

CONFIDENTIAL

Press Conference #421 - BUDGET
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THE PRESIDENT: As you know, this message transmitting the budget for 1939 is to be held in strict confidence and no portion, synopsis or intimation, is to be given out until after it has been received tomorrow by the two Houses and extreme care must be exercised to avoid premature publication.

Another thing is that, of course, everything said here is merely to be helpful, it is non-attributable and it is all, not off the record but just for guidance.

Q Am I to understand, sir, that the fact of the conference itself is a confidential matter?

THE PRESIDENT: It never has been. That is all right.

I will go, briefly, over the message itself. I am trying, in the first few paragraphs, to give a little more clear idea of what budget estimates are, both on the expenditure end and the receipts end -- how they are made up, what information there is to go on.

Therefore, I give you a little summary on what happens.

Starting about the fifteenth of September, after all the departments' and agencies' estimates go to the Director of the Budget, the estimates of the departments and agencies are presented by the Director of the Budget

to me, the totals and not the details, and I say to the Secretary of the Treasury then, "Have you got any idea as to what the receipts are going to be in the year beginning nine months later, the following first of July, and running from there to twenty-one months later," and he gives me his guess, the guess of his experts, for a period, as I say, beginning nine months later and running to twenty-one months later.

If what I get from the experts of the Treasury Department show that the receipts, the estimated receipts as of that period, are way below what the estimated expenditures of the departments and agencies are, I say to the Director of the Budget, "Here is a blanket order and you have got to cut down the department estimates all you possibly can."

Then, during November and December, the Director of the Budget holds hearings and he comes back to me from time to time, when he has finished a hearing with an individual department or agency and shows me how he has cut down. Then we go over the detailed estimates as recommended by the Director of the Budget and, in many cases -- probably this year in most cases -- I cut them still further. In some cases I say, "No, that is an activity of the Government on which I think you

are shaving too close. I think they ought to have a little bit more."

Then, at the same time, I get another check from the Treasury; at that time it is a check on tax receipts that will begin seven or eight months later on and run to nineteen or twenty months beyond that date.

Then, in the last two weeks of December, all of those estimates are gone over again. Very little change is made at that time because, by that time, they have gone up in a tentative way to the various committees, to the appropriation committees on the Hill as tentative estimates. We send them up there as soon as we get through with the November-December process.

Finally, in the last two weeks -- in fact in the last five days of the year, the Treasury gives me final estimates. Those are for receipts that will begin six months later and run to eighteen months later. In other words, it is a prophecy of a nature that no private business concern has to do in the same way. The reason is this: In the case of a private business concern they may estimate their receipts and income a long time ahead but, if their expenditures are running too high, based on the actual return, on the income, they can change their expenditures once

a week or once a month. They can, if they want to, lay off 30,000 men irrespective of whether or not they had expected to do it two months before. But Government affairs are not so flexible. The Budget reports are the Government's fiscal plan; and in the form adopted by the Congress during the Winter and Spring, it becomes practically a fixed program of expenditure which cannot be changed for many months even though economic conditions radically change the receipt side of the ledgers.

Then I point out what is a fair comparison and that is that during the past four years the estimates of tax receipts thus made far in advance, have been infinitely more accurate as proven by the final result than in the preceding years. (Reading) "Estimates remain a prophecy; but our prophecies have been far better borne out by later events than prophecies of earlier years."

The one year of course that the estimates did not run particularly well was the year of the passage of the Bonus Bill which, in itself, threw us out over a billion dollars. Then, of course, the other case has been this calendar year -- this fiscal year of 1938, where we guessed wrong as everybody else did, including Wall Street, last Spring and Summer. But

the percentage we are out this current year is nothing like it was in certain years prior to July 1, 1933.

It is also worth while calling the attention of the Congress (reading) "and the public to the fact that a very large proportion of our total expenditures represent fixed charges, which cannot be reduced by Executive action. These charges are obligatory on the President and the Treasury, and include interest on the public debt, military and naval pensions, contributions to retirement funds and to the old age reserve account, and many grants in aid to States."

"Another class^{of} expenditures, which, though subject to some measure of administrative control, does not afford opportunity for large reductions, is made up of those which carry on the normal, everyday operations of the Government."

On page X, I have got a breakdown for you this year that is a very interesting breakdown, showing the cost of running the regular departments of the Government from 1931 down through 1939. We will come to them a little later but it is something that will, I hope, if it is read and studied, prevent a lot of loose talk.

Then, as an example in that class of expenditures,

I call attention to the State Department which "is required to pay the reasonable salaries of consuls, diplomatic agents, secretarial staffs, and ministers who represent American interests in every part of the world."

Then we have the third type. "The third type of expenditure is represented by the major effort of the Government to help the economic security of large groups of citizens in every part of the country who, for many reasons, definitely require some form of Government assistance. This includes various kinds of aid to save farms and homes from foreclosure, to furnish work relief for needy able-bodied unemployed, and to provide old-age pensions, unemployment insurance and other assistance under the social-security program. Obligations such as these, though large in amount, can be reduced only by depriving a very large proportion of our population of benefits which modern civilization insists on."

"The final category includes items of public expenditure for capital improvements -- such as new highways, new river and harbor projects, new flood control, new public buildings, new reclamation projects, and other new public works."

I put the word "new" in there on all of these

things because, there again, we do not always, but we ought to, differentiate in rivers and harbors between the millions that go in to keep a channel open and the millions that go in to dig a new channel. That differentiation is very often forgotten.

"All of these items can be contracted or expanded to conform with the contraction or expansion of Government income.

"This year I recommend that such items be curtailed. First, because expected Government income will be less, and second, because it has been amply demonstrated that they do not provide as much work as do other methods of taking care of the unemployed."

That, as you know, is the old argument. There are some people that think that building a tunnel under the East River in New York or a 10-million dollar bridge actually puts as many people to work as a very large number of small WPA projects that are mostly direct labor. Well, the theory does not hold water when you come right down to it. The 30-million dollar tunnel and the 10-million dollar bridge do not put as many human beings to work as does work relief for the same amount of money.

