THE PRESIDENT: Yes, that is perfectly true. Of course, I do not want to cut off the lending power in the future because you always have to have some kind of a club, quite frankly, over private capital.

Q Any rough estimates as to the allocation?

THE PRESIDENT: No. I asked them last night not to try to itemize them. I think I said yesterday afternoon, at the Press Conference, that if you once start to itemize, you are sunk. I hope they will make the appropriation for the general objects listed in the Message yesterday. It is perfectly impossible to tell. I think I said that yesterday afternoon. Suppose, for the sake of argument, that a certain portion of the \$4,000,000,000 is to be allocated to municipal, state or district public works and we think

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at the present time that we can allocate, let us say, a billion dollars for that purpose. When we come to the actual projects themselves, it might run less or it might run more, or something that we now think is going to be a useful project in the sense that it will give a large percentage of direct labor, it might not work out, or something else may work out better than we expect and there you make a shift of funds.

Q Do you contemplate keeping a control of funds turned over to municipalities and states?

THE PRESIDENT: Oh, yes. This whole thing does involve, necessarily, the setting up of a pretty careful inspection organization. When we loan under the new plan to municipalities, for example, the general plan is that instead of using the loan and grant method -- 70 per cent loan and 30 per cent grant -- on which the Government will get back 70 per cent of the money at  $4\frac{1}{2}$  per cent interest, there won't be any grant, it will be all loan, 100 per cent loan, but we hope to make those loans at an interest rate which will repay the cost to the Government. In other words, if the Secretary of the Treasury is able to borrow money at 3 per cent, we will let the municipality have the money at 3 per cent or  $3\frac{1}{16}$ . I suppose he will want to cover his overhead.

Q Mayor LaGuardia, on that point, on some big loan he wanted for the City of New York, he said the money would be loaned to them at  $\frac{3}{8}$  (of 1) per cent.

THE PRESIDENT: The Mayors' Conference had a grand thought that we should lend the money to all the cities in the United States at an eighth of one per cent. It is a very happy thought.

Q There is no provision, as such, for any contribution to old age pension or old age insurance or unemployment. What does that amount to?

THE PRESIDENT: Not so much as you expect. It is not a serious figure. I do not think I should talk, either on the record or as background, because

that is going to be the subject of a special Message. As it works out -- I say this off the record -- as it works out it is not a startling figure, the contribution of the Federal Government, to get the whole show started. It is comparatively small and even in future years it does not amount to very much. I told some of them last night about it and they were quite surprised that the cost to the Federal Government is so low.

Q I assume, then, that you have not adopted the Townsend Plan?

THE PRESIDENT: Not yet. (Laughter)

Q You said yesterday that the work would be carried out without the supervision of contractors. It would not be done through contractors?

THE PRESIDENT: Not through contractors.

Q How about a large bridge through Public Works? Would the work be done without a contractor?

THE PRESIDENT: I suppose it is a perfectly practicable thing to hire a bridge-building organization. That is about the worst example you could give me. We would have to hire the organization, in other words the supervisory people, in order to handle that portion of the work where you have to employ skilled men whom you might not be able to get off the relief rolls. If you cannot get them off the relief rolls, you will have to employ them on the outside, but any labor and all that element that enters into it, they would have to come off the relief rolls.

Q Suppose a bridge were to be built by the City of New York with Federal money, would the payment for services be directly from the Treasurer of the United States to the persons working?

THE PRESIDENT: No, no; through the City of New York.

Q In the lending of money to states and municipalities out of this fund, where those states and municipalities are prohibited by their constitutions from borrowing money, will there be some special provision in the new

scheme to take care of them?

THE PRESIDENT: It does not present any problem that we are not up against at the present time and a good many states are coming around to the idea of setting up an authority.

Q Suppose a state which has a serious unemployment problem refuses to borrow from the Government? We have been getting our problem of unemployment -- it has been handled by relief, by the FERA, and they have just refused to borrow money from the Government.

