

CONFIDENTIAL

Press Conference #333,
Executive Offices of the White House,
January 5, 1937, 4.20 P.M.

(Assistant Secretary of State Moore and Senator Pittman were present at this Conference.)

Q Hello, Mr. President. There is a howling mob out there today.

Q A big gate today.

THE PRESIDENT: They are at the wrong end of the Avenue.

I think I will have to change this into an operating room where the spectators sit around in banked tiers. I cannot see anything more than three rows back. But then, I would be a corpse.

MR. DONALDSON: All in.

THE PRESIDENT: I was remarking that you people were at the wrong end of the Avenue. There is no news down here.

Q How big a report is that reorganization report going to be, for practical working purposes?

THE PRESIDENT: It depends on what you are going to use. I am going to try to have a summary of, say, eight to ten pages, and then the report itself, I should say at a guess, is about 125 pages.

Q Do you send that report to Congress?

THE PRESIDENT: Yes, I am going to send it to Congress.

Q Will they make it public, or you?

THE PRESIDENT: I think we might do with that report what we do with the Budget because it has more or less the same kind of technicalities. We can have a seminar, off the record, beforehand, out of which you will get very, very few factual things but a great deal of theory.

Q Have you made up your mind as to when it can be released?

THE PRESIDENT: I will send it up Tuesday, so I think we could have a seminar next Monday afternoon.

Q And release it the day it arrives up there?

THE PRESIDENT: Yes. I would let you have copies before the seminar, just like the Budget.

Q Will it go up with a special Message, Mr. President?

THE PRESIDENT: Yes.

Q Has the Navy told you anything about its difficulties in getting steel and copper bids?

THE PRESIDENT: Only the fact that they did not get bids the last time they opened bids on copper and the same thing on steel, I think.

Q Was that due to the Walsh-Healey Act?

THE PRESIDENT: I do not know; I have not gone into it.

Q Have you instructed the Navy to go to work on the battleships?

THE PRESIDENT: I will tell you something about battleships next Friday. I am not ready but I will be on Friday.

Q The report was that a move was under way to abolish the Federal Art Projects of W.P.A.?

THE PRESIDENT: I don't know; I have not heard anything about it.

Q The Theatre Projects?

THE PRESIDENT: I don't know; I have not heard a word about it.

Q Anything on the neutrality legislation about to be proposed tomorrow?

THE PRESIDENT: No. Some of you have already talked to the Acting Secretary of State on it and the next news, I imagine, will come through the Chairman of the Foreign Relations Committee of the Senate.

Q Any comment on that memo sent to you by the sailors, by the striking sailors, in New York on the Copeland Act?

THE PRESIDENT: I do not think so; I do not think there is any news on it.

Q Are they actually enforcing that strike book yet?

THE PRESIDENT: I don't know. It has been sent out, I think.

Q Will you make any appointments on the Maritime Commission soon?

THE PRESIDENT: Yes, but the word "soon" is elastic.

Q Could you define it for me?

THE PRESIDENT: No; I could not if I wanted to.

Q Can you comment on the automobile strike situation, the conference with Miss Perkins?

THE PRESIDENT: We did not have a conference on it.

Q She was in to see you this morning?

THE PRESIDENT: Just general things.

Q Did you discuss the shipping situation?

THE PRESIDENT: Only in a general way.

Q Any moves contemplated?

THE PRESIDENT: No.

Q Any action on the automobile strike at present -- do you plan any action?

THE PRESIDENT: No, we discussed the facts of the case just the way you people have.

Q Does the Resolution which Senator Pittman wanted to introduce in the Senate, asking an embargo on munitions and arms to both Loyalists and Rebels in Spain, have your approval?

THE PRESIDENT: I think you will have to get that from Senator Pittman.

He is going out in a few minutes and I do not think he will give it to you when he goes out. (Laughter)

Q Any comment on the Supreme Court decision on convict goods?

THE PRESIDENT: No.

Q Did you read Alfred P. Sloan's statement to the General Motors' employees on the strike, the one advertised in the papers this morning?

THE PRESIDENT: Was it in the papers this morning? I did not see it.

Q Some of us who frequent this side of the room are a little bothered by what appears to be a stack of undistributed Christmas presents. I was just wondering if you had forgotten to play Santa Claus to a lot of people?

THE PRESIDENT: There are a lot of people who have been away.

Q I understand Admiral Grayson has brought up the matter of making the Inaugural Parade a little larger?

THE PRESIDENT: It is quite too late because that was decided about two weeks ago. We are going to have, by my special request, some more young people in the Parade. There will be about 400 boys from the C.G.C. camps and a couple of hundred boys and girls from the N.Y.A.

Q If the automobile strike continues, will the strikers be entitled to work relief?

THE PRESIDENT: That is an "if" question.

Q When an automobile strike --

THE PRESIDENT: (interposing) That is an assumption.

Q Coming back a moment to neutrality, is it your intention to have neutrality legislation concerning the civil war apply exclusively

in this case to Spain, or is that a general policy?

THE PRESIDENT: You will have to wait until you see Senator Pittman's Resolution.

Q Will that be in accord with your views?

THE PRESIDENT: You are just twenty-four hours too early.

Q Have you set your time for the primary class on the Budget?

THE PRESIDENT: Thursday at four. Is that all right?

Q Yes. Thank you, Mr. President.

Q Mr. President, do you expect further legislation regulating stock markets this session?

THE PRESIDENT: I do not know. I have not talked that over with the S.E.C. people.

CONFIDENTIAL

Press Conference #334 -- Budget,
Executive Offices of the White House,
January 7, 1937, 4.00 P.M.

THE PRESIDENT: We were just remarking in the front row -- I am awfully sorry for your job. I could not write a story to save my soul and I asked Dan Bell if he could and he said he could not either.

In the first place, before I begin, Steve (Mr. Early) suggested I repeat what he said this morning, that there is no reason you should not refer to this Conference but what is said here is off the record. The fact that it is being held is all right to print.

Q May we refer to the fact that there was a Conference?

THE PRESIDENT: Yes, and the people who were here.

I suppose the easiest thing to do is to do what we did last year, which is to go through the sixteen pages, which are comparatively short and just touch the high lights. I suggest that perhaps it would be better, if a question occurs to you, to jot it down on the margin and then come back to it afterwards. It would be better to go through the whole thing -- it won't take but ten or fifteen minutes -- and then come back to specific questions.

On page V -- page five -- the second paragraph states the objectives we have in mind for the last four years, which is nothing more than a paraphrase of what I said to the Congress yesterday; first, the restoration of economic life and, second, the gaining of permanent advantages of value.

The last paragraph on the page states categorically that, except for debt reduction and assuming -- hoping that additional relief expenditures would be within the \$1,537,000,000., the 1938 Budget is in balance.

