

(Harold Smith, Director of the Budget, and Wayne Coy,
Assistant Director, were present at this Press Conference)

MR. SMITH: Good morning, teacher.

THE PRESIDENT: Good morning, everybody. How are we?

MR. EARLY: Mr. President, ready, sir?

THE PRESIDENT: (reading some hand-written notes from Mr. Smith) No, no, no.

MR. EARLY: Aye, aye, sir.

THE PRESIDENT: Those are good, these notes. I was going over them last
night.

In one place we talk about 400 thousand civilian employees, and
then further on we talk about 800 thousand.

MR. COY: 400 thousand are administering the war agencies, and 850 thousand --
less than that -- are administering what we call the non-war agencies.
That's the difference.

THE PRESIDENT: How does that 850 thousand compare with previous?

MR. COY: Well, that's a very difficult thing to arrive at.

THE PRESIDENT: Yes.

MR. COY: We are pretty safe in saying that they total 850 thousand. It's
fewer than that, it's about 830 thousand.

THE PRESIDENT: Yes, yes.

MR. COY: Less than it was in the preceding year by some 20 to 30 thousand
employees.

THE PRESIDENT: Yes, yes.

I guess we are all ready now.

MR. COY: It's a very difficult thing.

THE PRESIDENT: Yes.

MR. COY: We tried to go back and get actual figures on it.

MR. SMITH: We have a whole background of material on a thing like that.

THE PRESIDENT: Sure, sure.

(to the newspapermen filing in and sitting down on chairs provided) Good morning.

Q Good morning, Mr. President.

Q Good morning, Mr. President.

THE PRESIDENT: I see a great many people coming in who know nothing about budgets or taxes. Is it all right?

Q That's right. We hope to learn.

THE PRESIDENT: (laughing) Probably the ladies know more about budgets than any of the men here.

Q Not this Budget.

THE PRESIDENT: What?

Q Not this Budget. (laughter)

Q This is our collective "hair shirt." (indicating the Budget Message)

THE PRESIDENT: What?

Q This is our collective "hair shirt." (laughter)

THE PRESIDENT: (laughing) (to himself, counting the ladies present) 1 --

2 -- 3 -- 4 -- 5 -- that's about all.

MR. DONALDSON: All in.

THE PRESIDENT: I see that there are only, out of those in the room -- I see only 3 budget experts -- No, 4; and they are all ladies. (laughter) The rest of you men, you don't know a thing about it! (more laughter) Neither do I. It's all right.

There are two things I want to mention beforehand. We really have

got to protect this Budget; we are doing it 48 hours before it goes up to the Hill. So please don't -- don't write about it until it has actually got to Congress on Monday at 12 o'clock. Then the other thing is that the Director of the Budget, so that you will have a chance to write this rather voluminous thing, is keeping over the weekend an expert who can answer more technical questions that are involved in it. So, take your notebook and take down the number. Executive 3300, before midnight tonight. Executive 3308, until eight o'clock Monday morning. And after that, you can't ask any more questions. (laughter)

Q Is there an extension number on that 3300 one, Mr. President?

MR. SMITH: No, that's the number.

Q That goes right through to him?

MR. SMITH: Yes.

MR. COY: If you want to be sure, ask for Mr. J. Weldon Jones.

THE PRESIDENT: I might as well go ahead. I won't read the whole thing, but I can touch on the high spots.

(see Message Transmitting The Budget for 1944, Page V,
attached hereto)

(reading, not literally): "I am transmitting the War Budget, exceeding 100 billion dollars, for the fiscal year beginning July 1, 1943."

This represents a maximum program, which is a bit of a change. I have always talked about minimum programs before. This is a maximum program for waging war.

I have put in here certain statements, as you will see as you go

on, which in a sense do not belong in a Budget Message -- more like an Annual Message. But I had to get them in somewhere, and there wasn't any room in the Annual Message, so I put them in here, because the whole thing ties up together.

On the next is the sub-heading "War Expenditures." (see Page V) (reading, not literally): "The huge and expanding rate of war expenditures shows our determination to equip our fighting forces, and those of our Allies, with the instruments of war needed for victory."

There are a great many illustrations as to the increase, and the reason for calling it a maximum Budget. For example, we know we have got up in airplane production to the rate of 5,500 for the month of December. That is an increasing amount of planes -- everything that goes into them. I don't think we have given out the final figures yet as to what we expect to get in total of planes for the calendar year 1943. I gave you the figures the other day for the calendar year 1942. And all I can say is that the total we are trying to get in 1943 is way up over the 48 and 49 thousand that we have got this past year; a very, very material increase. Not just a little percentage increase, but a big increase.