"For example, we have appropriated as Federal aid to new permanent State highways almost a billion five-hundred million dollars" -- these figures are

quite appalling when you come down to the amount of money spent -- "almost \$1,500,000,000 during the past 5 years;" -- and that is only the half of it because an equal amount, another billion and a half "has been spent during the same period for constructing, repairing, and improving roads and streets by Federal agencies administering unemployment relief. These vast expenditures" -- which are about 3 billion dollars all told -- "have put our highway systems far in advance of what would have been normal expansion. I do not propose eliminating Federal aid to highways, but I do ask that such aid be restored to approximately the pre-depression figures," which were about, on Federal aid, a little less than 100 million dollars a year.

Then we come to other things. "We have a great accumulation of unliquidated 'matching' authorizations for aid to States running into the year 1940 -- but the States also should be encouraged to bring their highway budgets back to a more normal figure. Therefore I hope that the Congress will start at this session to cut down the actual appropriations used to match State funds."

Then we get into the rivers and harbors improvements. "For the 10 years up to June 30, 1933, the

Federal Government spent an average of \$40,000,000 a year for river and harbor improvements. During the past 5 years we have spent an average of over \$100,000,000 a year. Meanwhile, a justified demand for greater protection against floods has developed. Flood protection is necessary and in this Budget I am curtailing the estimates for new river and harbor improvements in order to provide more money for flood emergencies."

In other words, we think that the protection of human lives and the protection of property from destruction come a little bit ahead of improving commercial facilities.

"Reclamation projects have been started which will call for future appropriations of nearly \$600,000,000." That is the same old story of authorization. "It seems obvious to me, and I hope it will be to the Congress, that no further projects should be authorized until projects now under construction have reached a substantial stage of completion.

"During the past 5 years we have built more than 1,100 new Federal buildings -- almost doubling the number of such buildings throughout the country. It is true that this saves the renting of buildings but to offset that saving we are paying in many cases far

more for maintenance of these new buildings than we formerly paid for leasing private quarters."

That is not so in a great many cases but, in a great many cases, it is true. "Except for meeting the problem of adequate housing for Government departments and agencies in the District of Columbia, I am strongly of the opinion that the public-building program should be restricted to the comparatively small number of projects where the capital investment will be returned through savings in annual operating costs."

Well, that is about all of that before we get down to the figures.

"The most important fact of this Budget," -- of course I am not writing your leads but, frankly, if I were writing the lead, I would make it the lead -- some of you won't be allowed to. (Laughter)

"The most important fact of this Budget is the reduction of \$539,000,000 in the estimated expenditures for the fiscal year 1939. They amount to \$6,869,000,000, compared with estimated expenditures during the current fiscal year of 1938 of \$7,408,000,000.

"It is hoped that this fact will not be overlooked." (Laughter)

That was saying in a more polite way what I said before.

"It is fair to say that this estimated reduction may, by force of circumstances, become smaller because of future events which today cannot definitely be foretold. I refer specifically to the possibility that due to world conditions over which this Nation has no control, I may find it necessary to request additional appropriations for national defense."

In other words, I am not including any recommendations for more money to be spent on the Army and Navy than I have got in the present Budget as it is going up and, as you know, I may send supplementary estimates up to the Congress.

Q But even that (the Budget) has about 58 million dollars more?

THE PRESIDENT: Yes.

"Furthermore, the economic situation may not improve -- and if it does not, I expect the approval of Congress and the public for additional appropriations if they become necessary to save thousands of American families from dire need."

I am not making any more prophecy than that. If it is necessary, we will ask for more money. If it is not, we won't. There is nothing more you can say, either one way or the other.

"Revenues. -- During the first 10 months of the

calendar year 1937 business conditions improved materially and it was the consensus of opinion in Government and in business circles that the improvement would be maintained in 1938. There was every reason to expect that the revenues for the fiscal year 1939 would be greater than the expected revenues for 1938 and that with a reduction in the cost of relief, the total expenditures for 1939 would greatly decline. That was the basis for our expectation of a balanced Budget for the fiscal year 1939.

"The recent recession in business has changed that outlook."

I might say it has changed it drastically and materially.

"Today it is necessary to revise the estimates of revenues. They will be less than we had anticipated. They will, as far as we can tell, remain below our estimated necessary expenditures.

"We hope that the calendar year 1938 will bring an improvement in business conditions and, therefore, in tax receipts. The Treasury, leaning to the conservative side, predicts some improvement over the present level but does not assume in its figures that business in the calendar year 1938 will reach as high a level as in the calendar year 1937.

"The present estimate of revenue for the fiscal year 1939 is \$5,919,000,000 compared with the present estimate of receipts for the fiscal year 1938 of \$6,320,000,000 -- or, in other words, a falling off of \$401,000,000.

"Balance. -- The net result of these estimates of expenditures and receipts shows for the fiscal year 1939 a net deficit of \$950,000,000, but it is fair to state at the same time that this deficit will be \$138,000,000 less than the expected deficit in the current fiscal year. In other words, for the third year in succession we would continue to decrease the deficit."

And, incidentally, it would be the fourth year in succession if it had not been for the bonus payment.

I think we can come back to the table later on; we can finish up with the only two recommendations at this time.

On the "appropriation item veto", quite a lot of people up in the Senate are interested in this on both sides. Jim Byrnes is interested and Barkley is interested, Vandenberg is interested on this particular subject, and we have had some correspondence as to which, if any of you want to get their opinions on the thing,

it is perfectly all right with me.

Q Mr. President, on that, I know of some of this correspondence and they would be glad to have it come out, if you will approve.

THE PRESIDENT: That would be perfectly all right.

Q Mr. President, isn't it Sumner's opinion that you do not need a Constitutional Amendment?

THE PRESIDENT: I have been darn careful on this thing because, frankly, I haven't any more idea than you have. I don't know whether it is or not.

Q But you do not want the correspondence used until the Budget goes up?

THE PRESIDENT: I'd rather wait until it goes up tomorrow.

(Reading) "Appropriation item veto. -- An important feature of the fiscal procedure in the majority of our States is the authority given to the executive to withhold approval of individual items in an appropriation bill, and, while approving the remainder of the bill, to return such rejected items for the further consideration of the legislature."

Danny Bell tells me that there are 38 States out of 48 that have the item veto.

MR. BELL: Something like that.

THE PRESIDENT: "This grant of power has been considered a consistent corollary of the power of the legislature

to withhold approval of items in the budget of the Executive; and the system meets with general approval in the many States which have adopted it."