That immediately raises the question, which some people are a little vague about -- I know I am, I have to fight Dan Bell every year on it -- the question of keeping debt reduction in the Budget. When Dan (Mr. Bell) brings it in, I always call him a certified public accountant. Theoretically, every public corporation ought to put in an amount for debt reduction every year. Practically, if the corporation does not reduce its debt and comes out, even after paying the interest on the debt, it has not incurred any more debt, why, it is therefore, from what I call the lay point of view, it is in balance. It still has the same debt it had the year before. If Stevie (Mr. Stephenson) owes \$10,000. with interest at \$400. a year, and at the end of the year he has paid his interest and paid all his bills, but he has not reduced his debt, Stevie is still in balance from the lay point of view. But the C.P.A. would not call it in balance. He would say he had to have reduced the \$10,000. So, from the layman's point of view, this Budget of 1938 is in balance, provided we keep the additional -- later on in the session (of Congress) -- appropriations for relief within the sum of \$1,537,000,000.

So, on top of page VI I say that we expect to be able to do this if the economic improvement of conditions continues in 1939 so that in next January's Budget, if they continue approximately the present rate, we ought to be able to have a C.P.A. balanced

Budget, not only with no increase in the debt but with an actual reduction in the national debt. That is the expectation we are holding out for next January in the 1938 Budget.

The first paragraph on page six just restates the benefits to the Nation. The next paragraph says, as I told you before, I am later submitting an appropriation for additional relief which I hope will not exceed \$1,537,000,000.

Then I go on and say something I think is a very important thing, from the point of view of the country, to have said.

(Reading)

"This hope is based on the assumption that industry will cooperate in employing men and women from the relief rolls in larger numbers than during the past year."

Now, you and I all know that the figures show that factories are running and that a great many more people are employed than there were in January, 1936. But the drop in the relief rolls has not come anywhere near making the same showing as the number of people that have been employed from sources other than the relief rolls, so the mere employing of more people does not help federal expenditures unless the employers will take people off the relief rolls. Of course, that is perfectly elementary but it is a thing I do not think has been sufficiently stressed.

And I go on: (Reading)

"Many of those in charge of industrial management, recognizing their obligation to the Nation, have furnished a large measure of employment to the jobless. Today, while it is true that in some sections of the country certain types of skilled workers are still seeking employment, it is nevertheless a fact that the great majority of those now receiving relief belong to the unskilled group."

Now, that is true in practically every part of the country.

(Reading)

"It is my conviction that if every employer or potential employer will undertake during the next six months to give employment to persons now receiving Government help, --"

and those are mostly unskilled workers or people over forty years old. In that case, (reading)

"-- the national Budget can thereafter be kept definitely in balance. Without such cooperation on the part of employers, the question of a balanced Budget for 1938 --"

this coming fiscal year -- (reading)

"-- must of necessity remain an open one, for the very good reason that this Government does not propose next year, any more than during the past four years, to allow American families to starve."

There is nothing much more on that page.

On top of page VII -- and it is really saying again what I implied yesterday -- (reading)

"The cost of new functions and duties can be substantially reduced only by curtailing the function or the duty. I propose shortly to submit to the Congress a broad plan for placing the Executive Branch of the Government on a sounder and more responsible basis of management. The carrying out of such a plan will undoubtedly result in some saving in expenditures; but it must be remembered --"

this is important -- (reading)

"-- that what is generally known as overhead represents only a small fraction of total expenditures in any large business, Government or private."

Of course, there are perfectly obvious things where better management would not save us a red cent. The interest on the public debt of \$860,000,000. a year, that must be paid. You cannot save any money on that. You cannot save money on the paying

of pensions because the machinery on the payment of pensions is on a straight pension basis and the actual cost is in the pension required by the law rather than in the cost of overhead. Another example is national defense. If you start to build battleships or buy clothing for the Army or food for the enlisted men in the Army or Navy, there isn't very much saving on that. That one item runs somewhere around a billion dollars a year. (Reading)

"PART II -- RECOMMENDATIONS."

These are just some specific recommendations. (Reading)

"Temporary miscellaneous internal-revenue taxes."

The gist of that paragraph is that I consider the revenue from such sources, or its equivalent, is necessary for the financing of the Budget for 1938. That is saying to the Congress, "If you do not want to extend this temporary tax or if you want to abolish it, you have got to give me something else in the way of cash to take its place." (Reading)

"Postal receipts.--The estimates of appropriations for the Postal Service included in the 1938 Budget are predicated upon the continuance during that fiscal year of the 3-cent postage rate for first-class mail other than for local delivery."

Here is a touchy subject you may or may not want to handle.

(Reading)

"While the Government makes a profit on first-class mail, the Postal Service is not self-supporting because it carries other classes of mail at a considerable loss, --"

Now, if you want to explore that, go ahead. We not only have a breakdown of it on page XXIII but Dan (Mr. Bell) has a very full breakdown of it, showing the cost of carrying second-class publi-

cations exempt from zone rates -- zone rate publications, daily newspapers, newspapers other than daily.

Q What page is that on?

THE PRESIDENT: 716 in the blue book.

Q Is that a new table?

MR. BILL: New and some detail.

Q Do you expect to carry it down?

THE PRESIDENT: It is carried down here. What are you going to do, set yourself up as a better authority than this?

Q I just wanted to know; that was a new one.

THE PRESIDENT: Of course, strictly in the family, these figures are necessarily estimates. Just as in the District of Columbia, whether or not they are paying adequate taxes depends on the point of view of the fellow making the estimate. So, go ahead; that is a very interesting field for you to study.

Q Can we also speculate on franked mail?

THE PRESIDENT: It is all down; it is all there. Fine.

Then the Civilian Conservation Corps at the bottom of page VII. I say that it has demonstrated its usefulness, that it has met with general approval and should be continued. (Reading)

"I intend shortly to submit a supplemental estimate of appropriation to carry the Corps from March 31, 1937, to the end of the current fiscal year; and I strongly recommend that Congress enact during its present session the necessary legislation to establish the Corps as a permanent agency of the Government."

There is an estimate in the 1938 figures on the basis of Congress acting on that recommendation.

Q Does that recommendation, sir, indicate where the Civilian Conserva-

tion Corps should finally find itself?

THE PRESIDENT: What?

Q Do you, in the recommendation, indicate where you would like the Civilian Conservation Corps to be placed?

THE PRESIDENT: No. That comes under the reorganization plan.

Q How much is the amount? You have the general figure there but do not have the specific --

Q (interposing) There is a \$790,000,000. appropriation and you have \$650,000,000. for relief.

THE PRESIDENT: No, it is not in that.

MR. BELL: It is in the \$450,000,000.

