

CONFIDENTIAL

Press Conference #513,  
Executive Offices of the White House,  
January 3, 1939, 4.15 P.M.

THE PRESIDENT: How is Fred? Are you all recovered? Where is Earl?

Oh, there you are. Are you all recovered; are you all all right?

Q (Mr. Godwin) Yes.

Q (Mr. Storm) Everyone is O.K.

MR. DONALDSON: All in.

THE PRESIDENT: Well, a Happy New Year to everybody.

I am sorry to be late but it was on your account. I promised Steve (Mr. Early) that I would have the annual Message in his hands by four o'clock and I came within ten minutes of it. He has got it.

Q When will it be in our hands?

THE PRESIDENT: Tomorrow morning,

Q What time?

MR. EARLY: About ten o'clock.

Q How long does it run, 3500?

THE PRESIDENT: Around that; between 3,000 and 3500. I do not think anybody has counted it.

Q Will there be a separate Message on national defense later?

THE PRESIDENT: Yes.

Q How about railroads?

THE PRESIDENT: I do not know. The only one that is definite is an announcement in tomorrow's Message that there will be a National Defense Message. Then, tomorrow afternoon, I think about four o'clock, we can have our sit-down talk about the

is all right for everybody. That goes up Thursday, by noon.

Q How soon, sir, will the National Defense Message come, are you able to calculate?

THE PRESIDENT: I think Monday, Tuesday or Wednesday of next week.

Q Will you also deliver it in person?

THE PRESIDENT: What?

Q Will you also deliver it in person?

THE PRESIDENT: Oh, no.

Q There is a report on the Hill today that Felix Frankfurter will be named to the Supreme Court.

THE PRESIDENT: That is what -- number five in the last five days. To relieve your minds, I will tell you that there have been no decisions made in regard to any nominations that you have not already got. I have been signing today the nominations for people who have already been appointed and those that will go up on Thursday, by noon, to the Senate.

Q Recess appointments?

THE PRESIDENT: Yes.

Q There is a story in the morning papers that Donald Wakefield Smith's appointment would be withdrawn, that it would not be sent to the Senate?

THE PRESIDENT: That is another one.

Q They are still asking about twenty-one -- if I remember correctly -- Federal judicial appointments to be made?

THE PRESIDENT: Yes.

Q Will they be going up in one bunch?

THE PRESIDENT: I have not the faintest idea; I have made no appoint-

ments other than the ones already filled.

Q Will the Smith appointment go up there?

THE PRESIDENT: I do not know. I have been signing -- I suppose I have signed about half of them so far.

Q Would you care to discuss John Lewis' visit with you today?

THE PRESIDENT: No. We just had a pleasant talk about a lot of things. Just a New Year's talk.

Q We asked him if he had discussed the appointment of Donald Wakefield Smith with you and he said he had nothing to say about it. That was the end of that.

THE PRESIDENT: We just had a pleasant New Year's talk.

Q When you say that Donald Wakefield Smith's name -- (pause) you do not know whether it will go up?

THE PRESIDENT: I do not know. It has not arrived at my desk.

Q I was wondering whether there was any doubt about its going.

THE PRESIDENT: Oh, no.

Q It will go up, Mr. President?

THE PRESIDENT: I do not know.

Q Is that because it is not physically ready or do you --

THE PRESIDENT: (interposing) No, that is a physical thing because there are about half that have not got here.

Q You had a discussion today with Sumner Welles and Brien McMahon and neither would talk when they came out. Can you tell us anything?

THE PRESIDENT: No.

Q He said -- at least, Brien McMahon said that criminal prosecution is involved.

THE PRESIDENT: Then it is you; it is all right.

Q (Mr. Storm) I hope not; I am in trouble enough as it is. (Laughter)

Q Mr. President, Governor Allred, of Texas, was appointed in recess and did not take his position in recess. Would he have to be nominated?

THE PRESIDENT: Oh, yes; he would have to be nominated. That has not come to me yet, either.

Q Can you tell us what you discussed with Governor Kraschel today?

THE PRESIDENT: Oh, we talked about liberal democracy.

Q What about liberal democracy? (Laughter)

THE PRESIDENT: We are for it. (Laughter)

Q Is everybody for it?

THE PRESIDENT: Not all.

Q What is it?

THE PRESIDENT: Is it Mark Sullivan asking that? (Laughter)

Q Mark Sullivan knows what it is. (Laughter)

THE PRESIDENT: That is like the fellow that was asked about the Inquisition. He said, "I ought to know; I went through it."  
(Laughter)

MR. STORM: Thank you, Mr. President.

Q Mr. President, have you received a report on the hospital for southern Illinois?

THE PRESIDENT: No, not yet.

MR. YOUNG: Thank you, Mr. President.

CONFIDENTIAL

Press Conference #514 (Budget),  
Executive Offices of the White House,  
January 4, 1939, 4.15 P.M.

THE PRESIDENT: Steve (Mr. Early) suggests, because there are quite a number of new faces, we repeat that this is not a Press Conference in any sense of the word. It is merely an effort to be helpful in explaining the Budget Message and a lot of figures for your own help. That follows the custom of other years. Of course, the release of this is not until it is actually delivered to the Congress tomorrow at twelve o'clock.

Q May I ask a question? There is a certain type of stories which, I understand, have been criticized, coming from this Conference. Would you care to elaborate on that?

THE PRESIDENT: I do not think we want, for the benefit of interpreters or columnists, personal stories about wisecracks that are made or about my turning to the Director of the Budget, or the Director of the Budget not knowing the answer to the question. (Laughter) After all, that is between us and I think probably it is better that the columnists should not use that kind of stuff, if they do not mind.

MR. EARLY: It is just off the record.

THE PRESIDENT: Yes, off the record.

(Reading)

"THE BUDGET AND THE NATIONAL INCOME

"Taxation yields almost all of the income of the Government, leaving less than 5 percent to come from miscellaneous sources. Revenue from taxes depends mainly on two factors: The rate of taxation and the total of the national income.

This holds true not only of direct taxes on personal and corporate income but also of what are known as ad valorem taxes or other forms of indirect taxes, for the very good reason that the volume and value of goods produced or articles imported vary with the rise or fall of the Nation's total income.

"We can and do fix the rate of taxation definitely by law. We cannot by a simple legislative act raise the level of national income, but our experience in the last few years has amply demonstrated that through wise fiscal policies and other acts of government we can do much to stimulate it.

"Today the Nation's income is in the neighborhood of 60 billion dollars a year. A few years ago it was much lower. It is our belief that it ought to be much higher.

"In order that you may know the amount of revenue which the Government may expect under the existing tax structure as the national income rises, the following table is submitted. It shows the estimated revenues which may be derived when national income reaches certain levels between 70 billion and 90 billion dollars."

(The President did not read the table but it is here reproduced:)

"Estimated Federal receipts<sup>1</sup> by principal sources, at certain assumed levels of national income based on December 1938 tax rates

(In billions of dollars)

| National income                    | 70  | 80  | 90   |
|------------------------------------|-----|-----|------|
| Income taxes . . . . .             | 2.5 | 3.9 | 5.7  |
| Miscellaneous internal revenue . . | 2.2 | 2.6 | 3.1  |
| Customs . . . . .                  | .4  | .5  | .7   |
| Miscellaneous receipts . . . . .   | .2  | .2  | .2   |
| Pay-roll taxes . . . . .           | .7  | .8  | .9   |
| Total . . . . .                    | 6.0 | 8.0 | 10.6 |

<sup>1</sup>Tax liabilities excluding trust accounts. Pay-roll taxes at calendar year 1938 rates."

(Reading)

"The table is not intended to indicate the national income for any particular year and, of necessity, the estimates are rough and may vary somewhat either way. Since taxes are paid from one month to fifteen months after income is realized, the achievement of a 90 billion dollar national income in one year will not, for instance, mean tax collections of 10 billion dollars in that same year. This table is an indicator and not a gauge.

