

CONFIDENTIAL

Press Conference #262,
Executive Offices of the White House,
January 3, 1936, 10.55 A.M.

THE PRESIDENT: Good morning. You meet at twelve o'clock, I hear?

Q (Mr. Young) Yes.

THE PRESIDENT: The Senate convenes?

Q (Mr. Young) Yes, sir. (Laughter)

Q (Mr. Storm) Deliver No. 11-B today.

Q (Mr. Young) Party loyalty. (Laughter)

Q (Mr. Storm) Looks like Gus (Mr. Gennerich) is all ready for Hialeah,
Mr. President.

THE PRESIDENT: Yes, raring to go.

MR. DONALDSON: All in.

THE PRESIDENT: The Public Printer tells me he will have the Budget
Message printed by three o'clock tomorrow afternoon and they give
it out at the Treasury at that time. I think, therefore, it would
save everybody a good deal of time and trouble if we would have
our Conference tomorrow afternoon at four o'clock instead of Sunday,
which would give you a little more time. So we will make it in the
Oval Room upstairs at four o'clock tomorrow afternoon, for those
who are concerned with the story. The reason we want to keep it
down is because there is not an awful lot of room.

Q Some of the reporters who cover the White House gave an outline of
your Message today.

THE PRESIDENT: I saw that. (Laughing)

Q Do you want to expand on the summary?

THE PRESIDENT: No.

Q When will your Annual Message be ready?

THE PRESIDENT: The Annual Message will be ready this afternoon, roughly at five o'clock. It is not finished yet.

Q Couldn't we get an estimate on about how long it will run so that the papers may make arrangements?

THE PRESIDENT: Oh, about forty minutes.

MR. EARLY: Approximately.

Q What did you say, sir?

THE PRESIDENT: About forty minutes.

MR. EARLY: And about 4,000 words.

THE PRESIDENT: Yes; be a little less than that.

Q Have you heard again from Governor Pinchot on his charges about the relief situation in Pennsylvania?

THE PRESIDENT: No.

Q He has not replied to your personal reply?

THE PRESIDENT: Unless it is in this morning's mail. It was not here last night.

Q Do you appreciate the fact that this is the last Press Conference with one of our popular members, Mr. Roddan?

THE PRESIDENT: I know that.

Q (Mr. Roddan) Thank you.

THE PRESIDENT: However, he will still be coming over to see us, so it is all right.

Q Mr. President, have you a formal calling list today, or are you going to spend all your time finishing up your Message?

THE PRESIDENT: A Cabinet meeting at two o'clock, as usual. I will be working on the Message until Cabinet meeting at two o'clock, and

that is about all. I do not think I have any more appointments.

Q Did you and Senator Borah get a chance to talk politics?

THE PRESIDENT: I can only tell you off the record. If you want it off the record, I will tell you.

Q Sure.

THE PRESIDENT: We made an agreement. We talked about the need of taking holidays occasionally and the agreement is that if he goes to the White House, he will take me on a cruise with him, and if I stay in the White House, I will take him on a cruise with me. Then Borah got hold of Mac (Mr. McIntyre) and asked him to see that this goes through, and Mac said, "I will do it on one condition: if you will take me with you too."

Q Which means you expect to be renominated? (Laughter)

Q Does that apply to other candidates?

THE PRESIDENT: No, that is a little personal compact.

Q The SEQUOIA would not be big enough for all of you. (Laughter)

Q That is off the record?

THE PRESIDENT: Yes, sir; off the record.

Q Thank you, sir.

CONFIDENTIAL

Press Conference #263, - Budget,
Executive Offices of the White House,
January 4, 1936, 4.05 P.M.

(Secretary Morgenthau, Acting Director Bell and other Treasury Department officials were present at this Conference. Approximately 125 newspapermen attended this Conference.)

THE PRESIDENT: Steve (Mr. Early) suggests that because there are probably a number present who were not here last year or the year before that I should again explain that this is a highly confidential Conference, and that nothing is to leak until Monday at whatever time it (the Message) goes up. I suppose it will be up there by the opening of the House and Senate at twelve o'clock, and will then be presented by the Clerk and subject to release.

This is just a family party. I think we should go through, in an orderly way, the first few pages that describe the high points and then, if anybody wants to ask any questions, Dan Bell is here and will be able to answer them. I am a little bit like the professor who told his class, "I know very little about this but you know less." From personal experience I know that 70 per cent of you, at the maximum, know the difference between a dollar and a dime, so I might as well go through with it.

It starts off with an interesting sentence: (Reading)

"No mortal --"

not even a member of the Press --

(The President read as follows from his Message transmitting the Budget:)

"--is permitted unfailingly to predict the future. This is particularly true of estimates which relate to the money values of property and services in a world of nations torn by dissension, by violent price fluctuations, and by forebodings of the future.

"It is, therefore, a cause for congratulation within our own Nation to realize that a consistent, broad national policy, adopted nearly three years ago by the Congress and the President, has thus far moved steadily, effectively, and successfully toward its objective.

"In March 1933 in spite of substantial increases in tax rates during the preceding administration --"

I think there were four -- (Reading)

"-- Federal tax receipts had fallen to such a low level that even normal expenses of Government could not be carried on without creating a mounting deficit. In addition to normal expenses the problem of millions of starving unemployed called for a relief program which obviously would greatly increase that deficit.

"The national policy which we then adopted sought to stop the downward economic spiral by taking simultaneous action along a dozen fronts. The chief objectives were: To make bank deposits secure --"

I need not read this. It covers things fairly well and the point made is that they were all interdependent.

(The following was omitted by the President:)

("--to save farms and homes from foreclosure, to start public works on a large scale, to encourage home building, to increase farm crop values, to give useful work instead of a dole to the needy unemployed, to reduce all interest rates, to increase foreign trade in both exports and imports, to extend Government credit to railroads and other privately owned activities, to reduce unsound and generally disastrous speculation, to eliminate starvation wages, to seek a higher level of values, and then to maintain those values.")

(The President continued reading as follows:)

"On the part of the Federal Government the many legislative acts creating the machinery for recovery were all predicated on two interdependent beliefs. First, --"

of course, this is obvious -- (Reading)

"-- the measures would immediately cause a great increase in the annual expenditures of the Government -- many of these expenditures, however, in the form of loans which would ultimately return to the Treasury. Second, as a result of the simultaneous attack on the many fronts I have indicated, the receipts of the Government would rise definitely and sharply during the following few years, while greatly increased expenditure for the purposes stated, coupled with rising values and the stopping of losses would, over a period of years, diminish the need for work relief and thereby reduce Federal expenditures."

In other words, the way I put it in my own mind in writing that was that essentially we had two lines very far apart, the top line, expenditures, and the bottom line, tax receipts, and those lines up to 1933 had been steadily getting further apart. They were so far apart that we had to consider the fact that the lower line of tax receipts was still going down, and the top line was going up. So we had that upper line to go up for a short time in the hope that the bottom line could be turned so that for a while, the first two years you might say, the two lines both went up and the gap remained fairly constant between the two lines.

Today, however, from the point of view of appropriations, we have that top line stopped; instead of continuing to go up, it is going to start to go down on appropriations. The bottom line is continuing to rise; therefore, for the first time after thirty-four months, we have the situation in hand because the two lines are beginning to close the gap between them. Now, a continuation of that means, of course, eventually the two lines will meet and cross and the annual receipts will be greater than the annual appropriations. (Reading)

"The increase in revenues would ultimately meet and pass the declining cost of relief.

"This policy adopted in the spring of 1933 has been confirmed in actual practice by the Treasury figures of 1934, or 1935, and by the estimates for the fiscal years of 1936 and 1937.

"There is today no doubt of the fundamental soundness of the policy of 1933. If we proceed along the path we have followed and with the results attained up to the present time we shall continue our successful progress during the coming years.

"Stated even more concisely, we can look forward today to a continued reduction of deficits, to increased tax receipts, and to declining expenditures for the needy unemployed. Let it be remembered that the major part of the increase in tax receipts anticipated in 1937 over 1936 from comparable sources is coming from old tax schedules. The only changes made last year in the tax schedule were, first, the elimination of the tax on checks and, secondly,

slight increases in taxes on large incomes, on large estates, and on large corporations and in capital stock and excess profits taxes. By the elimination of the tax on checks we lost forty million dollars in revenue and the slight increases on estates and on personal and corporate incomes will add only about 222 million dollars to Government receipts this coming year. I emphasize that the great bulk of increased Government income referred to above results from increased earning power and profits throughout the Nation and not from the new taxes imposed by the Revenue Act of 1935.

"Final success will depend, of course, on the strength of the efforts put forth by the employers of the United States greatly to increase the number of persons employed by them. The finances of the Government are in better condition than at any time in the past seven years. I say this because starting with the autumn of 1929 tax receipts began a steady and alarming decline while, at the same time, Government expenditures began a steady rise; today, tax receipts are continuing a steady climb which commenced in the summer of 1933, whereas Budget estimates for the next fiscal year will show a decreased need for appropriations.

"The credit of the Government is at its highest. The average of the business men of the Nation stand ready to do their share. It is to be hoped that motives and attacks which spring only from the desire for political or financial power on the part of a few will not retard the steady progress we are making.

"Our policy is succeeding. The figures prove it. Secure in the knowledge that steadily decreasing deficits will turn in time into steadily increasing surpluses, and that it is the deficit of today which is making possible the surplus of tomorrow, let us pursue the course that we have mapped.

"In my Budget message of January 1935 I said, 'I am, however, submitting to the Congress --'

this is a year ago -- (Reading)

"-- a Budget for the fiscal year 1936 which balances except for expenditures to give work to the unemployed. If this Budget receives approval of the Congress, the country will henceforth have the assurance that with the single exception of this item, every current expenditure of whatever nature will be fully covered by our estimates of current receipts. Such deficit as occurs will be due solely to this cause, and it may be expected to decline as rapidly as private industry is able to reemploy those who now are without work.'

"In looking at the revised estimates for the fiscal year 1936 --

that is not the ones made up last September but now, that is, last

week -- (Reading)

"--I am more than pleased to find that we have not only accomplished what I said we would in my Budget Message of a year ago but that the results with respect to both expenditures and receipts have surpassed expectations.

"1. My Budget Message of January 1935 forecast that the expenditures for the fiscal year 1936 would be \$8,520,000,000. Our most recent estimate shows that our expenditures will be \$7,645,000,000., or \$875,000,000. less than originally forecast.