THE PRESIDENT: It is in the \$450,000,000. for other things.

Q Where do we find that?

MR. BELL: In the Budget Summary, Supplementary Items, you will find the figure of \$750,000,000. for 1937 and \$450,000,000. for 1938.

Q \$650,000,000. of that is for W.P.A. and is the C.C.C. in the difference between the \$650,000,000. and the \$790,000,000.?

MR. BELL: Yes, for the three months.

Q How much of this \$400,000,000. is for C.C.C.?

MR. BELL: About \$300,000,000.

Q Is that the Budget figure for 1938?

MR. BELL: Yes.

THE PRESIDENT: (Reading) "Expenses of emergency agencies."

This is, again, more or less as I said yesterday. Such of the emergency agencies as may be continued should have all of their expenditure requirements made subject to the same scrutiny that is given by the Bureau of the Budget to the regular establishments.

That is bringing in all the outside agencies in the Budget scheme.

Q What ones are out?

MR. BELL: There are several small ones, the F.D.I.C. and a few more.

Q The T.V.A.?

THE PRESIDENT: The T.V.A. is in. You remember, last year we brought more of them in. There are still a few loose ends and I think most of them are in by Executive Order and not by legislation. I would like to have them all covered in by legislation and not by Executive Order.

Now, we come down to the three years 1936, 1937 and 1938. 1936 is the year that ended last July and gives you the final figures, for the first time complete, I think.

MR. BELL: No, they were in the Budget summation in June.

THE PRESIDENT: The Treasury receipts of the last fiscal year (1936) were \$4,115,000,000., or \$295,000,000. less than was estimated a year ago, which was six months before the fiscal year.

Q Where are those figures?

THE PRESIDENT: In the middle of page VIII. But, as a result of the Supreme Court decision, we lost \$457,000,000. on account of the Triple A and Bituminous Coal Act revenues being cut out. If it had not been for the invalidation of these taxes, the total revenues would have exceeded the estimates last January by \$162,000,000. So, our estimates were perfectly all right, but there were extraneous circumstances which caused them not to carry through.

Then, the taxes on carriers is a very small item. It has been deferred, the collection of it, because of pending litigation.

(Reading)

"On the other hand, miscellaneous internal-revenue taxes produced \$136,488,000 more than was anticipated; customs revenue, \$33,621,000 more; miscellaneous receipts, \$32,053,000 more; and realization upon assets, \$1,483,000 more.

On the expenditure side (of the fiscal year 1936), the expenditures amounted to \$8,879,000,000. compared with an estimate of \$7,645,000,000. a year ago. But here again the estimates last January obviously did not include \$1,673,000,000. for payment of the bonus. Therefore, excluding that bonus payment, the expenditures for the year ending last thirtieth of June were about \$439,000,000. less than the estimates, so we did not spend as much as we expected.

The total expenditures in that year for recovery and relief were \$2,776,000,000. against an estimate of \$2,869,000,000., or about three-quarters of a billion less.

For running the regular departments and establishments we spent \$3,276,000,000., compared with estimates of \$3,482,000,000., or \$200,000,000. less.

On statutory debt retirement we spent \$403,000,000. and for interest on the public debt \$749,000,000., as against, respectively, \$552,000,000. and \$742,000,000. (Reading)

"Deficit and public debt.--The gross deficit for the fiscal year 1936 amounted to \$4,763,841,642. Excluding \$403,240,150 for statutory debt retirement, there was a net deficit of \$4,360,601,492. The estimated net deficit as contained in the Budget submitted a year ago was \$2,682,482,392, a difference of \$1,678,119,100. As previously indicated, the original estimate has been affected to the extent of \$457,000,000 as a result of the invalidation of taxes levied under the Agricultural Adjustment and Bituminous Coal Acts and by the additional

expenditure of \$1,673,493,000 under the Adjusted Compensation Act. If it had not been for the increase in the deficit due to these causes, the net deficit for the fiscal year 1936 would have been about \$452,000,000 less than that originally estimated.

"The increase in the gross public debt during the year amounted to \$5,077,650,869, but this sum included an increase of the balance in the general fund of the Treasury of \$840,164,664. The gross public debt on June 30, 1936, was \$33,778,543,494."

Now for the fiscal year 1937. The total revenue is \$5,828,000,000., or an increase of \$1,712,000,000. over last year, or an increase of \$173,000,000. over the estimates we made last January, when the Budget for this year was first proposed.

(Reading)

"The general improvement in business conditions and the enactment of the Revenue Act of 1936 have resulted in additional revenues from taxes which will not only make up the loss in revenue due to the Supreme Court decisions invalidating the taxes levied under the Agricultural Adjustment and the Bituminous Coal Acts, but will produce additional income of approximately \$174,000,000."

So we are well within the -- we are ahead of what we expected when we proposed those taxes in the last session.

Now then, at the top of page X:

Income taxes are expected to yield \$2,372,000,000., or \$946,000,000. more than was received from this source last year. Then there are other taxes with small increases. The collection of taxes under the Social Security Act begins in the last half of this fiscal year; in other words, from this month through June, and it is expected they will produce additional revenue in the amount of \$324,000,000. (Reading)

"The only item of revenue showing any decrease

is that of miscellaneous receipts, in the amount of \$50,325,000, which is due to reductions in interest payments made to the Treasury by the Reconstruction Finance Corporation."

Now, on expenditures: From the present indications expenditures, exclusive of expenditures in the postal revenues, will amount to \$8,480,000,000. Exclusive of statutory debt retirement, it is \$7,512,000,000., or an increase over the expenditures last year of \$709,000,000. But, that amount is made up of \$371,000,000. on account of the Social Security Act, \$85,000,000. on account of interest on the public debt, \$194,000,000. for the general public works program, \$123,000,000. for national defense and \$221,000,000. for other purposes. Offsetting that there are decreases \$93,000,000. for the Veterans' Administration, \$74,000,000. for the agricultural adjustment program and \$118,000,000. for the Civilian Conservation Corps.

The amount of the recovery and relief expenditures during the current year has been estimated at \$2,166,000,000. That was my estimate last January or March.

MR. BELL: \$2,166,000,000. is your estimate now.

THE PRESIDENT: For the current fiscal year?

MR. BELL: That is right.

THE PRESIDENT: But there is included in the supplemental expenditure items -- that is the one that goes to Buchanan's Committee tomorrow -- \$650,000,000. from an appropriation of \$790,000,000. for the purpose of carrying the Works Progress Administration and related programs from February first down to June 30, 1937. This will increase the estimated expenditures to \$2,816,000,000., an

increase of \$39,000,000. over 1936. (Reading)

"The expenditures in the current fiscal year will include, however, the sum of about \$165,000,000 for assistance given to individuals and communities directly or indirectly affected by the widespread drought conditions prevailing during the past summer. If this drought had not occurred, the net cost of recovery and relief for the current fiscal year would have been about \$125,000,000 below the cost for the previous fiscal year.