"During the past nine fiscal years--a period which has seen the national income drop from a high of 81 billion dollars in the calendar year 1929 to around 40 billion dollars in 1932 and rise again to about 70 billion dollars in 1937--Federal revenues, even though on a higher tax base, have never completely covered expenditures.

"We require continual study of the revenues necessary to carry on the normal functions of the Federal Government and of the role which Federal policy should play in the stabilization of the national economy.

"This study includes a consideration of: (a) The practicability of reclassifying expenditures on a functional basis and the most appropriate methods of financing the different classifications; (b) the problem of human security including relief and its costs; and (c) the correlation between national income on the one hand and Government receipts and expenditures on the other.

"An analysis of receipts and expenditures by major classes over a ten-year period, as set forth in the following table, indicates the nature of the problems to be studied."

Now, this is a new breakdown of all kinds of old figures that they have had in the past. It is an effort to classify, in a somewhat new way which would be much more readily understood by the average man on the street, I think, than the old way.

The receipts are put down as they always have been, practically, but they have been reduced to a smaller number of categories than we had before.

Then, the expenditures have been classified into two kinds, large groups, ordinary expenditures and extraordinary expenditures, which is a rule-of-thumb method of doing it. We could speak for ourselves and you could write sententious editorials about one item going in one group when it should go in another, but it is an effort to simplify public thought on what types of expenditures they go under.

These first expenditures, in the first group, refer to legislative, judicial and civil establishments, and that includes, at the bottom, independent offices and commissions and supplemental items. You will note that they run, out of the total budget, in that first group of expenditures, to somewhere around, in the last few years, an average of \$700,000,000. to \$800,000,000.; in other words, definitely less than \$1,000,000,000. That is what I was referring to this morning in the speech when I said that, obviously, savings on the State Department and the Department of Justice and the Interstate Commerce Commission, et cetera, anybody can, by cutting off certain functions, save, say, a percentage, but the percentage would necessarily be small unless you stopped the activities and it would be a percentage of a comparatively small sum, in other words, less than \$1,000,000,000.

National defense is an item which, of course, I referred to this morning as a very large item which the Congress can cut if it wishes to and make great savings in. This year it is estimated that we will spend \$1,017,000,000. and next year, \$1,126,000,000. That increase is made up almost entirely by the progress of work on the new battleships.

On the veterans' pensions and benefits, it is \$540,000,000. this year and next year, \$539,000,000.; in other words, the same figure. It is a very large item of over half a billion, as to which great savings can be made by the Congress, if it so wishes.

The next item is interest on the public debt and then the next is refunds of receipts, the Agricultural Adjustment Program, the latter practically the same but not quite as much this year as in the year just passed; it will be \$694,000,000. next year. There again, great savings are possible.

On social security, \$833,000,000. this year and \$928,000,000. next year. That is another large item which can be cut by eliminating part or whole of the social security system.

On railroad retirement, that is automatically, under the present law, \$112,000,000. and it goes up to \$127,000,000. Of course that may be cut.

Supplemental items have gone down from \$130,000,000. to \$50,000,000.

Well, that gives you a total for the legislative, judicial and civil establishments of \$865,000,000. plus these very large items for national defense, etc., down in that group, and that gives you a total increase in next year's budget over this year's from \$5,251,000,000. to \$5,537,000,000.

Then there is the new item on the next line which you have all been trying to find out about and which everybody gets wrong -- the new national defense program, which calls for \$210,000,000. in next year's budget.

Q What do you mean by this year?

THE PRESIDENT: 1940's budget. In other words, what we want very much is to get the appropriation for national defense through at this time, \$210,000,000. this year, well enough before the first of July so that we can get the actual national defense work under contract as quickly as possible after the first day of July. We want to get the thing going and it is estimated we can spend \$210,000,000. during the following year from July 1, 1939 to 1940. The breakdown of that \$210,000,000. you won't get until next Monday, Tuesday or Wednesday, when I send the National Defense Message up. Do not guess because I do not know what it is.

Q That increase, you consider that a part of the work that was already authorized on battleships?

THE PRESIDENT: Yes.

Then you come down to the next item under extraordinary expenditures, a group of them listed under "Public works." All of these are, of course, susceptible of being cut down. We have already estimated a cut on the highways expenditure from \$232,000,000. to \$213,000,000.; the T.V.A. from \$43,000,000. to \$40,000,000.; the reclamation from \$93,000,000. to \$68,000,000.; rivers and harbors, improvement, from \$83,000,000. to \$60,000,000.; flood control practically the same, it goes up from \$98,000,000. to \$101,000,000.; public buildings \$60,000,000. to \$62,000,000.; grants to public bodies, including administration, that drops from \$392,000,000. to \$366,000,000. What is that, Dan (Mr. Bell)?

MR. BELL: That is P.W.A., largely.

Q That does not include social security?

THE PRESIDENT: No, social security is in the top group.

Q The other is P.W.A.?

THE PRESIDENT: Yes. The total of that group (public works) drops from \$1,229,000,000. to \$1,044,000,000.

Then unemployment relief, still under the extraordinary expenditures, drops from \$97,000,000. to \$42,000,000. in the direct relief category; work relief, which is W.P.A., etc., drops from \$1,604,000,000. down to \$7,000,000. Of course that is picked up later, that is the last item. On the Civilian Conservation Corps, that is practically the same, it drops from \$290,000,000. to \$285,000,000. The supplemental items rise from \$750,000,000. to \$1,685,000,000., which, roughly, is the offset against that second item.

Q Would you care to break that down, W.P.A., N.Y.A. and C.C.C.?

THE PRESIDENT: \$1,500,000,000. for W.P.A.; \$125,000,000. for N.Y.A., and \$60,000,000. for Farm Security. That is over on another table; I could not tell you the number of the page.

Q Will that indicate a shift from W.P.A. to some other form of relief?

THE PRESIDENT: No.

Q Why was the change made? We got this all under W.P.A. before?

THE PRESIDENT: Yes, they still are.

Q That is, the supplemental items will be W.P.A.?

THE PRESIDENT: But Farm Security was not.

Q This supplemental item would include the W.P.A.?

THE PRESIDENT: Oh, yes.

Q It does not imply the liquidation of W.P.A.?

THE PRESIDENT: No.

Q Is that for a limited length of time or twelve months?

MR. BELL: We hope it will last the twelve months.

Q You suggest no limitation on it?

THE PRESIDENT: It is the Annual Budget. You do not suggest any limitation on a regular budget. It is the fiscal year.

Q Can you break down that \$750,000,000. supplemental item under 1939?

THE PRESIDENT: That is all W.P.A.

Q That will be for the remaining five months of the year?

MR. BELL: That is right. Farm Security and N.Y.A. got their money for the full year.

THE PRESIDENT: Then you come to a technical thing, loans, subscriptions to stock, et cetera, which goes from \$271,000,000. to \$120,000,000., and that has a supplemental item too. Dan (Mr. Bell), I think you are trying to conceal something. What is it?

MR. BELL: That is Commodity Credit.

THE PRESIDENT: So the total of the extraordinary expenditures drops from \$4,241,000,000. down to \$3,458,000,000.

So that, on your total expenditures, exclusive of debt retirement, you drop from a budget -- that is the important item -- you drop from \$9,492,000,000. to \$8,995,000,000. for the current fiscal year.

That leaves a net deficit of \$3,326,000,000. as against a deficit in the current year of \$3,972,000,000.

The increase in the gross public debt this year is \$3,967,000,000. and for the following year it will be \$3,326,000,000.

Dan, why is there a discrepancy between \$3,972,000,000. and \$3,967,000,000.?

MR. BELL: That is adjustment of some items in the general fund, such

as the retirement of National Bank notes.

THE PRESIDENT: That leaves a gross public debt at the end of each fiscal year of \$44,458,000,000. for next year as against \$41,132,000,000. this year.

Now, that table is a new breakdown on a simplified basis.

The real table is on page --

Q (interposing) Mr. President, could I go back to your gross public debt?