"2. Receipts were estimated in January 1935 at \$3,992,000,000. At the present time it appears that they will be \$4,411,000,000., or an increase of \$419,000,000.

"3. The Message of January 1935 forecast a gross deficit of \$4,528,000,000., and the most recent figures show that the deficit will be \$3,234,000,000., or a decrease of \$1,294,000,000."

I estimated figures on the deficit for the fiscal year. (Reading)

"This great improvement of the fiscal outlook during this present year has been brought about through policies which the Congress and the President initiated in 1933 and which we have since maintained.

"Now let us look at the Budget for the fiscal year 1937:

"To run all the regular activities of the Government I will need a total of \$5,069,000,000."

Now, you will see that the major change in the listing of the items this year has been to leave out from what we call emergency items, relief and recovery, in last year's Budget certain things which time has proved should be included as regular expenses of the Government as a matter of policy.

"These regular activities include interest on the public debt, --" well, that was in last year, too -- (Reading)

"--major public works, --"

which were not in last year, or only a part. For example, when you come down to look for the various items, you will find that the money

for the Upper Mississippi Waterway last year came out of the \$4,000,000,000. Is that right?

MR. BELL: Yes, sir.

THE PRESIDENT: This year, this \$4,000,000,000. relief and recovery appropriation -- this year we are listing items of that kind in the regular Budget. (Reading)

"-- operations of the Civilian Conservation Corps, --"
of course I said that would be a permanent activity of the Government -- (Reading)

"-- and agricultural benefit payments,--"
for the same reason, that they are accomplishing an objective and will be a regular part of the activities of the Government, unless the Congress takes different action. But they -- (Reading)

"-- but they do not include strictly work relief items."
And that is the only thing that the regular Budget figures of \$5,000,000,000. do not include. (Reading)

"I expect to pay for these regular activities --"
of \$5,069,000,000. -- (Reading)

"-- with estimated receipts of \$5,654,000,000., leaving an excess of receipts of \$585,000,000."

In other words, on the regular running expenses of the Government, including interest on the public debt, we are \$585,000,000. in the black. (Reading)

"Out of this \$585,000,000. I will need \$580,000,000. for debt retirement, --"

That is the definite reduction of the public debt, and so if that is taken out -- in other words, if the national debt is reduced by \$580,000,000., in the coming year -- we would -- (Reading)

"-- still leave \$5,000,000. of excess receipts over expenditures after having paid for all of the regular expenditures of the Government plus debt retirement."

In other words, that is a complete presentation of the entire Government picture, with the exception of work relief. (Reading)

"The item for relief remains. Without that item the Budget is in balance."

As I said before, that balance includes a reduction of the public debt by \$580,000,000. (Reading)

"To make today a formal Budget estimate of the amount necessary for work relief would be of necessity a difficult task. We have too recently reached our goal of putting three and one-half million people at work; and the beneficial effects from this program and from increasing expenditures on public works cannot be foretold as accurately today as it can two months from now. Furthermore, employment by private industry continues to show substantial gains over the figures of a year ago. It is reasonably certain that the total appropriations for work relief during the fiscal year 1937 will be far less than during the current fiscal year. It is estimated in this Budget that expenditures for recovery and relief out of unexpended balances of previous emergency appropriations will amount to \$1,103,000,000."

In other words, that is the sum which has been obligated or allotted already out of the old \$3,300,000,000., out of the \$4,000,000,000. appropriation, which will not be spent because it is a long-term piece of work contract; it will not be spent or actually go out of the Treasury until after the first of July of this year. (Reading)

"Including these expenditures the gross deficit for 1937, without an estimate for additional work relief, is less than the gross deficit for 1936 by \$2,130,000,000. I do not anticipate that the need for additional relief funds will be as great as that sum.

"To state the case even more precisely, the gross deficit of the Government in 1934 was \$3,989,000,000; in 1935, \$3,575,000,000.; that was beginning the decrease. (Reading)

"-- in 1936 (estimate), \$3,234,000,000; --"
still a decrease -- (Reading)

"-- and in 1937 (estimated but not including any new appropriations for work relief), \$1,098,000,000. Therefore, it is clear: First, that since June 30, 1934, the gross deficit of the Government shows a steady decrease during the fiscal years 1935 and 1936. Second, that if work relief appropriations by this session of the Congress were made up to a total of \$2,136,000,000., the total gross deficit for the fiscal year 1937 would not exceed that of 1936, which was the lowest gross deficit of the past three years. Therefore, it follows that by whatever amount the appropriation for work relief at this session is less than \$2,136,000,000., the gross deficit for 1937 will be less than the deficit for 1936 by the same amount."

Now, is that clear to everybody? In other words, here is another way to put it: that, in order for the deficit for 1937 to continue to go down and to be less than it is in this current year, we have got to keep work relief appropriations within the sum of \$2,136,000,000. and, by whatever amount it is less than \$2,136,000,000., that amount will represent the decrease in the deficit in the coming fiscal year over this present fiscal year.

Q Don't the transfer of the C.C.C. and Public Works to the regular Budget immediately lop \$800,000,000. off that? That is, the C.C.C. was in the work expenditures of this year and so was Public Works. Now, you are estimating \$800,000,000. for that next year. Wouldn't that immediately decrease that amount?

THE PRESIDENT: No. You do it the other way around. If you want to compare the total being spent on work and work relief during the 1937 year with what it was this year, \$4,000,000,000., you see, so far as appropriations go, not expenditures, what you would do is to take the amount appropriated by this coming Congress and add to it C.C.C. and Public Works.

Q C.C.C. and Public Works are not included in that item of \$3,234,000,000.?

MR. BELL: Oh, yes.

THE PRESIDENT: Oh, yes; they have all been put on a comparable basis in the tables further on. Including in the regular Budget the C.C.C. and

Public Works, we would still have a deficit this coming year of \$1,103,000,000.; that is all. So we have this kitty or leeway to play with of \$2,136,000,000. for work relief. (Reading)

"With this limitation and this excellent prospect clearly in mind, I am not including in this Budget estimates for additional relief appropriations. I shall transmit such estimates with far greater knowledge and, therefore, with greater accuracy in sufficient time before the adjournment of this session to give the Congress full opportunity to examine into the subject and to make the necessary appropriations.

"The credit of the Government is in sound condition. On October 15, 1933, war-time issues of First and Fourth Liberty bonds were outstanding in the aggregate amount of \$8,200,000,000., bearing interest at an average rate of about $4 \frac{1}{8}$ per cent. Today this entire amount has been refunded, of which about \$5,000,000,000., was exchanged for long-term bonds bearing interest at rates ranging from $2 \frac{3}{4}$ to $3 \frac{1}{4}$ per cent per annum; \$1,900,000,000. was exchanged for Treasury notes bearing interest from $1 \frac{1}{2}$ to $2 \frac{1}{2}$ per cent per annum, and the balance was paid in cash. The average rate on the securities issued to refund the Liberty bonds is less than $2 \frac{3}{4}$ per cent per annum, a saving of approximately $1 \frac{3}{8}$ per cent a year, or an annual reduction in interest payments of more than \$100,000,000. on these particular securities.

"The average rate on the interest-bearing debt was on June 30, 1934, approximately 3.18 per cent, whereas on November 30, 1935, it had been reduced to 2.575 per cent.

"If the Congress enacts legislation at the coming session which will impose additional charges upon the Treasury for which provision is not already made in this Budget, I strongly urge that additional taxes be provided to cover such charges. It is important as we emerge from the depression that no new activities be added to the Government unless provision is made for additional revenue to meet their cost."

And then we come to three rather technical recommendations which are not frightfully important but have been put in. I mean, there is not very much story in them. The first is: (Reading)

"Appropriation transfer provisions. -- The text accompanying a number of the estimates of appropriations has been drafted to include provision for transfer between appropriations within the same department. This provision will add a measure of administrative flexibility and will tend to promote economical execution of the program as a whole, and approval thereof by the Congress is recommended."

That is one of Danny Bell's old pets, and here is another one: (Reading)

"Repeal amendment to Agricultural Adjustment Act.--During the first session of the Seventy-fourth Congress the Agricultural Adjustment Act was amended so as to appropriate a sum equal to 30 per cent of customs receipts to the Secretary of Agriculture to encourage exportation and domestic consumption of agricultural commodities. No estimate of expenditure for account of this legislation is included herein; and repeal of the amendment is recommended for the following reasons:

"By appropriating directly instead of authorizing an appropriation the amendment denies to the President the opportunity to consider the need and include appropriate estimates in the Budget; and it denies to the Congress the opportunity to review such estimates in their relation to the whole program of the Government. The amendment violates the principles of the Permanent Appropriation Repeal Act of 1934, and of the Budget and Accounting Act of June 10, 1921. It is in conflict with sound administration in that it provides in advance for large annual expenditures without any attempt to coordinate income and expense. The amendment was passed in the last days of the session as a result of conference agreement and without the debate and consideration by the Congress which the import of the measure clearly justifies."

Then, of course, further on that, that if one once starts to earmark what might be called general revenues for specific purposes, and the habit spreads, it is a bad thing.

Q. There is no revenue provided for the purpose of encouraging exports under the other provisions of that section?

THE PRESIDENT: No. (Reading)

"Apportionments of appropriations.-- Within the last few months control of the administrative expense of 20 emergency agencies has been vested in the Bureau of the Budget which after a general survey of all of them has effected substantial reductions in proposed expenditures for administrative purposes. Allowances for administrative expenses are subject to such adjustment as the status of the agency warrants.

"The 20 agencies brought under the Budget are --"
then they are listed.

(The President did not read the names of the agencies which were as follows:)

-- the Agricultural Adjustment Administration; Commodity Credit Corporation; Electric Home and Farm Authority; Export-Import Banks (2); Farm Credit Administration; Federal Coordinator of Transportation; Federal Deposit Insurance Corporation; Federal Emergency Administration of Public Works; Federal Emergency Relief Administration; Federal Farm Mortgage Corporation; Federal Home Loan Bank Board; Federal Housing Administration; Federal Savings and Loan System; Federal Savings and Loan Insurance Corporation; Federal Surplus Relief Corporation; Home Owners' Loan Corporation; National Recovery Administration; Reconstruction Finance Corporation and Tennessee Valley Authority."

