

CONFIDENTIAL
Press Conference #611,
Executive Offices of the White House,
January 2, 1940, 4.10 P.M.

Q (Mr. Young) Hello, Mr. President. Hello, Mr. Attorney General.

Glad to see you, sir.

(The Attorney General acknowledged the salutation.)

THE PRESIDENT: What kind of a New Year was that you wished for me the other day?

Q (Mr. Godwin) Oh, I said "eventful."

THE PRESIDENT: Did you ever know any member of my family that did not have an eventful New Year?

Q You do belong to one of the happeningest families.

Q You know it is better to be eventful than dull. Don't you think so?

THE PRESIDENT: Sure. The only way to keep you people from being ghoulish is by giving you something new all the time. Otherwise you would be ghoulish.

Q You know, there are events we do not speak about here.

Q When are you going to get to Hyde Park?

THE PRESIDENT: End of the month or beginning of February; somewhere around there.

Q Charlie Hamilton wanted me to extend his thanks to you for inquiring as to his health and to wish you a Happy New Year.

THE PRESIDENT: How is he?

Q Pretty feeble.

MR. DONALDSON: All in.

THE PRESIDENT: I signed a Proclamation today that won't mean anything to anybody except an engineer or surveyor from the Interior De-

partment or Forestry. It is the Proclamation enlarging the Olympic National Park. I was given authority under the bill to add a certain number of acres to the Olympic National Park which, as originally set up, followed the lines of the old monument.

We had a hearing, as you know, and the Governor came down.

Steve (Mr. Early), hold this up for me. I can explain it in about a minute.

(Indicating) Everything in the middle in here was the old Park. There was no question at all about the areas on the north or on the east or on the south -- these green areas to be added, or that (indicating).

The only question that arose was as to whether these two little green areas (indicating on the west) should be taken out of the National Forest and added to the Park. There, again, the question hinged on two matters of fact. Some of the people out there thought that by taking these two little green corners on the west into the Park, that we might jeopardize what they call the sustained yield of pulp wood to supply paper, the pulp mills up on Puget Sound and down here around Tacoma on the south, the Pacific side. The Forestry Service gave us a survey that showed that even if these two areas are added to the Park, there is enough pulp wood on the rotation principle, that is to say, cutting the trees when they are between forty and fifty years old, in this general area west of the Park to maintain all of the pulp mills on Puget Sound and on the Pacific, not only at their present rate of capacity but thirty per cent greater than they are running today. On the basis of that report there is no reason why these two corners --

strips on the west -- should not be added to the Park.

The other question was the question of what is a rain forest? The southern strip, going west, follows the valley of the Hoh River, a very beautiful scenic section with very steep hillsides, and the northern strip is the upper valley of the Bogachiel River -- wait until I find the thing; I cannot spell it unless I read it; B-o-g-a-c-h-i-e-l -- and there again we wanted to preserve for the public this thing called rain forest, which means original virgin timber, very large timber, that is covered with a mossy growth. Some people said that this rain forest existed east of that green area in the higher latitudes, getting up towards the top of the mountains, but we found that while there is just as much rain up there, you do not have the moss because you get up too high.

And so, on those two reasons, of finding of fact, we are including those two areas in the Park.

Q Is there any particular reason for leaving that so-called corridor you have in there (indicating)?

THE PRESIDENT: Well, eventually those two valleys, the southern one, the valley down the Hoh (River), and the northern one, going up this way (indicating), and down the Bogachiel (River) -- eventually we want to extend that to the Pacific Ocean.

Q Why isn't that strip (indicating) in there?

THE PRESIDENT: Because that is just the tops of mountains.

MR. EARLY: You want your total acreage.

THE PRESIDENT: Oh, this still leaves -- this still leaves under the Act about 50,000 acres more that can be, in the future, taken into

the Park. There won't be any action on that until we know what the use is going to be like -- whether the public will go in.

Q Any significance in the Attorney General's visit with you today?

THE PRESIDENT: No. I told him to come over here and look you over.

Q Last chance or something. (Laughter)

Q Mr. President, it will be very helpful to a great many of us if we find out as soon as possible about some of the physical features of your speech tomorrow such as the time we will get it, the length, et cetera. If that is something that you can help us with, it will be very much appreciated.

THE PRESIDENT: I hope to get the final draft to you -- what time, Steve (Mr. Early)? About what? Eleven o'clock?

MR. EARLY: I hoped they would get it -- well, will you clear it with me about nine o'clock in the morning?

THE PRESIDENT: Yes, that is guaranteed. From now on your fight is with Steve (Mr. Early). I will get it into his hands at nine A.M. That is all right.

Q Well, sir, he never failed us.

Q Along the same line, how about the Budget Message? When do you expect to send that up?

THE PRESIDENT: That will be going up the next day at noon and I think we will have our Budget Conference, our seminar, when we get back from the Capitol, around a quarter to four or four o'clock.

Q Any reason why Senator Barkley said there is some doubt about its going up tomorrow, that it might come up on Friday?

THE PRESIDENT: We never mentioned it.

Q Speaker Bankhead said it wasn't mentioned.

THE PRESIDENT: No, it was not mentioned.

Q Will you fill the diplomatic and judicial vacancies in the near future?

THE PRESIDENT: Yes.

Q A few days?

THE PRESIDENT: I hope most of them in a few days.

Q Will the District Judge be included in that?

THE PRESIDENT: I do not know. I have not got down to that yet.

Q On the Supreme Court? Anything in that?

THE PRESIDENT: Now, you see, you are using what they call the "restrictive" method.

Q High pressure?

Q I will be more direct: Did the Attorney General bring the recommendation for the First Circuit Court of Appeals?

THE PRESIDENT: Not yet.

Q Mr. President, do you expect to have one or two vacancies on that First Circuit?

THE PRESIDENT: I do not know. I have not gone over it. I think there are five or six up through New England.

Q Any of those nominations going down this week?

THE PRESIDENT: Oh, I think so.

Q Tomorrow? (Laughter)

THE PRESIDENT: I do not know. I cannot even tell you the hour.

Q Mr. President, can you comment on the report that Mr. Messersmith may be given a diplomatic post?

THE PRESIDENT: No. You know on all those things, appointments, I never do any commenting until sometimes they get up to the Capitol

before you fellows get them.

Q That is too often.

Q Could you comment on reports appearing in the papers recently that you have been telling callers that you think Secretary Hull would be an admirable successor to yourself?

THE PRESIDENT: The only comment I can make is that those were 1939 and I hope the writers have turned over a new leaf in 1940.

(Laughter) That ought to hold somebody.

Q Mr. President, in an article on the third term by Rex Tugwell, which is subtitled, "I Hope So, but I Doubt It," he concludes with the following sentence: "The progressive citizen must consider now who is his second choice if we cannot have Roosevelt again."

THE PRESIDENT: Who did that?

Q Rex Tugwell.

THE PRESIDENT: Did he really? (Laughter)

MR. YOUNG: Thank you, Mr. President.

THE PRESIDENT: Well, I hope you have a good week.

CONFIDENTIAL
Press Conference #612 - Budget,
Executive Offices of the White House,
January 3, 1940, 3.00 P.M.

THE PRESIDENT: My God, what do you know about dollars and cents?

Q (Mr. Godwin) What are they?

Q I am solvent. (Laughter)

THE PRESIDENT: You are richer than I am. I have got to have another
dime campaign.

Q (exhibiting some coins) I can at least get home.

THE PRESIDENT: Yes.

When did you get this (indicating Budget release), how long
ago?

Q About an hour and a half.

THE PRESIDENT: Did you have a chance to look at it?

Q Yes.

THE PRESIDENT: Well, Steve suggests that I repeat the annual warning
for the protection of the old-timers and the admonition of the
newcomers, that this is all off the record, completely, and not
to be used until the release hour which will be -- it will go up
at twelve o'clock and as soon as it is presented to be read, which,
I suppose, is in the House. Is it all right to go?

Q Do you also include the general prohibition against a story about
this Conference?

THE PRESIDENT: What do we do about that?

MR. EARLY: Nothing is written about the Conference. It is merely for
their information, sir.

THE PRESIDENT: Yes.

Q That will make it clear.

THE PRESIDENT: Well, let's go through it -- that is the easiest way -- and then, if you have any questions about the figures we will go over the latter pages.