When I was in Albany I had that power to veto individual items. Well, I exercised it very, very rarely, I think not more than two or three items in the four years, but the fact that it was there was of tremendous importance. In other words, it meant that no individual legislator with a pet project was able -- the Committee on Ways and Means or the Committee on Appropriations, was able to say to that individual legislator with a hobby or a pet project, "No, by God, we can't put that in because the Governor will veto it." It implemented the power of the appropriation committees to prevent a lot of stuff from actually going into the appropriation bills that ought not to be in them. So, it helped the Legislature as well as the Governor.

Q In that connection, when you speak of individual items, would that refer specifically to an appropriation or could it also refer to, for instance, that Tydings-Miller Bill that was contained -- the District of Columbia appropriation matter?

THE PRESIDENT: That was attached to an appropriation bill?

Q Yes.

THE PRESIDENT: That was attached to an appropriation bill. If a matter of general legislation is attached to an appropriation bill, I can veto the item.

Q As an extraneous bill?

THE PRESIDENT: Yes.

Q Your idea is that a vetoed item would go back for possible reconsideration?

THE PRESIDENT: Yes.

Q In some States it don't go back. In Maryland, for example, they do not go back to the Legislature, the Governor's action being final.

THE PRESIDENT: No, my idea is that the item would go back. In other words they could pass it over my veto by a two-thirds' vote.

And now we come to the next sentence. (Reading) "A respectable difference of opinion exists as to whether a similar item veto power could be given to the President by legislation or whether a constitutional amendment would be necessary. I strongly recommend that the present Congress adopt whichever course it may deem to be the correct one."

Then we have the Commodity Credit Corporation. That is really, more or less, a technical thing.

(Reading) "At present the funds for the operations of the Commodity Credit Corporation are provided through

allocations from the Reconstruction Finance Corporation. Such losses as the Commodity Credit Corporation may sustain upon its commodity loans remain an indefinite charge against the Treasury until the liquidation of the Reconstruction Finance Corporation. In order to provide for an annual review of the operations of the Commodity Credit Corporation and of its annual net cost to the Government, I recommend the enactment by the Congress of legislation which will require an annual appraisal of the assets of the Corporation, and, as a means of providing funds to make and guarantee its loans, provide the Corporation with adequate capital and authorize the issuance by it of obligations guaranteed by the United States. Congress would be advised annually of the Corporation's net profit or loss and be in a position to make such appropriations as might be necessary to meet any annual impairment of the capital of the Corporation that would result from losses sustained upon its loans."

That is merely a sound business practice.

Q If that recommendation were effected, would the borrowings of the Commodity Credit Corporation show in the national debt?

THE PRESIDENT: No; it would be a contingent liability.

Q How much money would be involved?

THE PRESIDENT: Entirely dependent on the year. It would be 25 to 100 million dollars, depending on the operations.

Q Does the Commodity Credit Corporation set-up in the Farm Bill contemplate this very thing?

THE PRESIDENT: Which Farm Bill?

Q It is in both drafts?

THE PRESIDENT: Dan (Bell) says the House uses this Corporation and this would apply to it.

Q I see.

THE PRESIDENT: To go back to this table for a minute on page X. There you have eight years of comparison.

(The figures shown are in millions of dollars)

On the income taxes, it was 1,860 in 1931, dropped to 1,057 in 1932 -- these are fiscal years -- and to 746 in 1933; got up to 818 in 1934, 1,099 in 1935, 1,426 in 1936, 2,157 in 1937, 2,692 in 1938 and it is estimated at 2,414 for 1939.

Miscellaneous internal revenue has gone up from 569, first down to 503, then up to 858, 1,469, 1,657, 2,009, 2,181, 2,279 and there is an estimated slight drop in 1939 to 2,190.

The unjust enrichment tax is, of course, a new one. Taxes under the Social Security Act are going up.

They were 252 in 1937, 571 in 1938 and 598 in 1939, estimated.

Taxes upon carriers and their employees -- that is railway pensions -- 150 last year and this year it is a little down. That is because of the litigation last year.

Processing taxes on farm products ran for three years and is now out.

The customs started at 376 in 1931, 327 for 1932, 250 for 1933, 313 for 1934, 343 for 1935, 386 for 1936, 486 for 1937, 415 for 1938 and are estimated at 390 for 1939.

Q On these declining customs receipts, is that caused by declining world trade or is it because of trade agreements?

THE PRESIDENT: I suppose it is world trade. As a matter of fact, on the trade agreements, as to the countries we have them with, the amounts of imports and exports, both, have increased far more in proportion than the other nations with whom we have not got them.

Q You mean in volume?

THE PRESIDENT: Yes, increased in volume.

Q Can you tell us why the unjust enrichment tax is so slow coming in?

THE PRESIDENT: As I understand it, it becomes a question of fact with respect to each individual firm's accounts, and they have to be gone over with a fine-tooth comb. It takes a long, long time.

Q Are they compromising those accounts, those suits?

THE PRESIDENT: I don't know.

MR. GASTON: I don't know. The principal reason is that there are very few returns on account of the various delays granted. It is largely a question of beginning a field examination of the returns.

Q On these customs' figures, is that consistent with increased imports?

THE PRESIDENT: Well, we don't think there will be as much the year beginning next July as there is today. For example, there has been a definite falling off in world trade at the present time and for the last two months.

Q I was referring to this year's collection being under last year's. I think imports have increased 20 per cent by volume.

THE PRESIDENT: I don't know. I think you are talking of the calendar year. In other words, the reason they are falling off this year is because, when this was made up, we had over six months to go and the last two months had shown a definite falling off.

Now on the expenditures, under the various departments:

The legislative establishment shows a practically steady 21. It was 21.1 in 1938 and will be down to 20.8 in 1939, estimated.

Agriculture has gone up from 71 in 1931 to 98 in 1932, down to 72 in 1933, down to 62 in 1934, 71 in 1935 and then in 1936 it takes a definite jump to 122, in 1937 to 176, down in 1938 to 150 and down still further in 1939, estimated, to 124. That is caused by all the various things such as soil erosion control and elimination of diseased cattle and so on.

The Department of Commerce was 56 in 1931, 48 in 1932, 41 in 1933, 30 in 1934, 39 in 1935, 44 in 1936, 40 in 1937, 41 in 1938 and then for next year we have estimated it to be 44.