"Deficit and public debt.--The current estimates for the fiscal year 1937 show a gross deficit of \$2,652,654,000. Deducting public debt retirements, the net deficit will be \$2,248,129,000.

"The increase in the public debt on account of the deficit, however, will be only \$1,348,000,000 since it is anticipated that \$900,000,000 of the deficit will be financed from cash on hand."

In other words, the Secretary of the Treasury feels he has too much money in his pocket and is going to use some of it to pay bills with. (Reading)

[1937] "The working balance will be further reduced by net expenditures of about \$42,000,000 for trust accounts and \$100,000,000 for the retirement of national bank notes now a part of the public debt. This will reduce the working balance from \$2,225,000,000 on June 30, 1936, to \$1,183,000,000 on June 30, 1927. The gross public debt at the end of the current fiscal year is estimated at \$35,026,000,000, an increase over 1936 of \$1,248,000,000."

Now, on the fiscal program for 1938: (Reading)

"Fiscal program for 1938

"The expected increase in revenue and decrease in expenditures for relief both reflect the general improvement which has taken place in the economic conditions of the country. The Revenue Act of 1936, which was designed for the purpose of replacing revenue lost through the invalidation of processing taxes, of providing sufficient revenue to amortize the cost of the adjusted compensation payments, and of equalizing tax burdens, gives every indication of satisfactorily accomplishing those

purposes. I should like, at this point, to emphasize the importance of maintaining the productivity of the present tax structure, so that we may properly provide for the fulfillment of our fiscal program."

In other words, for about the third time, do not make the Government receipts any less. They are going along fine as it is.

(Reading)

"Under legislation enacted during the last session of Congress, which created authorizations for future appropriations aggregating more than \$1,500,000,000, there is included about \$130,000,000 in the estimates of appropriations contained in this Budget. Such authorizations --"

of course that, frankly, is always a problem in working out future fiscal policies for the Government. There has always been and I suppose there always will be a tendency on the part of Congress to pass authorizations. They have been going up pretty fast, these authorizations for future expenditures. It does not mean an appropriation but, once Congress has passed an authorization for the expenditure of money of any kind, it is pretty hard for the Executive Branch of the Government not to have appropriations made later on to carry them out. It is a continuing problem and, of course, my general policy is to discourage, as much as I possibly can, future authorizations in very large sums of money. In many cases the Congress has authorized programs that would take six or eight or ten years of actual appropriations to carry through. Once the authorization is on the books it is awfully hard to keep the money from going out. (Reading)

"There is also included \$812,225,000 for social security grants and for the Government's contribution to the old-age reserve account, more than double the expenditures for these purposes in 1937,

and there will be for several years still further increases in these requirements. It should be pointed out that these expenditures will be offset to a large extent by the increasing revenues under the Social Security Act."

It will be very nearly in balance, won't it, Dan?

MR. BELL: The revenue is seven hundred and something.

THE PRESIDENT: \$780,000,000. and the expenditures \$812,000,000.

Q Does that expenditure of upwards of half a billion dollars go into the reserve fund?

THE PRESIDENT: Of course, on that reserve fund thing, you cannot make an issue as to whether the reserve fund is going to be too big until you get some reserve fund. Naturally, we have to get some reserve fund and, naturally also, we will study and take action to change the present law so as to put the thing on as much of a pay-as-you-go basis as possible instead of having a fund of \$30,000,000,000. or \$40,000,000,000. as a reserve. That will be changed. But it is not a matter of immediate need because we are not going anywhere toward \$30,000,000,000. or \$40,000,000,000. We have not any reserve and even if eventually it is on a pay-as-you-go basis, you have to have a reasonable reserve fund before you take that final step.

Now, on the top of page XII: (Reading)

"No estimate of appropriation is presented for the needs of the Civilian Conservation Corps, since its extension beyond March 31 of this year is dependent on the action of Congress. In furtherance of my recommendation for the enactment of legislation to continue it as a permanent agency of the Government, there is included in the 'Supplemental items' an amount sufficient to meet the expenditure requirements for the fiscal year 1938."

If the Congress extends them (the C.C.C.). Of course they will.

I do not think we need bother about those tables (on page XII).

We can come back to them afterwards.

On page XIII: (Reading)

"Receipts.--Treasury receipts in the fiscal year 1938 are expected to reach a total of \$7,293,607,000, an increase of \$1,465,456,000 over similar receipts for 1937 and \$3,177,650,000 over 1936."

And all the rest of that paragraph shows the details of those receipts. (Reading)

"Expenditures.--The expenditures for 1938 contemplated under this Budget (exclusive of those from postal revenues) will total \$6,157,999,000, or approximately \$2,323,000,000 less than is now estimated for 1937. General expenditures for regular activities amount to \$5,841,968,000, as compared with \$5,664,647,000 in 1937 an increase of \$177,321,000. The 1937 estimate, however, contains an amount of \$563,500,000 for completion of adjusted compensation payments to veterans, so that the comparable increase over 1937 is \$740,821,000. For recovery and relief there is included in the expenditures for 1938 the amount of \$316,031,000, which, of course, is not the full amount that will be required for relief during that year. As previously indicated, it is our present hope that the additional amount to be requested for this purpose will not exceed \$1,537,123,000. Thus the total expenditure for recovery and relief during 1938 would be \$1,853,154,000, or \$963,003,000 less than the amount estimated for 1937. Again I emphasize the contribution which employers can make to this attainment."

Now, on page XIV: (Reading)

"The general expenditures include \$860,000,000 for interest on the public debt, an increase of \$25,000,000 over the amount for the present fiscal year, and \$401,515,000 for statutory debt retirements, a decrease of \$3,010,000. Exclusive of the service on the public debt and the payment of adjusted compensation to veterans, there is a net increase of \$718,831,000 in expenditures for regular activities as compared with 1937. This increase is accounted for as follows: For increased requirements under the Social Security Act, \$436,337,000;

for additional expenditures under the general public works program, \$132,519,000; --"

right on that you remember that a whole year ago I said that in working out our final policy it was my judgment that the Government could spend approximately \$500,000,000. a year on public works of all kinds. Last year we spent only about \$400,000,000.?

MR. BELL: We spent much more than \$300,000,000. out of the \$400,000,000. that was appropriated.

THE PRESIDENT: And this coming year we are estimating how many millions, \$470,000,000.?

MR. BELL: \$451,000,000.

THE PRESIDENT: It is all within the policy laid down a year ago.

Q Does that bring it up to the \$500,000,000.?