In the first paragraph -- I will just touch the high spots -- the expenditures for the following fiscal year are \$675,000,000. less than the current year. The receipts for the following fiscal year are estimated at \$382,000,000. up from the current fiscal year and we estimate that we can recover \$700,000,000. of excess capital funds from various Government corporations, which would leave us with a net deficit of \$2,176,000,000. as compared with an estimated deficit of this year of \$3,933,000,000. That is, as you will see, a gain -- that is to say, a reduction in the estimated deficit of \$1,800,000,000.

Furthermore, if tax recommendations totaling \$460,000,000. are adopted, that would reduce the deficit to \$1,716,000,000.

Then, looking at it from the other angle, these appropriations, excluding those for debt retirement, they are estimated at \$8,101,000,000. as against \$8,889,000,000., or nearly \$800,000,000. less than this year.

Then we have the review of the fiscal policy. The last paragraph of the page is a simple statement that the fiscal policy was disastrous in practice and came near bankrupting both the people and the Government.

On page VI (of the Budget Report for 1941), the next page, we tried to adopt a more realistic policy to meet the problem of idle men, idle factories and idle funds. We had to use idle funds

to put idle men to work, to put purchasing power in the hands of the people who needed it and to create a demand for the product, which had a profound effect on both the Government and private incomes. The national income between 1933 and 1937 rose from \$42,000,000. a year to \$72,000,000. a year, which was the largest absolute rise for any year in our history, not even excepting the rise during the World War. The tax revenues rose from \$2,000,000,000. to over \$5,000,000,000., primarily because people had more income out of which to pay taxes. The people paid \$3,000,000,000. more in taxes but they had nearly ten times more than that, or \$30,000,000,000. to spend on other things. Then I put in a line, just so you fellows would not overlook it, saying that this statement deserves a headline. In other words, it is a new method I devised for getting things across. I hope it will work. (Laughter)

During those years, 1933 to 1937, we made definite progress toward a balanced budget so that in 1937 the excess of outgo over Government cash income had dropped to \$331,000,000.

Then came the breaking out of a new lack of balance, as you know, in 1937 but, in the spring of 1938, because of it I recommended a further use of Government credit. Congress acted on the recommendation and instead of having a complete nose dive in national income, such as we had before, the national income only dropped about eight billion dollars instead of forty-two billion dollars. In other words, we prevented the recession from becoming a continuing snowball of depression. Of course now we know that things are on the upgrade very definitely again.

Then on the next page, (reading) " . . . the withholding of

Government credits in time of need for political advantage is no less reprehensible than its profligate use at any time."

In approaching the Budget for the fiscal year 1941, we tried to relate it to probable economic necessities. We are achieving the highest levels of production and consumption in our history and, as I said in my Message, the actual production figures -- of course, not in every line but the average -- are up to 1929 figures. That is not in cash, as you all know, but in terms of goods because, in cash, the prices that these goods are bringing are a good deal lower than in 1929. Of course it does not mean as many people are at work as in 1929 -- this is not in this (report) -- because of the improvement of machinery of all kinds.

Because of the extent to which recovery has progressed and the degree to which speculation and price increases have, on the whole, been kept in check, it has been made possible for us to consider a substantial lessening of Government expenditures in activities not immediately essential for national defense.

Employment still lags below, as I spoke of it before, because so many workingmen have been displaced and, in addition, there are five million net addition to the labor force because of the growth of the country. (Reading)

"Against this background of aims substantially but not fully attained, I propose in the field of fiscal policy that we adopt the following course: We should count upon a natural increase in receipts from current taxes and a decrease in emergency expenditures, and we should try to offset the unavoidable increase in expenditures for national defense by special tax receipts, and thus hope to secure, for the over-all picture, a gradual tapering off, rather than an abrupt cessation, of the deficit."

On page VIII, under "Expenditures," we have this table which, I suppose, is about the simplest presentation of Government expenditures that we have ever had. There are seven items and, curiously enough, all of them are very nearly the same size. (Reading)

"National defense	\$1,800,000,000
Work relief programs	1,300,000,000
Agricultural programs	900,000,000
Public works and investments	1,100,000,000
Pensions, retirements, and assistance	1,200,000,000
Interest on the public debt	1,100,000,000
Regular operating	<u>1,000,000,000</u>
Total	8,400,000,000

"This table presents in a simple form which any layman can understand, the principal divisions into which Government expenditures fall. I constantly marvel at the glib generalities --"

This is not meant for newspapermen but for columnists. (Laughter)

(Reading)

"-- to the effect that if one has but the will to do so anybody can reduce Government expenditures by vast sums sufficient immediately to 'balance the Budget.' It costs nothing to make such statements --"

A lot of people make a lot of money making statements.

Q Wouldn't you include Senators in that?

THE PRESIDENT: Oh, no. (Laughter) You see, I cannot criticize the Congress. (Laughter) It is unconstitutional or something like that. (Reading)

"-- and they can be decorated to fit into the applause of many audiences.

"But it is the old, old story of the man who loves to utter generalities and changes the subject abruptly when he is pinned down to hard facts.

"In these headings, for example, I do not believe that the majority of the people in this country want to reduce the budgeted estimate of \$1,800,000,000

for national defense. This is an increase, of course, over the current year, but it is far less than many experts on national defense think should be spent, though it is in my judgment a sufficient amount for the coming year.

"I do not believe that the majority of people in this country want to see the work relief programs for the coming year reduced below \$1,300,000,000. This sum, in itself, covering the activities of the Work Projects Administration, the National Youth Administration, the Civilian Conservation Corps, and grants of the Farm Security Administration represents a large--perhaps too large--reduction of current expenditures.

"I do not believe that the majority of people feel that the agricultural programs should be reduced below the figure of \$900,000,000 because this figure, in itself a large reduction below the current year, will be barely sufficient to carry out soil protection and surplus removal operations."

It is the same thing in regard to public works and investments. I do not think we can go below that because this amount contains practically no money for new projects in any part of the country.

I do not believe we can go below the figure of \$1,200,000,000. for pensions. It is not much use talking about that because Congress won't do it anyway.

The same thing on Henry Morgenthau's \$1,100,000,000. for interest on the public debt. We cannot reduce that but we should remember that the rate paid is a third lower than it was in 1929.

(Reading)

"All of these items amount to estimated expenditures of \$7,400,000,000 and there remains only one other item of \$1,000,000,000--12 percent of the total--for the operating costs of the regular departments of the Government. These are down to the bedrock of the activities and functions ordered by the Congress. If further savings are to be made in these operating costs, the Congress will have to direct by statute the elimination of many functions. And even if they should do so, the

amount saved in this Budget could only be a small percentage of the total."

Now we come down to national defense: (Reading)

"National defense.--These estimates represent expenditures needed to develop and maintain our normal defense preparations."

Perhaps that is not quite the right way of putting it because they represent additional appropriations that were made in the last two Congresses, I think, which we have not yet completed and are in the process of carrying out and the money has not, of course, all gone out.

Q Does that include authorizations too?

THE PRESIDENT: No. (Reading)

"They also include, in view of the current world situation, the emergency expenditures required for the War and Navy Departments, the Coast Guard, Department of Justice, and the Panama Canal."

Most of which, as you know, we started last September and it cost somewhere around \$250,000,000. for this fiscal year. To carry them on in the same way, practically nothing new, during the fiscal year 1941, will cost about \$300,000,000.

Q Mr. President, does that explain the difference between -- in this first table on page VIII, national defense is given at \$1,800,000,000. and the first of the regular tables for the year, on page XIX, national defense is given as \$1,539,000,000. I wondered what the difference between those two items was? That is item 4 in section II of this first table.

THE PRESIDENT: Well, if you will add to that \$1,539,000,000. and look further down, you will see item 14 on the same table, \$300,000,000. and that about gives it to you. I am good, I found it myself.

(Laughter) (Reading)

"In order that these emergency requirements may be clearly shown I have segregated them for both the fiscal years 1940 and 1941. They call for supplemental appropriations of \$272,000,000 in the fiscal year 1940, and appropriations of \$302,000,000 in the fiscal year 1941."

Well, you might say on that that the monthly costs will not be as high next year as they have been this year because, you see, they will be for twelve months and this year we did not start actually spending any of this money until about the middle of September. We had gone two and a half months into the fiscal year.

Q This difference of \$272,000,000. between what you asked for and \$160,000,000. of expenditures, does that mean you are going to keep down that \$272,000,000.? The expenditures are estimated at \$160,000,000.

THE PRESIDENT: Yes, because this year the estimated expenditures of \$160,000,000. -- we are at the present time and have been for several months obligating money which won't be paid out until after the first of July.

Q It comes out of the \$272,000,000. appropriation?