Same way with ships. We exceeded the -- the hoped for program in 1942, and we are going to build a lot more -- I can't tell you the exact number. Same thing is true of all sorts of things. I think it is all right to give out the figures, as I did the other day, of actual production; but there are definitely military reasons why we are not going to tell everybody how many we are going to do of this,

that and the other thing. One can make deductions from figures of that kind.

As for example, if we were to give out -- take any old item you want to pick -- if we were to point out that in 1943 we are going to increase the number of "that" to a definite figure, people might argue from that that we are putting all our hopes on that particular variety of thing into that particular basket. On the other hand, if the figures show that we are going to cut down, probably the enemy will say, "What's that cut going into? The United States must have something up its sleeve that we don't know about." And they will try to find out what it was.

All I can say is that the total of this is essentially based on the total that we think we can turn out of all kinds of munitions to the capacity of the country. That is the main point. The breakdown of it is not essential, as long as every machine tool, and every assembly plant for all kinds of things, and every worker that is needed to run these tools and this assembling, and every bit of raw material that we can get out of the ground -- all of those things -- are included in this total production. That is in this Budget.

Now of course, also, the thing that may be -- where we are using the total supply of it, as we see it here in the beginning of 1943, by the end of 1943 and we are working toward 1944, if the war is still going on -- I suppose it will be -- the total capacity may be greater. We can't tell. We are not using, just for example, as much manpower in 1943 as we may be able to, if we have to, if we are driven to it in 1944. There are an awful lot of people in this country who could still

be used for war work of one kind or another. So this is total capacity, as we see it at the present time.

(continuing reading): "For the whole of the current fiscal year ---" (see Page V, 6th paragraph, 6th line) Well, here's an illustration of that paragraph. As I said before, monthly expenditures amounted to 2 billion (dollars) just after Pearl Harbor. They are now beyond 6 billion dollars, and they will average more than 8 billion dollars in the fiscal year 1944.

(continuing reading): "For the whole of the current fiscal year total war expenditures are now estimated at 77 billion dollars; for the next fiscal year at 100 billion dollars."

I also -- I think it is worth pointing out that on that 100 billion (dollars), it's just repetition of what I said. That is all we think it is feasible to spend in this coming fiscal year. It isn't as high as the -- obviously -- as the total requests by the Army and Navy, because we don't think, as I said before, as of the present time, that we can usefully spend more than 100 billion dollars. If we added up all of their requests, it would have been a great deal more than that.

Then on the next page -- what is it? -- VI.

Q Mr. President, may we ask the Budget Director what total aggregate figure on expenditures ---

THE PRESIDENT: (interposing) What?

Q What total aggregate figure would be correct to use? In the Budget Summary it figures up to about 108 (billion).

THE PRESIDENT: 109 billion.

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Q 109?

MR. SMITH: 109.

THE PRESIDENT: Well, the way -- what page have you got that on?

MR. COY: First page, Mr. President. (See Page XX of Summary Budget Statements)

Q First page of this Summary?

THE PRESIDENT: Yes. 97 billion for War. That means General and Special Accounts. That's straight. 3 billion for War Government Corporations, which are on Table One, footnote Two; making 100 billion for war. Now, there are -- there are 9 billions more made up of: Other Corporations -- 2 billion; Interest on the Debt -- 3 billion; and Non-War Expenditures -- 4 billion. With the result that this thing that all of you have spent so much ink on is about 4% of the Non-War Expenditures -- of the Total Expenditures. And I call attention to a word which I used the other day: a sense of proportion. I don't have to say any more.

Now on the next page you come down to the Table (see Page VI) -- I think that's the easiest thing to jump to. On these expenditures for war -- 100 billion (dollars) out of the 109 (billion) -- in this fiscal year we are spending 43 billion for munitions, and the next fiscal year 66 (billion). Military and civilian pay, subsistence and travel -- 15 billion this year, 21 billion next. Industrial construction 15 -- 6 billion this year, and only 2 (billion) next year. In other words, the construction of factories and additions to new plants, and so forth and so on, has gone down -- will go down next year from 6 to 2 (billion). The industrial -- the other construction, which I take it means camps and training stations, and so forth and so on, will

also go down next year from 8 billion to 5 billion. The other war expenditures, including Agricultural Lend-Lease, will go up from 5 to 6 (billion).