(The President continues reading)

"It is recommended that section 3679 of the Revised Statutes be amended so as to bring all agencies of the Government, including Government-owned and Government-controlled corporations, within the authority of the Director of the Budget with respect to apportionments of appropriations and of other funds available to them."

In other words, I want to have written into law what I did by Executive Order.

Q Is that only administrative expenditures?

THE PRESIDENT: No, the whole thing.

Q That is further than your Order itself?

THE PRESIDENT: Yes.

Q Is Resettlement Administration brought into the Budget, into the regular Budget, by this? I do not believe I see it.

MR. BELL: No.

THE PRESIDENT: Dan says, "No." (Reading)

"Part III --"

we might as well read this. It gives you some idea. (Reading)

"Review of Fiscal Years 1935 and 1936 and the Fiscal Program of 1937"

"This review concerns itself with cash actually received and paid out by the Treasury in the fiscal year 1935; and with the estimates of receipts, appropriations, and expenditures for the fiscal years 1936 and 1937. As elsewhere stated herein the program of regular activities for 1937 includes activities under the Agricultural Adjustment Act and the Civilian Conserva-

tion Corps (Emergency Conservation Work), heretofore classed as emergency. Therefore the figures used herein for 1934, 1935, and 1936 have been adjusted to a comparable basis.

"Fiscal Year 1935"

That is the one ended last July.

"Receipts. -- Treasury receipts for the year ended June 30, 1935, were in excess of estimates prepared a year ago. Considering all sources except postal revenues, total receipts amounted to \$3,800,467,202., or \$89,000,000. above the estimate."

I might add here that you will find all the way through, in the reviews of the fiscal years 1934, 1935, 1936 and up to date, that the Treasury estimates, by the grace of God and a little tact, have not only been extremely close to where they have put us on the right side, they have always, practically always, underestimated receipts and overestimated expenditures. That is a very extraordinary showing of the Treasury Department experts along that line. (Reading)

"Internal revenue, including processing taxes on farm products, produced \$3,277,690,028., exceeding the estimate by \$80,000,000. Customs receipts amounted to \$343,353,033., an increase over the estimate of \$56,000,000. Miscellaneous receipts, including realization upon assets, estimated at \$227,184,181., fell short of the estimate by \$48,000,000.; the amount actually received under this item was \$179,424,140."

There was a special reason for that. Part of that was that Jones (Jesse Jones, Chairman of the R.F.C.) was authorized, by an amendment to the law, to use part of his receipts from the sales of Ickes' (Secretary Ickes') bonds, to turn back to Ickes, as a revolving fund, to put out on loan again.

MR. BELL: Part of it was due to the fact that Jones did not pay interest to July 1, whereas it was estimated in the Budget as of May 1.

THE PRESIDENT: (Reading)

"Expenditures.-- While actual receipts for the year were greater than anticipated, actual expenditures were less than the amount estimated by \$1,205,000,000. The aggregate of all expenditures was

\$7,375,825,166., against an estimate of \$8,581,069,026. Approximately a billion dollars of this difference related to recovery and relief, and the regular agencies accounted for the remainder.

"The total spent for recovery and relief was \$3,008,803,053., whereas the 1936 Budget estimate was \$4,008,541,852., exclusive of expenditures made under the Agricultural Adjustment Act and made by the Civilian Conservation Corps. This difference is partly due to this fact:

"When the Budget for 1936 was prepared it seemed probable that the Reconstruction Finance Corporation, in all accounts except relief, would close the year with an excess of loans over repayments; and the amount of the net expenditures was estimated at \$556,000,000. However, because of improved business conditions, the demands for Corporation assistance were so much less than estimated and the repayments of loans so much greater, that the Corporation actually closed the year with net receipts of \$107,000,000. Therefore, the net difference between the estimated expenditure and the actual result amounted to \$663,000,000. Other agencies spent for recovery and relief \$337,000,000. less than estimated."

Q May I ask a question there? 1935 is the only year I see for the net receipts by the R.F.C. For 1936 and 1937, are there any estimated net receipts by the R.F.C.?

MR. BELL: You will find that in the annexed budget for the R.F.C., set down in detail.

Q About what page?

MR. BELL: Page 683.

THE PRESIDENT: (Continuing with his reading)

"For the operation and maintenance of regular departments and establishments of the Government, including the Agricultural Adjustment Act and the Civilian Conservation Corps, actual expenditures were \$2,912,537,509., against the estimate of \$3,104,961,174.

"For statutory debt retirements there was expended \$573,558,250., and for interest on the public debt \$820,926,353., whereas the amounts budgeted for these items were, respectively, \$572,566,000. and \$835,000,000."

That was pretty close reckoning.

"Deficit and Public Debt.-- The year closed with a gross deficit of \$3,575,357,964. instead of the estimate of \$4,869,418,338.

After deducting the amount paid out for statutory debt retirement the net deficit was \$3,001,799,714. The increase in the total outstanding gross public debt was \$1,647,751,210., which figure is properly obtained by subtracting from the net deficit the decrease in the general fund balance, the excess of receipts from trust funds, increment on gold, et cetera, over expenditures from the same accounts, and the amount of retirement of national-bank notes from the gold increment."

In other words, that is the same thing we talked about a week ago in the Press Conference, that stories about the national debt, unless you take these things into consideration, are not worth the paper they are written on. (Reading)

"As of June 30, 1935, the total outstanding gross public debt was \$28,700,892,624., while on June 30, 1934, it was \$27,053,141,414."

So much for the fiscal year 1935, which ended last summer.

Now for the -- (Reading)

"Fiscal Year 1936"

"Drawing upon the experience of the first six months of the current year it is possible to forecast with a fair degree of accuracy the results of financial operations for the whole 1936 fiscal period.

"Receipts.-- The same sources of income (excluding postal revenues) which a year ago were expected to produce receipts aggregating \$3,991,904,639. are now expected to produce a total of \$4,410,793,946.

"Of the items comprising the whole, income taxes will develop \$1,434,112,000. or \$246,000,000. more than the 1936 Budget estimate.

"Miscellaneous internal revenue exclusive of processing taxes is now estimated at \$1,873,091,000., an increase of \$187,000,000. Receipts from customs are expected to reach a total of \$353,191,000., exceeding the original estimate by \$55,000,000. Other changes, some upward and some downward, result in the new estimate of total receipts at a figure of \$419,000,000. higher than shown in the Budget for 1936 which was presented a year ago.

"The present estimate for processing taxes in 1936, included in above total, is in round figures \$529,000,000., as against the original estimate of \$570,000,000. Actual receipts for the five months ended November 30, 1935, totaled \$56,000,000., while up to that date approximately \$148,000,000. of due payments had been impounded as the result of preliminary court action.

in
 "It is pertinent to repeat here a statement appearing/the
 Summation of the 1936 Budget: 'Estimates of receipts contemplate
 continued collection of processing taxes. If the attack which
 has been made upon this act is sustained we will have to face the
 problem of financing existing contracts for benefit payments out
 of some form of new taxes.'

"Two new taxes, namely, the bituminous coal tax and the
 taxes upon carriers and their employees, both representing recent
 legislation, will contribute \$39,000,000. not included in the original
 estimate of receipts for 1936. New taxes imposed by the Social
 Security Act and the Revenue Act of 1935 will not produce any in-
 come until the fiscal year 1937.

"Expenditures.-- Indications are that expenditures including
 debt retirement during the present fiscal year will not reach the
 amount budgeted by approximately \$875,000,000.; the total now
 foreseen is \$7,645,301,338., against the original estimate of
 \$8,520,413,609. Exclusive of debt retirement the total of expendi-
 tures is now estimated at \$7,093,276,338., while the original com-
 parable figure was \$7,883,979,609. For recovery and relief the
 revised estimate of expenditures for the fiscal year 1936 is less
 than the original Budget estimate by \$738,000,000., and expenditures
 for all regular purposes, --"

here again, they are bringing this up to date by including this thing
 in the regular figures. (Reading)

"-- including Agricultural Adjustment Act and Civilian Conservation
 Corps, will be less by \$137,000,000. Debt retirement will require
 \$84,000,000. less than was budgeted and interest payments will be
 \$133,000,000. less. All regular expenditures, excluding service
 on the public debt, will be greater than the original Budget
 estimate by about \$80,000,000."

Q May I ask a question there? This recovery and relief revised estimate
 of expenditures, is that less than the original Budget estimate of
 \$738,000,000.? Is that what is left of the \$4,000,000,000.?

MR. BELL: All emergency funds are included in those figures.

Q Including the three C's (the Civilian Conservation Corps) and others?

MR. BELL: Yes.

Q On that, in the daily Treasury statement, in the listing of unexpended
 balances, just in the items that you have made allotments to, from
 the Public Works funds and emergency expenditures -- I am not very
 good at mathematics, but the way I figure it, that the way you spend

money in the next few months, you will have much more than a billion dollars of that left. What interested me particularly was that there seemed to be money, in addition to the \$4,000,000,000., that was carried over from previous appropriations into those items.

THE PRESIDENT: There is some of the 1933 money that is in the Treasury yet. It is all obligated.

Q What I took was the average daily expenditure of the Government over six months as indicating the rate of expenditures, and it requires a much accelerated rate of expenditure, unless you are going to have a couple of billion dollars left from those items.

MR. BELL: It will be a little more than a billion, but we figure a billion dollars will be spent. Some of those allocations will extend over to 1938 and 1939 for the construction of large projects.

Q Allocations would continue for those items to be expended in addition to what was appropriated for the present fiscal year?

THE PRESIDENT: We have to think not only of 1937 but of 1938 and 1939 and we figure, out of all previous appropriations made, that in those twelve months of the fiscal year 1937 there will be \$1,033,000,000. actually paid out by the Treasury. There will still be some sums not paid out.

MR. BELL: The daily statement includes specific appropriations. In the first column there are specific appropriations, such as land banks, capital stock and the three A's.

Q Those are not included in the three items I have referred to. I just took the items from the \$4,000,000,000. fund as being emergency items, as distinguished from the others. That is \$6,600,000,000., if you take the whole.

THE PRESIDENT: Of course there will be more than \$1,033,000,000. still to be

spent after July of this coming year, but of course we will actually spend \$1,033,000,000. this coming year.

Q Of course the actual balance might be higher than the \$1,033,000,000.?