THE PRESIDENT: Yes. (Reading)

"Expenditures are estimated at \$160,000,000 and \$300,000,000 in these two years. This segregation will, I hope, help to focus attention on our emergency defense expenditures, and the problem of financing them. It will also facilitate the return to a normal --"

I should have said "more normal" -- (Reading)

"-- defense program when the current emergency has passed."

Then on work relief: (Reading)

"Work-relief programs.---For the purpose of this summary I have included the activities of the Work Projects Administration, the National Youth Administration, the Civilian Conservation Corps, and the grants of the Farm Security Administration.

"In submitting estimates for these agencies I have taken into consideration the current improvement in business conditions. The first effects of increased business activity have not resulted in a proportionate reduction in relief needs. This is because the increase in employment has affected principally those who have had casual or part-time work. But there is reason to hope that a continued expansion of business would diminish relief requirements substantially."

Well, of course this is based, by the people who know more about it than any of us, on the general theory that when a factory starts running full time and starts taking on new people, the chances are it takes on the people who have been most recently discharged, in most cases people who have not been on relief rolls. And then, a second large group are other members of the same families who are already employed but, again, are not on relief rolls. The general theory is that they are, at the present time, using up that labor supply, that is to say the people who have been working for them before, but are not on relief, and other members of the same family that are not on relief. Now, if the upturn continues, the next group they will have to go to are the people who are on the relief rolls. In other words, there is a lag and we hope that lag is very nearly at an end and we hope now that there will be more and more a picking up of people from the relief rolls. That is why we have been, perhaps, too drastic on all these relief estimates, the W.P.A. (Reading)

"While the estimates are appreciably less than those for the current year, I am hopeful that they will prove adequate. The Work Projects Administration will be able to provide employment for an average of 1,350,000 persons. The National Youth Administration can employ an average of nearly 600,000 American youths, and the Civilian Conservation Corps --"

I want to make it perfectly clear that these estimates are based not on a guess, not even that, but on a hope that the upturn is going to continue as an upturn; in other words, that the curve will go up. If it does, these estimates will be all right but if that curve either levels off or goes down, sometime while this session of Congress is still here, it seems perfectly obvious that I will have, in order to prevent hardships and starvation, that I will have to ask for more money.

Q Mr. President, then you are not asking for this amount now? You are going to wait and see what happens?

THE PRESIDENT: I am asking for it now and then, if the hope is not fulfilled, I am going to ask for more.

Q The present relief rolls are around 2,000,000 (men). You say 1,300,000 here. The present is 2,000,000, I think.

THE PRESIDENT: The average for this year will be about 1,900,000 people, or a little less, about 1,850,000 people.

Q This year? You mean the 1940 calendar year?

THE PRESIDENT: This fiscal year.

Q The 1940 fiscal year?

THE PRESIDENT: Yes.

Q That is the average?

THE PRESIDENT: Yes. You see, under this year's appropriation, as

Harold (Harold Smith, Director of the Budget) says, when we get to the month of June, under the Act, we will have only a million people on W.P.A. rolls. We have two million at the present time. You will remember they submitted a schedule to the committee up there that showed how many for each month of the year and it gets down to a million in June, which means that this total, I mean this average of 1,350,000 (men), that probably in July and August of 1940 we would still run at the rate of a million and in September we would step it up to 1,200,000, in October to 1,300,000 and in November to 1,400,000 or 1,500,000, but we would keep this average of 1,350,000.

Q Are you holding within your appropriation this fiscal year?

THE PRESIDENT: Yes.

Q Could you give us the comparative figure showing the reduction that this makes in the number of American youth and C.C.C.? Is there any change, substantially?

THE PRESIDENT: N.Y.A. is down from \$100,000,000. to \$85,000,000. That is fifteen per cent less.

Q Is that the amount of money appropriated or the number?

THE PRESIDENT: The number of people. It would be the same thing both ways. It works out the same thing in people and money. So you can find the number of people on N.Y.A. this year by dividing this 600,000 American youths by 85 and multiplying by 100.

Q How does that pertain to C.C.C.?

THE PRESIDENT: C.C.C. is down to what percentage?

MR. BLANDFORD: (Assistant Director, Bureau of the Budget) From 295,000 to 230,000.

THE PRESIDENT: From 295,000 to 230,000 and there again, at the present time, the applications for enrollment in C.C.C. camps are falling off very materially from week to week -- going down.

Q That is because --

THE PRESIDENT: (interposing) They are getting jobs.

Q Do you set down in dollars how much of this \$1,300,000,000. is set aside for W.P.A.? It does not seem to be on the schedule?

MR. BLANDFORD: Is that W.P.A. expenditure? \$1,000,000,000.

THE PRESIDENT: \$1,000,000,000. is W.P.A.

MR. BLANDFORD: And \$125,000,000. is Farm Security.

Q What was that second figure?

Q \$125,000,000. is Farm Security.

Q What is that \$122,000,000. figure then, Number 9?

THE PRESIDENT: What table?

Q Page XIX, item 9 says Work Relief \$122,000,000., and then down below it says "Supplemental items: Relief --"

THE PRESIDENT: (interposing) You see you have to take 9 and the second item under 13 together.

BUDGET DIRECTOR SMITH: Nine and the remainder of P.W.A. expenditures.

Q P.W.A.?

THE PRESIDENT: And the second item under 13 is relief, W.P.A.

Q Is that practically the Works Progress Administration?

THE PRESIDENT: And Farm Security. (Returning to a reading of the book)

Then very much the same thing has to be said about the next item of agricultural programs. We have included the agricultural adjustment benefits, the surplus removal program and the parity payments from the 1940 appropriations; in other words, there will

still be left after the first of July this year \$140,000,000. not yet paid to the farmers for parity payments. But it is obligated.

MR. BLANDFORD: \$170,000,000.

THE PRESIDENT: \$170,000,000. still left that will be paid out to the crop producers after the first of July this year.

Q That is parity payments?

THE PRESIDENT: Parity payments. But they are obligated. Is that right?

MR. BLANDFORD: That is right.

THE PRESIDENT: I mean by that that they will come into the flow of purchasing power after the first of July.

Q Mr. President, in connection with your surplus removal program --

I have not checked through the Budget -- does that include the cotton export subsidy and the wheat export subsidy? Are you continuing those?

THE PRESIDENT: I think they still come out. That is a thing we cannot very well budget. They come out of the customs receipts. (Reading)

"I have not, however, included estimates for new appropriations for parity payments in 1941."

This is just like the relief thing, I am going on the (Reading)

"-- hope that next year's crops can be sold by their producers for at least 75 percent of parity."

They are pretty close to that 75% of the parity prices now, or have actually attained it in a number of cases. You take, in the case of cattle, the price of cattle is actually above the 75% of parity. In the case of wheat, it is awfully close to it and in the case of cotton it is awfully close to it.

Q Is the law of 75% parity the rule?

THE PRESIDENT: We have been doing that for two years. The thing we

have to remember is that under the law for the last two years we have been giving out these parity payments in order to bring the cash receipts of the farmer up to 75% of what is the parity figure. We are so close to it now in wheat and cotton that we hope to be up to it by next spring. We are over it in the case of cattle. Therefore it is not being pushed. But it is perfectly fair to say, as I said to Senator Bankhead the other day, that that is the policy adopted by the Congress for two years and if it is necessary to appropriate money to bring the payments the farmer receives up to 75% of parity later on in the spring, of course I will ask for it.

Q Have you a suggestion as to a tax to offset it?

THE PRESIDENT: Oh, I think there is something about that later on, in very polite language, of course.

Q Secretary Morgenthau does not seem pleased.

THE PRESIDENT: I do not say processing tax. You see, now he smiles.

It is all right.

Q Is that the certificate plan you discuss later on?

THE PRESIDENT: No, I do not discuss that. Oh, no, I am not discussing that. (Laughter) Oh, here it is, right the next sentence:

(Reading)

"I do not suggest in any way abandonment of the policy of parity payments heretofore adopted, and future events may call for some appropriation to this end. I note, however, in passing, that the Congress has failed to make any provision for the financing of these payments already made or obligated for 1938 and 1939 crops."

Then, on public works: Now, this is predicated, the whole thing, on something -- oh, it must have been at least three years

ago that we, at least the administrative branch of the Government, adopted a national policy which was to spend an average of \$500,000,000. a year on public works of various kinds. In other words, we felt that the country needed about that average expenditure and that we ought not to spend more, except in times of real emergency where we had to put people to work. In the same way, in flush times, we ought to keep down below the \$500,000,000. level. Of course, in 1938, we jumped the amount pretty well above \$500,000,000. and last year the Congress put in a great many additional items over the recommendations and it got way above \$500,000,000., so I am trying to go back to that \$500,000,000. theoretical amount that the Government ought to spend in the average year. (Reading)

"Public works and investments.--This broad class of expenditure represents the use of Federal capital for investment in useful public works, for ship construction, and for loans largely for aid to agriculture.