Then the last line on that page (VI), (reading, not literally): "In the meantime, there are available about 170 billion dollars of unspent war appropriations and authorizations; about two-thirds of this amount is already obligated or committed; but further appropriations will soon be needed to permit the letting of contracts with industry for the next year."

Always bearing in mind the old difference -- still nobody in the country understands the difference between an authorization and an appropriation.

If we need other appropriations to plan production in advance, and the present appropriations have only limited transferability now, if we do need -- I take it I am correct in saying this -- if we have an appropriation which can't be transferred and is needed for something else, obviously the Congress has got to give us authority to transfer it.

MR. SMITH: Right.

Q Mr. President, some gentlemen on the Hill have suggested -- this is recently -- that we have plenty of finance in the war effort for 12 months with this 170 billion dollars -- more than 12 months. And from their statements I take it that they favor just stopping war appropriations until this 170 billion dollars has got whittled down by a considerable amount. What would happen if they did that?

THE PRESIDENT: We couldn't let contracts. We just plain couldn't let contracts.

MR. SMITH: The program too has been changed, Mr. President -- Allies and what-not -- so that appropriations and authorizations for certain things are no longer needed in the same amount, and Congress would then have to do a whole program of re-adjustment.

Q Yes.

Q Mr. President, how much in that 170 billion dollar figure is represented in the appropriations, and how much in authorizations?

MR. SMITH: All appropriations -- but in these terms.

THE PRESIDENT: (interjecting) Yes.

MR. SMITH: (continuing) You can think of an appropriation now -- because it has to be made in advance, for some little period in advance -- virtually in the same terms that you used to think of authorizations as distinct from appropriations. They are one and the same thing.

Q One other question, ---

THE PRESIDENT: (interposing) And, you know, some of the legislation has been in authorization form only, without an appropriation, but has authorized the obligation of certain amounts, although they haven't been appropriated.

Q That's right. My question ---

Q (interposing) Mr. President, the recommended appropriations as I get it for 1944 are 87 billion, 8 (hundred million dollars).

THE PRESIDENT: (interjecting) Yes.

Q (continuing) How much is that War?

MR. COY: (interposing) About 50 -- that is Table 1-A, isn't it?

Q No, Table 7 on (Page) A26 (Summary Budget Statements), the final ---

MR. COY: (continuing) 80 billion dollars is for War -- 80 billion and a

half.

Q (interjecting) 80 billion and half.

MR. COY: (continuing) You will find it in Table 1-A of the (General Budget) Summary -- Roman numeral (Page) XXII. The Summary states: for War Activities, 80 billion. Interest on the Public Debt, 3 (billion). All Other Activities on an appropriation basis at 4 billion and 3.

Q Where does the -- 2 -- 3 -- the rest of the 9 billion come from?

MR. COY: This is an appropriation basis you are talking about. The other is an expenditure basis, which includes Corporations.

Q Oh, I see.

Q Mr. President, could we ask how much of that 170 billion dollars already appropriated will be expended in the last 6 months of fiscal year 1943, and how much in total fiscal 1944, and how much is left over after ---

MR. SMITH: (interposing) It is very difficult to answer that. I think we will have to dig up some information on that. It's very difficult.

Q Mr. President, on the Table (on Page VI), Munitions covers all the implements of war, does it not?

THE PRESIDENT: Yes.

Q Planes, ---

THE PRESIDENT: (interjecting) Yes.

Q (continuing) --- and tanks and guns ---

THE PRESIDENT: (interjecting) Yes.

Q (continuing) --- and everything else?

THE PRESIDENT: Yes.

Q I notice you differentiate Agricultural Lend-Lease. I suppose Lend-Lease now, so far as separate appropriations are required, is largely for civilian goods? That is Munitions?

THE PRESIDENT: Nearly all Munitions.

Q Well, the bulk of it is for Munitions, but under your general powers of making war you can transfer munitions to any Ally. That is, there is a distinction between civilian goods and Lend-Lease and Munitions to that extent, as I have noticed that this is differentiated there?

MR. SMITH: That's right.

THE PRESIDENT: Yes, that's right. But, of course, nearly all of the Lend-Lease is actually Munitions.

Q I understand that.

THE PRESIDENT: Well, for instance -- I don't see why I shouldn't use it -- to take a concrete case -- I don't know, I guess you had better not use it, but I can give you the case just the same -- I don't want to stir up the animals in North Africa -- (laughter) -- the country ought to -- ought to understand that there are a lot of people who say, "Why the blazes should we send food to all those people in North Africa?"