THE PRESIDENT: Then we go ahead and do direct work, if we can find useful work in that vicinity.

Q Can you give us some background as to what the prospects are, as you see them today, for getting a balanced budget sometime in the future? (Laughter)

THE PRESIDENT: I would love to, on the record or off the record, but the difficulty is this: Last year I said very distinctly in the Budget, "I hope and we ought to make every effort to get a balanced budget for 1936." Whereupon a whole lot of special writers have been announcing ever since that I had promised to balance the 1936 budget and, well, I didn't do any such thing. I expressed the hope -- isn't that right, Mark (Sullivan)? (Laughter) I expressed a very pious hope.

I don't want to say anything now that is going to limit me next year. I hope, from now on, that the deficits will decrease each year. That is about as far as I can go.

Of course, there is this about it: This general program does look to the objective of putting three and a half million employables to work and that means another three and a half millions that we hope will be taken care of in private employment, turning out the materials and transportation and other things to carry this thing through.

Now, you always have certain problems, darned difficult ones, for the

future. You take, for instance, the building trades: There has been an awful lot of discussion by a certain school of thought about the heavy industries. The best illustration I know is that when a gentleman, a bank president, from Chicago came in to see me about two or three months ago, he started the same line about heavy industries and building trades, referring especially to them. Now, I do not know how many thousands of building trades people are out of work in Chicago and what, if anything, we could do for them. I said, "I am going to ask you a simple question: You are a banker. In 1927, 1928 and 1929 how many skyscrapers in Chicago were going up on the average at one time?" He said, "I suppose there were ten or fifteen of them;" "How many people were being given direct work on each of those buildings?" "I suppose a thousand men were being given direct work." I said, "That is one city and I am talking about office buildings. Is that right." I said, "You are a banker. Suppose I come to you as a Chicago investor, and I want to put up a new office building, provided you lend me \$5,000,000?" He said, "Half the office buildings are empty."

I said, "All right, how about first-class apartments? How many were being built in 1927, 1928 and 1929?" "Oh," he said, "there were twenty or twenty-five going up all the time." "How many people did they employ?" "Five hundred, six hundred or seven hundred people apiece of direct labor." I said, "Would you lend me money to put up a new first-class apartment in Chicago?" He said, "Not on your life." I said, "Why?" "Because they are only forty or fifty per cent occupied."

"How about storage warehouses?" He said, "The same thing."

I said, "How about first-class hotels?" He said, "That is even worse. If we did not have a World's Fair in Chicago they would all be bankrupt."

I said, "We have been talking about one city and one class of buildings. If you multiply that all over the country, in every city of 25,000 people

and over, you will find mighty few new office buildings or apartment houses or storage warehouses or anything else built in the next five years." He said, "I guess that is right."

"Now," I said, "we are talking about direct labor, the people working in cities. How about the U. S. Steel Corporation, Inland and Bethlehem, et cetera, that make the materials that go into the buildings, the cement people, et cetera. That is indirect labor. Aren't they hit just as much as direct labor is hit?" He said, "Absolutely."

Now, let us go a step further: I have talked about this to some of you before. You take General Electric, Westinghouse, Allis Chalmers. They say that all their consumers' goods have gone up splendidly, splendid increase all along the line, electric light bulbs, et cetera, but when it comes down to the question of a new turbine, or a new big generator, there is not as much demand as there was in 1927, 1928 and 1929. You go and ask Owen Young or anybody else about this; pretty nearly everybody is in agreement. There is a certain amount of demand, properly, for replacements or for obsolescence, putting in a certain amount of new machinery, but not nearly as much as that school of thought imagines.

It will be a gradual process. The heavy industries, the building trades have not a particularly bright future for the next few years until replacements are actively demanded and have to be made. I think that probably is the best way of explaining one of our major troubles, the heavy industries and the building trades.

Q May I ask, in that connection, if you have fixed in your own mind any limit beyond which the public debt ought not to be permitted to rise? That is, is there a point at which we have to start increasing taxes to cover expenditures if this continues?