THE PRESIDENT: We have to take the best figure we can have. You are right on one thing: we have always overestimated our expenditures, which is a good thing to do.

Q Have you any unexpended balances, on which new appropriations will not have to be made in this Congress, in any other funds?

MR. BELL: You mean emergency?

Q Outside of this \$4,000,000,000., any other unexpended balances?

MR. BELL: The unexpended balances of the \$3,300,000,000. and the \$525,000,000. and the \$829,000,000.

THE PRESIDENT: Those are even going further back.

Q No others?

MR. BELL: Not that I know of.

Q May I ask another question in line with Mr. Hayden's question? We have figured these totals together and been somewhat messed up with them, but the highest rate of expenditure in any month of the thirty months since the 1934 fiscal year began is about \$274,000,000. spent between November and December sixteenth. If the expenditure follows that rate, as I remember it, the amount left to the spending agencies, unexpended on July 1, 1936, would be in excess of \$2,000,000,000., and if all of it were spent, the rate of expenditure would be close to \$600,000,000. per month. It is not expected that that rate of expenditure would go up that sharply, is it?

THE PRESIDENT: No. It will go up for this reason: You know all of the public works that have been allotted are, most of them, contracts signed before

the December fifth deadline, but the actual dirt won't do very much flying until the winter, with an increased volume of expenditures all through the spring, because they are, most of them, fairly heavy jobs. So that part of it will increase, undoubtedly, on monthly expenditures. Of course we assume that the W.P.A. will go along at about the same level.

Q At about this past level?

THE PRESIDENT: Yes. Your largest increase in actual monthly expenditures will be from the actual construction started on P.W.A. work.

Q Mr. President, may I ask another question with reference to Public Works and CCC.? As I understand it, they are transferred to the regular Budget. Does that mean they will be -- you will ask Congress for an appropriation to cover their future operations rather than continue to finance them out of the balance of work relief funds? In other words, what they would cost in work relief funds in the future would be covered by regular appropriations, leaving a larger balance for work relief than would otherwise be the case?

THE PRESIDENT: Work relief, I hope, will be an entirely separate item.

Q Along that line, is this list of twenty agencies on page X -- are all of those taken from emergency appropriations and put into the regular Budget and made permanent?

THE PRESIDENT: Oh, you mean the list brought into the Budget? No, that is merely for Budget purposes.

Q Have you a separate list of those taken out of emergency appropriations and put in this permanent situation?

MR. BELL: Only C.C.C. and Agriculture (A.A.A.) are the agencies taken out and put into the permanent.

THE PRESIDENT: That is all; those two.

Q Take Agricultural Adjustment and put it in the regular departmental work, including cash benefits?

THE PRESIDENT: Yes.

Q Would that mean you would ask an appropriation for cash benefits?

THE PRESIDENT: Of course it is an indefinite amount because you cannot tell. That necessarily is an indefinite appropriation.

Q What, in case some special tax, as the processing tax, is wiped out?

THE PRESIDENT: We cannot approach that until later.

Q Of course, on that point, you figured the processing tax and the other in this Budget?

THE PRESIDENT: The processing tax is included as a regular receipt, just as contracts paid out are included as a regular expected expenditure. I have been perfectly honest about it; it is all right.

Q On this "permanizing" of the A.A.A. and the C.C.C., won't making them permanent require other enabling legislation than merely setting them up as permanent items in the Budget?

THE PRESIDENT: It will in the case of C.C.C. I do not think it will in the case of Triple A.

MR. BELL: I don't think it has any limit as to time but you have authority to do it by Executive Order.

Q Until the emergency is over.

Q Suppose the A.A.A. is nullified by the Court (The Supreme Court)?

THE PRESIDENT: Then we will have to cross that bridge when we come to it.

Q That will require new legislation?

THE PRESIDENT: Sure.

Q Does this contemplate any reduction in the Government payrolls?

THE PRESIDENT: Of course the Government payrolls are heavy. If you count

all the farmers and the 3½ million on relief, of course it will run around -- what did the New York Sun figure? -- 7 million people.

Figure it any way you want.

Q On that point, if you will go back to page VII of the Ruman numerals.

That does not jibe with the daily Treasury totals. That shows that for every dollar received, \$1.10 was spent on every item other than relief.

THE PRESIDENT: That was for the following fiscal year.

Q No.

THE PRESIDENT: On page VII?

Q Yes, right in the middle of the page.

THE PRESIDENT: What is the sentence?

Q In the previous paragraph you said that with the exception of work relief expenditures --

THE PRESIDENT: (interposing) Wait a minute, until I find it.

Q That is page VII of the Roman numerals.

THE PRESIDENT: What paragraph?

Q (reading)

"In my Budget message of January, 1935 If this Budget receives approval of the Congress, the country will henceforth have the assurance --"

THE PRESIDENT: (interposing) That was the 4,000,000,000. item.

Q (reading)

"-- that with the single exception of this item, every current expenditure of whatever nature will be fully covered by our estimates of current receipts."

If you take the daily Treasury statement of the first six months of the present year, the way I figure it, the ordinary expenditures of the Government were \$1.10 for every dollar received, and if you include relief, it is \$1.98.

THE PRESIDENT: Oh, if you include relief. I did not say that.

MR. BELL: You have processing taxes which are impounded, 150 or 160 million dollars, and we expect much larger receipts in the last six months of the year than you have in the first six months.

THE PRESIDENT: We get the big income tax payments. I think it will work out. (Continuing with the reading)

"The reduction in interest payments from the amount budgeted, as referred to above, was due largely to the refunding of First and Fourth Liberty Loan bonds aggregating \$8,200,000,000., at substantially lower rates of interest.

"Deficit and Public Debt.-- The revised estimates as set out herein show a gross deficit for the current fiscal year of approximately \$3,234,000,000., instead of the original Budget forecast of \$4,529,000,000. After deducting the amount of statutory debt retirement the net deficit will be, in round figures, \$2,682,000,000. The gross public debt as at June 30, 1936, should not be greater than \$31,000,000,000. This estimate assumes that the working balance in the Treasury on June 30, 1936, will be approximately the same as it was on June 30, 1935, namely, \$1,001,142,951. Obviously, if the working balance is less, the gross debt will be less; and if the working balance will be greater, the gross debt will be greater.

"The foregoing figures are set out in the following table for ready comparison between Budget estimates of a year ago and what are now considered probable."

There is no use reading the table. If you want to look at it and ask any questions -- it shows the difference between the Budget estimate of a year ago and the revised estimate a year later, after six months of experience.

Q On this revised -- part of the reason is that the rate of expenditures on these emergency expenditures is less than expected?

THE PRESIDENT: And the other is, receipts have been greater.

Q What relation does that carryover of relief funds have to next year? You have them going from 1936 to 1937. Are you going to state them?

THE PRESIDENT: There are some of these figures carried over from the year before.

Q That is what I figure.

THE PRESIDENT: Each year we carry over quite a lot of expense money. I have forgotten what the exact amount was a year ago.

Q I notice a decrease of \$84,000,000. on statutory debt retirement. Does the statutory requirement go down with the rate of interest?

MR. BELL: No, that was due to where Mr. Jones (Jesse Jones, Chairman of the R.F.C.) took Mr. Ickes' (Secretary Ickes) securities and he uses the money on a transaction of that character, but, under the original law, if Ickes sold those securities on the market himself and got payment, it would have to go to the Treasury as debt retirement and it was estimated in the previous Budget as debt retirement.

Q May I ask a question in regard to the table? There was one estimate of September last year. Is there any significant difference between that revised estimate and the present revised estimate?

THE PRESIDENT: Very small. We left out the comparison with the September figure because we thought it would confuse people. But it is very small, either way.

(The President continued reading as follows:)

"Postal revenues for the fiscal year 1936 are now estimated at \$670,000,000., which is \$25,000,000. over the original estimate.

"The Fiscal Program of 1937"

"There is presented here a brief factual resume of the principal features of the Budget for the fiscal year 1937, the details of which appear in subsequent text and tables. A few high points stand out and justify emphasis.

"Without impairing the ability of the Government to carry on its normal functions and to prosecute those activities essential to continued recovery, the Budget reflects a substantial decrease in the spread between income and outgo. This is consistent with the prediction made in the Budget message a year ago and is possible because of progressive improvement in the economic status of the people. The state of national recovery is such that receipts from

prevailing tax sources on the basis of present rates appear adequate for financing the ordinary operations of the Government in 1937, including service on the public debt; and no new or additional taxes are proposed.

"Legislation enacted by the first session of the Seventy-fourth Congress makes it necessary to provide in the 1937 estimates new appropriation items aggregating \$667,000,000. This total will become approximately \$767,000,000. should the Congress reject the recommendation, hereinbefore offered, for repeal of that part of the Agricultural Adjustment Act which appropriates a sum equal to 30 per cent of customs receipts to the Secretary of Agriculture.

"Legislation enacted by the first session also permits including in these estimates a total of \$769,000,000 of additional receipts, of which about 70 per cent will accrue under the Bituminous Coal Conservation Act, the act levying taxes upon carriers and their employees, and the Social Security Act."

And that last one is a big one.

"It is worthy of note that but slightly less than 30 per cent of this increase will be derived under the Revenue Act of 1935. This act, it will be recalled, slightly increased taxes on individuals whose net incomes exceed \$50,000 per year; --"

poor devils, and

"-- slightly increased estate taxes --"

that is off the record -- (laughter)

"-- on larger fortunes with a corresponding increase in gift taxes; and in respect of corporations, decreased taxes on net earnings of small corporations while increasing in relative ratio the taxes on net income of larger corporations. The act also provided for an increase in taxes on capital stock and on excess profits of corporations. The effect of the excess-profits tax was to increase taxes on corporations which earned in excess of certain percentages of their adjusted declared value of capital stock.

"The total revenue expected to be produced by these taxes in the fiscal year 1937 will be only \$222,000,000., or 11 per cent, over the income, estate, gift, capital-stock, and excess-profits taxes under the old law. Since collections in the fiscal year 1937 from income taxes and the estate tax only partially reflect the Revenue Act of 1935, the above amount will be somewhat larger on a full year basis.

"A Federal public-works program of \$405,000,000. --"

you see, on that I have kept it, so far, well within the figures we talked about way back sometime last spring. I said then that the Nation could stand about \$500,000,000. a year, to be spent, year in and year out, on a planned system of public works. Well, this is the first step towards putting that Government policy into effect. Instead of making it \$500,000,000., we have got it down to \$405,000,000. I do not know whether it will stay there or not; that is all I have recommended.