Well, the answer was that after the fall of France in 1940, Vichy came so much under German domination, and was trying to buy the Germans to stay out of the rest of France, that they acceded to a great many German demands. And one of the German demands was that they should get a tremendous amount of food -- wheat, and so forth and so on -- out of North Africa. So for two whole years and a half, North Africa was being stripped absolutely bare of food. They used all their reserves. They sent them over to France, which, of course,

if they were used in Unoccupied France relieved Germany of the necessity of feeding the population of Unoccupied France. But we have a very definite suspicion -- it's one of those things we can't prove -- that a very large part of the food out of North Africa went to Occupied France, Belgium, Holland, and even to Germany and Italy. But the net result was, when we went in there, that the North African wheat situation was terrifically bad. They didn't have any wheat to keep them going until the next -- the next wheat crop. And the same thing was true of almost everything that they produced in the way -- in the way of food.

Now after all, we have so far -- rap on wood (suiting the action to the word) -- except for the first four days -- had the cooperation of the government -- whatever it was -- and the people in North Africa.

And there are two reasons for giving them some food to keep going until the next crop season. The first is the very practical reason of keeping them with us on our side, and the other is a humanitarian reason; and they are both equally valid. If there were only one of them it would be perfectly valid. There happen to be two -- the military reason, and the humanitarian reason.

But the total amount of -- in terms of dollars -- of Lend-Lease stuff that will go to North Africa during the next few months is very small compared with the dollar value of Munitions.

And this -- this should not be used -- there are -- Oh, I think it's 3 and maybe 4 French divisions that are actively engaged in fighting on our side down there -- over in Tunis. And we have had to provide all kinds of munitions for those French troops. Remember

that they are trained troops. But when we went in there, they had mighty little ammunition left. It also happens that the French ammunition is one of those -- small arms -- we can't help them at all, because it's -- it's the wrong size calibre. Our ammunition won't fit their guns. And you can't simply go to a Bridgeport rifle factory -- bullet factory and change the size. You would have to re-tool entirely.

So, as I said -- this shouldn't be used -- the -- we will have to send rifles over to them -- our calibre of rifle, and re-arm them with American guns, because they haven't got enough ammunition for their own rifles. Same thing is true of artillery. Same thing is true of -- of trucks, because the trucks that they have -- the French army has in North Africa, by this time they are all over 3 years old, and we have got to give them hundreds of trucks. Their trucks are all worn out. We have given them tanks.

Q Mr. President, that is in support of a direct military operation?

THE PRESIDENT: Yes.

Q Where it's in support of a direct military operation, is that set up on the books as Lend-Lease?

THE PRESIDENT: Well, there isn't any.

Q Sir?

THE PRESIDENT: There isn't any. I don't know of any instance.

Q Mr. President, you are furnishing these rifles, and you are furnishing these tanks. Are any books kept on it, or is it simply part of our own war effort?

THE PRESIDENT: Oh, No. That's all kept.

Q Kept -- charged to Lend-Lease?

Q That was just the point I was making, that after we went into war there was a fundamental change in Lend-Lease, in that at that point it didn't make any difference whether our own soldiers used the guns, or whether we sent them to Russia or to England. It was all part of the war effort.

THE PRESIDENT: It was part of the war effort. But I don't think in every case, but in most cases, it's put down on the Lend-Lease books.

Q Mr. President, does the 100 billion dollars for war activities include anticipated Lend-Lease expenditures?

MR. SMITH: Yes.

THE PRESIDENT: Yes, yes.

MR. SMITH: May I clarify the appropriation aspect of it?

THE PRESIDENT: Yes.

MR. SMITH: The point is that Lend-Lease now includes those items which are furnished by the Department of Agriculture -- namely food -- or through the Procurement Division of the Treasury. All the Munitions items will come out of, in the main, regular appropriations ---

THE PRESIDENT: (interjecting) Yes.

MR. SMITH: (continuing) --- to the Army and Navy.

THE PRESIDENT: (interjecting) Yes.

MR. SMITH: (continuing) That's the distinction.

Q As I recall, Mr. President, only 18 billion dollars was appropriated -- authorized by Congress on Lend-Lease, but the Army and Navy and Maritime Commission have already transferred over 41 billion dollars to provide just about that.

MR. COY: The last Lend-Lease Report of December 11, (1942), gives the summary of that, ---

Q (interjecting) Yes, I think ---

MR. COY: (continuing) --- as I recall the figures myself on it.

Q Mr. President, is there a specific appropriation request for Lend-Lease, or is that impossible because of the statutory expiration?