The Department of Interior went from 60 in 1931 to 63 in 1932, down to 55 in 1933, down to 49 in 1934, up to 74 in 1935, 78 in 1936, and then it jumped to 112 in 1937, to 122 in 1938, and it is estimated at 95 in 1939, being way down from what it was the current year, but the increases were caused by parks and education and rehabilitation. You see, we took care, out of that, of a large part of the unemployment problem in Puerto Rico and the Virgin Islands

and Alaska and Hawaii.

On the Department of Justice, it was 44 in 1931, 51 in 1932, 44 in 1933, 31 in 1934, 32 in 1935, 38 in 1936, 38 in 1937, 39 in 1938, and it is estimated to be 40 in 1939.

Q Mr. President, at that point, are you increasing the appropriation for the Anti-Trust Division?

THE PRESIDENT: About \$300,000, as I remember it.

Department of Labor, 12 in 1931, 14 in 1932, 13 in 1933, 12 in 1934, 18 in 1935, 26 in 1936, 30 in 1937, 24 in 1938, and for next year it is estimated to be 17.

On the Post Office Department deficiency, which has to be paid for by somebody, it was 145 in 1931, went up to 203 in 1932, 117 in 1933, and from there it has gone down to 18 in 1939, next year.

The Department of State runs 15 or 16 right along.

The Treasury Department was 136 in 1931, 161 in 1932, 133 in 1933, 111 in 1934, 123 in 1935, 164 in 1936, 184 in 1937, 178 this year, and next year it will be 157.

On the War Department, non-military, that ran about the same, it was 46 eight years ago and is 48 now. It got down as low as 41 and got up as high as 53.

On the District of Columbia, it was up to 9.5 and is down to a flat 5 in the last three years.

Independent offices and commissions has gone up from 89 to 171 which is a definite increase caused by new commissions, civil service, Maritime, more money for the Federal Trade Commission and the Interstate Commerce Commission, and so forth and so on.

Q Mr. President, there is one question which the District of Columbia would like to know about these things. I notice these go back and forth. Of course we are interested mainly in the number of people on the payroll. In looking over this thing, have you arrived at a conclusion as to whether the personnel will be affected much under this or can't you tell?

THE PRESIDENT: The only way I could tell you on that is to take the next line, this sub-total. Of course a very large proportion of the 760 million dollars estimated will be spent in the District of Columbia.

MR. BELL: A large part of it, yes.

THE PRESIDENT: A very large part, by all of the departments.

Q That seems to be about a 60-million dollar decrease?

THE PRESIDENT: It is about 60 million dollars less than this current year.

MR. BELL: Those were emergency funds in 1938.

THE PRESIDENT: Dan says that jump up to 827 millions is largely due to emergency funds this year, which run out. There is not much difference.

Q That means not much difference?

THE PRESIDENT: Not much difference.

Q Nothing to scare them about?

THE PRESIDENT: Oh, no.

Q This War Department non-military item does not include the rivers and harbors item you propose to reduce?

THE PRESIDENT: No, but it does include maintenance of channels.

Q The reduction is going to be made in relief or emergency funds?

THE PRESIDENT: Yes, but not in this.

Q What activities of the Treasury Department will be affected by the 21-million dollar cut?

MR. BELL: The Treasury Department increased for those years because of the administrative expenses in connection with emergency accounting, and the Bureau of Internal Revenue has gone up and also the construction of Coast Guard vessels.

THE PRESIDENT: They are all built now.

MR. BELL: There is nothing in 1939 because the money runs out.

Q I have the same question about Interior, there is a drop there.

MR. BELL: Well, that is due to some extent because of the running out of emergency funds, national parks and Indians.

THE PRESIDENT: For instance, in the coming year 1939 we are buying very little new land and the new land purchases were quite a big item for national parks and things like that.

Q If I may return to the Treasury Department figure here, there has been a good deal said on the Hill about insufficient staff at the Internal Revenue Bureau to handle certain phases of work down there. I wondered whether the appropriation had been increased for the legal staff and agents, etc.?

THE PRESIDENT: You have three of them here, they can answer.

MR. BELL: As I recall it, the Internal Revenue went up about two million dollars in 1939.

Q In your actual expenditures for 1937 and the estimate for 1938, which is this fiscal year, you were going to ask for a voluntary reduction of 10 per cent?

THE PRESIDENT: That is 1938.

Q Where is that reflected. You are going to spend more this year than you did last year?

THE PRESIDENT: That is emergency funds.

Q Some of these departments do not show any 10 per cent cut?

THE PRESIDENT: They did not cut to 10 per cent but it was a very material saving. Dan has those figures. That was as of last July.

Q Yes?

THE PRESIDENT: We got very material savings but I haven't got the figures.

Q Don't those tables show a saving of 16 million dollars?

THE PRESIDENT: It shows more than that. It shows 67 million dollars.

Q I am talking about the actual expenditures in 1937 compared with the estimated expenditures of the current year. Your cut was made in this current year. It was not the 1939 that I am talking about.

THE PRESIDENT: Well, we did two things: We began in March trying to make a definite saving on expenditures then and in June we started saving -- that was this year.

Q That was effected?

THE PRESIDENT: Yes, but I haven't got the number of millions on it.

MR. BELL: That 10 per cent applied to appropriations beginning in July. We set up 421 million dollars in reserves and we have 397 million dollars in reserves on appropriations made for the fiscal year 1938.

Q In other words, you took up 421 millions and in the six months you released 24 millions?

THE PRESIDENT: Yes.

Q In regard to the drop in Customs, is the agricultural conversion fund absolutely tied to one-third of Customs, or are you going to make it up somewhere else?

MR. BELL: That is not tied to Customs. It is only --

Q But, if the Customs receipts drop, then the amount drops unless you make it up somewhere else, in some other way. Have you provided for that?

THE PRESIDENT: No, because the estimated drop in Customs is very small. It is only 25 million dollars and a third of that would be only 8 millions.

Q Mr. President, is this money, any of it, this 397 million dollars, available for use in relief?

THE PRESIDENT: No. It cannot be spent on relief. It can only go back to the general fund of the Treasury, that is all that can be done with it.

Q If this 397 million dollars had not been impounded, then the 1938 figures would be that much larger than that table?

THE PRESIDENT: Yes.

Q It has been subtracted?