MR. BELL: Not quite.

THE PRESIDENT: (Continuing reading)

"-- for national defense to provide for the increased strength of the Army as directed by Congress and to provide for replacement of naval vessels in accordance with existing authorizations, \$92,882,000; for the necessary funds for the activities of the Railroad Retirement Board and for rural electrification, \$39,566,000; and for increased needs of other activities, \$17,527,000.

"Surplus and public debt.--The surplus for the fiscal year 1938, as presented in this Budget, is \$1,135,608,000, after providing for debt retirement. Excluding provision for debt retirement, the surplus will amount to \$1,537,123,000. As I have previously stated, it is hoped the additional needs for relief during the fiscal year 1938 will not require expenditure of more than this latter amount. On this basis the estimated gross public debt, on June 30, 1938, will be about the same amount as at the close of the fiscal year 1937. This does not take into account any change which may occur as a result of the Treasury policy in holding as 'inactive' future acquisitions of gold."

That is a technicality and a very small sum, figured out in dollars and cents. (Reading)

"Appropriations.--The total appropriations recommended in this Budget aggregate \$6,839,000,000, including those for the Postal Service, District of Columbia, and probable supplemental items, while the appropriations already made and prospective supplemental items for the fiscal year 1937, exclusive of requirements for recovery and relief, total \$6,261,000,000, an increase of \$578,000,000 for 1938. This increase is due to additional appropriations amounting to \$309,000,000 on account of the Social Security Act; \$80,000,000 required under the general public works program; and \$189,000,000 on account of departmental requirements, including the national defense. The appropriations made and contemplated for recovery and relief for 1937 total \$2,215,000,000, whereas it is hoped that corresponding appropriations for 1938 will not exceed \$1,537,123,000."

On the District of Columbia, I do not think we had better go into that at the present time for two very good reasons: one being that I am not an expert enough to answer questions, and the other is that somebody will be available today and tomorrow to explain details of the report. That is much better.

Q Does this Budget mean there will be no net deficit in 1938?

THE PRESIDENT: In other words, if you take C.P.A. figures there will be a deficit and if you take laymen's figures, you and myself, there will be no deficit.

Q That is because of the fact of debt retirement. It is a fair assumption, except that it might be increased by the gold purchasing, that this figure of \$35,026,000,000., the total debt at the end of the 1937 fiscal year, is the maximum public debt contemplated unless something happens to change it?

THE PRESIDENT: What we hope takes the next step in your question. We

hope to have a layman's or common or garden variety of balancing of the Budget, and next year we hope to have the technical balancing of the Budget, which means a reduction in the national debt.

Q Does not that mean also no new Federal loans?

THE PRESIDENT: If the debt does not go up, all it means is refunding.

Q The expenditures included about half a billion dollars in excess credits?

MR. BELL: That is right.

THE PRESIDENT: What do you mean by excess of credits?

Q The R.F.C.

THE PRESIDENT: Yes.

Q Now, from a layman's instead of a C.P.A. point of view, those are really revenues?

THE PRESIDENT: Yes.

Q Aren't they figured in in revenues?

THE PRESIDENT: They are considered in in revenues. Of course, the quicker we begin to use those to reduce the debt, the better we are.

Q If you consider them revenues, the net effect would make revenues about half a billion dollars larger and expenditures about half a billion dollars larger.

THE PRESIDENT: Yes, if you take them that way.

Q Why is there such a large reduction in the anticipated payments to the R.F.C.? Is it all drying up?

THE PRESIDENT: I suppose that is it. As you get to the end of your basket, it is harder to sell them.

Q Mr. President, the Budget refers frequently to statutory debt reduction. Is that to be regarded as obligatory debt reduction?

THE PRESIDENT: It is just as short as it is long. If you have a Budget that is in the red and you carry out the statute, which of course we did, and retire \$500,000,000. of debt, it means you have to borrow just that much more money. It is out of one pocket and into the other.

Q I was thinking of that in connection with the phrase, "The 1938 Budget is in balance." Immediately after, and except for debt reduction, it will remain in balance?

THE PRESIDENT: Debt reduction and the hope that the relief expenditures won't exceed \$1,500,000,000.

Q Mr. President, on page X, the last paragraph, the amount of deficiency appropriation for the fiscal year is \$790,000,000., of which \$650,000,000. is for the Works Progress Administration. What is the \$140,000,000. for?

Q C.C.C.

MR. BELL: It says \$790,000,000. for the Works Progress Administration and relief programs. The \$650,000,000. relates to all of those.

THE PRESIDENT: All of them. Resettlement, et cetera and so on.

Q As I read this, the \$790,000,000. is the amount of the deficiency appropriation which will be asked for this fiscal year?

THE PRESIDENT: Of which \$650,000,000. will be paid out this fiscal year. The reason for that is that in running these things we have to obligate money in the end of May and all through June, which won't be paid until July and August.

Q This \$140,000,000. is --

THE PRESIDENT: (interposing) That is to enable us to obligate it the end of May and June for projects that won't be undertaken until July and August, which is the next fiscal year.

Q Is there a breakdown in the \$650,000,000. anywhere in here?

MR. BELL: No.

THE PRESIDENT: I am going to ask for the whole \$790,000,000. as an appropriation, but \$650,000,000. will come out of this year's Budget and the other will be an obligation which won't be spent until next year.

Q I was wondering whether the relief appropriation itself will be just in the \$650,000,000.?

MR. BELL: It is in the \$790,000,000.

Q Have you fixed any sum for it, Mr. President, between now --

THE PRESIDENT: (interposing) Of course those figures fluctuate almost every week in these allocations by me.

Q Will it be necessary for the Congress to earmark it?

THE PRESIDENT: No. The same terms as this year's Bill.

Q Mr. President, as I understand it, the \$790,000,000. is to carry the program to the first of July, even though you have to spend \$140,000,000. --

THE PRESIDENT: (interposing) No; it will only cost \$650,000,000. out of pocket.

Q I thought you said the \$140,000,000. will be obligated and spent later?

THE PRESIDENT: Yes.

Q That figure has been confusing to some of us because I think the mayors (the Mayors' Conference) asked for approximately that same

amount, \$790,000,000. for W.P.A. That is why we are breaking down the \$650,000,000. figure.

THE PRESIDENT: I cannot give you the exact figure but the great bulk is W.P.A.

Q Will attitional funds be transferred to W.P.A.?

THE PRESIDENT: I don't think there are any left. I think we have scraped the bottom of the barrel.

Q May we ask what other agencies are included besides W.P.A.?

MR. BELL: Resettlement and that is about all.

Q Resettlement?

THE PRESIDENT: Resettlement is the other main item. There are a few small amounts.

Q Have you included that amount in the total for the fiscal year without making your comparison on page XV?