MR. SMITH: There will be.

MR. COY: They have appropriations made directly to Congress -- someone referred here a moment ago -- about 12 billion dollars, I think.

Q I asked for next year. Is there a request?

MR. COY: No, not for next year, because the Act expires June 30, and until then it would not be set up for it.

THE PRESIDENT: Yes.

Then the next heading is really on Manpower. And we didn't have room -- strictly speaking it ought not to go into a Budget Message. I just touched it very lightly in the Annual Message, but the rest of it is here. It runs through Manpower, Equipment, Materials, and War Contracts to Page VIII.

The one thing I want to call attention to in the War Contracts sub-division is that this is the controlling objective: maximum production, not only for the original negotiations of contracts but also for the renegotiation required by law. I think that can be made very valuable, and somebody suggested that it ought to be repealed. I don't think it ought. There are constantly a lot of new things which come up, and I think you can certainly have the right of renegotiations.

Well, on the "Farm and Food Program," ---

Q (interposing) Sir, could I ask one more question before you go into the next chapter?

THE PRESIDENT: Yes.

Q There is the -- does the differential here between those total estimated budget expenditures for the fiscal year of 100 thousand -- 100 billion dollars on a war basis, or 109 billion dollars on a total basis, and recommended appropriations -- I think it was 87 billion, ---

MR. COY: (interjecting) That's correct.

Q (continuing) -- is that discrepancy due to the fact that you don't -- is a part of that discrepancy due to the fact that you don't include recommended appropriations for Lend-Lease?

MR. COY: No. The discrepancy is that you make your contracts for Munitions in one year, ---

Q (interjecting) Yes.

MR. COY: (continuing) --- and you don't get the -- pay out your money until the goods have been delivered.

Q (interjecting) Yes.

MR. COY: (continuing) You may contract in the middle of 1942 but you get it in the middle of 1943, by fiscal year 1944. It's a matter of -- this expenditure and summary table is on the basis of checks paid.

Q The reason I asked the question was because the President said that this 100 billion dollars total war expenditures included Lend-Lease. Obviously the recommended appropriations do not.

MR. COY: It includes that part of the War and Navy Department expenditures which are transferred under Lend-Lease.

Q. (interjecting) I understand.

MR. COY: (continuing) That's -- that's the reason there isn't any difference between them. All of the appropriations for Lend-Lease -- as to munitions -- are War, Navy and Maritime Commission appropria-

tions. But what the amount will be that is transferred isn't set out here, because we don't know.

Q The 87 billion will keep your plant at maximum effort -- will keep the plant at maximum effort ---

THE PRESIDENT: (interposing) That's the real point.

Q (continuing) --- for the coming fiscal year?

THE PRESIDENT: I think that's the real point, that we are turning out everything we possibly can, even though the Army and Navy want us to turn out more.

Q You are not letting them -- your contracts go up to keep the plant at maximum effort?

THE PRESIDENT: Yes, yes.

Q Isn't that in reality 87 billion plus the portion of that 170 billion which may be expended?

THE PRESIDENT: Yes, that's right.

MR. COY: You see, in that fiscal year you will spend 100 billion dollars for war.

Q I know. I did not get the point you made on renegotiations.

THE PRESIDENT: I said that I hope we still will be allowed to renegotiate.

Q Oh.

Q The Army alone has recaptured a billion of the excess profits, Mr. President.

THE PRESIDENT: Yes.

Q Mr. President, could you give us any idea of how much more the Army and Navy wanted?

THE PRESIDENT: It's awfully hard to break it down. Well, I will give you a very simple example, off the record entirely. We need an awful lot

more escort ships, and they would like to have a -- I don't know, what? -- say -- take any old figure -- 600. That is the military need -- there is a military need of 600, but we can only build 400. We have only got the capacity to build 400.

Well now, it never got beyond the recommending stage of that particular thing on the part of the Navy, or more than verbal recommendations from the Chief of Operations and the Secretary of the Navy to me, "We want 600"; and, of course, for strategical reasons.

And thereupon we put it into the works; and on all the Joint Production Boards, and so forth, we figure that we can't build -- haven't got the facilities, material, and so forth, especially machinery, to build more than 400. That is why I say it's a little bit difficult. It's only a verbal request on the part of the Navy for 600. You can't do it. So we give them the maximum we can work in.