THE PRESIDENT: Yes, if you will wait one-half a second. The General Budget Summary you will find on page XXI, and that is the way it has been stated before, year after year, or you can use either one.

Q How recent is this estimate of 1939 deficit? When were those figures -- is that late?

THE PRESIDENT: Within two weeks.

MR. BELL: That is the one here (indicating). Yes, within the last ten days.

Q Mr. President, getting back to the W.P.A. or P.W.A., two items there, "Grants to public bodies, including administration" and "Other," those two items should be combined? Does that "Other" mean Federal allocations by the P.W.A.?

MR. BELL: Yes, to the various items. P.W.A. allocations to the departments and agencies of the Government.

Q The two items are P.W.A., Federal and non-Federal?

THE PRESIDENT: Yes.

Q In which item do the grants under Social Security, old age, et cetera, appear?

MR. BELL: Social Security is up under the second block.

Q This \$750,000,000. for 1939, that means that some time in the near future you will ask Congress for a supplemental appropriation of \$750,000,000.?

THE PRESIDENT: It is really more than that. This is the cash expenditure during the balance of this fiscal year.

Q So that it will be more than that?

THE PRESIDENT: Yes. We will ask for an additional amount between -- that is necessary for obligations before the first of July, and this represents only expenditures up to the first of July. I cannot give you the actual amount but it is a little more than this.

Q \$850,000,000.?

THE PRESIDENT: I cannot give you the figure because you have to wait until we send it into Congress.

Q Any part of the new National Defense Program coming out of the W.P.A. or N.Y.A. listed under the \$210,000,000.?

THE PRESIDENT: No, do not mix them up.

Q You list this \$210,000,000. for national defense as part of a \$500,000,000. program, the balance to be, in a sense an authorization?

THE PRESIDENT: Not necessarily. In other words, that is a thing, of course, for Congress to determine entirely. We have been in the habit, the Army and Navy, of building them up two different ways. Well, take one illustration: There is the Vinson Bill which has set a naval building program for I do not know how many years ahead. Now, that is an authorization and Congress is very apt to do it that way because it makes it easier for a succeeding Congress

to follow along on the program -- not that they always do. The other method is merely to authorize and appropriate both for the amount of money that can be spent in a year, provided that they are items which can be completed in a year.

Now, on this particular \$210,000,000., it is part of a program which would take another two hundred and some odd million dollars to complete in another year or a third year, but we estimate that these expenditures -- well, I will give you a simple illustration: Airplanes: We hope that all the money we spend for airplanes out of this \$210,000,000., the planes will be delivered, actually delivered and paid for by the thirtieth of June, 1940. Now, that does not mean that we have to, at this session of the Congress, authorize 50,000 planes or 20,000 planes. They can perfectly well, if they want, it is in their discretion, appropriate this \$210,000,000. Perhaps on some of the items they will have to authorize the money on contracts for items that cannot be finished in the course of the following fiscal year.

I see no reason at this time -- this is off the record, merely for your information -- I see no reason why, since things are moving awfully fast in the world, we should lay down an enormous five-year or ten-year program for national defense. I think we ought to do as much as we feel we ought to do in the immediate future and then wait until next year and see what we have to do then. We are always hopeful that something will come out of the foreign situation that will allow us to cut down and stop going ahead with this vast program. So, all of this talk about a huge five and ten-year program is a lot of bunk.

Q I notice that you listed appropriations rather than expenditures of \$500,000,000. Would you like for that to be appropriated by this Congress, or just \$210,000,000.?

THE PRESIDENT: That is what we asked for. We asked for appropriations but only \$210,000,000. would be spent this year.

Q In order to give us a clearer picture of just how much new equipment would be involved in this new national defense, could you or Mr. Bell give us an approximate breakdown of the \$1,126,000,000. as to what proportion of that is for maintenance and salaries and present equipment and what proportion is for increase in expansion and new equipment?

THE PRESIDENT: I think those are all for things which carry along with the current program. There are a few items in there that are new in one sense but in accordance with previous authorizations for general objectives. For example, there are some Navy ships going into commission next year and therefore we are asking for an increase in the Navy personnel of what? -- 4,000 men?

MR. BELL: Something like that.

THE PRESIDENT: Something like that to man the new ships. Now that is under the regular \$1,126,000,000. item.

Q Does the Army go up in proportion?

THE PRESIDENT: I think not.

MR. BELL: 165,000 men.

Q That is the force under the program to be submitted later. That is what you will give the details on next week?

THE PRESIDENT: Yes.

Q Do I say that only \$210,000,000. will be spent?

THE PRESIDENT: Yes.

Q That is out of the \$500,000,000.?

THE PRESIDENT: Yes, because some things you cannot pay for in one year. You do not get them delivered and you do not make the payments until you get them delivered.

Q Is that on warships?

THE PRESIDENT: All kinds of things.

Q The figure on page VII for the current year is \$1,000,000,000.

(\$1,604,000,000.?) on W.P.A. Is that the item we concluded will be going down to Congress next week?

THE PRESIDENT: No, the \$150,000,000. includes that.

MR. BELL: No, the \$750,000,000. right below it represents the W.P.A. supplemental program.

THE PRESIDENT: That is in this fiscal year.

Q That is the deficiency appropriation that is to be asked for?

THE PRESIDENT: Yes.

Q In the column right adjoining that you have the W.P.A. for 1940 as a supplemental item also instead of regular. Does that mean a special Message will be sent up pertaining to that appropriation?

THE PRESIDENT: Yes.

Q 64,000 men will be added during the fiscal year on the Navy?

THE PRESIDENT: Yes, but you had better get that from the --

Q Isn't that contained in there?

THE PRESIDENT: It is in the book. I cannot tell you the page. The number of men -- this is the Navy at the end of 1938, that is last June, was 105,000; at the end of this year it will be 110,000 and we are asking at the end of 1940, for 116,000. That is 6,000

more. That is because of the new ships going into commission.

Q A99 (referring to the page number of the Budget Report) is the Navy.

That is 116,000 from 110,000?

THE PRESIDENT: Yes.

Q It is not clear to me, this distinction between \$7,000,000. for work relief (1940) and then \$1,685,000,000. (for supplemental items)?

THE PRESIDENT: It is just stuck under a different heading.

Q That is what I did not understand, why there are two different headings. What is the difference?

THE PRESIDENT: (interposing) The \$7,000,000. is a leftover from this fiscal year.

MR. BELL: It just came out that way.

THE PRESIDENT: I take it it is a reappropriation of money.

MR. BELL: It is a liquidation in 1940 of obligations incurred in 1939. These statements are on a cash basis and this is the cash going out of the Treasury.

Q What is included under direct relief?

MR. BELL: That represents the old Federal Emergency Relief Administration. That is the liquidation of the Farm Security direct relief in the farm areas.

THE PRESIDENT: Food and clothing.

MR. BELL: That is right.

Q That is on page A100 --

THE PRESIDENT: (interposing) Wait, you are going awfully fast.

Q Under the Navy appropriation you have got the Bureau of Aeronautics, which I assume is the Air Corps, increase from \$48,000,000. for

1939 to \$74,000,000. in 1940, an increase of about \$25,000,000.

Now, that is not going to be the sole increase?

THE PRESIDENT: No, this covers the existing program.

Q And there may be a supplemental program and that also holds good for the decrease which is noted for the Army and the Air Corps?

MR. BELL: That is right. The Army program in this Budget applies to the Army program that was outlined.

Q "Grants to public bodies, including administration," and also "Other."

Does that mean that next year more cities can come down and get more money?

THE PRESIDENT: No; there is no further P.W.A. program listed in this budget.

MR. BELL: It is the liquidation of the old.

THE PRESIDENT: It is the liquidation of the old.

Q Those are payments on account of allocations made this year?