THE PRESIDENT: I will ask you a question: Suppose, in 1937, we should find

this country in a situation where there were five million people starving -- starving -- what would you do if you were President? Would you let them starve in order to keep the public debt from going beyond a specific amount of debt in 1937?

Q Of course not, Mr. President.

THE PRESIDENT: There you are; I don't know.

Q Apparently there is to be no increase in taxes. What is your thought on taxes? Why not increase taxes this year to take up part of this increased expenditure?

THE PRESIDENT: In the first place, we are asking that all present emergency taxes be made permanent, and, in the second place, no human being can tell what the Congress is going to do with respect to appropriations, so I have not got to the point where I am going to say anything on taxes. I hope there won't be much increase. It ought to be kept to a very low increase, if any.

Q It does not follow at this time that you are precluding the possibility at any time of asking for more taxes?

THE PRESIDENT: You cannot tell what Congress might do in the way of appropriations and, of course, if they appropriate money, they have to find the money.

Q Are you saying that with the bonus in mind?

THE PRESIDENT: Perhaps you had better not discuss bonus on the record but, on the other hand, if any legislation comes through that calls for expenditure of a lot more money than is provided in the Budget, then it is the duty of Congress to find the money.

Q One of the nuisance taxes has already expired, that on bank checks. Is it the idea to let it die?

THE PRESIDENT: That is to be seen.

Q That is not to be renewed?

THE PRESIDENT: Personally, I wish they would renew. It is a tax that most people do not mind and can afford to pay but, for some strange reason, there is a kick about that two per cent tax all over the country.

Q You can't keep your account straight. (Laughter)

Q From your study of taxation, doesn't the increase --

THE PRESIDENT (interposing) We think we will tighten up on taxes, the collection of taxes.

Q One more general question: You said in your Message yesterday that this is within the range of sound credit of the Government. I assume it is safe for us to assume that you do not anticipate that there will be any necessity for inflationary action until the end of the fiscal year?

THE PRESIDENT: There won't be on this Budget; that is perfectly sure.

Q On the veterans' legislation, on page XI of the (Budget) report, a little over half way down:

(Reading) "An effort will be made during the coming year, however, definitely to establish the Government's annual liability, the amount of which will be included in the 1937 Budget. Likewise, an increase of \$50,000,000 is recommended in the veterans' adjusted-service certificate fund, thus bringing the total annual contribution to this fund up to \$100,000,000. The actuarial requirement of the fund for 1936 has been estimated at \$155,000,000."

Can you tell us what is in the till now -- how much has been accumulated?

THE PRESIDENT: Have you those figures, Danny (Mr. Bell)?

MR. BELL: There is about \$150,000,000 in public debt obligations and there is about \$1,200,000,000 in loans to veterans.

Q Mr. President, this Budget shows a prospective total of public debt of \$34,238,000,000 at the end of the year, the fiscal year 1936. But there are some offsets, actual and possible, against that figure. What are the offsets against that?

MR. BELL: What offset?

THE PRESIDENT: Repayment of loans and things like that.

MR. BELL: The repayment of loans is in this Budget as a net figure. In other words --

THE PRESIDENT (interposing) On the total debt of \$34,000,000,000, how much would the Government get back?

MR. BELL: We have not got that here.

Q The assets owned by the Government, aren't they an offset?

THE PRESIDENT: They have not been put in.

Q The gold profits, et cetera?

THE PRESIDENT: One reason is this, that last year we had a long discussion as to how we would value possible repayment of loans. One school of thought said, "Don't value them more than fifty cents on a dollar," and another school valued them at a hundred cents on the dollar. The result is that I am not making an estimate.

The situation changes from month to month. All I can tell you is that Jesse Jones thinks he will get 100 per cent back of his capital and in that would be included interest, which might mean he would only get 90 to 95 per cent of the capital back but the interest would bring it up to 100 per cent.