Well, that's -- you take another example, which you probably will bump into pretty soon. This has all got to be off the record, but there is no reason why you shouldn't know about it: (Wm.) Jeffers (National Rubber Director) wants, for making rubber, a lot of very special machinery for these synthetic rubber plants. Well, he thinks it's terribly important; and it is, too. And on the other hand, if we allocate -- that is -- that is a good illustration of the problem of priorities -- if we allocate this machinery to making rubber, we have got to take it away from something else -- ship engines, for example.

In places ---

MR. COY: (interposing) These same escort ships.

THE PRESIDENT: What? -- these same escort ships. We may have to, in some places, where there is a great power shortage, we may have to stop

making turbines, or coal or oil power machinery, in order to turn it over to Jeffers's -- Jeffers's rubber plants; or we may have to take machinery that is allocated to high octane gas for airplanes. There isn't enough machinery to go around for Jeffers's plants, and high octane gas, and essential -- certain essential new power plants, most of them private, by the way, and -- and escort ships. There isn't enough machinery manufactured to take care of them all.

Therefore, you come down to the problem -- we have got to -- we have got to figure on the total capacity. Somebody has to get less. Then you come into the military field, and obviously somebody -- usually the Commander in Chief -- has to decide this thing.

We have got to turn out considerable octane gas for American planes. I should say probably that came -- they are all important, they are almost equally important, but there isn't enough to go around -- I would say octane gas Number One.

Machinery for these escort ships Number Two.

And on the question of new turbines for power in the rubber plants, that probably would be in the third position.

We have got to keep the planes flying. We have got to escort the convoys that are going all over the world. And you can't do them all. And of course, each person who has got those things under their own personal supervision, they say, "Mine is more important than any other living thing." They all say that.

Q Wouldn't there be more of these things, Mr. President, if the size of the Army wasn't so great?

THE PRESIDENT: (interposing) No. No.

Q (continuing) Demobilization, training, and equipment ---

THE PRESIDENT: (interposing) No. That wouldn't affect it at all. I am talking about things that would be used for fighting.

Q Mr. President, on the matter of Manpower, this Budget is predicated, is it not, on the idea that the enlisted personnel is 7 million 500 thousand?

THE PRESIDENT: Yes, yes.

Q On the -- on the record, sir, is it anticipated that by the end of 1943, I believe, we will have an armed force of -- totaling some 9 million

THE PRESIDENT: (interposing) That counts the Army and Navy, Marine Corps, and Coast Guard.

Q Coast Guard.

THE PRESIDENT: Yes.

Q Now on that basis, sir, will the expenditures for the last -- will the production for the last half of fiscal year 1943 -- first half of 1944, which ends December, 1943 -- be sufficient to supply that Army?

THE PRESIDENT: Yes, it will. And when I say that, we have got to remember this, that the boys who get taken into the Army and Navy in the last quarter of the year don't have to have artillery, for example, until they are trained and ready to go -- division artillery. On the other hand, they do have to have uniforms, and they have plenty of things to keep them going during their training period. But they won't be -- more in the case of the Army -- they won't be put into form and ready to go in combat divisions until pretty close to a year after the time they come in.

Q Do some of these large Army requests which they had in reflect empirical planning rather than strategical?

THE PRESIDENT: No. No.

Q Not any more?

THE PRESIDENT: That figure was much higher then. Off the record, I think you remember that (Major General Lewis B.) Hershey (Selective Service Director) wanted 15 million men in the Army. Well, he got 7 million point five.

Q (interposing) Mr. President, ---

THE PRESIDENT: (continuing) That was empirical.

Q (continuing) --- in connection with these -- the need for escort vessels, I recall that Mr. (Winston) Churchill said a few days ago that at least the British cargo vessel of the future would be a combination combat ship -- freight-carrying and ship-armed -- that would dispense with the need for combat vessels. I was wondering if we had taken that into consideration for the future?

THE PRESIDENT: Well, again off the record, I think it would surprise you to know what armament many of our cargo vessels are carrying at the present time. You see, the -- well, during the World War, most of our cargo ships carried one 3-inch gun on the stern. And during this war we have been going up steadily, so that the -- many of the -- especially these new cargo ships, carry not only a gun forward and a gun aft, but they also carry a lot of anti-aircraft stuff, depending a little on what run they are on. If the ships are going to Russia, they have got a lot of anti-aircraft.

Q Mr. President, you have been talking on and off the record. I wonder if we ought not to have an explanation of just how much, or just under what conditions we can use all of this conversation?

THE PRESIDENT: I don't think we should use any of it, except -- well, it's

D all right to use the question about the thing -- on Manpower -- that was empirical, and what was practical. I think you can use that.