THE PRESIDENT: For example, as you know, probably the bulk of the P.W.A. allocations that have been made between last June and last week, they have to start, under the law, on the first of January and any that have not started on the first of January are out, but the very great majority are actually started today and the estimate of P.W.A., the rough estimate, is that there will be only \$15,000,000. worth of projects which have not been started as of today. Now, all the rest of it, the great bulk, is in the stage today of -- what will I say? -- digging foundations, clearing the ground, the very preliminary work of construction. The actual peak of construction on P.W.A. probably won't be reached, they say, until April, maybe not until May. Now, that means that after

they reach the peak, that same peak will probably be continued well into the end of the year. A great many of the projects, the simpler projects, like, for instance, my new high school in Hyde Park, will probably be under roof by next fall and the greater part of that money for that high school will have been paid out by the Treasury Department from a peak in April or May through until November or December. But there are a good many other projects which, under the law, do not have to be finished -- none of them have to be finished until the first of January, 1941. I think all projects have to be finished by then. The result is that you will have very large expenditures, the bulk of these expenditures on these P.W.A. projects, during the coming fiscal year ending June 30, 1940 and, in the budget a year from now, there will be that item still in there, a small one, for the completion of them between that first of July and the following first of January.

Q But no further P.W.A. program contemplated?

THE PRESIDENT: No.

Q This is a reappropriation of 1940 and there will be a reappropriation in 1941?

THE PRESIDENT: It is not even that. This is on a cash basis. There does not have to be a reappropriation. This is a cash basis. We are only spending so much this year and so much the following year and there will be a hangover the next fiscal year.

Q Are P.W.A. grants included?

MR. BELL: No, there is a loan figure. It is hard to put them together.

Q If you please, there is a slight conflict between your national de-

fense figure on this page VII table and the one in the General Budget Summary. It is only of \$6,000,000.

MR. BELL: I do not think you can compare the large summary with this table because we are trying to put all the public financing on this first, for the purpose of classification.

THE PRESIDENT: Then, we have an analysis on page VIII of these two groups. (Reading)

#### "ORDINARY EXPENDITURES

"The expenditure side of a budget may be divided into two major classes, namely--ordinary, which includes the operating expenditures for the normal and continuing functions of government, and extraordinary, which includes those expenditures required to meet the non-operating or the unusual costs of government.

"General public works of an annual recurring nature may fall in either class, but in view of their flexibility they have been classed as extraordinary for the purpose of this statement.

"The foregoing table shows that the excess of expenditures over revenues in the ordinary classification is attributable to various causes: New functions undertaken; more carrying charges on the national debt, though at lower interest rates; and the inauguration of the social security and agricultural programs. Under all of these classifications, new expenditures have been added without corresponding increases in taxes.

"Fixed costs have also increased because of numerous new appropriations for grants and subsidies.

"Another type of expenditure has been forced upon us in increasing volume by the real necessity for expanding our national defense. We are all aware of the grave and unsettling developments in the field of international relations during the past few years. Because of the conditions of modern warfare, we must now perform in advance tasks that formerly could be postponed until war had become imminent. A large part of additional national defense expenditures should, I think, be put in a special category on a temporary basis.

"The operating expenses of the Government have also increased because of reductions in the hours of work of certain classes of Federal employees, and because of expansion of the normal functions of the Government with the growth of the country."

Q Mr. President, can you specify those classes of Federal employees?

THE PRESIDENT: One of them, for instance, is the Post Office people, forty hours a week; the Bureau of Engraving and Printing offices.

(Reading)

"Among the new governmental functions which have added to the costs of the ordinary budget, the farm program is outstanding. Soil conservation expenditures and other outlays for the crop adjustment program which are of a continuing nature and produce no direct return to the Federal Government have been only partially covered by new revenues.

"A new, and partly self-financing, addition was made to the ordinary expenditures when the Social Security Act was passed to safeguard the economic security of a large portion of our population. However, no provision was made for revenues which would pay for grants to States for old-age assistance, for maternal and child welfare, for public health work, and for aid to dependent children and the blind, which expenditures in 1940 will approximate \$286,000,000. Furthermore, consideration is now being given to plans for spreading the coverage of, and for revising the benefits under, the Social Security Act, and for improving public health facilities. These plans present major questions of future national policy and directly affect the Budget."

Q To get back to that paragraph on agriculture: You speak of expenditures which have been only partially covered by new revenues.

Is it contemplated that the balance will be raised by a processing

tax?

THE PRESIDENT: There is nothing said about that in here, not a word.

(Laughter)

Q Didn't you lay down a rule over a year ago that all new expenses should be matched by taxes?

THE PRESIDENT: Yes, but not processing taxes. I come to a differentiation later on.

On the Social Security Act, for example, the two simplest suggestions of those recommendations on social security are the covering into Social Security, under the old-age pension plan, of the domestic servants of the country and the farm labor of the country. Obviously, two things would happen: In the long run it would be self-sustaining but, at the same time, the immediate effect would be to add vigorous proportions to the Budget itself.

(Reading)

#### "EXTRAORDINARY EXPENDITURES

"Beyond these questions of ordinary expenditures are those which relate to the nonoperating or unusual costs of Government and involve extraordinary expenditures that deal more particularly with the relationship between fiscal policy and the economic welfare of the country. These questions concern Government loans, capital outlays, and relief of need. Expenditures made under these heads are of such a flexible character as to provide, through their contraction or expansion, a partial offset for the rise or fall in the national income.

"The public has been showing an increased interest in the adoption by the Government of a form of budget which would conform more nearly to the practice followed in commercial business. There has been some criticism of the Government's practice of including in its budgetary expenditures, amounts disbursed for loans, or for self-liquidating projects, or for other extraordinary capital outlays which increase the wealth of the Nation."

In other words, just to simplify that, you all understand it but

you can put it in much simpler language in your stories, it means that if, for example, the Federal Housing Administration were to borrow its own money and, three years from now, were to show a profit for the year, that profit would be covered in as receipts in the Budget. If, on the other hand, they were to show a deficit, the Congress would appropriate that deficit. But the amount of money which they borrowed -- of course, as a matter of fact, they are an insuring corporation and not a good example but, let us say, the Home Owners' Loan Corporation, they issue their own security -- if all these agencies were to finance themselves and not be a part of the Budget, the Budget would only reflect their profits one year or their loss another year.

That is what this discussion is about and we have got the Commodity Credit Corporation on that basis already. It is the only way.

Q These are the agencies the Chamber of Commerce says are the Government in business?

THE PRESIDENT: Yes.

Q Why didn't you include the T.V.A., which is also Government?

THE PRESIDENT: Why didn't I include the T.V.A.?

MR. BELL: Well, it is a mixture of power and flood control and there is a question of whether you can include it.

THE PRESIDENT: The T.V.A. ought to be included insofar as its Government in business operations go.

(Reading)

"I recognized the merit of constructive suggestions of this nature by recommending in my last Budget Message a change in the method of financing

the requirements of the Commodity Credit Corporation. This recommendation provided for an annual appraisal of the assets and liabilities of the Corporation, and contemplated that any surplus from operations or any impairment of capital resulting from losses be reflected as receipts or expenditures in the annual Budget. Under this method the Budget would be affected, not when the investment or loan is made, but in the fiscal year when the surplus or loss occurs. Congress approved this recommendation in the act of March 8, 1938, and it might well give consideration to an extension of this principle to other governmental corporations and credit agencies, such as:

"Agencies under the Farm Credit Administration  
Electric Home and Farm Authority  
Export-Import Bank of Washington  
Farm Security Administration  
Federal Crop Insurance Corporation  
Federal Savings and Loan Insurance Corporation  
Home Owners' Loan Corporation  
Inland Waterways Corporation  
Panama Railroad  
Reconstruction Finance Corporation  
Rural Electrification Administration  
U. S. Maritime Commission

"Public projects of a self-liquidating character represent another class of expenditures appearing in the annual Budget as current outlays, to which this principle might also be applied. For example, outlays for the Boulder Canyon project amounting to more than 120 million dollars have been included in annual budgetary expenditures of the Government, notwithstanding that the total cost of the project, including capitalized interest during the period of construction, will be returned to the Government within 50 years, with interest.