THE PRESIDENT: Yes.

Q \$790,000,000. or \$650,000,000.?

THE PRESIDENT: \$650,000,000.

Q The \$140,000,000. is going to be put on next year?

THE PRESIDENT: Yes.

Q What happens to C.C.C. from July thirty-first to March first?

THE PRESIDENT: That is included in another item which goes up tomorrow, the \$450,000,000. item.

MR. BELL: That would be an additional appropriation to the \$790,000,000. but, within the \$790,000,000., there is included in the expenditure estimates \$650,000,000. and for the C.C.C., that is included in the \$140,000,000. over and above the \$650,000,000. In the Budget Summary section, there are \$750,000,000., with \$650,000,000. to

come out of the \$790,000,000. and \$100,000,000. out of it for the C.C.C. and other departmental items.

Q How can it be carried over into next year?

MR. BELL: There is \$140,000,000. of the \$790,000,000. that will be obligated to May fifteenth and June thirtieth for payrolls and materials which will be liquidated in July and August, 1938, of the fiscal year 1938. Is that clear? (Laughter)

Q Is it set up in the 1938 Budget?

MR. BELL: Yes. In the table we have included an amount for all these.

THE PRESIDENT: And the total amount, Fred (Mr. Essary), is in substantial agreement on it. Harry Hopkins and the rest of them think that we can get by with it.

Q In the 1938 table of expenditures on page XII there is no item for C.C.C. but there is a supplemental item of \$450,000,000. Is that the cost of the C.C.C. for the fiscal year 1938?

MR. BELL: Just in part. You see, that includes other items too.

Q It is not in part -- that cost is a part of the \$450,000,000.?

MR. BELL: That is right.

Q Did you say \$350,000,000.?

MR. BELL: About.

Q Is that for twelve months?

MR. BELL: Yes, sir.

Q Is that included in the total for 1938, the C.C.C. supplemental appropriation?

THE PRESIDENT: Yes.

Q I notice you say that if Congress embarks on new extensions of Governmental activities it should supply additional funds?

THE PRESIDENT: Yes.

Q Would that apply to the farm tenant program and the housing program?

THE PRESIDENT: Unless they make savings somewhere else.

MR. BELL: These are already on the statute books.

THE PRESIDENT: They are new bills.

Q Then they are not provided in this Budget?

THE PRESIDENT: They may take these things out of the Budget. We do not always get what we ask for. If there are substantial increases we ought to have additional revenues.

Q In estimating the amount of revenues in 1938, have you taken into consideration that the widespread labor unrest may mean a reduction in revenues?

THE PRESIDENT: The experts in the Treasury take everything into consideration -- the acts of God and of man.

Q Haven't your estimates of revenues always been under the actual amount?

THE PRESIDENT: Yes, but for heaven's sake rap on wood when you say that.

Q They have been during the past four years.

THE PRESIDENT: Rap on wood. It has been grand so far.

Q It says that you are liquidating P.W.A. July 1, 1937. Does that mean P.W.A. won't take new projects?

THE PRESIDENT: It means we are not asking for money for P.W.A. over and above the present authorizations.

Q (Reading) "The amount allowed provides for a liquidation program starting July 1, 1937." Does that mean a real liquidation program?

Q Where is that?

Q A90 of the green book.

THE PRESIDENT: Those figures refer to the administrative expenses of P.W.A. We have to put it in this way. It runs out on the thirtieth of June this year and if the balance, which is over \$200,000,000., is not -- the allocation is not extended, this figure would hold. If it is extended it would mean slightly higher administrative expenses.

Q P.W.A. must be statutorily extended?

THE PRESIDENT: Yes.

Q On page XIV, sir, there is a reference to national defense. I wonder if you or Mr. Bell could give us the total figure of the cost of national defense in the Budget? I see the increase amounts to \$92,000,000.

MR. BELL: On page XIX, item No. 4 under Expenditures.

Q There will be no other allocations?

MR. BELL: That expenditure figure is based on the estimates of appropriations contained in this document.

THE PRESIDENT: It is increased from \$887,000,000. to \$980,000,000. for the next fiscal year. On a breakdown of that, Fred (Mr. Essary), there are certain obvious things. One thing I cannot talk about today -- I am going to tell you about that tomorrow morning -- that is two new battleships. It is strictly confidential for the moment. That is one of the items.

Q Can you tell us confidentially -- are they in here?

THE PRESIDENT: Yes.

Q This item of interest on the public debt is predicated on a continuation of low interest rates?

THE PRESIDENT: I hope so.

Q Would you explain something to me? On this statutory debt retirement fixed by statute: Why does it go down each year in spite of the increase of debt? How does it go down slightly from year to year although the debt goes up?

THE PRESIDENT: The amount put in this Budget is put at \$401,000,000. in order to make it about comparable with other years. The retirement of public debt in the year past really has no effect on the gross public debt. We really put it there to be comparable with other years. In the years of a surplus you would have to put the full amount of the statutory debt retirement plus the amount carried over from previous years.

Q If this battleship business is to be announced in a Conference tomorrow morning, in writing for a story which is not to be released until the Message is delivered, there is no harm in mentioning it?

THE PRESIDENT: As long as it is not released until after this goes up.

Q Will it be a policy of the Government to have about \$500,000,000. for public works from now on?

THE PRESIDENT: Yes. That includes a whole lot of other things. For instance, the highway program alone is far and above the biggest portion of public works. Rivers and harbors is the next sized item, then flood control, et cetera.

Q What about conservation -- soil erosion, et cetera? Will that be part of the public works?

THE PRESIDENT: I do not think that is in.

Q Is a nine-foot channel item in the public works item? Is it in?

THE PRESIDENT: Yes, that is in.

Q Can you tell us how much that was?

MR. BELL: \$20,000,000., as I recall. It is in the tables.

Q Is there a request for a supplemental deficiency appropriation in addition to the \$790,000,000. going up?

THE PRESIDENT: I do not know whether it is in the deficiency bill.

MR. BELL: There will be an item for C.C.C. We are talking about 1938.

Do not get 1937 mixed up. \$790,000,000. is for 1937.

Q Doesn't the statute require a fixed percentage, or is it a sliding scale?

THE PRESIDENT: I have not the dimmest idea.

MR. BELL: Congress appropriates -- has put on the statutes a permanent appropriation which is based on $2\frac{1}{2}\%$ of the debt existing July 1, 1920, which is the amount of obligations of foreign governments then held. That is about \$10,000,000,000. at $2\frac{1}{2}\%$ which would mean an appropriation of \$250,000,000. That was increased by reason of the interest on the obligations that would have been retired -- the interest on the obligations retired by the sinking fund. In other words, if you retire \$250,000,000. of debt bearing 4% interest, you add the amount of that interest to the sinking fund the following year and your sinking fund then becomes \$265,000,000. That appropriation is available until expended. The Secretary is under no direction to retire the debt in any particular year.