Q Is there a breakdown of that figure?

THE PRESIDENT: Yes.

Q Does that include housing?

THE PRESIDENT: No.

Q Does that include a lot of these Public Works items now under construction? Allotments from existing funds made? Will there be \$405,000,000. of new public works in addition to carrying on those already taken care of?

THE PRESIDENT: Oh, yes. For instance, as an example, Upper Mississippi. We have been working on that for seven years and I have only financed Upper Mississippi out of the emergency funds in an amount necessary for each year. As I remember it, it has been \$31,000,000. each year. Now, that will be carried on to completion out of the \$405,000,000., not out of the Work Relief funds.

Q Will Mr. Bell indicate the breakdown table on that?

(Mr. Bell indicated the breakdown table.)

Q The breakdown shows \$887,000,000. for Public Works. Is that the one?

THE PRESIDENT: What page is it?

Q Page XXVI.

THE PRESIDENT: Go ahead, Dan (Mr. Bell), and see if you can find the regular table that justifies your figures.

Q Is there a provision for housing?

THE PRESIDENT: That is not in it. No, no provision for housing. What page is that?

Q Roman numeral XXVI.

THE PRESIDENT: There you are, Dan. How do you get \$405,000,000. out of \$887,000,000.?

Q Mr. President, I don't find that on page XXVI.

MR. BELL: It is in there, some place. What happened was that for comparative purposes we had the three expenditures brought over from old balances in these tables, and following this table there is a summary setting up the \$405,000,000.

Q Are we right in assuming, then, that the total amount spent in the year will be \$887,000,000. and the additional amount will be carried over from old appropriations?

THE PRESIDENT: I don't know. Can we say that?

MR. BELL: No, I believe that includes the \$404,000,000.

THE PRESIDENT: No, this undoubtedly includes the \$404,000,000. Where do you get the rest, out of appropriations not spent? I think that is it.

Q There is a \$236,000,000. appropriation for highways, which is not included.

THE PRESIDENT: It is a carryover.

Q This \$887,000,000. is included under recovery and relief and the \$405,000,000., that is not a recovery and relief item?

THE PRESIDENT: No, that is a Public Works item.

MR. BELL: The \$887,000,000. you are looking at is part of the \$1,103,000,000. that is going in the 1937 summary.

Q On page XXV there is a general Public Works annual program that is \$322,000,000.

MR. BELL: Well, that is an expenditure basis.

Q As a matter of fact, the \$405,000,000. in the regular Budget and the \$887,000,000. in the carryover --

THE PRESIDENT: (interposing) Wait a minute, don't put that carryover in two places. You already have it in the \$1,033,000,000. carryover. You can't put it in again, add it to the \$405,000,000.

Q Mr. Bell said that this \$887,000,000. was part of the \$1,033,000,000 (\$1,103,000,000)?

THE PRESIDENT: Yes.

Q In your other Budget, in your Budget summation, you have that \$1,103,000,000. in addition to the \$400,000,000. on the public works.

THE PRESIDENT: That \$1,103,000,000. included everything that has not been spent but will be spent in the fiscal year.

Q In addition to that, you have this \$400,000,000. for public works scattered through the various departments.

THE PRESIDENT: The easiest way of putting it is this: I assume in that figure of \$1,033,000,000., or whatever it is, there is a carryover of all kinds of items that will be spent next year, not only public works but all sorts of things, and that in that is \$400,000,000. for public works, and in addition to that \$1,000,000,000., there is \$405,000,000. for new public works.

Q Do you specify where they are and what they are?

THE PRESIDENT: They are in there somewhere. It is in there, some place.

Q A-89.

THE PRESIDENT: Here it is. It is in the green book. That is the analysis.

All right; A-89 in the green book. The second sentence: (Reading)

"The estimates of appropriations for 1937 provide a total of \$404,960,000. for these purposes as compared with \$218,409,000. appropriated in 1936 directly to the respective departments and establishments involved, or an increase of \$186,551,000. over 1936. The estimates for 1937 are itemized as follows:

"The estimate of \$300,000. for the District of Columbia Alley Dwelling Authority contemplates continuation of the program for elimination of alley dwellings in the District of Columbia, as provided in the District of Columbia Alley Dwelling Act of June 12, 1934."

Q Isn't that slum clearance?

THE PRESIDENT: Yes, in the District. Of course that is a Federal force.

(Reading)

"For this purpose \$700,000. has heretofore been made available by allotments of emergency funds.

"For the construction program of the Tennessee Valley Authority during 1937 the sum of \$43,000,000. is provided, an increase of \$7,000,000. over the appropriation for 1936. However, in addition to the appropriation of \$36,000,000. in 1936 there is also available for expenditure during that year \$23,480,429. from unexpended balance from former years, whereas the unobligated balance at the close of the fiscal year 1936, available for expenditure in 1937, is estimated to be only \$927,816. This will make a total availability of \$43,927,816. for the fiscal year 1937 as compared with \$59,480,429. for the fiscal year 1936.

"While the appropriation for 1936 for the construction program of the Veterans' Administration amounts to \$22,175,000., the additional construction program to be undertaken in 1937 will require only \$4,000,000. It will provide hospital and domiciliary facilities and services for mental cases principally in Michigan, Tennessee, Alabama and Vermont.

"For the Department of Agriculture there are submitted estimates of \$60,000,000. for the Federal-aid highway system and \$8,000,000. for forest roads and trails. This is an increase of \$28,000,000. over the appropriation made for 1936. In the case of the Federal-aid highway system, the estimate of \$60,000,000. applies against an unappropriated balance of \$85,000,000. under the authorization of \$125,000,000. contained in the act of June 18, 1934, for the fiscal year 1936, and represents the amount estimated to be required to meet obligations maturing in the fiscal year 1937. The act of June 18, 1934, also authorized the appropriation of \$125,000,000. for the fiscal year 1937, but in view of the fact that a total of

\$1,000,000,000. has been provided from emergency funds during the fiscal-year period 1933-36 for road construction, of which approximately \$230,000,000. will be available for expenditure during the fiscal year 1937, it has been proposed, by the insertion of appropriate language in the item 'Federal-aid highway system', that the authorization for 1937 be canceled as to that year and made applicable to the fiscal year 1938."

Well, some of you are familiar with the manner by which Congress authorizes the Secretary of Agriculture to go ahead and make what might be called oral contracts with any state for future highway building. They do not appropriate the money -- Congress does that at the time -- but they get the states all set, all raring to go, and then the following Congress comes along and adds to those appropriations and so there is always involved, Congress is involved in appropriating money to make good on promises of two years before, of the past year and of the current year. We are trying to get them now to straighten the thing out and only appropriate, or rather, only make contracts with states or make offers to states in accordance with a specific, definite appropriation and cut out all this authorization situation. It will be a much sounder thing to do and I hope we get them away from it by this method. (Reading)

"For public works under the Department of the Interior a total appropriation of \$91,310,000. is requested for 1937. This will provide \$3,500,000. for construction of roads on Indian reservations --"

again this old authorization two years back --

"-- under the authority of the act of June 18, 1934; \$6,500,000. for construction of roads and trails in national parks and monuments under authorization of the act of June 18, 1934; \$500,000 for two continuous treatment buildings at St. Elizabeths \$9,600,000. for continuation of construction of the Boulder Canyon Dam."

Q I notice, in looking at page XXVI of the smaller document, that there is something in there for continuation of the Boulder Dam Project,

the sum being \$9,000,000. Is that in addition to this?

MR. BELL: You are looking under the expenditures table, aren't you? That is the expenditures table.

THE PRESIDENT: That is an expenditure table and this is an appropriation table.

Q Is one in addition to the other?

MR. BELL: No, this is \$9,100,000. and the other is \$9,500,000. or \$9,600,000.

Q There is no relation between the items for which the \$400,000,000. is appropriated and this group, which you might call the Ickes Public Works items, which are listed on page XXVI? That is, the \$887,000,000. is the Ickes program and the \$400,000,000. is the old Public Works that has been going on for years, like public buildings and Indian reservations; that is the old Public Works?

THE PRESIDENT: Yes, only to the old Public Works we have added a lot of things not in there before.

MR. BELL: These are Federal --

Q (interposing) But those other items, the \$800,000,000., are what might be called Ickes' program, loans to railroads and highways, rural rehabilitation, Works Progress --

THE PRESIDENT: (interposing) But the point is that there again those are estimated expenditures. We have always got to keep clear in our minds the difference between estimated expenditures and estimated appropriations.

Q Will you give us a distinction?

THE PRESIDENT: An estimated expenditure contains all the unspent balances of former years, which will probably be spent in the next fiscal year. In other words, it is the cash that goes out of the Treasury. On the

other hand, the Appropriation Bill is for new appropriations and has no reference to the old ones.

Q Mr. President, I notice under these new appropriations of \$405,000,000. that they are all Federal projects and no non-Federal have been included at all.

THE PRESIDENT: That is right and in the estimates of expenditures, on the other hand, you have not only Federal projects but all kinds of non-Federal projects.

Q So, going back to my original question, that may represent \$405,000,000. plus carryover?

MR. BELL: No. It represents the old emergency funds entirely.

Q There won't be any new appropriation for loans and grants to states and municipalities?

THE PRESIDENT: No.

Q The \$887,000,000. is the old entirely and this \$405,000,000. is new in addition to that? Is that correct?

THE PRESIDENT: Yes.

Q Do I correctly understand that for 1937 you take the C.C.C. and the Triple A benefits and public works out of emergency and put them in the regular permanent?

THE PRESIDENT: Yes.

Q And in 1937 the total revenues expected are \$5,650,000,000. and the total expenditures, including these three features, are \$5,004,000,000.?

THE PRESIDENT: That is right. So that, on the basis of receipts against these expenditures, we are \$580,000,000. in the black, but then, in addition to that, we want to pay off \$575,000,000. of the public debt, which would leave us \$5,000,000. in the black after paying off the public debt.

Q The estimated receipts include receipts from processing taxes?

THE PRESIDENT: Yes.

Q Does it show anywhere in that Budget just how much money you will ask Congress to appropriate this session?

THE PRESIDENT: Yes.

MR. BELL: There is an item on appropriations in the Message following the estimates of receipts and expenditures.