The Home Owners' Loan Corporation thinks that they are going to get, with interest, the whole thing back.

The Housing Administration thinks, as an insurance proposition, they will pay back the 100 per cent.

The Farm Credit, with interest, thinks they will give back 100 per cent.

However, I am not figuring it because it is one of those things where I do not want to make a promise because some may go sour.

I think it is important -- I was talking with the members of the

House and Senate last night -- to make it perfectly clear that we are not going to stand for any minority, like the veterans, who will seek to have an obligation forgiven by the Government. We are going to collect the money that is due the Government and we are certainly not going to stand for any effort by minorities or anybody else in trying to have debts forgiven to individuals.

Q There is a statement in your Message here in regard to the expenditures during the fiscal year 1934 as to what are repayable and not repayable, with loans averaged at \$732,000,000.

(Reading from page V) "Loans amounted to \$732,000,000 and subscriptions to capital stock and preferred shares to \$826,000,000 making a total of \$1,558,000,000 which may be regarded as repayable expenditures made during the fiscal year 1934."

Now, that is really an offset against the public debts. That has not been charged off?

THE PRESIDENT: No.

Q What ever became of those loans to states for relief that the RFC made? Are they considered as assets or have they been wiped off by common consent or by legislation?

THE PRESIDENT: That is two years ago; I do not know what became of that.

MR. BELL: The grants to the states for public roads should be deducted from those loans, and that was repealed last year, so there is no provision for repayment at the present time.

THE PRESIDENT: The other thing I was thinking of is worth analyzing. I have talked about the deficit being lower for 1936 over 1935. Page X relates to the fact that this particular Budget for the year 1936 balanced and a little bit more than balanced except for the expenditures to give work to the unemployed. In other words, it is perfectly clear that everything is in balance except work for the unemployed.

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Q Is any study being made as to how the Treasury will liquidate its debt to the extent of the money owed by the foreign governments? The Treasury statement makes no estimate of any receipts from our foreign debtors for 1936.

THE PRESIDENT: Except Finland.

Q Is any appropriation being made to liquidate that side of the debt?

THE PRESIDENT: No, it is just part of the general deficit pot, that is all.

Q Would it be fair in speculating on the Message to deduct from the total debt to be achieved by the end of 1936, any figure for the stabilization fund?

THE PRESIDENT: No.

Q That should stay out?

THE PRESIDENT: Stay out, I hope permanently. In other words, it is very nice to have a kitty.

Q Mr. President, Mr. Morgenthau hasn't his budget balanced as to these expenditures. I suppose that difference is due to sinking fund and processing taxes?

THE PRESIDENT: Yes.

Q As to these contingent liabilities here on page A-17, how much are we charged as having been obligated? Is it \$1,279,000,000?

THE PRESIDENT: On the General Budget Summary?

Q On the contingent liabilities. How much should be charged there as having been obligated of the total amount of contingent liabilities? Is it \$1,279,000,000 or \$3,000,000,000?

THE PRESIDENT: Which item? Down at the bottom, the "Contingent Liabilities with Definite Limitation"?

Q An item "Contingent Liabilities with Definite Limitation" and up here it shows a table with \$1,279,000,000 and there (below it) is \$3,325,000,000.

MR. BELL: You have to offset them against their particular items.

Q Oh, you do.

Q Mr. President, one other thing: On page XII you refer to the \$300,000,000 annual appropriation to take care of highways, harbors, et cetera. Would the expenditure for the St. Lawrence come out of that annual appropriation?

THE PRESIDENT: No.

Q It would not?

THE PRESIDENT: No.

Q Would it conceivably come out of the \$4,000,000,000?

THE PRESIDENT: That might but it is pretty doubtful during the coming year, even if the St. Lawrence Treaty were ratified, whether there would be any work done for a whole year. There would be a lot of engineering work to be done on it. I think you can take that out.

Q Will you, in your formal request to Congress for the \$4,000,000,000 fund, go into considerably more detail?