"While I do not advocate that the Government capitalize all of its expenditures for physical improvements, it seems to me that such portions of the cost of public projects as are clearly self-liquidating should occupy a separate category in budgetary reporting."

Right on those five words the thing hinges, so this is absolutely sound from that point of view. In other words, I want the Government to do what a bank does. If a bank wants to finance some

project which will pay for itself, what does it do? It lends on a first mortgage on fifty per cent of that project because there is absolutely no human probability, thinking in terms of a careful, conservative banker, that he will lose the fifty per cent of the money that the project will cost; that is because of the junior money, which is the equity money and therefore subject to the risk. The Government ought not to put down as a definite recovery item the equity in these projects. In other words, I follow strictly, one hundred per cent, the normal rules of banking.

Q For example, suppose on that Boulder Canyon Project the Government had not entered the expense of \$120,000,000. in the Budget but only such capital share as you have suggested. Then, each year, as this money is repaid, you enter, as receipts to the Treasury, the profits of that operation. At the end of fifty years, let us say, you have a series of Budget statements showing an income of \$120,000,000. but no offsetting item showing the expense of the Government in setting it up. Won't the Government be \$120,000,000. plus?

THE PRESIDENT: No. What you are coming down to is this: that as the returns come from Boulder Dam, not just the interest but the amortization, you immediately, each year, cut down two per cent of the original \$100,000,000. or whatever amount it is. We pay off the debt. We use it as the straight payment of that debt.

Q In other words, apply the income to the retirement of the debt?

THE PRESIDENT: Yes.

Q Would you apply that rule on construction projects to the Government's investment, its equity in lending corporations like the

Federal Farm Loan Corporation?

THE PRESIDENT: I think so. The Commodity Credit is doing it today.

Q Do you need legislation to undertake a budget of that kind?

THE PRESIDENT: Yes. For instance, you remember in R.F.C., the predecessor to Dan (Mr. Bell) as Director of the Budget -- who was it?

Q Mr. Douglas.

THE PRESIDENT: President Douglas of McGill University. (Laughter)

He told everybody, told the Press first and then told me afterwards, that Jesse Jones would only get fifty per cent of his money back and, with a very long face, he kept saying that and of course it was printed. Everybody believed that poor old Jesse was going to lose fifty per cent of all the loans he made. Jesse Jones was fit to be tied. He said, "I do not know that I will get one hundred per cent back, with interest. My best guess is that I will get one hundred per cent back. I may make some losses but the losses won't exceed, in fact they will be less than, the interest that I am getting on these expenditures. Therefore," said Jesse Jones, "I will bet my last dollar that I will get my capital back." Well, we have been doing it for four years and Jesse Jones has proved that he is right. He will undoubtedly have a lot of capital losses but you take all the money that Jesse has loaned out and you will find that his original capital, using the interest to offset the losses, he will come through one hundred per cent.

Q What I was getting at is, could we consider the capital investment, the equity investments of these corporations as assets of the Government?

THE PRESIDENT: Again I think it is a question of using the same methods as careful banks use. I do not think we should capitalize the equity.

Q Then we should count these contingent liabilities as part of the Government debt?

THE PRESIDENT: Yes, that is true.

Q Do I understand that you advocate these people going to the market and financing themselves?

THE PRESIDENT: In most cases they are doing it more and more. Jesse (Mr. Jones), you know, is getting out his own notes this year for the first time.

Q Should we construe this as a recommendation to Congress, as a recommendation?

THE PRESIDENT: For study of this.

Q In the beginning of relief, the very first relief was given as loans to states, and the states were to pay back that money. The next Relief Bill said that no money could be taken. The R.F.C. carried that for a long time as assets and in the last session I understand that was transferred to the Treasury. Does the Treasury carry it as assets or liabilities?

THE PRESIDENT: Of course if you set up any plan of this kind you have to run the risk of some fool Congress in the future kicking it overboard. That is always possible under our form of government. You cannot tell. They might, if you had borrowed some Government money on your home, some kind Congress in the future might forgive you the money because they liked you.

Q Is there any hope for that, Mr. President? (Laughter)

THE PRESIDENT: (Reading)

"Our financial statements, of course, should clearly reflect, in appropriate classifications, the amount of Government outlays for physical improvements that are not self-liquidating in character. We must take into account the necessity for making such of these and other changes as will permit the presentation to the Congress and to the public of more accurate and intelligible statements of the financial operations of the Government."

And, when I said that, I made a liar out of a lot of papers you represent. That is an absolutely true fact and a perfectly provable one, though a lot of papers have printed the opposite.

(Reading)

"I should like to call your attention to the following table comparing for the 10-year period the amount of the Federal deficit and the increase in the public debt, with the amount included therein for capital outlays. It should be understood that this table is not intended to represent values on an earning basis. Nevertheless, under our policy of expanding capital outlays to compensate for variation in private capital expenditures and of making loans to meet emergency needs of our people, the table clearly shows that the greater part of the deficits and the larger part of the increase in the public debt have gone for permanent additions to our national wealth."

Now, please underscore that and make a note of it.

"Let us all fix that fact in our minds so that there shall be no doubt about it and so that we may have a clear and intelligent idea of what we have been doing. We have not been throwing the taxpayers' money out of the window or into the sea. We have been buying real values with it. Let me repeat: The greater part of the budgetary deficits that have been incurred have gone for permanent, tangible additions to our national wealth. The balance has been an investment in the conservation of our human resources, and I do not regard a penny of it as wasted."

I said to Herbert (Gaston?) to put in something that will drive this home, to put it in so that the press will print it, so he

wrote that last paragraph.

Now, here is the table: (Referring to the table on page XI of the Budget) You see how it runs. You can study that table.

Direct Federal public works, starting in 1931, on the left-hand side, were \$247,000,000. to \$465,000,000. in 1940; \$605,000,000. this year.

Recoverable loans and investments ran from \$263,000,000. (in 1931) up to \$234,000,000. this year and \$123,000,000. next year.

Public roads from \$174,000,000. (in 1931) to \$232,000,000. this year and \$213,000,000. next year.

The Civilian Conservation Corps work was \$290,000,000. this year, \$285,000,000. next year.

New construction projects of Works Progress Administration are \$734,000,000. in 1939 and \$488,000,000. next year.

Grants to public bodies for public works, \$392,000,000. this year and \$366,000,000. next year.

Now, those totals in those years ran very, very close, as you will notice, to the two top lines, the deficit, excluding debt retirement, and the increase in gross public debt. In other words, that is the proof of what was said in the two previous paragraphs.

Q Why do you include the stabilization item?

THE PRESIDENT: I don't; that is down there so somebody won't say we left it out. It is not, strictly speaking, a recoverable item. Of course, we are going to suggest the renewal of the stabilization fund life. In other words, if Congress does not renew that \$2,000,000,000. stabilization fund, it becomes an immediate asset of the Government which can be used for any purpose whatsoever.

It can be used to reduce the public debt, or build highways, or anything else. But I do want to say this, that there has been a good deal of loose talk about the stabilization fund. I do not think I am telling stories out of school. You know, you read in the papers in the past couple of days about the British stabilization fund being pretty hard hit. Actually, our stabilization fund has operated now for three years and we are rather proud of the fact that it not only is not less than the \$2,000,000,000., but it is actually more today than it was in the beginning and, at the same time, it has given our foreign exchange, as you all know, a more stable position through these three years than the foreign exchange of any other nation in the world. In other words, it has been doing what we think is a darned good job for our foreign trade.

Q What is the profit? You can divulge that under the law, if you wish to.

THE PRESIDENT: It was secretly told to the Senate Committee last spring and you people got it an hour later, so it is all right.

Q This item of \$3,234,000,000. of recoverable loans and investments, does that include the capital stock and surplus of the many agencies which are in the lending business?

MR. BELL: Yes.