Q And the fact that this is predicated on a 9-million man ---

THE PRESIDENT: (interjecting) Yes.

Q (continuing) --- Army for all the Services?

Q I had in mind, Mr. President, in previous years, that these conferences had never been quoted -- it's just background. Is that still the rule?

MR. EARLY: (interjecting) That's right.

THE PRESIDENT: Oh, no quotes, that's all.

Q Direct attribution, but no quotes?

THE PRESIDENT: Yes.

Q On this food situation in North Africa, Mr. President?

THE PRESIDENT: On what?

Q The food situation in North Africa you commented about?

THE PRESIDENT: That's off the record entirely.

Q That's wholly off the record?

THE PRESIDENT: Yes. Yes.

On the "Farm and Food Program" -- (see Page VIII, end of line 4 under this heading) -- (reading): "Our agricultural production is larger than ever in history." And I have got some figures in here: that production in 1942 was 29% above the 1935 to 1939 average.

Q Where is that?

Q What?

Q What?

THE PRESIDENT: Bottom of Page VIII -- you won't find the figures -- I am just giving you some extra figures ---

Q (interposing) May we have that figure, sir?

THE PRESIDENT: What? This is just a little surprise. You can use that.

(laughter)

Q What was that figure?

Q We didn't get that?

THE PRESIDENT: 29% above the 1935 to 1939 average.

Q What year is that for, sir?

Q (aside) 1942.

THE PRESIDENT: That is for 1942. And it was 15% above 1940.

Q That's food production?

THE PRESIDENT: Yes. Now if you want to put it another way -- by the index method: Food Crops and Livestock, 1940, is 111; 1941 is 115; 1942 is 128. And we are estimating for 1943 -- 130 (percent).

Q That is based on an index of 1935 to 1939, Mr. President?

MR. COY: (interposing) That index figure is 100%. That is where you started from.

THE PRESIDENT: Yes. And that is based on what I mentioned before, the average of 1939 -- 1935 to 1939, which is 100.

On this agricultural thing -- I don't know, you will have to study -- study it out and telephone to the Budget and get some more information.

(reading): "I am recommending ---" This is Page IX, first four paragraphs. (continuing reading): "---- recommending 837 million dollars for the fiscal year 1944." -- which is up 121 million from 1943. That is Aids to Agriculture, but it does include 193 (194) million of parity payments which were not covered in the 1943 Budget.

Q Mr. President, parity payments already ---

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THE PRESIDENT: (interposing) What?

Q (continuing) Parity payments already incurred from last year's production?

THE PRESIDENT: Yes, yes. And of that 837 (million dollars), a very rough breakdown is on the next line. (continuing reading): "--- 400 million for Conservation and Use of Agricultural Land Resources; 194 million for parity payments on the 1942 crops."

There's another example where the Congress did not appropriate the money, but did authorize the making of contracts for the crop year 1942. So it's an obligation, and now we are asking for the appropriation -- make good on it.

Q Does some of that arise, Mr. President, from the fixing of farm prices, at least parity, and the calculation that the Government's payment will return parity?

THE PRESIDENT: Yes, the ---

MR. SMITH: (interposing) May I clarify the point, Mr. President? It's a little complicated, because you are working on a fiscal year basis. On the other hand, Agricultural, military, and air production is based on the other. But in short, heretofore we have appropriated a year in advance, really, for what would be next year's crop. So in order to adjust that last year we had to have an authorization, because it was better to have the appropriation after you knew approximately what the costs of parity would be for the past year's crop. It's -- I hope you get my point.

MR. COY: It's explained in the next few paragraphs very well.

THE PRESIDENT: Yes.

MR. SMITH: But that was purely a suggestion of -- of the skip for last

year, in order to adjust what we thought was rather an anomalous situation.

THE PRESIDENT: Then the other item is 96 million for Surplus Commodities; 64 millions for the Sugar Act; 38 million for the Farm Security, and 31 million for reductions in interest rates on farm mortgages.

Q Can you explain that latter, sir?

THE PRESIDENT: What about that farm mortgage, Wayne? Bank paying things off?

MR. COY: Yes, that's right. Keeping the interest rate at the low figure -- you want to keep your reduction rate into effect, so this represents a 31 million reduction on interest on your farm mortgage. It has been carried now for about 3 or 4 years.

THE PRESIDENT: Every year I get at the end of the Session -- nearly always -- a bill to continue for another year, or two years, the reduction in the interest rates on farm mortgages below the original Act.

Q That was the Federal Land Bank loans?