THE PRESIDENT: I think we will use the language I used yesterday, list the various things and practically everything that can be done will fall under one of those.

Q In connection with slum clearance, would low-cost housing to replace the slums follow through?

THE PRESIDENT: Would follow through?

Q In connection with slum clearance, would low-cost housing to replace the slums follow through?

THE PRESIDENT: That is part of it, if they can do it for the price. It is always a question in slum clearance as to whether private capital can put up low-cost housing.

Q On page XIV it indicates restoration of pay but says that it won't be justified on a basis of the increase in the cost of living before July first?

THE PRESIDENT: As I remember the Department of Labor figures, it was 18 per

cent down. That, of course, does not even get it to the 15 per cent decrease. It is pure guess that probably the cost of living in the course of the next few months will go up two or three points before the first of July but, during the following fiscal year following the first of July, the odds are a thousand to one that it won't go up from the present to par -- say it is 82 at the present time -- but in spite of that they are going to restore it on the chance that it might go up.

Q There is talk of restoration of pay as of January first. Have you the money to pay it?

THE PRESIDENT: No. It means an increase in the Budget, a very big increase in the Budget. Of course, a large proportion of the increase is due to restorations next year of five per cent.

Q As a matter of fact, as far as the old-line departments are concerned, that is virtually the only increase?

THE PRESIDENT: Virtually, yes.

Q Thank you, Mr. President.

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Press Conference #173  
January 9, 1935.

Q We won't ask many questions, but I do have one. There seems to be some misinterpretation of the Budget release on District schools -- do you have any ideas on it?

THE PRESIDENT: I have several things about the District schools -- you can look it up. One on schools, another on the Department of Justice. I'll see if I have the school one. This just shows how a headline man plays everything. "The Schools dealt blow by \$2,725,761 cut in District Budget." Of course, when I read that I had a fit. I began to check up. Here's what happened: Of course, the layman reading that assumes we have cut the school expenditures in this year's District Budget by two million, etc. Actually the Director of the Budget reports that appropriations for schools (inter-ruption) the total appropriation for present fiscal year, \$9,862,000, estimates for 1936, which included 5 per cent salary restoration, is \$10,820,000, and that was cut by the Budget to \$10,617,000, which was a decrease of \$203,000 from the Commissioners' estimate, but was an actual increase of \$754,000 over the appropriations for the current fiscal year. Now breaking that down, that increase of \$754,000 in the actual

Budget as submitted, \$534,000 was for longevity pay increases and restoration of 5 per cent salary reduction. Of the balance, \$219,000 increase was for other objects of expenditure. In regard to the building program for new buildings, the 1935 current appropriations were, \$1,344,000. The District Commissioners' estimates were \$1,185,000, and the Budget cut that to \$775,000. In consideration, however, of that new building item, the current year contains one item of \$600,000 for Woodrow Wilson High School Building. And, therefore, leaving out that big construction unit in the current year's appropriations, the appropriations for the coming year are just about the same as they were last year. I think there was an attack of exaggeration in writing that.

Q Mr. President, I have to ask you about the possibility of stabilization on the basis of two reports.

THE PRESIDENT: Stabilization?

Q International currency.

THE PRESIDENT: International currency? And did they define stabilization when they asked you?

Q No, here is the basis of the inquiry. Our correspondent filed a story from Europe today, apparently on good enough authority, that Holland and France are trying to get London to work out a stabilization program with the United States. And the French Premier and Foreign

Minister announced today that when they visit London at the end of this month they will talk stabilisation.

**THE PRESIDENT:** No, the only thing that I can tell you -- there is no reason why I should not -- I get a dispatch through the State Department to the same effect this morning. That's the first we heard about it.

**Q** In that connection Attorney General Cummings, in arguing a gold case today, spoke of the prospect of an International Monetary Conference some time in the future. That's the way he put it, and he did hold out hope for one. Is there going to be one?

**THE PRESIDENT:** That's what you might call speculative stabilization. That's a new phrase, why not use it. Has double meaning.