Q Let us get these deficiency appropriations straightened out in our minds. The deficiency appropriation for 1937 fiscal year -- there is the one item of \$790,000,000. and then is there an additional deficiency appropriation to be added?

THE PRESIDENT: Yes.

Q How much is that?

MR. BELL: It is estimated that the supplemental estimates appropriations will amount to \$100,000,000. to \$125,000,000.

Q Therefore the deficiency appropriation for the current fiscal year will be \$900,000,000.?

THE PRESIDENT: About that, yes.

Q That would be the amount of the first deficiency bill?

MR. BELL: Yes.

Q What is that \$125,000,000. for, the C.C.C.?

MR. BELL: The C.C.C. and many of the agencies that have not sufficient funds to run through the years because of laws passed too late last session to get money.

Q Of course that is included in your total estimates for expenditures in the 1937 fiscal year?

MR. BELL: In the expenditure estimates there is included an item of \$750,000,000., of which \$650,000,000. comes out of the \$790,000,000. and \$100,000,000. comes out of the \$125,000,000.

Q I knew it was covered but could not figure it out.

Q Going back to the Naval appropriation, with the same understanding as to use, can you tell us, as you told the others, how much is included for the starting of the two new battleships?

THE PRESIDENT: Can you tell us, Dan (Mr. Bell), how much is included for the starting? Twenty or twenty-five millions, I should say offhand.

Q Are these battleships new or replacements?

THE PRESIDENT: That I am going to talk to you about tomorrow. They

are replacements under the treaties.

Q As a matter of fact, it is very definite in the treaty that they are to be replaced certain definite years.

THE PRESIDENT: They would not have been replaced if we had pulled off the Naval Conference in London.

Q Is there anything in here for the Passamaquoddy Project?

THE PRESIDENT: I do not think there is, is there?

MR. BELL: No.

THE PRESIDENT: How about the Florida Ship Canal?

MR. BELL: Nothing in here.

Q On page XXII there is a breakdown of recovery and relief expenditures and then this item of public works. Is that what is left over for the completion of the emergency public works, outside of the new public works that is appropriated for?

THE PRESIDENT: Item 3?

Q The \$407,000,000. there.

THE PRESIDENT: On that item 3 on page XXII, it is all under recovery and relief and the previous page shows the public works, the general public works.

Q This is really for the completion of the emergency public works program that has been authorized and is winding up, like Boulder Dam?

THE PRESIDENT: Yes.

Q On that same page there is an item of \$230,000. for the Civil Works Administration.

THE PRESIDENT: It is liquidation of old obligations to municipalities and things like that.

Q How much new money does P.W.A. get under this?

THE PRESIDENT: Does not get any.

Q There is a revolving fund in existence for P.W.A.?

THE PRESIDENT: There is that appropriation, an appropriation of last year of \$300,000,000. and, so far, we have only allocated a little less than \$100,000,000. There is about \$200,000,000. left and what we will probably do is ask for an extension of that authority beyond the thirtieth of June. The general policy in the expenditure of the balance of \$200,000,000. is to confine its expenditure in municipalities, as far as possible, to paying the wages of people taken off the relief rolls.

Q Does that mean none of it will be spent for a housing program?

THE PRESIDENT: A portion of the housing program could come out of it.

Just for example, if a new slum clearance were to be started in the City of New York or the City of Washington, and the only people on the relief rolls were unskilled workers -- taking that as a supposition -- and the total amount of money, the percentage of the total cost that would be paid to unskilled workers was only 15% of the total cost of the project, then we could take 15% of the total cost of the project out of this, out of that \$200,000,000. fund.

Q You ask here for the extension of these taxes and you mention that some rates would be reduced. What taxes are they?

THE PRESIDENT: The stamp taxes would be one.

MR. BELL: On page A15 it gives you a breakdown of those taxes.

THE PRESIDENT: Taxes terminating.

MR. BELL: Right at the bottom here (indicating).

THE PRESIDENT: At the bottom of that table, on the right-hand side.

(Reading)

"Stamp taxes:
 Issues of securities
 Stock transfers
 Sales of produce for future delivery . .
 Admissions
 Subtotal \$44,000,000."

Q On page VIII of the Message text, last paragraph, why the parenthetical reference there to "exclusive of expenditures from postal revenues"?

THE PRESIDENT: Because we always do that.

MR. BELL: Postal expenditures do not come out of the general funds of the Treasury.

Q On page XXII, under the public works, in subhead (3), you have "Loans and grants to states, municipalities, etc. . . . \$183,000,000." Is that a permanent policy?

THE PRESIDENT: It is the same thing that I talked about before. That can only be made out of the \$200,000,000. left.

Q I see you have reduced the administrative costs of P.W.A. from \$26,000,000. to \$10,000,000. Does that mean cutting down a great many of the employees?

THE PRESIDENT: That is the same thing I answered before. That is on the theory that the Act expires on June thirtieth. I cannot put in an item. If we actually allocate by grant or loan the remaining \$200,000,000. we will have to jump those expenditures up a little bit.

Q How may we use that information about the changed policy of P.W.A.?

THE PRESIDENT: It is not really any change of policy. I have been

talking about it, hinting at it certainly, during the last two or three months. We are trying not to perpetuate any more than we can help, P.W.A. except where the bulk will go toward taking people off the relief rolls.

MR. EARLY: You can attribute it to this Conference in your story tomorrow afternoon.

Q What was that?

MR. EARLY: The fact that we are trying to hold this \$200,000,000. down to practically a relief fund.

Q That is just the \$200,000,000.?

THE PRESIDENT: Yes.

Q Thank you, Mr. President.

CONFIDENTIAL
Press Conference #335,
Executive Offices of the White House,
January 8, 1937, 10.55 A.M.

Q Good morning.

THE PRESIDENT: Good morning.

Q The Press is working you overtime, Mr. President.

MR. DONALDSON: All in.

THE PRESIDENT: I told you the other day that I would give you the formal announcement about the two battleships, but because it came up in the Budget Conference yesterday afternoon, I thought it would be better to keep it and not release the battleship story until the Budget story is out of the way. It is only a matter of a couple of hours because the Budget will be up there at twelve o'clock today.

This is the memorandum given to me: (Reading)

"In accordance with the provisions of the Navy Appropriation Act of June 3, 1936, I have directed the Navy Department to proceed with the construction of two replacement Capital Ships. The keels of these ships may be laid in conformity with existing treaties at any time after January 1. Three of our battleships, the ARKANSAS, TEXAS and NEW YORK, will be more than 26 years old before these ships can be completed. If we are not to reduce our Navy by obsolescence, the replacement of capital ships can no longer be deferred.