THE PRESIDENT: Yes.

MR. BELL: In making those estimated expenditures, we have taken those reserves into account.

Q You have subtracted them?

THE PRESIDENT: Yes. It is going to be awfully hard to pry

that 397 million dollars loose.

Now on Public Works, public highways, it was 173 in 1931, 209 in 1932, 178 in 1933, 267 in 1934, 317 in 1935, 243 in 1936, 350 in 1937, 280 in 1938, and we are figuring on 140 estimated for 1939 and hope to goodness the Congress will go along with it.

Q That means that Congress will carry out the terms of your letter to Chairman Cartwright?

THE PRESIDENT: Yes.

Q It seems to me we have jumped national defense.

THE PRESIDENT: Excuse me, I had no desire to jump it, I believe in it.

National Defense, is up from 957 this year to 991. It is also fair, I think, to say that in the fiscal year 1934, which shows only 499 millions for national defense, we spent a lot of NRA money on that.

MR. BELL: That is in there, but we did not get started.

THE PRESIDENT: It is in there, but we did not get started.

It did not actually show until 1935 and 1936.

Q Are we, sir, building any national defense projects now out of Public Works funds?

THE PRESIDENT: I think they are all finished.

MR. BELL: Practically; there may be a little bit.

Q 991 is inclusive of the Navy Department?

THE PRESIDENT: That is all Army and Navy.

MR. BELL: Except Public Works for the Navy.

THE PRESIDENT: The only thing you can say that should be added to that 991 is that a lot of army posts and in some Navy yards we have WPA doing little jobs, building storehouses or things like that.

Q There is a 34-million dollar increase there. Can you tell us how that is divided between the Army and Navy or is it mostly Navy? That is, the jump from 957?

THE PRESIDENT: To 991?

MR. BELL: It is about 570 million dollars for the Navy.

THE PRESIDENT: What was it before?

MR. BELL: Last year it was 534 million dollars.

THE PRESIDENT: Then it is mostly Navy.

Veterans pensions and benefits. They show, of course, a very great reduction from 1931 for obvious reasons. It was 942 in 1931, 972 in 1932, 848 in 1933, and then came the savings on the 1933 Session, that Special Session, cutting it down to 554. It went up to 605 and then jumped in the bonus years to 2,348 and 1,128 and then, those having been paid, it dropped to 573 this year and will be 538 next year because we are still paying the twenty-year insurance.

Q Is that likely to be protected for some years?

MR. BELL: It is continuous, but it is non-recurring. We put in some pensions to take care of widows and children.

THE PRESIDENT: If they do not give us new legislation, it will go down.

Interest on public debts, 611 in 1931, 599 in 1932, 689 in 1933, 756 in 1934, 820 in 1935, 749 in 1936, 866 in 1937, 927 this year, and estimated 976 for the next fiscal year.

On the others, they dropped from 97 in 1931 to 50 next year.

Then we come down to Public Works and I talked about highways.

Q Does that 140 million dollars for 1939 presuppose that 100 million dollars will be lapped off the appropriation for that year?

THE PRESIDENT: On the appropriations, yes. It does not mean that authorizations won't be carried out but instead of carrying out to the full extent this year, we will carry them out only in part and then some more next year and the year after.

Tennessee Valley Authority, of course, is new and that has been running practically constantly.

Reclamation has gone from 13 in 1931 up to 69 this year and is estimated to be 60 for next year. Those are some of the big reclamation projects which are on the way. I think Grand Coulee comes out of that.

Rivers and harbors, improvement, as you see we have made a pretty drastic cut. They started at 51 million dollars in 1931 and ran up as high as 142 million dollars. This year we propose to cut them down to 60 million dollars. Those are new improvements.

Q Does this affect the Mississippi River improvements?

THE PRESIDENT: That is in there.

Flood control started at 37 in 1931, went down to 29 in 1932, then up to 71 for this year and were cut to 63 for the next year.

On public buildings, the same way. It started at 67 in 1931 and got up to 105 in 1933, is 74 this year and we plan to cut that to 53. That is to carry out the expenditures on buildings, mostly on those on which contracts have already been let.

Grants to public bodies, including administration, what are those, PWA?

MR. BELL: Yes, PWA.

THE PRESIDENT: That is to carry out the appropriations of the last Session.

MR. BELL: That is right; part of it.

Q Would that item include these municipal electrical projects that were authorized by the Supreme Court to go ahead? Would those be under that item, that is in the form of loans?

MR. BELL: Yes, those would come under loans.

Q Loans and grants?

MR. BELL: Yes.

Q If those are carried out, will that necessitate any change in the appropriation?

THE PRESIDENT: Maybe, but probably pretty slight.

MR. BELL: They are included in this picture.

THE PRESIDENT: Dan says they are included in this picture; in other words, that is money hung up on the wall.

Q Mr. President, on the public highways you have 140 million dollars. It is my recollection that Secretary Wallace just allocated 232 million dollars?

THE PRESIDENT: Well, he had to under the law. But we also sent a letter to all the Governors saying, "For God's sake, don't spend this money until you get it."

Q Is it necessary for Congress to do something?

THE PRESIDENT: They have to appropriate it before the Governors get it. Now the Governors have been put on notice that I am opposed to giving them the full amount.

Q In one of your conferences you said this was more or less a moral obligation?

THE PRESIDENT: That is the difficulty of it but, by giving them notice at least six months before they can possibly let the contracts and telling them that we may not be able to carry it out in the public interest, that we may be able to give you only a portion of it, so don't

make your contracts until you see what Congress does -- in other words, it is a moral obligation but it is not a great violation of it if you give two-thirds this year and another third next year.

Q Is grants under the Wagner-Steagall Act included under this item of grants?

THE PRESIDENT: No. You mean the new Housing Bill? You see, that is only really an administrative expense. The bill has not gone through yet. If and when it does go through the administrative expenses will be taken care of through the supplementary item, which is the last item on the budget.

Q That is the slum clearance bill last June?

THE PRESIDENT: The Wagner Housing Act; that is in there.

Q This item in Public Works includes some emergency money as well as regular appropriations?

THE PRESIDENT: Yes, that is right. This table is made -- it would be darn difficult for you to check on it, it comes from all kinds of funds and it is just to enable you to lump off a dozen different appropriations under the same heading.