"While the expenditures for these purposes in 1941 remain large, a substantial portion of them arises from existing appropriations or takes the form of reimbursable loans.

"The estimated expenditure for the general public works program is \$641,000,000, but the proposed new appropriation for this item to carry on already authorized projects is only \$498,000,000. To obtain this relatively low figure the starting of important new projects has had to be postponed and the purchase of additional land has had rigidly to be limited. This action brings the public-works program down to the minimum goal of \$500,000,000 a year suggested by me on several previous occasions, and conserves the reservoir of public projects for a time when private construction declines."

Q Mr. President, may I ask a question there? You say, "for ship construction." Is that for naval construction?

THE PRESIDENT: No, that is all maritime.

Q Can you tell us one or two of the big projects that will be held up?

THE PRESIDENT: No existing projects, only new proposed projects.

Q Can you tell us what some of those are?

THE PRESIDENT: Oh, I do not remember any very big ones, outstanding ones. There are flocks and flocks of little ones that the Army Engineers approve almost automatically, such as dredging down at the mouth of the Potomac River, et cetera, also on highways we have been way over the limit of highway construction.

Q Will that include these so-called self-liquidating super highways?

THE PRESIDENT: No. (Reading)

"Last year, in the interests of more accurate and intelligible statements of the financial operations of the Government, I invited the attention of the Congress to the desirability of capitalizing certain capital expenditures of the Government that have proved to be self-liquidating. I renew that recommendation at this time. As before, I would confine this principle to projects that are definitely capable of yielding revenues sufficient to defray, with interest, their cost of construction. In accordance with this principle, I propose that the requirements for new self-liquidating loans of the Rural Electrification Administration be met through funds advanced by the Reconstruction Finance Corporation instead of by direct appropriation."

Well, I do not know, I suppose some day Congress will act on that. There are some perfectly obvious things we ought to do that will bring Government operations into what might be called the ordinary businessman's methods. Boulder Dam, for example, has outstanding about a hundred million, a little over a hundred million dollars of Federal money that came out of the taxpayers' pockets. Well, the thing is paying, paying its way handsomely

and, of course, any private corporation would proceed to capitalize that, and that ought to be capitalized. It would mean, really, a hundred million dollars which would be returned to the Treasury, thereby relieving that much burden on the current taxpayers. The bonds could be sold to the public with the assurance, because the thing is working, that it was a sound investment. We have not quite got to that point but we are very nearly to that point in the case of Bonneville, where the contracts are being put out every day for the sale of power and, when that gets a little further along, we ought to capitalize and return to the Treasury that portion of the cost of Bonneville which relates to power.

In 1942, when Grand Coulee is finished and in operation and people are moving in there onto this new land, we ought to capitalize that portion of Coulee which is making money. There are a lot of other things of that kind which should be, in our judgment, capitalized and sold to the public as a good investment, a proven investment, which would return to the Treasury several hundred million dollars. It is a perfectly simple and a perfectly businesslike thing to do just so long as some -- that is the only objection -- the only possible objection is that some future Congress may run wild and try to capitalize, in that way, projects not yet proven. I think we ought to be careful not to extend that to anything not proven to be a financial success.

Q What capital sum would you suggest would be possible on the projects now existing? A hundred million dollars for Boulder Dam --

THE PRESIDENT: Oh, I suppose we could get up to two hundred million dollars right away.

Q Over a period of ten years, would it go to a tremendous sum?

THE PRESIDENT: No, because we did not put an enormous amount of money into self-liquidating projects. But, you see, I have another recommendation as to projects which are not self-liquidating.

Q On the rural electrification, they will get their money from the R.F.C. and the R.F.C. will, in turn, sell its obligations to the public?

THE PRESIDENT: That is right, and the security behind it is the contracts for the distribution of power.

Q Does that, Mr. President, require any legislative act by the Congress or is it entirely possible to do that through the Budget?

THE PRESIDENT: I think we have to get legislation. It can be done in the appropriation language.

Q Would these new securities put out on the self-liquidating projects, would you make those contingent liabilities of the Federal Government?

THE PRESIDENT: Oh, they would be just like the R.F.C. liabilities. There is a whole page in here of the same character. Yes, it is a contingent liability.

Q On the idea of capitalizing these proven projects, is something of that sort contemplated to provide the Government corporations with the \$700,000,000. to contribute back to the Treasury?

THE PRESIDENT: That is because we think they have too much capital. It is unused capital.

Q Where did they get that \$700,000,000.?

THE PRESIDENT: When they were first set up.

Q Where are they going to get it now?

THE PRESIDENT: Now we think they have too much of it.

Q What are the principal agencies?

THE PRESIDENT: R.F.C. and Farm Credit are the two principal ones. I think Home Owners' Loan Corporation comes in on that.

You see, take the case of the H.O.L.C.: As loans are paid down and the new loans that are being put out by H.O.L.C. are nothing like as big as they were in the rush of 1933 and 1934 -- now, those loans are being paid down, year by year, and each year, as they are being paid down, the H.O.L.C. requires, as a matter of safety, less capital.

Q Is that money actually paid out through these agencies?

THE PRESIDENT: Yes.

Q Does that require an Act of Congress?

THE PRESIDENT: No, we can do that without an Act of Congress.

Q That is, in effect, adding \$700,000,000. to the assets of the fiscal year?

THE PRESIDENT: This money that we paid out on the Treasury books in previous years is now coming back into the general fund. It came out of the general fund in the beginning and is being paid back into the same general fund.

Q Virtually the same as revenue?

THE PRESIDENT: Yes, because it came out of the revenue and now it is going back.

Q It has been shown, previously, as expenditures?

THE PRESIDENT: Yes.

Q And now it is revenue?

THE PRESIDENT: Yes.

Q It must appear in the revenue side of the Budget?

THE PRESIDENT: Yes, as an item on the receipts side.

Q Mr. President, as an actual thing, it won't come as actual cash, will it? Won't it be more or less cancelling notes or things of that sort?

MR. LAUCHLIN CURRIE: Actual cash.

THE PRESIDENT: Actual cash.

MR. LAUCHLIN CURRIE: There is a discussion on the next page.

THE PRESIDENT: Then the next item is pensions, retirements and assistance. We know what that is. That is an item that cannot be reduced unless you cut the pensions.

Interest on the public debt is in the same way. The interest paid in 1929 was 3.9 per cent and the present point is 2.6 per cent.

Then you come down to the current expenses: (Reading)

"Regular operating expenses.--This item represents the basic financial requirements of the Government. Blue pencil inroads are not easy to make. In the face of large and appealing requests for increases I have held appropriations and estimates of expenditures generally to the 1940 level or below. Where legislation has added new activities I have offset the cost by reductions in old activities.

"I have carefully checked the individual estimates under these broad categories and I am satisfied that no lower figures can be attained except at the expense of impairing the efficiency with which laws are administered or of working undue hardship on individuals and economic groups. I refuse to accept the responsibility of adopting either alternative."

And I might almost add to that, that I cannot legally cut out functions when I am told by Congress that such and such a depart-

ment has got to carry out such and such a function.

Q May I ask you a question? In the regular operating expenses and your balancing of old activities against new activities, have you any picture in your mind as to what this has done to personnel in the Federal Government setup? Here in Washington there are a tremendous lot of rumors and statements to that effect.

THE PRESIDENT: I would say that there will be a little change, but very little. Take the first page of the General Budget Summary, take the first item under expenditures, "Legislative, judicial, and executive." It has gone up, the 1941 Budget, from \$35,000,000. to \$37,000,000. Now, the reason for that is threefold: first, in the Executive Department, we are spending more money for the Bureau of the Budget, which is financial planning and efficiency; more money on the National Resources Committee, again planning. The two of them are not very high increases. The Judicial Branch of the Government will be the same here in the District as in other judicial circuits. Of course Congress has added an awful lot of new judges, which means that every new judge has got to have a clerk or two and a stenographer or two in the courtroom, and they are required by the Congress to keep the new courts going. The same way on the legislative end, the Congress itself is spending more money on itself, and that is nearly all here in the District of Columbia so I do not think you need worry about that item.