Q Do you think it would be recoverable without liquidating the affairs of those corporations?

MR. BELL: Of course not.

THE PRESIDENT: No. Just the same way you get stock in the bank. You cannot get your money back, practically, unless you liquidate the

bank or have a market.

MR. BELL: Unless you find some other way.

THE PRESIDENT: Unless you find a sucker.

Q On this public roads, will the Government recover anything from this expenditure?

THE PRESIDENT: No; that comes down to permanent additions to national wealth.

(Reading)

"A year ago I recommended an increase in work relief, public works, and other related expenditures to check the downward spiral of business. The program undertaken at that time has contributed materially, I believe, to the existing upward movement of business and employment; and I feel that the business men and farmers and workers of the country, no less than the unemployed, are entitled to an assurance that this program will not be curtailed arbitrarily or violently.

"The actual cost of work relief and similar expenditures goes down after jobs are found by the workers on these rolls. A violent contraction, before the natural expansion of private industry is ready to take up the slack, would mean, not only human misery, but a disruptive withdrawal from American industry of a volume of purchasing power which business needs at this time. The necessity of increasing Federal expenditures a year ago to check a recession is a well-known fact. Any decision to decrease those expenditures now that recovery has just started would constitute a new policy which ought not to be adopted without full understanding of what may be the result.

"May I say emphatically that I am not suggesting an ordinary budget which is always balanced and an extraordinary budget which is always unbalanced. The ordinary expenses of government should continue to be met out of current revenues."

And, incidentally, they have been right along, except for one year when they were about \$10,000,000. out.

"But I also hope that those revenues in times of

prosperity will provide a surplus which can be applied against the public debt that the Government must incur in lean years because of extraordinary demands upon it.

"I believe I am expressing the thought of the most far-sighted students of our economic system in saying that it would be unwise either to curtail expenditures sharply or to impose drastic new taxes at this stage of recovery. But in view of the addition to our public expenditures involved in the proposed enlarged national defense program and the program for agricultural parity payments, for which no revenue provision has yet been made, I think we might safely consider moderate tax increases which would approximately meet the increased expenditures on these accounts."

And thereby, off the record, hangs a tale. As I remember it, Pat Harrison (Senator Pat Harrison) gave assurances last spring that there would be taxes provided to take care of the additional agricultural parity payments and nobody has come across with it yet. In other words, it might be called a deferred pledge, as yet unfulfilled.

Q. Are those the only new taxes which we are considering?

THE PRESIDENT: No. Some form of tax -- no form of tax but an amount of revenue to offset it to a total of \$212,000,000. was promised.

Q. That is the only additional --

THE PRESIDENT: (interposing) That is the only thing that was promised last session.

Q. Will you also want the taxes for that national defense?

THE PRESIDENT: And national defense.

Q. That would mean \$512,000,000.?

THE PRESIDENT: No, national defense --

Q. (interposing) With national defense, \$422,000,000.?

THE PRESIDENT: That is right. In other words, what I am saying in

effect is, "Carry out your promise and give me \$212,000,000. additional revenue and add to that \$210,000,000. for national defense, or a total of \$422,000,000."

Q Do you plan to suggest a means?

THE PRESIDENT: No.

(Reading)

"It should be added, however, that it is my firm conviction that such new taxes as may be imposed should be most carefully selected from the standpoint of avoiding repressive effects upon purchasing power.

"Sound progress toward a budget that is formally balanced is not to be made by heavily slashing expenditures or drastically increasing taxes. On the contrary, it is to be sought by employing every effective device we may have at our command for promoting a steady recovery, which means steady progress toward the goal of full utilization of our resources. We can contribute very materially toward that end by a wise tax program.

"I am recommending the reenactment of the excise taxes --"

That includes also the 3-cent postage.

(Reading)

"-- which will expire in June and July of this year, not because I regard them as ideal components of our tax structure, but because their collection has been perfected, our economy is adjusted to them, and we cannot afford at this time to sacrifice the revenue they represent. If the Congress should at this session adopt new taxes more scientifically planned to care for the defense and agricultural programs, it is quite possible that the existence of these new taxes will enable us in a later year to give consideration to abolishing some of the present excise levies.

"The revised estimate of receipts for the fiscal year 1939 as contained in this Budget is \$5,520,070,000, and of expenditures, \$9,492,329,000, leaving a deficit of \$3,972,259,000."

Q At that point, the revised taxes for this current year, there has been an increase of half a billion dollars over your July estimate. Can you tell us what the basis of that increase is?

THE PRESIDENT: Not on taxes; receipts, you mean.

MR. BELL: Better business than was contemplated.

THE PRESIDENT: The way to put it is that, suppose beginning about September the Treasury experts began revising their estimates upward and by November they were still a little better and the last word, about ten days ago, they were still better.

Q If the Congress does not meet the \$422,000,000., the deficit would not be increased by that amount?

THE PRESIDENT: No. This is without any increase. An increase in taxes of \$422,000,000. would take that amount off the estimated deficit.

Q It is estimated by the Treasury that that would be raised by excise taxes. Would it make any difference to you what kind of taxes would raise it?

THE PRESIDENT: I mentioned that in my Annual Message, the paragraph that related to taxes which, in effect, are a drain on national income, and other taxes which, because of their form, are not a drain on national income. The simplest illustration you can get is the tax you pay on your cigarettes, which puts a direct drain on national income because almost everybody in the country, including the ladies, use cigarettes and probably ninety-eight per cent of the cigarettes smoked are smoked by comparatively poor people like us. It is a direct drain on national income. On the other hand, estate and inheritance taxes are not direct drains on

national income. They fall into the category that does not hit the spending power of the country.

Q Does this tax program -- do you have in mind the probability that there will be reciprocal taxation on Federal and state bonds and salaries?

THE PRESIDENT: Well, I have not said anything about it. I thought I would hold it until a little later, what I am going to say about taxes on all bonds issued by any public body, state, local, municipal or Federal, and also income taxes on all Government employees, Federal, state and local. And, of course, as you know, it is a very simple proposition. Most people in the country are for it and, also, there is a division among those people as to whether they think it is constitutional or not, and there is a respectable opinion that it would be constitutional to do it, and other people say it would not. I think that the best way to get a decision is to pass a law and submit it to the Supreme Court.

Q Do you think Justice Holmes was right when he said that members of the Supreme Court should pay a tax?

THE PRESIDENT: I could not comment on that out loud but I suggest you read the sixteenth amendment again. That is all you have to do.

Q That would not amount to more than \$100,000,000.?

THE PRESIDENT: But gradually it would pick up over a period of years.

Q The figure I saw was not over \$100,000,000. and I think you have over \$400,000,000.?

THE PRESIDENT: I think that is rather low.

Q Those salaries are awfully low?

THE PRESIDENT: Yes, but a lot of them come under it.

Q Is this information you are speaking of, is that for our use?

THE PRESIDENT: I think you can use it. Don't you think so?

MR. BELL: It is in with your story.

THE PRESIDENT: It is a repetition of what I said last spring. If you tie it in with your story, it is all right.

Q If the Congress should, at this session, adopt new taxes, will there be any specific recommendation for new taxes?

THE PRESIDENT: Probably not in the form of a Message. There will be the usual consultations between the committees and the Treasury.

Q You won't have a Tax Message?

THE PRESIDENT: No.

Q Does that contemplate lowering the brackets on income taxes?

THE PRESIDENT: I suppose they will talk about it up there and talk to the Treasury.

Q You are not going into the detail of the readjustment of the various Departments but, reading it hastily, I got the impression that there is a fairly moderate increase in personnel and buildings. Do you think I have the right impression on that? I am for the Federal establishment.

THE PRESIDENT: Yes, you are right, Earl (Mr. Godwin). The reason is this, that Congress keeps on giving, each year, almost every Department, some new job to do. That is the size of it. And the only way (to save money) is, (1) to appropriate too little money and not do the job we are ordered to do, or (2) cut out the job, cut out the task.

Q Would you or Mr. Bell say it is about an average increase?