Q This is the master table?

THE PRESIDENT: Yes, this is really the master table.

Q On the table on page XIX, there is some difference in the figures?

THE PRESIDENT: That is right.

MR. BELL: That is right; the table on page X includes the emergency money and the table on page XIX is only regular money.

Q What about the table on page XXI, where the total shown is larger than the total on page X? Take the Department of Agriculture, for example.

MR. BELL: That is because of a shift between these tables. This is to some extent a functional table, so you have to shift the funds. You cannot check this table with any table. We have tried to put this up to show what the departments require without any regard as to where the funds come from.

Q Is there any showing of the aggregate of emergency funds anywhere? You have a total of 6,800,000,000 approximately. What sum in that figure is represented by the emergency fund?

MR. BELL: There are two figures shown on page XIX, \$1,138,000,000 for the estimated fiscal year 1939, and \$1,979,000,000 for the estimated fiscal year 1938. It is called "Recovery and Relief."

THE PRESIDENT: So within that total that you have read of \$6,869,000,000, this figure of \$1,138,000,000 is listed under Recovery and Relief.

Q Then about 138 million dollars is going to be allocated for various other funds --

MR. BELL: No, it will be the liquidation of obligations carried over from 1938 into 1939. We incurred the obligation in 1938 but it is not paid for until 1939.

Q There is another figure in this table on page XXII, in the third paragraph, under Public Works, you have set up the Works Progress Administration for 100 million dollars and the Emergency Relief Program for 900 million dollars?

THE PRESIDENT: That is the liquidation of projects already undertaken. We estimate that 100 million dollars will be carried over from 1939 to 1940 for liquidating purposes.

Q The Emergency Relief is also the Works Progress Administration?

THE PRESIDENT: Yes. You come down to the same thing on this table on page X.

Unemployment relief, direct relief, is carried on our books at 350 for 1933, 715 for 1934, 1,914 for 1935, 591 for 1936, 184 for 1937, 126 for 1938, and then, this coming year, it is cut down to 35, which is a liquidating thing. Just to simplify the whole procedure, we are putting it under Work Relief just as fast as we possibly can. As a matter of fact, for the last two or three years, we have been working towards that and that relief figure is \$1,000,100,000.

Q Actually, your unemployment relief figure is larger than your total figures.

MR. BELL: You have the Civilian Conservation Corps in there.

THE PRESIDENT: The CCC is 230, estimated for 1939, as against 310 this year and 385 last year.

Q Does this indicate that you will not ask for a deficiency appropriation for this fiscal year?

THE PRESIDENT: It does not indicate one thing. I told you all I had in the beginning. In other words, wait a minute until I read it once more: "The economic situation may not improve and I may ask for more money."

Q You have put in a billion dollars there where you normally don't put anything?

THE PRESIDENT: I think the last two years, both years, I left it out until March. This year it is in.

Q May I ask why you departed from your usual custom in asking relief?

THE PRESIDENT: It is a guess, anyway. I decided we might as well stick it in and make the figures as complete as possible.

(Mr. Early spoke to the President, explaining that this conference was overlapping the regular press conference.)

THE PRESIDENT: The next items we have are net loans and then we have subscriptions to stock.

On the Agricultural Adjustment program it was 290 in 1934, 743 in 1935, 541 in 1936, 515 in 1937, 442 this year, and it is estimated at 586 for next year. It is all practically authorizations for cotton payments. In other words, the increase the following year from this year is the cotton-payment provision.

Q What is the authorized total for the regular Agricultural Adjustment program?

THE PRESIDENT: Four hundred and forty million dollars.

Q That does not presuppose any increase in the cost of the Farm Bill?

THE PRESIDENT: No.

And then the Social Security is going up from 28 million dollars in 1936 to 813 million dollars estimated for 1939.

Q Mr. President, an increase in payments for unemployment relief would not affect the amount of the budget because it would simply change it from --

MR. BELL: You are talking about unemployment trust fund?

Q Yes.

MR. BELL: That is right; does not affect the budget.

Q There has been some suggestion that part of the Work Relief would be shifted over to the Social Security. I noticed an increase from 600 million dollars to 800 million dollars. I wondered if that is to take care of some types of relief.

THE PRESIDENT: They are unemployed people and people who have reached 65 years of age. In other words, amounts paid out in the form of Social Security, unemployment insurance or old-age pensions are, in one sense, relief, only it is done on an insurance basis instead of an actual appropriation for need basis.

Q I am sorry to raise it again, but this difference between the Works Progress Administration and Emergency Relief Program, does that mean that WPA is to be washed up and something substituted for it?

MR. BELL: No. The appropriation is not made to the Works Progress Administration. It is made to the President and he allocates it to the Works Progress Administration and other agencies. We merely stick in "Emergency Relief Program" so that the appropriation will be made to the President and he would allocate it.

Q And the 100 million dollars has been allocated to the WPA but has not been spent?

MR. BELL: Yes.

Q In other words, it would be an appropriation of 100 million dollars for WPA and a new appropriation of 900 million

dollars?

MR. BELL: A billion dollars' appropriation of which 900 million dollars will be spent in 1939 and 100 million dollars carried over to 1940.

Q The FERA is left blank. Is it assumed there will be no more?

MR. BELL: That is assuming it will be completely liquidated.

Q On this same page XXII, the Farm Security Administration is cut from 149 million dollars to 6 million dollars. Is there any explanation of that?

MR. BELL: That is the same thing as WPA; it is emergency money.

THE PRESIDENT: That is the old Resettlement Administration.

Q Why cut it down from 149 million to 6 million? There is the Farm Tenancy Program and I wondered whether that means the Farm Tenancy Program is being cut?

MR. BELL: Those items represent only the need end of it. That represents what the home owners will get. This does not represent the purchase of land.

THE PRESIDENT: That represents the people out in the Dakotas who, in the Wintertime, are getting some relief.

Q That does not apply to Farm Tenancy?

MR. BELL: Not all of it.

Q Didn't the last figures include the Farm Tenancy, the 149 million dollars?

MR. BELL: No; that is the amount that took care of relief and rehabilitation.

THE PRESIDENT: That took care of Greenbelt and so on.

Q Where is the Budget item for Farm Tenancy?