Then the civil departments and agencies are reduced from \$993,000,000. to \$952,000,000. and, of course, the bulk of these expenditures is outside of the District of Columbia.

There will be some decrease; there will be some jobs that

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will be abolished in the District of Columbia but you can see that it is a pretty small percentage. The general Public Works Program is cut from \$687,000,000. to \$641,000,000. -- again, nearly all of that is outside of the District of Columbia. There will be some loss of jobs in the District of Columbia but not an awful lot on a percentage basis. It is not material.

Q What would you call it, five per cent?

THE PRESIDENT: Oh, no.

Q One per cent?

BUDGET DIRECTOR SMITH: It would not be five per cent.

THE PRESIDENT: It would not be five per cent, no.

Then we come to the other side of the Budget. (Reading)

"Revenue estimates.--Total tax revenues are estimated at \$6,151,000,000. Tax revenues, after deducting appropriations to the old-age security fund, are estimated at \$5,548,000,000. Although net revenue collections for the fiscal year 1941 are estimated to exceed by \$382,000,000 the estimated collections for the fiscal year 1940, the increase is not as large as some might have expected. This is owing partly to the inevitable lag of tax collections behind increasing incomes, --"

Of course, the simplest way of explaining that is that a company or an individual that makes a lot more money in January, 1940, this month, we won't get it, more than half of the taxes on that, in the fiscal year, even in the fiscal year 1941, because they won't file an income tax until a year from this March, whether it is a corporation or an individual, and in the spring of 1941, there will be two payments on that and two of them in the fiscal year 1942, so there is a real lag before the cash on this month's profits gets into the Treasury.

Then there is one other reason, which is a thing which I cannot go into details about until after the March returns come in, but we fear there is an impairment of the tax base because of the revision of corporation taxes in 1938 and 1939, of corporate and individual income and capital gains taxes.

You will remember the bill which I did not sign and let become a law without my signature. The people that were supposed to know said that the decrease in revenue as a result of those changes would be very, very small. I think last year the estimate of the Senate Committee, the finance committee, said that the total loss of revenue would not exceed \$20,000,000. or \$30,000,000. and a lot of other people said there would not be any decrease in revenues at all because of the changes. Now some of us -- frankly we do not know -- but we are afraid that the changes in the tax laws may cost the Government much higher figures, somewhere as high as \$250,000,000. or \$300,000,000. But we do not know and won't know until March.

Q In case such a situation develops, you may recommend changes in the tax law, based on what you find?

THE PRESIDENT: Oh, we will have to see what the real changes are. I won't commit myself.

Q You figure \$460,000,000. additional taxes to cover increased emergency defense expenditures?

THE PRESIDENT: \$460,000,000., yes.

Q For that purpose, as a factor in your Budget for 1941, are you contemplating there taxes which are immediately collectible?

THE PRESIDENT: If we can, yes. In other words, any new taxes to bring

in \$460,000,000., I would like them so worded that they will bring in that sum before the thirtieth of June, 1941.

Q Would that mean any addition to the income tax for that purpose?

THE PRESIDENT: No. You can always bring any increase in in the first half of the calendar year if you want to, instead of spreading it.

Q Would that spread this increase over two years?

THE PRESIDENT: No, they could not do it. I am not suggesting this, I am simply pointing out that it is a legal possibility. They could do what I did, I think it was in my last year as Governor of the State of New York. We were not getting any Federal aid to take care of our unemployed and we were taking care of an enormous number of them in 1932 on a home relief basis. Of course we did not have the money to give them work and I recommended to the Legislature and got passed a special income tax, I think it was two per cent, which you added to the net amount that you were to pay the State. Do you remember what it was, Henry?

SECRETARY MORGENTHAU: It was \$19,000,000.

THE PRESIDENT: It brought in \$19,000,000. and it was made retroactive to the calendar year 1931.

Q That is, on the same system, we might assess this tax to be paid back to March?

THE PRESIDENT: I am not making any recommendation but it is a method of doing it.

Q Did not an amendment of that character pass the Senate at one time, back in 1934?

THE PRESIDENT: I think it did.

Q A ten per cent increase?

THE PRESIDENT: A ten per cent increase.

The next item is "Return of surplus funds from Government corporations." This thing explains it as well as we can at this time. You do not have to read it. (Reading)

"On the basis of preliminary studies, I estimate that it will prove feasible to reduce the capital funds of some of these corporations by an aggregate figure of \$700,000,000, without in any way impeding their operations."

Q May I ask what total the Government has put out in these capital stock funds?

THE PRESIDENT: About three and a half billion.

Q That means actual cash out of pocket?

BUDGET DIRECTOR SMITH: That is the Government's interest in all public agencies and corporations.

Q Acquired by actual cash?

BUDGET DIRECTOR SMITH: Most of it was for securities issued by the corporations.

Q Is there a breakdown of this \$700,000,000.?

THE PRESIDENT: No. That is being done by letter as it goes along.

There are letters to a couple of the agencies to please make arrangements to have this money paid back. (There will be some awful squawks probably.)

Q Will it be paid back immediately?

THE PRESIDENT: As soon as they can get around to it. It probably won't all be paid back until after the first of July because it takes a good deal of time to work things around to get the cash to pay it back.

Q It means first you are going to ask them how much they will give

up voluntarily?

THE PRESIDENT: Practically.

BUDGET DIRECTOR SMITH: It might be more.

THE PRESIDENT: He (Mr. Smith) says it might be more, but he is an optimist.

Then, on the national defense taxes, I want to point this out: Of course a lot of people will say, "Why make this a special tax for national defense? After all, it goes into the general fund of the Treasury." Theoretically, that is perfectly true but actually it is much easier to make the country understand that on everything else of the Government practically we are reducing the expenditures this year. That was the trap that the Republicans fell into about two hours ago up on the Hill, and they applauded vociferously. But the fact is, I go a little further than they did because not only do I want to reduce all the main items in the Budget but on the only item, national defense, where there is an increase I think we ought to pay for it currently instead of settling it on future generations. From the point of view of the average citizen, it is an easier thing to understand if you say to them, "This is a national defense tax," rather than to say, "This is a tax further to reduce the net deficit in the Treasury." That does not mean anything to me; it leaves me cold. But I know, if he has a specific thing to bring that item in with all the other items, that is a simple thing.

Q If you want money for farm parity payments, isn't it the same proposition?

THE PRESIDENT: Yes, I think that is true. In other words, we have

talked about that for two years. It does not have to be labeled that, of necessity, but you can tell the country, "This is the reason for the extra tax."

Q Would that hold for an additional relief appropriation?

THE PRESIDENT: Of course I think there is a reductio ad absurdum beyond which you cannot go. This original table on page VIII is the easiest way of putting it up to the country, these seven items.

Q Is the \$460,000,000. proposed for new taxes, is that an increase --

THE PRESIDENT: (interposing) Since, roughly, last September.

Q It would not necessarily be the exact increase this coming fiscal year, for this fiscal year?

THE PRESIDENT: No; it represents the \$160,000,000. that will be spent this year plus \$300,000,000. next year.

Q You have given us, as an example, this New York tax you have told about. Do you have any other suggestions here, on the pay-as-you-go or some other way this \$460,000,000. might be raised?

THE PRESIDENT: No, and that was not a suggestion. That New York thing I used as an illustration of the method of bringing it in before the end of the year 1941, actually into the hands of the Treasury. I am not making any recommendations as to how to get that \$460,000,000. in.

Q Have you made some studies along that line with reference to the Federal tax situation?

THE PRESIDENT: I am, yes. The Treasury is doing that all the time.

Q What is the over-all figure on national defense spending proposed in this year, which will be spent this entire fiscal year?

THE PRESIDENT: You have got that there in that table. It is in there.

Q It is not very great if you add the deficiency appropriation. It will be very close to the same thing.

THE PRESIDENT: Not very much.

Q Mr. President, along that line, could Mr. Smith (Director of the Budget) give us all the figures for the last year of the eight items on that?

THE PRESIDENT: Can you get out a similar table for 1940? I do not think we have ever done it.

BUDGET DIRECTOR SMITH: We do not have it here.

THE PRESIDENT: If you can persuade somebody in the Budget to do it next week. They are going to take a holiday after today.

Q Mr. President, do you place excise taxes in the category which would tend to decrease the consumer buying power?

THE PRESIDENT: I am not recommending one way or the other. I think the Secretary of the Treasury brought it out the other day, the thought about sixty-three per cent of our taxes which should be classified as taxes on consumer buying power. Of course that is an awfully high percentage.

Q Do excise taxes fall in that sixty-three per cent?