(The President continued reading from his Message transmitting the Budget:)

"A Federal public-works program of \$405,000,000 is recommended to meet in part the development and improvement requirements of the Government, and as a proper Federal contribution to work opportunity. While this program represents an increase of about \$187,000,000. over the amount for similar purposes for which the Congress made specific appropriations for the current fiscal year, it is \$333,000,000. less than the total amount made available for Federal public works in 1936, --"

that includes allotments --

"-- considering allotments made from emergency funds."

Those allotments spoken of there are only allotments for Federal projects. Right, Dan?

MR. BELL: That is right.

THE PRESIDENT: So the net result is that we are asking for Federal projects \$333,000,000. less for 1937 than has been either appropriated or allotted for Federal projects in 1936.

Q What I meant, sir, was total of appropriations.

THE PRESIDENT: See page XIX. We are coming to it.

Q Does that indicate that two former items, loans and grants to cities on direct relief, are going to be liquidated the next fiscal year?

THE PRESIDENT: Yes.

Q Before you leave public works, --

THE PRESIDENT: (interposing) Remember this on that: We still have the loan fund, the revolving fund.

Q Before you leave this public works, I see there is \$129,000,000. for rivers and harbors.

THE PRESIDENT: Yes.

Q Also the Florida Ship Canal?

THE PRESIDENT: Yes.

Q In that connection, you included all the construction of Federal aid to highways. That report following page A-89, you say there is no appropriation included for the Bureau of Public Reports. Does that mean the Bureau is to be transferred?

THE PRESIDENT: Oh, no.

Q It merely does the work under the general program? We are catching up with past years.

THE PRESIDENT: Every one of these appropriations for public works, \$405,000,000., are being done by the regular departments of the Government.

Q How much of the \$404,000,000. (\$405,000,000.) will you spend next year?

MR. BELL: I think it is 322 (million dollars) and that includes the carry-over of the 218 (million dollars) last year also.

Q That is included in the 887 (million dollars)?

THE PRESIDENT: No.

Q Are items under General Public Works Program included in that table at page A-80 -- isn't that a breakdown? Doesn't that show the appropriation is \$405,000,000. and the expenditure \$322,000,000.?

MR. BELL: Yes.

THE PRESIDENT: That is right. At the bottom of page A-80 it gives you

the breakdown of how much would be spent out of the \$404,000,000.

MR. BELL: That does not mean the \$322,000,000. will be spent out of the \$404,000,000.

Q Oh, it does not? (Laughter)

MR. BELL: It means \$94,000,000. will be spent in 1936 out of \$218,000,000. and leaving \$124,000,000. to be carried over, so you spend \$124,000,000. plus \$200,000,000. out of the --

Q (interposing) General Public Works expenditure?

MR. BELL: Yes, you have to take the two to get it.

(The President continued reading:)

"The success attending the operations of the Civilian Conservation Corps and the Agricultural Adjustment Administration under emergency status justifies taking them into the Budget and program for 1937 as regular activities, and the estimates of appropriations and expenditures have been prepared accordingly. The appropriation recommended for Civilian Conservation Corps is for the period March 31, 1936, to March 31, 1937, and amounts to \$246,000,000., while the appropriation for the Agricultural Adjustment Administration is for the full year and amounts to \$499,054,985."

The reason for not carrying C.C.C. to the end of 1937 is that they have to have their life extended by law. We could only estimate it to the end of March. (Reading)

"The following table gives a clear picture of the main figures proposed in this Budget and shows how they compare with similar figures for previous years."

The first subtitle, "Receipts," shows 1934, \$3,116,000,000.; 1935, \$3,800,000,000.; and then the estimated receipts for 1936 are \$4,411,000,000., and for 1937, \$5,654,000,000. That is just what I referred to in the Message last night. There is the proof of it.

On the expenditures table, the regular expenditures as shown at the bottom are \$3,444,000,000. in 1934; in 1935 they were \$4,306,000,000.; and the estimated expenditures, regular, in 1936 are \$4,776,000,000.,

and in 1937, \$5,649,000,000., showing -- wait a minute, you have to add to that in the first three columns the excess of regular expenditures over receipts and this coming fiscal year an excess of receipts over expenditures and therefore you have to deduct it.

Coming down to the gross deficit, you have \$3,989,000,000. in 1934, \$3,575,000,000. in 1935, \$3,234,000,000. in 1936 and in 1937 it is \$1,098,000,000. Now, here is where we get this figure we have been talking about: The estimated deficit for the current year over everything is \$3,234,000,000. The estimated deficit for this year, not counting work relief, is \$1,098,000,000. Therefore, if you deduct that \$1,098,000,000. from \$3,234,000,000., you find you have this leeway I am talking about of \$2,236,000,000., whatever it is, which, if we keep within, will keep the deficit for the year 1937 still below the deficit for the year 1936.

Q How does Mr. Bell explain that item, "Excess of regular expenditures over receipts" for the estimated year 1936?

THE PRESIDENT: \$365,000,000.?

Q Yes, the fourth line from the bottom.

THE PRESIDENT: You get that by deducting \$4,411,000,000. from \$4,776,000,000.

Q Yes, the regular expenditures are not above the receipts?

MR. BELL: Well, that was true when you made your statement. Let us see: You had C.C.C. and the Three A's in the emergency. The President made the statement based on the conditions at that time, and based on the same conditions, they are still true.

Q It includes the Three C's and Three A's?

MR. BELL: That is right, and it also includes debt requirements.

THE PRESIDENT: And then the bottom line (referring to the table on page XVI)

shows the gross public debt, \$27,053,000,000. (for 1934), \$28,701,000,000, (for 1935), \$30,933,000,000. (estimated for 1936), and \$31,351,000,000. (estimated for 1937).

Q Mr. President, where does the \$600,000,000. come from? The debt goes up only \$400,000,000. compared with the deficit by approximately a billion?

THE PRESIDENT: Based on what?

Q The gross debt goes up only \$400,000,000.

MR. BELL: You deduct the debt retirement and you get \$500,000,000. and there is approximately \$100,000,000. debt retirement due to national bank notes being retired.

Q Social Security: are they figured on the basis of any 90 per cent rebate, or not?

MR. BELL: That is not Social Security -- that is Bituminous Coal.

Q The Social Security allows states a 90 per cent rebate if their laws meet the approval of the Social Security law.

MR. BELL: They are all based on the most favorable. The 90 per cent would be rebated and that is all explained in the analysis of revenues.

Q Is that increase of almost a billion due entirely to the major public works?

THE PRESIDENT: Mostly, except certain items which I think are shown a little further on -- Army and Navy and so on. I think that is further on. (Reading)

"Directing attention to a comparison between fiscal operations proposed for 1937 and now estimated for 1936, as set forth in the table, the following comment is pertinent:

"Receipts.-- Receipts in 1937 (exclusive of postal revenues and processing taxes and also, for purposes of comparison, exclusive of taxes imposed under the Social Security Act, the

Bituminous Coal Conservation Act, and the act levying taxes upon carriers and their employees) are expected to reach a total of \$4,559,817,650., an increase of \$716,665,704. over similar receipts for 1936 now estimated at \$3,843,151,946., and \$1,280,730,319. over 1935. It should be pointed out here that this increase is due largely to increased collections anticipated under the old schedules. As has been stated, only about \$222,000,000. will be collected in 1937 as a result of new schedules in the Revenue Act of 1935.

"From processing taxes the sum anticipated is \$547,300,000., against the estimate of \$529,042,000. for the current year, an increase of \$18,258,000. Other taxes recently authorized by the Congress under the Social Security Act, the Bituminous Coal Conservation Act, and the act levying taxes upon carriers and their employees will produce \$547,100,000. in 1937 and \$38,600,000. this year, an increase of \$508,500,000."

That answers that question. (Reading)

"Thus 1937 receipts from all sources, except postal revenues, are estimated at \$5,654,217,650., against the revised estimate of \$4,410,793,946. for the current fiscal year. The increase in total receipts from stated sources is, therefore, \$1,243,423,704.

"Postal receipts for the coming year are estimated at \$705,000,000., an increase of \$35,000,000. over \$670,000,000. anticipated in 1936. This is further evidence of the upward trend in economic conditions.

"An examination of the detailed estimates of receipts for 1937 indicates a gain over 1936 in income tax of \$508,488,000., the figures for the two years being respectively \$1,942,600,000. and \$1,434,112,000. Similarly, estimated receipts from miscellaneous internal revenue, exclusive of processing taxes, are up from \$1,873,091,000. to \$2,103,114,000., a gain of \$230,023,000." Customs receipts are forecast at \$354,000,000., substantially the same as anticipated for 1936. The reduction of \$22,654,296. in probable miscellaneous receipts, from \$182,757,946. to \$160,103,650., brings the net increase in the estimates of these four classes of receipts to \$716,665,704., as stated.

"The provisions of the Social Security Act, the Bituminous Coal Conservation Act, and the act levying taxes upon carriers and their employees --"

the Railroad Act -- (Reading)

"-- are such that receipts during the fiscal year 1936 will be comparatively small while revenues from these sources in the next fiscal year will show substantial increases. The amounts estimated for 1937 from such new taxes in the order named are \$433,200,000., \$12,300,000., and \$101,600,000."

Q Is there any corresponding appropriation or expenditure to offset the Social Security taxes? Do those funds have to be invested by the Treasury in some special way or under special appropriations?

THE PRESIDENT: I do not know.

MR. BELL: There is an estimate of supplemental items appearing in the Budget Summary Table. That includes all Social Security appropriations.

Q About how much is the amount?

MR. BELL: We put in a figure of \$500,000,000. We don't know what it will amount to. \$480,000,000. is the latest.

Q On page XX there is an estimate of \$479,000,000.

MR. BELL: It is an appropriation to take care of the benefit payments and grants to states.

(The President continued reading:)

"Expenditures. --The expenditures for 1937 contemplated under this Budget will total \$6,752,606,370., or approximately \$893,000,000. less than is now estimated for 1936.

"Of the two major categories of expenditure, namely, regular and recovery and relief, allowances for regular activities, including the Agricultural Adjustment Act and Civilian Conservation Corps, amount to \$5,649,781,738. as compared with \$4,776,233,151. for 1936, an increase of \$873,548,587. For recovery and relief, expenditures listed herein are those which will be made from unexpended balances, practically all of which will have been obligated prior to June 30, 1936, and practically all of which have been allotted."