MR. BELL: That is in Agriculture. That is mostly land. There is part of Farm Tenancy and rehabilitation in here and the Act requires the President to allocate emergency funds so we will have to allocate part of the 900 million dollars down to Farm Security Administration.

Q How much will it be?

MR. BELL: It depends on how much the President allocates.

Q Has he budgeted for any allocation in the next year?

MR. BELL: That will have to come out of the 900 million dollars.

Q Then Farm Tenancy is Farm Relief?

MR. BELL: Part only; the rest is in Agriculture.

Q On that veto recommendation, in case they find out they can do this by legislation, do you hope to have an opportunity to work on it this year?

THE PRESIDENT: I haven't any idea; I haven't thought of that.

On the Railroad Retirement, you see it was greater this year than it will be next year. It was 139 million this year and will be 119 next year.

That is because it was tied up in the Courts.

On supplemental items, that is the "kitty." (Laughter)

Q Mr. President, if you could go back a moment to the 10 per cent saving you were supposed to make, do the estimates tell how that 397 million dollars still in reserves compares with the expenditures and appropriations on page 836 where only a 200-million dollar reduction in the appropriation is indicated?

MR. BELL: You mean appropriations of 1938 compared with 1939?

Q No, expenditures and appropriations in 1938.

MR. BELL: Of course there is no direct relationship between expenditures and appropriations because you have large construction items which were appropriated for five years ago and which will be expended in 1938. They always extend over for several years.

THE PRESIDENT: Why don't we do this, unless there are no more questions. We can go out and have the regular press conference and then if there are detail questions about this, Dan could come in afterwards and answer them.

Q Mr. President, does this Budget Message or the Budget itself anywhere show the amount of money that has been appropriated by the Congress and is still in some of these Government departments unspent or still in the Treasury unspent?

THE PRESIDENT: I don't think so.

Q Do you have any idea of how much that would total?

MR. BELL: I would hate to guess.

THE PRESIDENT: I don't know. We know there has been authorized about a billion and a half dollars for which there is no appropriation but as to the amounts actually in the departments that have not been spent and that could be spent without re-appropriation, I don't know.

MR. BELL: Whatever table is made up on that would have to be interpreted anyway because you have such agencies as the RFC with tremendous appropriations that will never be used, and that would be very misleading.

(The Press Conference adjourned at 4.10 P.M.)

CONFIDENTIAL

Press Conference #422

Executive Offices of the White House

January 4, 1938, 4.20 PM

THE PRESIDENT: Well, having talked to the bankers (referring to Budget Press Conference) for the last hour, I am glad to welcome the medical profession. I don't think there is any particular news.

Q Mr. President, in Detroit today the Hudson Motor Car Company announced a new small automobile to compete with Chevrolet and Ford. They announced also that they would put six thousand men to work in a few weeks in addition to the six thousand men already at work, that they were going to spend eleven million dollars, and that their payroll would be increased by over a million dollars more than it is. The news is rather good for this season, and I was wondering if you would care to comment.

THE PRESIDENT: Excellent, excellent, perfectly fine. I wish we had more of them. Which reminds me -- I might say, soliloquizing -- I will tell you a story. Last August, the last week of August, I was in a little village and I happened to know the fellow who runs the garage and who is also the agent for one of the larger automobile

companies. We used to play on the same ball team together. I said, "Bill, how are you getting on?" He said, "I am getting on too damn' well." I said, "What do you mean?" He said, "It is this way: You know, people in this vicinity to whom we cater own a total of about one hundred automobiles, pleasure cars, which they use. Well, these people are not rich and they do not get a new car every year. They get their cars every three years or four years or five years or six years. I figure the average turnover is about one car, one new car every three years, perhaps a little bit more. I figure they ought to buy about thirty new cars every' year." Then he said, "This year, in this community, they have bought sixty-two new cars. Well, I have sold a lot of them myself. I have sold over half of them myself. I had no right to and they had no business buying sixty-two new cars. That means that next year I am going to have an awful year. Sixty-two families out of a hundred have new cars and I don't think next year I will sell more than ten or fifteen cars. That is why I say I am doing much too well."

I said, "How do you account for it?" -- I just use this by way of expression of one of the evils I mentioned yesterday (message to Congress) -- and he said, "There are

two reasons: The first is that all of us fellows who sell cars, they have been pushing us to sell more cars and we have been told to hand out a line of talk."

I said, "What kind of a line of talk?" He said, "We have been handing out a line of talk that next year the cost of an automobile will go up a hundred dollars, that you had better buy now, that next year it will cost a hundred dollars more. You have no idea how that word has been spread out in this country -- 'buy now or you will have to pay more next year.' A lot of people bought on that that would not have bought otherwise. Another reason is that they did something I thought was awfully foolish. We have been selling cars on an 18-months' paying basis and they told us that we should adopt this new policy of selling on a 24-months' paying basis. Well, what does that mean? I used to go and say, 'Buy a new car and pay for it at forty dollars a month.' I can now go to them and say, 'You can get a new car for thirty dollars a month and pay for it in twenty-four months instead of eighteen months.' They say, 'That is pretty good; I guess I will buy.'" In other words, they have been budgeting cars too fast.

That is one illustration. Another one is that a

very large steel manufacturer -- I said to him the other day, "How come that you suddenly dropped from 90% to around 28%?" "Oh," he said, "a lot of factors entered into it. One was automobile steel. Then there was another curious thing that happened: The railroads in the country last Spring, they suddenly came to us and gave us orders for all the steel rails that they needed for a full year and they said, 'We want them now,' so all through the Summer we were turning out steel rails and working seven days a week, to fill these orders and they got all their steel rails in the course of the Summer months, and now they do not need, they do not want any more for another nine months."

I said, "What do you think of it?" He said, "I call it highly unintelligent."

That is another illustration.

Q Is that another parable?

THE PRESIDENT: No, it is a straight story -- actual illustrations.

Q Stories about sixty-two families?

THE PRESIDENT: Oh, no; it has nothing to do with individual people. It is just an unintelligent way of handling business and it is admitted by the people today who were responsible for it.

Now, we want to help them so they won't do that sort of thing in the future. If there is any way in which the Government can help, we will help.

Q Why did the railroads want the rails right away?

THE PRESIDENT: Because they thought the price of rails might go up. I think that was the chief thing.

Q Would you say it is a good business idea for a firm at this time to expand as this firm is doing?