THE PRESIDENT: Yes. Of course, as a general matter of national policy, I think that figure of sixty-three per cent ought not to go up. It is too darned high now. It is the kind of tax that hits all of us fellows.

Q Don't individual income taxes fall in the same basis?

THE PRESIDENT: No.

Q Would a processing tax do that?

THE PRESIDENT: Yes, probably it would, not all of it but most of it

would. In other words, that portion of processing taxes which is turned over (passed on) to the consumer falls into that category. It depends a little on the price of things like loaves of bread.

Right down here (indicating) I have got the same thing.

(Reading)

"In seeking additional sources of revenue, I hope that the Congress will follow the accepted principle of good taxation of taxing according to ability to pay and will avoid taxes which decrease consumer buying power."

Q Mr. President, our understanding is that the sixty-three per cent that Secretary Morgenthau talked about includes everything outside of income taxes, that he had real estate taxes there.

THE PRESIDENT: We do not impose real estate taxes.

Q The sixty-three per cent he talked about included state and local taxes and if you are barring everything under that sixty-three per cent, all that is left is the income tax.

THE PRESIDENT: You cannot take all real estate taxes. Some are and some are not. You have to get down to the individual piece of real property.

Q Why is not the individual income tax a tax on consumer power? I am not being argumentative, I am asking for information..

THE PRESIDENT: Well, the other side is a tax according to the ability to pay. You can argue it any way you want to. (Reading)

"The deficit.--The deficit for the fiscal year 1941 is estimated at \$2,176,000,000, as contrasted with \$3,933,000,000 for the fiscal year 1940. It is expected that these deficits will be met in normal course partly by additional tax collections, partly by carrying lower balances, and partly by borrowing. If the Congress adopts my recommendations with reference to taxes the deficit for 1941 will be reduced to \$1,716,000,000."

Q This question might be slightly previous but I notice, in reading this Message, that there was no mention of an increase of the statutory debt limit. However, the Budget table giving the debt, estimated debt, at the end of the fiscal year is just about \$100,000,000. short of the \$45,000,000,000.

THE PRESIDENT: No, at the end -- where is that?

BUDGET DIRECTOR SMITH: Schedule four.

THE PRESIDENT: I am glad you brought that up at this time. Here is the simple picture: The public debt the last first of July, the first of July 1939, was \$40,439,000,000. You see, that is the second figure. The estimated gross national debt on June thirtieth this year, 1940, will be \$43,222,000,000. or, in other words, \$1,778,000,000. short of the \$45,000,000,000. debt limit. Right? Now, just keep that figure in mind, \$1,778,000,000. short.

Now turn back. (Reading)

"If the Congress adopts my recommendations with reference to taxes the deficit for 1941 will be reduced to \$1,716,000,000."

In other words, the question of exceeding the \$45,000,000,000. debt limit will not come up in the fiscal year 1941.

Q But there are three probabilities by which it might. One is relief, the second agriculture, and the third is what Congress might do about housing.

THE PRESIDENT: Oh, lots of things, public works of all kinds.

Q What is the policy?

THE PRESIDENT: If the Congress lives up to the recommendations, the question of the \$45,000,000,000. debt limit won't come up for --

Q (interposing) Before election?

THE PRESIDENT: -- for action.

Q I hope it won't come up before election. (Laughter)

THE PRESIDENT: You are right. If they do exceed (the debt limit) it will be, as they say in New England, their fault and the Congress will automatically have to take up the question of increasing the debt limit.

Q The debt is actually there, isn't it? If they exceed the debt limit, there is no trick way of handling it?

THE PRESIDENT: If they exceed the debt limit in their appropriations and do not change the debt limit, what happens? I don't know. Here is Congress that has said to me, "You cannot spend more than X number of dollars," and out of the other side of their mouths they say, "You shall spend X number of dollars." Now, what does a poor devil like a President do?

Q Secretary Morgenthau said he is going to quit writing checks.

THE PRESIDENT: What does a President do?

Q I don't know.

THE PRESIDENT: I don't either.

Q I would like to make a bet that they will exceed the debt limit.

THE PRESIDENT: All right.

Q It appears you have the door open here yourself to exceed that debt limit because you say that if conditions --

THE PRESIDENT: (interposing) Yes, but believe me if I ask for more money, I will ask them to do one of two things: raise the debt limit or give me more money. But that is an "iffy" question. I hope it won't happen.

Q Is it up to you or the Secretary of the Treasury to call attention

to the point where the debt limit is reached?

THE PRESIDENT: Oh, of course you fellows will do it. (Laughter)

Q That is probably true.

THE PRESIDENT: Why should I bother?

Q (Mr. Godwin) Because you might have an eventful year. (Laughter)

THE PRESIDENT: Yes.

Q Unless Congress votes this \$460,000,000. more for taxes, you will again be in the red.

THE PRESIDENT: Yes. It will be up to them. In other words, I say, "It is your move."

Q They won't have to move, however, until the next Congress? You have six months leeway in the next fiscal year?

THE PRESIDENT: I don't know, I do not know. In other words, we would not actually get over the \$45,000,000,000. of expenditures out of the Treasury until after the first of January sometime.

Q Could Congress legally make appropriations beyond the debt limit?

THE PRESIDENT: I don't know. I have not the faintest idea and I don't believe anybody else has.

Q Doesn't the Treasury have the power under present regulations to evaluate its silver at \$1.29?

THE PRESIDENT: Oh, yes; all kinds of tricks.

Q And it can apply that to the retirement of the debt?

THE PRESIDENT: Yes, and you have two billions in the stabilization fund.

Q Now, if Congress should appropriate money and then fail to make provision for increasing the debt limit, wouldn't that step have to be taken?

THE PRESIDENT: I do not know. I haven't even seen the bridge, let alone cross it.

Q This schedule on page XXV, that has the debt limit: You have a decrease in the working balance of \$1,150,000,000. Does that mean the working balance is too large and you are cutting it down?

THE PRESIDENT: No. That is in this fiscal year?

Q That was too large?

THE PRESIDENT: That was last July. As I remember it last July -- Henry (Secretary Morgenthau) can tell it better -- as I remember it, last July we were away up at the top of our cash on hand. The reason was we were thinking about the probability of this European war breaking out so we went right to it and got an awful lot of money into the Treasury and, in the course of this year, had \$1,150,000,000.

Q Before we leave the debt, as I recall -- I do not recall the exact figures -- but your Budget of a year ago estimated the national debt at June 30, 1940, to be \$44,000,000,000., or somewhat closer to \$45,000,000,000. than this figure. How does it come that the debt is not coming up to that?

THE PRESIDENT: We spent less. We spent more slowly than we had expected to.

Q In this figure of public works, is there anything included in that to take care of the hospital building program?

THE PRESIDENT: No.

Q In other words, if that program went through, it would automatically entail an increase?

THE PRESIDENT: Yes. It would still leave us within the \$45,000,000,000.

because fifty hospitals at \$150,000. apiece would be what, \$7,500,000.?

Q I was a little puzzled about the money for P.W.A. Does that leave it in self-liquidating ventures?

THE PRESIDENT: Yes, for self-liquidating.

Q Does that include rivers and harbors?

THE PRESIDENT: This \$641,000,000. includes post offices and highways and rivers and harbors. It includes P.W.A. loans and grants of \$117,000,000. -- that is the cleaning up of the old program; other public works, \$28,000,000.; Farm Security loans, \$75,000,000.; Rural Electrification, \$20,000,000.; Farm Tenant, \$30,000,000.; Maritime Commission, \$150,000,000. That item (Maritime Commission) is the only item that has gone up and the reason was that shortly after the outbreak of the war Jerry Land and I decided to step up the Merchant Marine building program and contract immediately for ships instead of waiting until this coming spring. We anticipated about six months.

Q This policy on the debt limit seems to indicate the possibility of balancing the Budget not so very far ahead, say about a year after next July?

THE PRESIDENT: Hope springs eternal. That is all I can say.

Q In connection with the Budget Summary on page XIX, there are three technical questions I would like to ask: In section II, Expenditures, item No. 7 (Aids to youth), we have there the sum of \$308,000,000. Now elsewhere you have estimated \$1,300,000,000. for relief, including N.Y.A., which I assume would be one of the aids to youth. Then there is that extra \$125,000,000. N.Y.A., I

assume, is part of that \$308,000,000. that you have as "Aids to youth."

THE PRESIDENT: That is N.Y.A. and C.C.C.

BUDGET DIRECTOR SMITH: Yes.