THE PRESIDENT: There isn't any balance in the \$4,000,000,000. fund. It has all been either obligated or allotted or hung up on the peg beyond recall.

Q Would that figure of \$893,000,000. less, that would be wiped out if Congress appropriates \$893,000,000. for new relief in the new fiscal year?

THE PRESIDENT: No, that has nothing to do with the new relief. That is a comparison between the regular expenditures --

MR. BELL: (interposing) That is the total.

THE PRESIDENT: Yes, it would include it; that is right.

Q So you have not included any new appropriation in here?

THE PRESIDENT: That is right.

Q There is another question. The total of such expenditure for 1937 -- page XVIII -- is estimated at \$1,102,000,000. Is that expected to be the amount left unexpended after June 30, 1936, under the present emergency fund?

THE PRESIDENT: No, there may be more. It will come in the following fiscal year.

Q This anticipates only the expenditures?

THE PRESIDENT: That is right; yes. (Reading)

"The total of such expenditures in 1937 is estimated at \$1,102,824,632., which is a decrease of \$1,766,243,555. from the figure of \$2,869,068,187. for 1936.

"In regular expenditures there is included \$805,000,000. for interest on the public debt, an increase of \$63,000,000. over the same item for the current year; and \$580,125,000. for statutory debt retirements, an increase of \$28,100,000. The cost of service on the public debt in 1937, therefore, will exceed that for 1936 by \$91,100,000.

"Excepting debt retirement and interest, the net increase in expenditures for regular activities is \$782,448,587. as compared with 1936. The major part of this increase is accounted for as follows: (a) For financing activities under the Social Security Act, the act levying taxes upon carriers and their employees, --"

the Railroad Act -- (Reading)

"-- and the Bituminous Coal Conservation Act, \$485,000,000; (b) for other new legislation, \$125,000,000; --"

part of that is Veterans, isn't it?

MR. BELL: That is right.

(The President continued reading:)

"-- (c) for increased public works, transferred from emergency

appropriations, \$228,000,000.; (d) for the veterans' adjusted-service certificate fund in order to bring the annual contribution of the Government nearer its actual liability under existing law, \$60,000,000; and (e) for national defense, to meet the policy of the Congress and the Executive in making up for the delay by the United States in bringing the Navy up to the strength contemplated by the naval treaties of 1922 and 1930, and to provide replacement and improved equipment and additional personnel for the Army, \$193,000,000."

THE PRESIDENT: That was the question you were asking.

Q I do not see any allowances for C.C.C. and A.A.A. in that net increase in expenditures?

MR. BELL: It is being compared for 1936, the figures for which have been adjusted for comparative purposes. We explained that coming into 1937. We have also stated, at the same time, that we adjusted it to 1936 for comparative purposes.

Q Will we find, somewhere in the schedule of expenditures, items corresponding to the \$485,000,000. which are required for activities under the Social Security Act, the Bituminous Coal Act, and the Railroad Pension Act?

THE PRESIDENT: Yes, it is in this A-80, or somewhere along there.

Q It appears in the schedule on page XXV.

THE PRESIDENT: (turning to page XXV and going over to page XXVI) On page XXVI, Roman numerals, Schedule 2, item X, which is "Supplemental Items," it is in there.

MR. BELL: We have no estimate in this because it cannot be determined.

THE PRESIDENT: It has to be a general guess, that particular item.

Q May I ask whether this \$1,098,000,000. of gross deficit for 1937 was arrived at by deducting \$1,103,000,000. for the income for 1936, which was not spent, and charging it up to 1937, when it will be spent, and subtracting this --

MR. BELL: (interposing) It was not derived in that way, but that is the result of your figures.

Q That is the way it works out, isn't it?

MR. BELL: Yes.

(The President continued to read:)

"In the War Department Appropriation Act for the fiscal year 1935 the Congress adopted a policy of increasing the average enlisted strength of the Army from 118,750 to 165,000 men and toward accomplishing such purpose appropriated an additional \$20,000,000. for expenditure during that year. These funds are sufficient to maintain an average enlisted strength during 1936 of approximately 147,000 men. The estimates of expenditure included in this Budget are sufficient in amount to maintain this average during the fiscal year 1937, with the purpose in view of providing in the 1938 Budget the funds necessary to recruit the Army to such strength by the close of that year as will produce an average enlisted strength of 165,000 throughout the fiscal year 1939, the maximum indicated by the Congress. It is felt that this is as fast as the Government should proceed in this matter in the light of the present forecast of fiscal affairs."

THE PRESIDENT: In other words, we are working up in this Budget, gradually, from 118,000 to 165,000.

There is another problem involved there, which is more equipment and more barracks, and we are reaching maximum by the end of the fiscal year 1938 instead of by the end of the fiscal year 1937. (Reading)

"The contemplated expenditures for the Civilian Conservation Corps show a decrease of \$308,383,000. as against estimated comparable expenditures for 1936.

"Deficit and Public Debt.-- The gross deficit for the fiscal year 1937 is estimated at \$1,098,388,720., including \$580,125,000. for statutory debt retirement, or a net deficit of \$518,263,720. It is estimated that the gross public debt on June 30, 1937, will amount to \$31,351,638,737., as compared with an estimated debt on June 30, 1936, of \$30,933,375,017. The figure for 1937 does not include such amounts for work relief during the coming year as may be determined upon by the Congress."

So there again it will increase that amount by whatever the amount of appropriations for work relief is.

Q May we interpose a question? The Treasury statement shows now the public

debt in excess of \$30,000,000,000., with approximately better than half of the \$4,000,000,000. unspent. That being in excess of the regular Budget in 1936, as that money is spent, will it not increase the public debt by that amount?

THE PRESIDENT: Not necessarily because in the \$30,000,000,000. the Treasury has $1\frac{1}{2}$ billion dollars in the general fund. You always have to take the amount in the Treasury into consideration. And this is estimated on the amount in the Treasury free cash balance. Next June, the same amount as last June. It may be more or less. The figures --

Q (interposing) Are these payments to the R.F.C. covered back into the general fund of the Treasury and expended to cover general expenses?

MR. BELL: No, sir. They are used by the R.F.C. for further loans.

Q When the R.F.C. makes a payment back to the Treasury, what happens?

MR. BELL: It goes back into the general fund but they can always draw on us for that additional amount.

Q May I please go back to page XVIII, second paragraph, for just a moment?

(Reading)

"Excepting debt retirement and interest, the net increase in expenditures for regular activities is \$782,448,587. as compared with 1936. The major part of this increase is accounted for as follows:"

and then, adding the three figures, that adds up to over a billion dollars?

MR. BELL: You have an item at the bottom taking off \$308,000,000.

Q Well, C.C.C. is \$246,000,000. and A.A.A. \$447,000,000., that would add \$745,000,000. more, wouldn't it? I may be stupid.

MR. BELL: C.C.C. expenditures for 1937 will be \$308,000,000. less than in 1936.

THE PRESIDENT: Yes, it works out about that way, that if you add up all

those things in the second paragraph, it is over a billion dollars, and then, if you deduct the \$308,000,000. down in the last paragraph of the page, that works it back to about \$782,000,000. (Reading)

"Appropriations.-- Appropriations recommended in this Budget aggregate \$6,400,000,000., including probable supplemental items estimated at \$600,000,000., while the appropriations already made and prospective supplemental items for the fiscal year 1936, exclusive of the appropriation of \$4,000,000,000. for recovery and relief, amount to \$5,146,000,000., an increase of \$1,254,000,000. required for the fiscal year 1937 over the fiscal year 1936.

"This increase is due to --"

Q (interposing) May I interrupt you? Is that "probable supplemental items" of \$600,000,000. what you included for relief?

THE PRESIDENT: No, that is the Social Security one, Bituminous Coal and Railroad Labor.

Q Is there any more definite figure as to the total of all appropriations, including relief?

THE PRESIDENT: Not including relief. That you get in two months. Everything, including the kitchen stove, but not including relief.

Q How can you figure what the deficit is going to be?

THE PRESIDENT: It is going to be a specific, definite figure, not counting relief. The deficit will be added to by whatever the amount of relief is, recommended and passed.

Q Did you say, in round numbers, what that would be likely to be before, or not?

THE PRESIDENT: You mean counting relief?

Q Did you give us any round figures what the relief would be?

THE PRESIDENT: No. I said if it is less than that \$1,226,000,000., it will bring the deficit below the total for the year 1936.

Q Going back to the War Department, will you tell us whether the increase

in expenditures for the National Guard accepts Secretary Dern's recommendation to bring up the national strength to Secretary Dern's recommendations?

THE PRESIDENT: There was a recommendation by Secretary Dern to increase the National Guard.

MR. BELL: I don't believe it got in in time to go into the Budget.

Q There is an increase in the Naval Reserve here. I noticed also that recalls your statement -- not your statement but the story that the Reserve might be increased from 25,000 to 150,000.

THE PRESIDENT: There is a very slight increase in the Reserve, not over what the Navy Department recommended but over the first cut I made in the Budget and then, after I had my Naval Reserve Conference, I added some to the Naval Reserve item, but not very much, only a few hundred thousand dollars, as I remember it.

Q The Resettlement Administration is getting \$150,000,000. From whence comes that money? From what appropriation?

THE PRESIDENT: From the \$4,000,000,000.

Q On the total on page XVI, your figures show that this \$2,136,000,000. you have for leeway -- the difference between \$3,234,000,000. and \$1,098,000,000. -- on the line immediately above, last year -- the current year shows that relief will cost \$2,869,000,000. against which you have already set off \$1,103,000,000. That would mean --

THE PRESIDENT: (interposing) No --

Q (interposing) I mean, for the following year you have already set off --

THE PRESIDENT: (interposing) Yes.

Q So that if approximately \$1,766,000,000. were appropriated in new appropriations for this year, you would have the same amount of money

available, the total this year for relief, that was used in the previous year?

THE PRESIDENT: If we spent it all.

Q Yes. Now, isn't there a logical assumption --

THE PRESIDENT: (interposing) You are getting in awfully deep water.

Q Isn't it therefore a logical assumption that, since you say in the Budget Message that conditions will improve and that the relief requirements would be less, that therefore the total amount for relief that would need to be appropriated this year for relief would be less than \$2,869,000,000.?

THE PRESIDENT: You are making your guess at your own peril.