"The last Congress made an initial appropriation for 'Two Capital ships, as replacement of over-age Capital ships, to be undertaken only in event that the President determines as a fact that Capital-ship-replacement construction is commenced by any of the other signatory powers to the Treaty for the Limitation and Reduction of Naval Armaments signed at London April 22, 1930.'"

That Treaty prohibited the United States, the British Commonwealth

of Nations and Japan from laying the keel of any battleship prior to January 1, 1937, and this restriction has been observed.

However, the laying of the keel does not mark the actual commencement of the construction of a ship. Prior to laying the keel, contracts have to be made and material assembled so that it will be some time before the actual keel is laid and, in fact, some time before the actual contract is let.

On July twenty-ninth, last year, the First Lord of the Admiralty, Sir Samuel Hoare, announced that the orders for two battleships of the 1936 program had been let. The keels, as I remember it from the press story, were laid the other day.

Q On January third.

THE PRESIDENT: On January third.

Q How many, two?

THE PRESIDENT: Two. And, in addition to those two British battleships, France laid the keel of the capital ship Jean Bart on December 12, 1936, and there are eight other capital ships under construction besides them, three in France, two in Italy and three in Germany.

I guess that is all except, of course, that I would like to express my very deep regret that it was impossible last year to obtain an agreement which would further limit battleship construction. It is true that this is replacement construction, but we had hoped that the date of replacement could have been deferred for another term so as to avoid the building of these new ships. However, agreement could not be reached although the United States Delegation did everything in their power to get an extension of new building, replacement building, agreed to by the other nations,

but it did not go through. That is much to our regret and I think that is all we can say.

Q What does a capital ship, completely equipped, cost now?

THE PRESIDENT: I don't know.

Q Is the fifty million dollar figure approximately right?

THE PRESIDENT: Approximately right. We haven't anything final from the other side but, as I remember it, the news story from England said that their ships would cost fifty to fifty-five million dollars each.

Q Any existing funds available to start these ships?

THE PRESIDENT: Only the general lump sum for construction and the item for continuing with the work -- letting the contracts -- is in the Budget that goes up at noon.

Q Mr. President, when these two obsolete ships are taken out of the line, is there any purpose for which they can be used, training or anything?

THE PRESIDENT: I cannot answer you except by a case that at the present time we have one obsolete battleship, off of which they have taken the guns. It is either -- I think it is the WYOMING. She is not considered a battleship because her armor has been taken off and her guns have been taken off. She is used for the midshipmen's cruise every year.

Q I think two of the old battleships, the TEXAS and the ARKANSAS, have also been taken out of the line within the last six weeks or two months and detailed to training service.

THE PRESIDENT: Oh, we have been using the ARKANSAS for midshipmen also, but they are (the TEXAS and the ARKANSAS) still considered a part

of the sixteen battleships allowed under the old treaty.

Q Would you say that the world naval armament race is now on?

THE PRESIDENT: No.

Q Has there been any decision as to fourteen or sixteen-inch guns or will there be any before April first when the time element expires for Japan to decide?

THE PRESIDENT: That I cannot tell you. I do not know. I think so, though.

Q Do you anticipate any difficulty of getting bids on these battleships because of the Walsh-Healey Act?

THE PRESIDENT: I do not believe there will be; I hope not.

Q What if they refuse?

THE PRESIDENT: You have to build them in the navy yards.

Q Any estimate as to when the ships will be commissioned?

THE PRESIDENT: I won't know that until the bids come in. One of them, of course, will have to be built in a navy yard anyway.

Q Mr. President, three of our battleships are much older than any of the others. Has any thought been given as to when we will build their replacements?

THE PRESIDENT: No; haven't got as far as thinking along that line. The hope is that we never will.

Q Have the two new battleships been designed? Is the design complete?

THE PRESIDENT: No, only rough sketches.

Q Can you tell us any of the characteristics that will probably be in them?

THE PRESIDENT: No.

Q Any names been decided on for the new ships?

THE PRESIDENT: No. (Laughter) You are about two years ahead of time,
Fred (Mr. Essary).

Q Any reaction to your Message to Congress?

THE PRESIDENT: I know there are flocks of telegrams.

Q Is Governor Murphy (of Michigan) acting for you directly in the
automobile strike?

THE PRESIDENT: No.

Q Mr. President, how is the gold sterilization program working out?

(Laughter)

THE PRESIDENT: As far as I know, it is producing the desired results.

(Laughter)

Q Mr. President, when can we look for appointments?

THE PRESIDENT: Some going up all the time. I think I have got another
flock today. For instance, here is one on the top of my desk --
a large number of ensigns to be made lieutenants (laughter) in
the Coast Guard.

Q I am not interested in those.

MR. EARLY: There will be a large volume of recess appointments going
up today.

THE PRESIDENT: There will be a large volume of recess appointments
going up today.

Q There has been a lot of speculation about your second-term Cabinet.
Can you tell us anything about that?

THE PRESIDENT: No.

Q Are you going to send a Message up on the relief deficiency bill
today?

MR. EARLY: It probably will be in the form of a letter.

THE PRESIDENT: It will probably be the usual thing on the deficiency bill in the form of a letter which goes to the Speaker, recommending appropriations to go into the deficiency bill.

Q Will you have that today?

THE PRESIDENT: I do not think I will send it up until Monday. I think also that at the House (House of Representatives) they expect to receive the Budget Message and then adjourn.

Q In view of this new situation in China, do you expect to ask for an embargo on the shipment of goods to China?

THE PRESIDENT: That raises the question of the fact of the rebellion. I have not thought of anything else at the present time except this Spanish Resolution.

Q One more point about the battleship question: In the discussion in the Budget, it says the Naval estimates of 1938 involve no expansion whatsoever over what it was planned before it was known that the treaty would not be renewed. How does that fit in?

THE PRESIDENT: I do not quite understand. Do you mean there is nothing further planned?

Q It says (quoting from the Budget Report), "The Naval estimates for 1938 have been prepared on the basis of our Naval needs as covered by plans evolved under conditions obtaining under the Washington and London treaties. They involve no expansion whatever over what has been planned before it was known that these treaties were not going to be renewed."

THE PRESIDENT: I guess Dan Bell forgot to leave out (put in ?) the "if" clause. We would not be building them if the other fellows were not.

Q Are you going to sign the Resolution today?

THE PRESIDENT: The State Department is supposed to have all the documents ready for me. Just as soon as it comes down here.

Q This morning?

THE PRESIDENT: No, but we will get it out as fast as we can and notify all the Collectors of Customs, et cetera.

Q Thank you, Mr. President.