Q Let me see if I can make myself even clearer. You have down here the sum of \$1,125,000,000. for emergency or, rather, for relief. That is your last item under section II (Expenditures).

THE PRESIDENT: That is W.P.A. and Farm Security.

Q Yes. Now, you estimated the total under the relief headings of \$1,300,000,000. elsewhere, which would leave a difference of \$175,000,000. to cover N.Y.A. and C.C.C. Then, up above, you have this item of \$308,000,000. for aids to youth, so that there has to be a difference of \$125,000,000.

THE PRESIDENT: I think the point is well taken. You have lost something?

MR. BLANDFORD: Under work relief program we are including the Farm Security grants as work relief. The loose money is provided for under aids to agriculture. That is the difference in that summary.

Q I see you have it under work relief, \$122,000,000.

THE PRESIDENT: Is that all right?

Q That satisfies me.

Q Mr. President, on that same table, page XIX, the total receipts are \$6,150,000,000. The next figure is \$602,000,000., which is deducted from total receipts.

THE PRESIDENT: That is put into a separate trust fund.

Q Now, No. 9 (the reporter evidently meant No. 8, social security,

under the heading of Expenditures) is \$436,000,000., which is deducted from the remainder of receipts.

THE PRESIDENT: No. 9?

Q No. 8, excuse me, which is deducted from the remainder of receipts.

Does that mean from the current receipts of the next fiscal year there will be deducted, for one purpose or another, something over a billion dollars for social security purposes?

THE PRESIDENT: That item 8 is under expenditures.

MR. BLANDFORD: Item 8 is the grant to states. It is a different item.

Q There is no connection?

MR. BLANDFORD: No.

Q Then that \$602,000,000. is really an expenditure, is it not? How should that be set down?

MR. BLANDFORD: There is a note at the bottom of the page.

Q That note confuses me.

UNDER SECRETARY BELL: I should say it is earmarked receipts. They are earmarked by the Act and therefore they are transferred out of the general fund into the trust fund.

Q In writing the story I was wondering whether that should be taken out and added to the general figure of expenditures.

THE PRESIDENT: No.

Q This was not done every year in the past?

UNDER SECRETARY BELL: It has been taken out of both sides.

Q Doesn't it mean about a billion dollars social security payments on it? It would be correct to add the \$600,000,000. and the \$436,000,000. as the total social security, and that is a draft against current receipts?

UNDER SECRETARY BELL: There is a peculiar wording in the Act. There is a plan to set this aside out of the Budget but a peculiar wording in the Act requires that it be put in the general fund. Then a part of the receipts are deducted to cover it into the general fund.

Q Is the deduction considered as an expenditure?

UNDER SECRETARY BELL: From the standpoint of social security, you are spending \$400,000,000. for grants and \$600,000,000. for investment.

Q The total expenditure would be in excess of \$900,000,000.?

UNDER SECRETARY BELL: You can take in the unemployment trust fund too, then.

Q Would that be in a supplemental estimate?

THE PRESIDENT: I think they are all in.

Q What is the net receipt from all payroll taxes to the Treasury?
What is the net receipt to trust funds of all social security taxes in the next year?

THE PRESIDENT: \$602,000,000.

Q That is the net receipts?

UNDER SECRETARY BELL: That is the net receipts to the trust fund.

Q Do the pensions that start next year come out of that?

UNDER SECRETARY BELL: Yes, sir.

Q And this money comes in here (indicating)?

UNDER SECRETARY BELL: Yes.

Q This \$602,000,000. is the net figure?

MR. LAUCHLIN CURRIE: The net taxes are more. The total tax is \$670,000,000.

Q Isn't that annuity account entirely separate from the Budget?

MR. CURRIE: Yes.

Q That is, when the annuities are paid it has nothing to do with the Budget item?

MR. CURRIE: That is right.

Q It is paid out of an entirely different account?

MR. CURRIE: It comes out of a trust fund, not the general fund at all.

Q What is the estimated deficit this fiscal year? Is it \$3,900,000,000. or \$2,700,000,000.?

THE PRESIDENT: This fiscal year? Turn to Schedule No. 4. At the end of this fiscal year, the estimated debt, is that what you are talking about? The debt or the deficit? The estimated debt will be \$43,222,000,000. That is at the end of this fiscal year.

Q That is considerably under the estimate of a year ago?

THE PRESIDENT: Yes, it was over \$44,000,000,000. a year ago.

Q The estimated deficit is \$2,700,000,000.?

THE PRESIDENT: The estimated deficit is \$2,700,000,000.

Q Mr. President, there is an item in the Summary on page XIX -- \$700,000,000. --

THE PRESIDENT: (interposing) What line?

Q Last line, under item 14. It is three lines down (below item 14, the item reading, "Less: Return of surplus funds from Government corporations, \$700,000,000.)

THE PRESIDENT: Those are the surplus funds that came out of the Treasury and are now being restored.

Q That would represent the amount restored, \$700,000,000.?

THE PRESIDENT: Yes.

Q That will not be in cash?

THE PRESIDENT: You can put it in either item you want.

MR. LAUCHLIN CURRIE: That will appear both sides, on the credits. It will go back to the revolving fund of the Treasury as miscellaneous receipts. It depends on the law.

Q Why isn't that \$700,000,000. realization from the lending agencies shown under receipts too, in the Budget Summary?

THE PRESIDENT: Because, under the law, it is used as an offset on money going out in a great many cases.

Q Where do you put it then?

MR. CURRIE: It depends on what agencies are selected and what amounts. If they have a revolving fund, it goes in as a credit and, in other cases, it goes in miscellaneous receipts. I think you can work it on a 50-50 basis.

Q This Budget Summary figure, net receipts, \$5,000,000,000., should be \$5,000,000,000. plus \$700,000,000.?

MR. CURRIE: Or perhaps plus \$350,000,000. I think half would come in as miscellaneous receipts and the other half would come in as credits.

THE PRESIDENT: In other words, he means you can cut it in half and put half at the top of the table as receipts and the other half as (a setoff against) expenditures and it will work out exactly the same way in your total figures.

Q That is why God made accountants.

THE PRESIDENT: You are right.

Then going back to page XIII, we have the item "Financing the maintenance cost of certain services." This is something that is really important. I do not know whether we will get any action

out of it or not but this thing really came out over a study that we had made, a tentative study first and another one since, on this old rivers and harbors situation.

In England, where they have been at it a great deal longer than we have, back in the days of Queen Elizabeth they organized a Government corporation called Trinity House, which we would call an authority in these later days. Trinity House was a corporation that was given its capital by the British Treasury and it was run by shipmasters and shipping houses. It began a great system of lighthouses and buoys and dredging out of channels all around the British Islands. At the same time Trinity House was given authority to impose tonnage taxes and port dues and things of that kind to offset the expenses that they were under for annual maintenance of these channels that they had to keep on dredging out, like the channel going into Liverpool, which is a long, muddy, sandy channel, requiring constant dredging. I am not dead sure, but I think the lifesaving stations in England were also run by Trinity House.

The net result is that that system has run over four hundred years and the maintenance of all navigational aids, including the dredging of channels, is covered almost one hundred per cent out of the receipts that Trinity House gets from ships which use these channels.

If you go yachting on the coast of England and drop anchor in some little two-by-four harbor on the coast of Devonshire, along comes a fellow in a boat, with a Navy cap on. He rows out and he says, "Good evening, gentlemen. What is your tonnage, please?"

And you tell him the tonnage of your schooner and he says, "One night?" You say, "Yes." He says, "It will be six pence, sir." For two nights you get a reduction; for two nights it will be ten pence, and if you spend a week there, you will get a further reduction. In that way the users of all the channels and harbors around the British Isles pay for these facilities which the Government provides for them.

Now, when it comes to digging a new channel or putting in a new set of buoys or building a new lighthouse, that is a capital expense. That comes out of the British Treasury.

These investigations of mine showed that we are spending \$50,000,000. a year for the maintenance of our rivers and harbors and channels and buoys and lighthouses and lifesaving stations, et cetera, and we are getting practically nothing back from the users. I am asking the Congress to study the question as to whether we cannot have the users of all of our waterways and coast facilities pay a little bit more towards this annual maintenance. I do not know whether we can get it on a self-sustaining basis but perhaps we can pay part of this \$50,000,000. a year by certain charges against the users of all these navigational aids.

Well, that is one thing I believe we ought to start to do.

Q Would that apply to inland waterways as well?

THE PRESIDENT: Oh, my, yes. Why not?

Q How about aviation, the fields and the services the Government supplies?