Q What I am trying to get at is what the net deficit would be.

THE PRESIDENT: Lots of people are trying to make that guess. The real answer is we haven't any figures. We have only put our 3½ million people to work so recently that I haven't even my own figure in mind. I really have not.

Q In saying that you would send to the Congress estimates for relief, you used the expression of time of two months. Was there any particular significance attached to that time of two months?

THE PRESIDENT: I said I would be in a better position to judge two months from now. That does not mean that the estimates would go in on the third or fourth of March. I talked to one or two leaders and they thought they should have thirty days for full discussion over that amount. Of course none of us has the foggiest idea when Congress is going home. When I put down "two months," I assumed they would be here until the first of April. (Laughter) In other words, if it looks very clear on the first of March that they won't be going home

on the first of April, I might defer it a little longer to get a better basis for that estimate.

Q May I ask you a general question, sir?

THE PRESIDENT: Yes, Fred (Mr. Essary).

Q (Mr. Essary) You are beginning to make me a little dizzy. (Laughter)

I wanted to ask if you could throw any light on the character of the work relief that would be provided for in this sum. For example, would it be a matter of carrying on a payroll, in some form, the 3,500,000 unemployables, or going beyond that?

THE PRESIDENT: As far as the numbers of people go, that is a thing that I am keeping a perfectly open mind on because I do not know. So far as character of work goes, I think probably the best way to put it is this: As you know, on the allotments that have been made on W.P.A. projects there have been, let us say, in a given unemployment area that was to get, let us say, -- take a round figure -- that was to get a billion dollars, the billion dollars being based on the number of people to be put to work, we have word that the Comptroller General has approved, for that area, projects running as high as 3 and 4 and 5 billion dollars. Then, when they come down to the actual work, they pick out the most useful of those projects, in view of the time of year or the recommendation of the local officials -- in other words, they work with the locality in trying to pick out the best projects for that immediate time and area, so that we have a very large reservoir of projects in almost every part of the country, having given more or less of a check on them already on the recommendation of the local people. You see, in nearly all W.P.A. projects, the original list comes to Washington from the Government authorities of the locality. It makes no

difference if it happens to be in a Republican community in the State of Vermont, we still take the recommendation of the local authority, just as we would in a Democratic community in Warm Springs, Georgia, and then again, depending almost 99 per cent on the local recommendations, a lot of projects are recommended, a great many more than we have the money for, and the probability is that if it is carried on another year on the same basis of work relief, we will have all those projects to draw from and we will also add to the list any new projects that turn up.

Q Then, so far as this is concerned, it is confined to Works Progress projects?

THE PRESIDENT: Yes.

Q Mr. President, on page IX, third paragraph, (reading)

"It is important that no new activities be added to the Government unless provision is made for additional revenue to meet their cost."

Does that have any particular application to any Congressmen who are about to vote for a Bonus Bill?

THE PRESIDENT: No, that is a general statement. We have got to keep the Government solvent, one way or another. (Laughter)

(Continuing with reading of Message transmitting the Budget:)

"This increase is due to (1) additional appropriations amounting to approximately \$610,000,000., including supplementals to be submitted later, required to finance new legislation enacted at the last session of Congress; (2) an appropriation of \$246,000,000. to continue the operations of the Civilian Conservation Corps from March 31, 1936, to March 31, 1937; (3) an increase in specific appropriations of \$187,000,000. on account of general public works; and (4) increases in the general departmental requirements aggregating approximately \$211,000,000., due largely to the increases in the Army, Navy, and the Department of Agriculture.

Existing authorizations for the Federal-Aid Highway System

provide for appropriations of \$125,000,000. for each of the fiscal years 1936 and 1937. Under these authorizations \$40,000,000. has previously been appropriated for the fiscal year 1936. Toward the balance of \$85,000,000. authorized for that year there is provided under the item 'General Public Works Program' an estimate of \$60,000,000., which it is believed will be sufficient to meet commitments maturing during 1937. As to the authorization of \$125,000,000. for the fiscal year 1937, language is included in this Budget having for its purpose the cancelation of this authorization for 1937 and making it applicable to the fiscal year 1938. This course appears fully justified in view of the fact that during the fiscal years 1933 to 1936, inclusive, there has been made available from emergency funds a total of approximately \$1,192,000,000. for the construction of highways and the elimination of grade crossings, and that from these funds there will be available for expenditure during the fiscal year 1937 a total of more than \$250,000,000. in addition to the \$60,000,000. provided for in the General Public Works Program, previously referred to. Moreover, roads of secondary classification and farm to market roads are being constructed under allotments of emergency funds in amounts approximating \$115,000,000."

In other words, I am saying we are spending a good deal on public roads of various kinds all over the country. (Reading)

"The following table shows the approximate estimate of appropriations required to administer new legislation enacted during the last session of Congress, and also shows the amount of receipts anticipated in 1937 from new general tax provisions."

(The President did not read the table referred to, which was as follows:

	<u>Estimated</u> <u>Appropriations,</u> <u>1937</u>
Social Security Act-----	\$479,689,840.
Railroad Retirement Act-----	47,645,000.
Bituminous Coal Conservation Act-----	1,155,000.
Amendments, pension laws-----	45,581,132.
Postal 40-hour week-----	27,326,420.
Elimination diseased cattle-----	17,500,000.
Soil conservation-----	27,500,000.
Agricultural research and extension-----	11,000,000.
Reduction interest rate, Federal land banks---	10,065,075.
Total-----	667,462,467.
Estimated receipts from taxes under the Social Security Act, the act levying taxes upon carriers and their employees, and the Bituminous Coal Conservation Act-----	547,100,000.)

The appropriations are \$657,000,000. and the estimated receipts \$547,000,000. (Reading)

"Because there has not been sufficient time to plan the organization and methods required, no detailed estimates are included in the Budget for expense to be incurred by the Social Security Board, and by the Bureau of Internal Revenue for collecting taxes authorized by the three new acts heretofore referred to. However, the probable expense has been approximated and is included in the total lump sum of \$600,000,000. estimated to cover 1937 supplementals. The necessary estimates covering the remainder of the current year will be transmitted during the early days of the session, together with complete details for 1937. Likewise no estimate for administering the Potato Act has been prepared since it is believed this act should be amended along lines to be recommended by the Secretary of Agriculture, and a supplemental estimate can then be transmitted.

FRANKLIN D. ROOSEVELT.

JANUARY 3, 1936."

which ends the Message on a very high note -- potatoes.

Q Mr. President, is there a figure anywhere for what you expect to realize on assets?

THE PRESIDENT: No, I do not think so. Is there?

MR. BELL: Yes, sir.

THE PRESIDENT: Dan says there is.

MR. BELL: There is only an estimate on the realization of assets that go into the general fund. Wherever an organization gets repayments and can use those repayments, their figures are net, or you find a total.

Q Those assets are over and above what was spent by the same agency. Do those simply go to pay general bills of the Government?

THE PRESIDENT: Yes, they go into the general fund if they are not to be taken out again.

Q Of course they cannot be spent. They can be used but they do not add to the money available?

THE PRESIDENT: No.

Q Don't add to the Appropriations Bill?

THE PRESIDENT: Not unless they cease to be spent and billed out again.

Q On page XV, bottom of the page, last three lines, you say that you estimate the appropriation for the C.C.C. at \$246,000,000. and A.A.A. at \$499,000,000. It does not coincide with the estimated totals for those two items on the next page, in the table. I assume that the next page is the estimated expenditures and this page is the appropriations?

THE PRESIDENT: Yes.

Q The \$250,000,000. left over on roads for 1937, is that included in the \$1,000,000,000. left over from public works of 1937?

THE PRESIDENT: Yes.

Q You point out here that the Budget Bureau has reduced the administrative expenses of all agencies taken over. Are you going to do even more -- are you going to reduce them even more?

THE PRESIDENT: Yes.

Q It will be a steady process of reduction?

THE PRESIDENT: Yes. That has been going on since this past fall when we put them under Budget by Executive Order.

Q Are there any agencies which would be brought in --

THE PRESIDENT: (interposing) What I want is to have all emergency agencies of every kind brought in and the independent establishments brought in.

Q That would include Resettlement?

THE PRESIDENT: Yes.

Q Are you going to make any consolidations? Are they being proposed?

THE PRESIDENT: Yes, we are doing a lot of studying on that. That is another story; I think you will have it in the course of the next two or three months.

Q Going back to the District (of Columbia), we have a crisis here in which we have cut the emergency appropriation from \$2,000,000. down to \$343,000. and then, if you add the amounts, you are still cutting our appropriation down by two-thirds, and at the present time we are in the midst of a local crisis to find money to continue where we are now.

THE PRESIDENT: What is the answer to that, Dan?

MR. BELL: As I recall it, it is the same estimate recommended by the District Commissioners.

Q What? \$343,000.? \$1,750,000. was estimated. I don't want to take your time but it is an awful cut and we are in a crisis. We are going to ask Congress for \$600,000. to take care of us.

THE PRESIDENT: I do not think it is as bad as it sounds; I hope not.

Q On the Social Security taxes, it happens that the estimate of revenue for 1937 is larger than it would be with complete state coverage. I was wondering how many states are being included as having laws in making your estimate?

MR. BELL: I do not recall but I think there were about thirty states last time.

Q Only four have been approved and ten passed on unemployment. It is based on the number that have passed, is it not?

MR. BELL: I don't know. I will have to go into that. These estimates were made not by the Budget Bureau but by the Treasury and I will have to go into that.

Q On the appropriations for C.C.C., shouldn't that be broken down into a deficiency appropriation for this coming year?

THE PRESIDENT: Yes, and of course, if we get permanent legislation to keep the C.C.C. going year after year, then we can do it on an annual basis.

Q You said in addition to this you had relief. Doesn't that also include the rest of C.C.C. and the Potato Act?

THE PRESIDENT: Yes.

Q That is the three items which may go?

THE PRESIDENT: Yes; whatever it is, it can be handled as a deficiency.

Q That inquiry about relief in the District of Columbia, he said that they were reduced from \$2,000,000. to \$300,000. It has been reduced actually from \$2,000,000. to \$1,700,000.

THE PRESIDENT: Who asked the question about the District of Columbia? He says it has been reduced from \$2,000,000., as the amount, by \$300,000., leaving it \$1,700,000., which is just what they asked.

Q Thank you, Mr. President.