THE PRESIDENT: I don't think I can go into that because this, after all, is a selling campaign. If we can put men to work building cheap cars for the people of this country, that is pretty good, with emphasis on the word "cheap".

Q How can the Government do anything to prevent this type of unintelligent business operation? Can you give us any idea of how you would go about it, what can be done?

THE PRESIDENT: Oh, yes; I think so. Let us take an example: Don't write the story that I am advocating the immediate reenactment of NRA. But the fact remains that under NRA in quite a number of the code industries it was perfectly legal for the heads of all the companies in a given industry to sit down around a table with the Government and figure out, from their own statistics, the statistics of their own trade associations, and the statistics given

them by the Government, much more clearly than they ever had before as an industry what the probable demand of the country would be for a period of six months or a year ahead. In other words, they could make a more intelligent group estimate as to the purchasing power of the country and the inventories of the particular article for the immediate future.

Now, done that way, it is a perfectly legitimate thing for them to do, sitting there with the Government and trying honestly to work out and find out what the needs are going to be for the next six months or a year so that they won't over-produce, just so long as it is done without any reservation about price fixing or driving competitors out of business or things like that as a result of the conference.

There is a question today, under the anti-trust laws, as to whether a meeting of that kind, around a table, is legal. A lot of them are afraid of it. I would very much favor making it a completely legal thing to do, for them to meet around a table to find out what the demands are, what the purchasing power is, what the inventories are, with the help of the Government.

Q How would the estimated annual production be allocated among the units of the industry?

THE PRESIDENT: Don't do that -- keep competition.

Q Would you then propose, in your recommendations to the Congress on business legislation, that this law be clarified?

THE PRESIDENT: I don't know; I haven't got as far as that.

Q Have you any idea of when you will send that message up?

THE PRESIDENT: Still as a guess, I would say not for two or three weeks. I haven't got around to it yet.

Q Have you had an opportunity to judge the reaction of the Nation and business to your message of yesterday?

THE PRESIDENT: I haven't even read the morning papers.

Q Do you approve of negotiation for a consent decree while a grand jury is in session, as in the Judge Geiger case?

THE PRESIDENT: Well, I don't know; I hate to criticize the courts. (Laughter)

Q Mr. President, the Chesapeake & Ohio has refused to go on the Erie's notes despite the RFC's entire willingness to advance money. Can you comment on that?

THE PRESIDENT: Except that I very heartily approve of Jesse Jones' comment. You got that? I have got it here somewhere. Anyway, his comment was good. Read it.

Q In your message yesterday, you mentioned the need for responsibility on the part of labor organizations which should grow commensurately with their own power. I wonder

if you think there is a need for further responsibility on the part of labor unions at the present time?

THE PRESIDENT: Yes -- I think it is growing too. For example, there has been among labor unions a distinct gain in making public their accounts, their accounts of receipts and disbursements. Isn't it the Garment Workers Union in New York that makes public their receipts and disbursements?

Q Yes, sir.

THE PRESIDENT: That is a growing tendency and it is a good thing.

Q I think his question referred to the need and your answer implied --

THE PRESIDENT: Oh, no; I meant there was a growing assumption of responsibility.

Q You said it was a good thing that this trend is now evident. Could you explain that a little further?

THE PRESIDENT: I don't know. The trouble is that you come down to specific things. I suppose the easiest way of putting it is this: That in England, on the part of labor unions, there is a great deal more responsibility than there is here. They went through the growing pains that we are going through now, they went through them ten or fifteen years ago, and we are trending in the same

direction they have been going.

Q There is an interpretation of that in the message yesterday which, with an idea that has been growing among some members on the Hill -- an idea of having labor unions made responsible by legislation, responsible for their contracts, mutually responsible with employers.

THE PRESIDENT: It is awfully difficult to answer that specifically. All we can point out is a series of cases where we have got to devise ways and means for their not going on in the same way. Just for example, there is a very difficult situation at the present time out in Portland, Oregon, where they have these lumber mills where they saw up the logs. A great many years ago -- a good many years ago they organized a union among the workers in those mills -- they are not out in the forests, they are in the mills -- which became an affiliate of the A. F. of L. and which was placed under the jurisdiction of Hutchison (?) of the Carpenters Union, and later on the CIO went into the same plants and organized. As I remember it, the Federal Government had an election there and the CIO organization won a majority, whereupon the minority refused to accept, pulled out the teamsters and tied up everything tighter than a drum. Later on the Governor of Oregon held

another election. He thought it would go the other way. It didn't. They still went CIO by a bigger majority. The entire works were still tied up.

That would seem to be a local situation, but it isn't. It extends back to the East Coast. The carpenters on the East Coast are told that they cannot build a house out of red wood that is shipped out of Portland, Oregon. That is a pretty impossible situation, to tie up building construction in the East because there is a jurisdictional fight.

That happened to be between the A. F. of L. and the CIO. You get the same thing in building trades. You want to put a garbage chute into a new apartment house or a dumbwaiter chute, and one particular union might start to go ahead with it when the elevator shaft men would say, "No, that is an elevator shaft", and then the whole building is tied up. That is the kind of thing I was referring to. We need definite improvement to end jurisdictional disputes.

Q Do you expect to get it done with Federal legislation?

THE PRESIDENT: I don't know.

Q Do you think it should be done with Federal legislation?

THE PRESIDENT: I think the first thing is to give them a chance to do it themselves, the same way we gave capital

a chance to cure some of their ills; do it, so far as possible, without legislation.

Q Does that imply that if capital does not do it that legislation may be had?

THE PRESIDENT: If neither side cures their ills, something will have to be done.

Q Referring to the responsibility of labor organizations, have you anything in mind as to existence of irresponsibility? (Laughter)

THE PRESIDENT: That is a beautiful question; after all, what I have been talking about is irresponsibility -- I called them jurisdictional disputes.

Q Are there any new appointments in sight?

THE PRESIDENT: Yes, on the horizon.

Q Western or Eastern horizon? (Laughter)

THE PRESIDENT: No -- Western horizon.

Q Has the Third Assistant Postmaster General come over the line yet?

THE PRESIDENT: Not yet; he is about half-way over the horizon.

Q Any Assistant Secretaries of Labor?

THE PRESIDENT: That has not appeared over the horizon yet.

MR. YOUNG: Thank you, Mr. President.