**Q** Would you care to comment on Court decision on the Oil Section of the National Recovery Act?

**THE PRESIDENT:** No, except I think if you really want to understand a good deal about it, you should read Ballard Kilgore's story in the Wall Street Journal this morning. It is a perfectly good article. I believe that we are all laymen when it comes down to a thing like that. I think probably we might discuss the oil decision from the point of view of a parallel which occurred to me when thinking it over yesterday, in connection with a certain village in up-State New York that had a very bad crossing. There were two main

highways there and an awful lot of people were being killed at that crossing; under the village law that applied in this particular village, the question arose whether they could employ a constable or not. Obviously, something had to be done to prevent all of this loss of life at this crossing. So they got the District Attorney of the county and the County Judge, and the Village Attorney to tell them whether they could have a constable at that crossing or not. They were advised that by passing a certain resolution in the Village Board they could get this constable. They did and the constable went on duty, and they passed another village ordinance resolution in the Town Board and put up red and green signal lights to implement the constable, and didn't have any more accidents. But one fellow got arrested for passing the light, and he took it to court. After about a year and a half the court said, "Why, this particular resolution that was passed by the Village Council is badly drawn. It isn't constitutional or legal under the village law, and you have had that man on duty now for a year and a half illegally." They pointed out at the same time that it was perfectly possible to correct the particular resolution of the Village Council, which had been drawn up at the best advice they could get. So the village went ahead and corrected

the resolution and the constable stayed on duty. Of course, the net result was that they had had a year and a half of life-saving to their credit and yet the way was pointed out to them to accomplish their objective according to correct interpretation of the law by the court, and everybody was happy. Now, there is a good deal in that story for this reason. I have read Arthur Henning and several other people on this decision, and of course the effect is this -- what have you got? Take a big view of it. You had a situation a year and a half ago in the production of one of the major necessities of American life, oil -- gasoline. Everybody was going bust on it and we were wasting a great natural resource that probably won't last us forever. And we attempted to stop the production of oil at 10 cents a barrel and put it on a reasonable basis by which there wouldn't be a waste of oil and at the same time so there could be a reasonable stabilization of employment in that industry. Like all other things we went and got the best advice we could and submitted it to Congress. They passed a law, thought it all right and then Executive Orders were issued which went to the Attorney General, the Secretary of State, the Budget and finally came to the White House, and in the course of a year and a half we got the oil industry in pretty darn good

shape. Now, of course, you and I know that in the long run there may be half a dozen more court decisions on oil before they get the correct language, before they get things straightened out according to correct constitutional methods. But this country is headed for the control of the great natural resource which is called "oil". That's about the beginning of it and the end of it. It is just like stopping collisions in that particular crossing in that particular village.

Q Doesn't this rather circumscribe your actions as  
 —quarterback of the New Deal?

THE PRESIDENT: No.

Q Can you legislate so minutely?

THE PRESIDENT: We can go as far as Congress can possibly go. There is good intent on all sides if you try to do things the right way.

Q This does mean you will go ahead with the oil program?

THE PRESIDENT: Yes, we will probably retain some new men.

Q In that connection, does it strike you that oil is likely to be classified as a public utility?

THE PRESIDENT: It has not been legally declared a public utility, but it has a great many essentials of a

public utility.

Q Would it aid you in legislation if so classified?

THE PRESIDENT: I don't know. I have talked it over with a number of people and have various opinions on it. There is a legalistic distinction when you come down to it.

Q You said the other day you might probably hear from the tax survey which the Treasury is making in the District.

THE PRESIDENT: I haven't heard a word.

Q Have any of your legal advisers, or you yourself as a lawyer, figured out how the decision will affect the code, and Executive Orders under the code?

THE PRESIDENT: No, I suppose, as far as I know, there might be a dozen or one hundred other cases where the language isn't correct yet. There might be two or three, nobody can speculate.

Q Have you selected any date for the Social Security message?