THE PRESIDENT: Well, we ought to study that. We have not studied that as yet. We ought to do it. I don't know what the present system

18.

Then you come to another question. We were pouring an awful lot of money into parks and these forests and historic monuments of various kinds, and the public does pay some small fees, I think in most of the National Parks, at the present time. There again there is a great deal more of revenue that could be got by extending the principle of very small fees, five cents or ten cents, to go into a National Forest. Up in the State of New York Governor Smith started, with Bob Moses, this wonderful system of State Parks and when I was Governor we completed a number of them and kept on extending the system. Except in the Adirondack Preserve, as it is called, or Reserve, where the situation does not warrant us charging anything, in all these other parks owned by the State we have just one place when you go into these parks where you can park your car but you cannot park your car without paying ten cents or twenty-five cents, whatever it may be. The receipts from the users of these State Parks have got to the point now where the parks are almost self-sustaining. And nobody kicks. There was a little kicking the first year we did it but it has died out entirely. At Jones Beach we have thousands and thousands of people all the time during the whole summer season.

Q Would you apply that to the Blue Ridge Parkway? (Laughter)

THE PRESIDENT: Yes, sure. It is the same thing. Any objection?

Q It has been proposed.

THE PRESIDENT: I would make it a small fee.

Q There has been quite a bit of comment about it.

THE PRESIDENT: Yes.

And so I hope that Congress will study methods of getting a little bit of money back for the maintenance, not the capital cost but the maintenance, of the things that the Government is doing for the population of this country.

Then you come down (referring to the Budget Report) to the Federal Administration thing which calls attention to the increases in the Bureau of Budget and Civil Service Commission. It is a very modest investment but it pays large dividends because we are putting in ordinary business methods. Furthermore, \$11,000,000. of savings have already been impounded this year as a result of the Reorganization Plans I and II, and that amount -- I think a little more -- has been deducted from the 1941 estimates. (Reading)

"With further readjustment in the machinery and business practices of the Government, additional savings will be realized. Reorganization has also brought the Bureau of the Budget into the Executive Office. With the additional appropriation for this Bureau, our budgetary procedure can be greatly strengthened. We are beginning to get more effective review of estimates. With the help of Congress we can make further progress in improving our accounting and appropriation procedures. This is a necessary prelude to better budgetary control. The Bureau of the Budget is preparing itself to be increasingly helpful in the supplying of information to the appropriation committees of the Congress."

Then we have a long philosophical discussion of the public debt. There is an awful crack on the top of page XV that says: (Reading)

"Those who state baldly that the Government's debt is 42 billion dollars--and stop there--are stating a deceptive half-truth calculated to make our people apprehensive."

In other words, they are plain ordinary liars. (Laughter) (Reading)

"For one thing, it would clarify the public mind if it were pointed out that of the 42-billion-dollar figure the amount incurred between June 30, 1933, and December 31, 1939, is just over 19 billion dollars. For another thing, it would be more honest and more honorable for them to say that while one line in the national budget shows a national debt of 42 billion dollars, other lines indicate that the Government has 7 billion dollars of cash, gold available for debt redemption, and proprietary interest in Government corporations, which reduces the net debt to 35 billion dollars.

the
"In addition, of course, there are/billions of dollars' worth of durable, tangible assets constructed or purchased by the Government that are a real offset to the debt, though never listed as such.

"During the period between June 30, 1933, and June 30, 1940, nearly 14 billion dollars of Federal funds will have gone into recoverable loans and investments and durable improvements.

"Furthermore, during the same period, the burden of the combined total of public and private debts has decreased."

In other words, the Nation as a whole owes less to its Government and to itself, privately. (Reading)

"The interest on the public debt alone in the calendar year 1939 constituted only 1.45 percent of the national income as contrasted with a corresponding percentage of 1.62 percent for the year 1933. The increase in the national income over 1932 for the year 1939 alone is far in excess of the total increase in the debt for the whole period since 1933. The credit of the Federal Government has never been higher.

"The debt accumulated since 1933 represents a far more prudent and productive use of our people's savings than much of the enormous private debts piled up in the twenties."

As some of us have reason to remember. (Reading)

"The billions that were borrowed for speculation, for foreign loans, for second and third mortgages on overproduced commercial construction, --"

Some of us got hooked on that too. (Reading)

"-- hardly represented the most prudent use of our people's savings."

That is perhaps a little -- what is the word? -- ironical.

Q You would not apply that to the \$12,000,000,000. owing us in war debts, would you? (Laughter) (Reading)

"It is true that isolated debts can be defaulted without great harm to the general economy."

I saw a perfectly lovely piece in the financial page of a New York paper in which it said that private debt, an increase in the private debt, is much better for the country than an increase in the public debt because an increase in the private debt could be so easily defaulted in time of need -- now, that was a perfectly serious article on a financial page -- because you can get rid of it by defaulting when the time comes. I think it is perfectly marvelous, perfectly marvelous. (Laughter) (Reading)

"But this is not true when, as in 1933, a large part of our private debt was in danger of default, and the savings of the whole community, as well as the general credit of industry and agriculture, were imperiled.

"A part of the existing public debt and of agency loans is in fact accounted for by the necessary assumption by the Government--through the familiar 'bailing out' process--of private debts on the verge of default.

"In considering the growth of the Federal debt, it must finally be borne in mind that in recent years the Federal Government has had to take over some of the burdens which had theretofore fallen upon our States and municipalities. By 1933 the strain of the depression upon the finances of local governments had become unbearable. From

June 1929 to June 1933, States and municipalities had to increase their net debt by over 4 billion dollars and their credit in many cases had approached the breaking point. By 1933 there was an insistent demand that the National Government come to the financial aid of local governments.

"Consequently, between June 1933 and June 1940, the Federal Government will have made available for local relief, work relief, and local public works the sum of 17 billion dollars. In addition, during this same period, the Federal Government increased its grants for public roads by 1 billion dollars over the preceding seven years.

"By reason of these Federal expenditures it became possible for the States and municipalities during this period to rehabilitate their credit, and even to reduce slightly their aggregate indebtedness. If they had continued to discharge the responsibilities that were formerly theirs to a degree commensurate with the Federal Government's effort, the aggregate indebtedness of our States and municipalities would have been increased by not less than 18 billion dollars and their taxes would have been enormously increased.

"Debt, whether individual, corporate, or governmental, cannot be judged in a vacuum; it must be considered in light of earnings, assets, and credit standing. When the increase in the national debt is viewed against the background of what was accomplished by the growth of useful physical assets, and of effective national earning power, and by the strengthening of the Nation's credit and morale, there is no economic ground for anxiety, so far as the national debt is concerned, as to the Nation's future. And if our citizens understand the capacity of the Nation to produce increased national income and act thereon with all possible faith and practical energy, they will be in a position to anticipate balanced budgets without curtailing essential social programs."

Q Mr. President, in regard to this first paragraph on the top of page XV, where you say it would be more honest and more honorable to deduct the \$7,000,000,000. of cash, gold and proprietary interest. Why isn't it more honest and honorable to add the \$7,000,000,000. of contingent liabilities?

THE PRESIDENT: That is like trying to add apples and pears together.

Q I admit it is hypothetical but, if the H.O.L.C. should go broke, it would be up to the Federal Government to pay off the money.

THE PRESIDENT: Yes, but let me put it the other way: Boulder Dam is a good deal more than earning its interest and amortization. Suppose Los Angeles were to be destroyed tomorrow, suppose the Imperial Valley were flooded out, and the Gulf of Mexico came in and filled it full of salt? It is true, I suppose, that Boulder Dam could be considered a contingent liability but so can anything else.

Q Mr. President, how much of that \$7,000,000,000. cash is in gold?

THE PRESIDENT: \$7,878,000,000. in cash, interest in Government corporations, et cetera. The general fund balance is \$2,000,000,000.; the general stabilization fund, \$1,800,000,000.; the proprietary interest in Government corporations, \$3,602,000,000.

Q With reference to Government reorganization, can you give us an idea as to when another reorganization Order will come?

THE PRESIDENT: We have been so darned busy here that we have not done anything in the last two months. That is the next business.

Q This saving was accomplished by Orders I and II?

THE PRESIDENT: Yes.

Q (Mr. Godwin) If you are not through with this Conference, Mr. President, I would like to be excused. I have a broadcasting appointment at six o'clock; I have to tell the people what you said today in your speech. I think this is the first time that anybody has ever had to excuse themselves from one of your conferences.

THE PRESIDENT: Go to it. I hope your contract is sufficiently large.

(Laughter)

Q Thank you very much, sir.