THE PRESIDENT: Taking it by and large, it is less than an average

increase.

Q I have to insert here that you do not favor the processing tax?

THE PRESIDENT: It is just like all the other taxes. Do not make any inferences because I have not mentioned any by name.

(Reading)

"The estimated receipts for the fiscal year 1940 amount to \$5,669,320,000, and the expenditures for that year are estimated at \$8,995,663,000, resulting in a deficit of \$3,326,343,000."

On the rest of these, under recommendations, the first is to extend the present taxes; the second is the 3-cent postage, and the third is the C.C.C. and I am asking that it (the C.C.C.) be continued at this session beyond its legal death day of June 30, 1940, and the reason is that if we wait until the spring of 1940 to extend it, it actually costs the Government money because the C.C.C. has to make its plans ahead and if the Congress will extend the life this year over the next year or two or make it permanent -- it does not make an awful lot of difference which -- it will save the Government money.

Q In the gross public debt at the end of the fiscal year 1940 you are coming up to the amount of \$44,000,000,000. Isn't that close to the legal limit?

THE PRESIDENT: Yes.

Q Will you ask for any more?

THE PRESIDENT: Probably there will be a request for the expansion of the legal limit.

Q On page XVI, in the second paragraph there, the second sentence, you say, "Supplemental estimates of appropriations will be sub-

mitted to meet the requirements of the Works Progress Administration, the National Youth Administration, and the Farm Security Administration for the fiscal year 1940." Does that mean supplemental estimates beyond and above those contained in this Budget?

THE PRESIDENT: No, it does not. What it means is this: that the actual figures for W.P.A. -- as last year and the year before -- we are not going to submit until we know more about it. That will be about April, as we did last year and the year before.

Q The figure is given?

THE PRESIDENT: The figure is given; that is, our estimate at the present time and, as far as we know, it won't be added to.

Q You are hoping that this will cover?

THE PRESIDENT: Yes.

Q On page A90 you have listed at least three Government credit corporations which are due to expire by law on June 30, 1939. They include the Commodity Credit Corporation, the Electric Home and Farm Authority, and the Export-Import Bank of Washington. For that reason no estimate is included in the 1940 Budget. Can you tell us now whether you intend to ask for the continuation of all those agencies after that time?

THE PRESIDENT: I think so.

Q All three?

THE PRESIDENT: Yes. There is an amount in the supplemental that would take care of that if their lives were extended. In other words, administrative expenses.

Q Under the heading, "Appropriations," the last thing in your Message, you have it that the total appropriations which will be sought

from Congress for 1940 will be \$10,190,000,000., whereas the total expenses were to be \$9,000,000,000. Can you give us any breakdown of the difference between those items?

THE PRESIDENT: Reappropriations.

Q Anything in here for counter-espionage?

THE PRESIDENT: Yes, there were some increased items for F.B.I., Naval Intelligence and the Military Intelligence.

Q The Military increase is \$35,000.?

THE PRESIDENT: Yes.

MR. BELL: The Navy is a little higher and the F.B.I. is \$75,000.

Q What do they total, the increase?

THE PRESIDENT: \$125,000.

MR. BELL: Or \$150,000,; I do not remember the exact figure.

Q Have you also increased the personnel of the Secret Service?

THE PRESIDENT: Not the Secret Service, no.

Q Thank you, Mr. President.

CONFIDENTIAL

Press Conference #515,  
Executive Offices of the White House,  
January 6, 1939, 10.46 A. M.

MR. DONALDSON: All in.

THE PRESIDENT: I do not think there is any news today. The only thing I have got is a letter from the Attorney General this morning reporting that the Department of Justice has undertaken an investigation of alleged violations of criminal statutes which are reported in one of the sections of the Dies Committee Report. These include possible violations of Federal Criminal Statutes by Nazis, Communists and certain other organizations operating in this country. That is all I know about it.

Q Would that be available to us textually, that letter or any part of it?

THE PRESIDENT: No, just this statement that I have given you: "The Department of Justice has undertaken an investigation of alleged violations of criminal statutes which are reported in one of the sections of the Dies Committee Report. These include possible violations of Federal Criminal Statutes by Nazis, Communists and certain other organizations operating in this country."

Q Mr. President, there was a story which appeared in this morning's paper in which it is said that you had requested the legislative leaders to oppose the request of the Dies Committee for \$150,000. to carry on this work.

THE PRESIDENT: I am afraid I will have to characterize that as I have characterized so many reports in the past, as a newspaper story.

Q Have you received a report on German aircraft from Colonel Lindbergh?

THE PRESIDENT: No.

Q Have you received any kind of a report from him?

THE PRESIDENT: No; that is another one.

Q Do you know anything about that Lindbergh story at all?

THE PRESIDENT: Not a thing.

Q Do you care to discuss your meeting yesterday with Secretary Woodring and a group?

THE PRESIDENT: Oh, we made progress.

Q Any report coming?

THE PRESIDENT: Yes.

Q Any definite date set on that?

THE PRESIDENT: Monday, Tuesday or Wednesday.

Q Do you plan to continue Commissioner McNinch on the Communications Commission or send him back to the Power Commission?

THE PRESIDENT: I should say he would stay right where he is until further notice.

Q Have you received a report on the Veterans' Hospital for southern Illinois?

THE PRESIDENT: I don't think I have. Have you seen it, Mac (Mr. McIntyre)?

MR. MCINTYRE: No, sir; it has not come over.

Q Have you made any further progress with appointments, such as the District Commissioner and the three Judges for this District?

THE PRESIDENT: No, not at all.

Q How about the Comptroller General?

THE PRESIDENT: No, I have not done anything. I have been too busy with speeches and I probably won't look at the possibility of appointments until I finish writing a speech for tomorrow night.

I have not done anything on it yet.

Q How about Donald Wakefield Smith?

THE PRESIDENT: Same thing applies.

Q I see stories --

THE PRESIDENT: (interposing) I have not taken it up.

Q Do you contemplate sending a special Message to the Congress on the revision of the Social Security laws, or will your statements in the regular Message cover all you have to say about that?

THE PRESIDENT: I don't know yet; I do not know. I may send up -- I have not made up my mind -- send up the report that was made either to the Committee, which would be in letter form, or in the form of a Message, I do not know which.

Q What about railroads; would that be a special Message?

THE PRESIDENT: That I do not know, either.

MR. EARLY: The Committees have already received that report.

THE PRESIDENT: Yes, the Committee's report has actually been sent up.

Q Would you care to comment on the Hepburn report made by the Navy, calling for about twenty-five additional bases for naval defense?

THE PRESIDENT: That was in reference to a request made by the last Congress.

Q Did you instruct Ambassador Phillips to propose to the head of the Italian Government the settlement of refugees in Ethiopia?

THE PRESIDENT: You will have to get that information from the State Department, and I do not think you will get any.

Q We will get "No" in five thousand well-chosen words. (Laughter)

Q In view of the new public debt, would you care to say whether, in your opinion, there is any point in which the public debt may

constitute a threat to Government credit? There has been a lot written lately.

THE PRESIDENT: I know there has, by such major prophets, and I am such a minor prophet that perhaps I had better not make any.

Q When are you going to send up your Philippine Message, Mr. President?

THE PRESIDENT: Philippine? I think early next week. I have invited Frank Sayre to come in today or tomorrow and it will go up next week.

Q Why is Congressman Jones (Marvin Jones, of Texas) here?

THE PRESIDENT: I did not know he was here. (Mr. Jones stepped up to the President.) Marvin says he is. I suppose Marvin wants to talk about agriculture.

Q Really? (Laughter)

MR. YOUNG: Thank you, Mr. President.

CONFIDENTIAL  
Press Conference #516,  
Executive Offices of the White House,  
January 10, 1939, 4.10 P.M.

Q Mr. President, why did you say in your Message, "on the state of the Nation," instead of "the state of the Union"?

THE PRESIDENT: Just to vary it a little bit.