THE PRESIDENT: I was talking to Miss Perkins about the Social Security message half an hour ago, and she hopes to have a report in tomorrow, and then I will probably talk with the leaders in the Senate and the House as to when they would like it to come up, and I should say about the middle of next week. Well,

what I thought is this -- the report is not unduly long, it isn't a terrifying document, and I have asked Miss Perkins to have a press synopsis of it made and I thought we would (I'm thinking out loud) let you all have the report and the synopsis. I haven't asked Steve's permission. I will let you have the report itself and the synopsis in confidence about 24 hours beforehand, and then my message will be very short. I probably won't have it ready for you at the same time, but it will be not more than a couple of typewritten pages.

Q Thank you, Mr. President.

## CONFIDENTIAL

Press Conference #174,  
Executive Offices of the White House,  
January 11, 1935, 10.45 A. M.

Q How about swapping a little one for a big one? (Exchanging a small pad of paper for a larger pad)

THE PRESIDENT: That is a good idea. I won't even send you a bill. You are entitled to something off the Government.

Q How is the cold coming?

THE PRESIDENT: A great deal better. I am practically all right.

MR. DONALDSON: All in.

THE PRESIDENT: About a month ago or six weeks ago I began reading a great many stories and statements in regard to the danger to widows and orphans and life insurance policy holders, savings banks depositors, etc., what might happen to them if the so-called "Federal attack" by the Government on public utilities continued. A rather definite effort was being made by a certain crowd in the country to scare everybody to death.

So I got the Federal Power Commission to make a survey on the investments of life insurance companies and savings banks, so far as they related to the present status of public utility securities. I had just a hunch that these public utility securities of operating companies over the period of the depression had actually held up better and had been, from the point of view of reliability, as sound or sounder an investment than almost any other class of bonds. Well, it checked all right.

You will find copies of this report outside. There is no reason why you should not have the report, so I had it mimeographed for you. It took for instance, the portfolios of six large life insurance companies in New York State. They had assets of over 8 billion dollars and out of that

they had 720 million or 8.4 per cent in public utility bonds and 81 millions or a little less than 1 per cent in public utility preferred stock. Fifteen large life insurance companies in other states with assets of close to 8 billion dollars had 9 per cent in utility bonds and 8/10s of 1 per cent in utility stocks.

The savings banks of the State of New York which, of course, have the largest savings bank deposits of any State in the Union, less than 3 per cent of the assets in those banks were invested in public utility bonds and I don't think there were any investments in public utility stocks because I do not think that is a legal investment for a savings bank.

But the main point is, what is the present market value of them compared with 1929? It shows that of 121 issues that these companies held and the savings banks held, the price in 1929 was 99 bid, par asked -- well, it was exactly 99.4 bid, par and 6/10s asked. In 1934 it was 106 bid and 106.7 asked. In other words, there was an appreciation of 6-6/10s points in the bid price on this large list of representative bonds. The market value today is 109 million dollars higher than in September, 1929.

The report shows that operating utility bonds are at their highest prices in 15 years and then there is a table in here that shows the bid and asked price from 1920 down to date. There is a chart showing bid quotations on public utility bonds legal for insurance company investment in the State of New York, which is a pretty good picture. I wish that all financial pictures looked like that. Do you see how nice that curve is up there (indicating)? (Laughter)

Then there are a couple of pages about utility bonds of the Metropolitan Life Insurance Company, showing that they are valued above par, at an average of 3 points over 1929 -- that was in reference to Mr. Ecker's letter to Mr. Cortelyou -- you will read about it.

And then there are conclusions, very short.

(Reading)"In view of the above facts it is clear that holders of life insurance policies and depositors in savings banks have no cause for concern regarding the security of that part of the assets of such institutions invested in electric utility bonds. Widows and orphans and other beneficiaries of estates likewise are secure, provided the executors and trustees of such estates have conformed to the legal requirements which most States have established for such fiduciary officers, and have invested the funds entrusted to their supervision in the securities of operating companies and not in stocks or debentures of holding companies or so-called investment trusts."