MR. DONALDSON: All in.

THE PRESIDENT: The only news is that I have not yet — a most curious thing happened. Last night I read the papers and I found that I had read the Defense Message to the four gentlemen yesterday morning. Actually I have not begun to write it yet, twenty-four hours later. However, of course the papers cannot be wrong so I think I must have a dual personality.

Q (Mr. Godwin) We were informed that you were working on it.

Q (Mr. Young) Did you read any of the written parts? (Laughter)

THE PRESIDENT: But the story did not say I was working on it. The story said that I had read it to the four gentlemen yesterday morning.

Q Let us get down to the facts, did you read any of those written parts?  
(Laughter)

THE PRESIDENT: I did not read anything of it. I haven't got a thing written — not one word, either written or dictated.

Q Have you started on the Social Security?

THE PRESIDENT: No, not yet.

Q What are the prospects?

THE PRESIDENT: The prospects are that I am going to begin dictating it (the Defense Message) this afternoon, and I will work on it for

half an hour but I won't be able to get it up until Thursday.

MR. EARLY: The Senate has adjourned until Thursday.

Q In connection with national defense, Representative May, on the floor of the House, today suggested that the CCC be used as a nucleus for the training of military reserves. Anything you care to say about that?

THE PRESIDENT: No. That was turned down a long time ago. The CCC, we want it just exactly the way it is, without military training in it.

Q Have you decided on the third member of the Air Safety Board of the Civil Aeronautics Commission?

THE PRESIDENT: Not yet. I have not had any time to think of an appointment since last Saturday night.

Q It is understood that the House Appropriations Sub-committee has reduced the WPA appropriation from \$875,000,000. to \$725,000,000. Will you insist on the full \$875,000,000?

THE PRESIDENT: I have no news on that. However, if I were writing a story, what I would try to do would be to try to figure out how many people would have to be thrown off relief between now and the first of July -- human beings.

Q There has been some suggestion up there that an appropriation be made until April and, in the interim, an investigation be made to determine the actual needs of WPA and then there can be a second appropriation to finance WPA from April until the end of this fiscal year. Representative Martin, the minority leader, said that is the humane way of handling the problem. Would you care to comment on that?

THE PRESIDENT: Except that that is only one of the suggestions being made all the time.

Q How many people would be thrown off?

THE PRESIDENT: That you have to find out. I don't know. In other words, unfortunately in my position I have to think in terms of total demands and general, broad policy. I have to think in terms of individual human beings and that is a rather important factor -- individual human beings, men and women and children.

Q Doesn't Congress have to think about that, too?

THE PRESIDENT: I am not saying anything about what Congress has to think of. I am saying what I have to think of.

Q I think 50,000 are the figures.

THE PRESIDENT: You are probably all wrong. Go and check again. You have not done your homework.

Q Mr. President, do you intend to send to the Congress a special Message on railroads -- on railroad legislation?

THE PRESIDENT: I don't know. I have not done anything about that. I will probably have another talk with Burt Wheeler in the course of the next week about the general railroad problem.

Q Who?

THE PRESIDENT: Burt Wheeler.

Q Are you considering the appointment of Marvin C. Harrison, of Cleveland, -- appointment to the White House Secretariat?

THE PRESIDENT: That is a new one on me. I have not heard anything about it.

Q You were speaking about the need of training nurses at Freedmen's Hospital and you said there were going to be some final --

THE PRESIDENT: (interposing) Yes? That was John Dingell?

Q That was Ross Collins a few weeks ago.

THE PRESIDENT: I talked to John Dingell about it today.

Q Have you anything to say about it?

THE PRESIDENT: No, except a good many people feel that the present estimate for Freedmen's is still insufficient to train enough colored nurses. As I understand it, there are only two, or possibly three, hospitals that train colored nurses in the whole of the United States. I think I am right on that. And of course the need for colored registered nurses is very, very large. The number we turn out here at Freedmen's Hospital practically is not adequate even for the District of Columbia.

Q Mr. President, when you speak of estimates for Freedmen's —

THE PRESIDENT: (interposing) I am having the thing studied.

Q I don't recognize that name, John Dingell?

THE PRESIDENT: He is a Representative, of Detroit.

Q When you speak of the estimates, you realize that that is up to the Interior Department, do you not? Not the District of Columbia.

THE PRESIDENT: Not the District of Columbia.

Q Collins is Chairman of the Committee.

THE PRESIDENT: Yes, Collins is Chairman of the Committee. It is in the Interior Department, that appropriation, but I am questioning as to whether Bell and myself did not cut it too fine.

Q Who are you having studying that?

THE PRESIDENT: Various people.

Q Mr. President, there is considerable bewilderment up on the Hill as to why you rejected Senator Downey's recommendation for the Federal Judgeship of Southern California.

THE PRESIDENT: Rejected what?

Q Apparently they got reports up there that Pierson Hall had been turned down by the White House.

THE PRESIDENT: The thing hasn't come up here, otherwise the report might be right. (Laughter) I never heard of it. It sounds like the other end of the Avenue.

Q May we go back to that minor matter again? Is Representative Dingell a member of the committee who would have to do --

THE PRESIDENT: (interposing) No, I talked to him in connection with other things, entirely separate.

Q There was a report that you were going to appoint Tom Corcoran to the position left vacant by the resignation of Lamar Hardy?

THE PRESIDENT: That is another one. Tell me some more.

Q There is a report that you are going to leave on February eighteenth for a cruise.

THE PRESIDENT: This is good. They are getting better. The truth of the whole matter is that there are no plans beyond tomorrow.

Q The Star says there are. (Laughter)

Q No, it is the AP that says there are.

THE PRESIDENT: I told you that a dozen times. I have absolutely not a single plan. Although I do hope to get away on a cruise at the end of February.

Q Will you be leaving Washington for the great Port of Miami?

THE PRESIDENT: That depends largely on Mac (Mr. McIntyre).

Q Have you reached any decision on the tonnage of the next two battleships?

THE PRESIDENT: I don't know what the status of that is. What do you mean, the last two out of the six, or the next two?

Q The next two in the budget, sir.

THE PRESIDENT: I don't think so. I don't think there has been anything on that. The last two were still to be the same size.

Q Mr. President, I have a Russian primer and a Nazi primer and I would like to have an American primer.

THE PRESIDENT: Would you? (Laughter) Well, I have got a very, rather old 1770 book -- "The Sayings of Benjamin Franklin." I think that might help you. It is pretty good.

Q Not quite up to date, is it?

THE PRESIDENT: Yes, very much up to date. It has everything, including social relations -- if you are familiar. (Laughter)

Q Not the "Poor Richard" philosophy?

THE PRESIDENT: Yes.

MR. YOUNG: Thank you, Mr. President.

Q Mr. President, can you tell us anything about your conference with the two Ambassadors yesterday?

THE PRESIDENT: Oh, no; we talked about world affairs -- Europe, Asia, Africa, America.

Q Could you tell us why they went before the Military Affairs Committee instead of the Foreign Affairs Committee?

THE PRESIDENT: Because they were asked.

Q By the Committee?

THE PRESIDENT: Yes.

Q Could you give us any more definite word about Donald Wakefield Smith? There still seems to be a lot of bewilderment.

THE PRESIDENT: I told you that since last Saturday evening at the banquet I have not talked. I picked that date because during the banquet

there were at least eighteen different recommendations made to me and I have not had any since.

Q Is Charlie West, as White House liaison, on the payroll of the White House?

THE PRESIDENT: Not that I know of. I would be very much surprised if he were, but, of course, he may be.

Q Can you tell us what has been the reaction to your Jackson Day speech?

THE PRESIDENT: It depends on who you read. (Laughter)

Q I meant the letters you received.

THE PRESIDENT: I don't think I have had any letters at all. I had a lot of telegrams and I think this time there was not one unfavorable telegram. It is a little early for the letters. I suppose I have had seventy-five or a hundred telegrams.

MR. STORM: Thank you, Mr. President.