Q Any comment from you on that report, Mr. President?

THE PRESIDENT: No. It speaks for itself.

Q Had you noticed where the Niagara Hudson, I think it is, is cutting the rates?

THE PRESIDENT: I did not know that.

Q Where is that?

Q In up-State New York.

THE PRESIDENT: Good.

Q On this utility question, can you tell us about how the holding company supervision will be administered, by an agency?

THE PRESIDENT: I don't know. We haven't got to the point of outlining any procedure.

Q Have you decided to confine it to public utility holding companies or to other forms of investment companies?

THE PRESIDENT: I don't know, that is still being talked about.

Q Do you know when your recommendations will be made?

THE PRESIDENT: I don't know. I should say probably not for two or three weeks yet and I am not sure whether it will come out in the form of a formal recommendation or a message or anything of that kind. They may start a bill in the Committee in Congress.

Q Rayburn (Congressman Sam Rayburn) said yesterday that he is going to put in

his bill early next week and he seemed to regard it as an Administration measure. Isn't there an element of jumping the gun, in view of the fact that the Federal Trade Commission has not reported finally on the recommendations?

THE PRESIDENT: I don't know enough about it. I haven't read about it for a week. I know there are a lot of people working on it.

Q Do you plan any further conferences with power officials? That is, private power officials?

THE PRESIDENT: No, not that I know of. Hold on -- yes. You said "planning any conferences"? I think Harvey Couch is coming in this afternoon to talk to me. He is the only one I know of. He has been wanting to see me for a long while.

Q That will be on power, of course?

THE PRESIDENT: I suppose so.

Q Has Mr. Baruch's War Profits Committee made any report yet?

THE PRESIDENT: I think he gets here tonight and he will talk over the week-end.

Q There is a report up at the Capitol that you have impounded or will impound all Public Works money of the \$3,300,000,000 which has not been used.

THE PRESIDENT: I think it has all been allocated.

Q Which contracts have not been signed? Some of the states have not signed.

THE PRESIDENT: No, that is not true. In other words, the Public Works Administrator and I both took the position that if an allocation was definitely made and the city was notified, that in good faith we ought to go through with it, subject to working out a satisfactory contract. We cannot withdraw the money from a city after it has been definitely allocated, even if the contract has not been signed.

Q Would you care to comment on the possible consequences of an adverse report on the World Court?

THE PRESIDENT: No. The only thing I can say, off the record, is use your own imagination. Go as far as you like.

Q Have you any information on the controversy between Ickes and Bob Moses?

THE PRESIDENT: I got a lot. (Laughter) It is just in my head at the present time and hasn't come out yet.

Q Did you talk with Ickes about it, Mr. President?

THE PRESIDENT: Oh, for months. (Laughter)

Q Did you talk to the Chairman of the ICC about the reduction in appropriations for 1936?

THE PRESIDENT: No, only over the telephone, just the information that they have been getting in the Committee. I don't know what is going to happen. I have no idea about it at all. I have gotten nothing.

Q Do you expect to see Mr. Caffery today?

THE PRESIDENT: Jeff Caffery is coming in this afternoon.

Q Did the report of the Committee on Social Security come to you?

THE PRESIDENT: Just as soon as you go, we are taking it up.

Q When do we get that advance?

THE PRESIDENT: I don't know. I said the day before yesterday that I hope by about the middle of next week.

Q I see that Commissioner Pecora's name has been sent to the Senate. Do you expect him to continue here?

THE PRESIDENT: He is coming here this afternoon to say goodbye. He is being sworn in pretty soon.

Q Have you anyone in mind to take his place?

THE PRESIDENT: I haven't thought about it.

Q Did you receive an optimistic report from Davis about the possibility of a Naval agreement this year?

THE PRESIDENT: I haven't had a chance to see him. I am seeing him just as soon as I can get around to it.