THE PRESIDENT: Yes.

Q Mr. President, Mr. Lawrence asked a question a minute ago that interested me very much. He didn't get any answer to it. As he understands it, the O.P.A. has in certain places fixed price ceilings at a level below the parity price. Is any of this appropriation here designed to compensate the farmer by paying him the difference between the O.P.A.'s ceiling and the parity price?

MR. COY: That would be true if the commodity O.P.A. fixed the price on was one of the basic commodities on which you are making parity payments. There are the five basic commodities. It would not be true in all -- in all cases where the prices are below parity, because it wouldn't

be a basic commodity. There are five of them.

Q I see. Thank you very much.

THE PRESIDENT: Then the next two paragraphs are explanatory -- (see Page IX, paragraphs 2 and 3). And the paragraph next to the end of the page:

(reading, not literally): "Since the established national policy is to assure the cooperating producers of these basic crops parity prices on the normal yields of their allotted acreages, I am again recommending that the authority to incur contractual obligations for such payments on future crops be renewed.

"On the other hand, I am recommending a reduction of 50 million dollars in the appropriation for Conservation and Use of Agricultural Land Resources. I am also directing the Secretary of Agriculture to utilize the 400 million still provided ---"

That is an authorization.

"--- under this heading as fully and effectively as the basic law will permit to encourage greater production of the crops necessary to the war effort. This fund will not be used for restriction of production except of the less-needed crops. Payments to be made only to those producers who comply fully in their plantings with the stated war production goals."

And that previous sentence, on restriction of production except as to less-needed crops, I have had one or two examples -- I have had pleas from 3 or 4 individuals who grow things -- I am not going to mention any data on it -- who grow things that you and I would consider luxuries -- luxury goods -- those you put into your mouth. And we can get on without them. So we are encouraging those people to

transfer their plantings from the luxury article and put it into something that everybody can use.

Q. Can you mention the crops, Mr. President?

THE PRESIDENT: I think it's better not to, because they would say -- some of them would say that it isn't a luxury.

Q. Mr. President, not to try to get you to mention them, but off the record, could you indicate what your purpose is? Does it apply only to certain foods, or could it apply, for example, to a crop that has a surplus, such as cotton?

THE PRESIDENT: (interjecting) I don't think so.

Q. (continuing) You see what I mean?

THE PRESIDENT: (interjecting) Yes.

Q. (continuing) If we are paying them to grow more cotton, or if we are paying them to cut down on table crops ---

THE PRESIDENT: (interposing) I don't think there's anything we can do on cotton. We just have to go ahead on the present basis, isn't that right?

MR. SMITH: To this extent. The acreage -- cotton acreage has been progressively reduced each year. Although you are getting better production of cotton shipped, the number of bales on the same land you get is about the same. But to the extent that the cotton -- cotton acreage is reduced, that land is then available for other crops, and they may be crops such as soy beans, and what-not -- oil-producing products.

Q. That -- on that point, are these payments calculated in that direction too, when you say restriction of production except of less-needed crops?

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MR. SMITH: I should say that all our payments on the Department of Agriculture are being oriented to make adjustments in their program of present production -- things that are needed during the war, and that the amounts of money in the Budget for the Department of Agriculture are being used more and more as incentive payments to get that marginal production of things that sometimes -- of an unusual nature -- are needed now.

Q Is this a policing instrument on this essential food program?

THE PRESIDENT: Is it what?

Q Is this a kind of policing instrument?

MR. SMITH: (interposing) Incentive.

THE PRESIDENT: What?

MR. SMITH: An incentive.

THE PRESIDENT: It's an incentive, I suppose. I think that's the right word -- plant useful crops.

Q In other words, you might take crops out, like lettuce and watermelon?

(laughter)

Q (aside) Watermelon is a necessity.

THE PRESIDENT: The next paragraph -- (see Page X) -- (reading): "For Exportation and Domestic Consumption of Agricultural Commodities, the Budget includes only the permanent annual appropriation of 30 percent of customs revenues as provided by law, plus re-appropriation of unobligated balances."

Well, that I think should not be construed as a yielding on my part to that thing which was forced on me a good many years ago, of ear-marking a portion of the revenue for some particular purpose.

It's bad legislation, and it still is. It's in -- in -- in the theory

of legislation, and the theory of customs and receipts and of the Treasury, however, and I am not making any fuss about it.

(continuing reading the same paragraph): "The food-stamp plan, which is a major item of the current program, will be discontinued shortly. Although other items such as school lunch, and school milk projects, and the direct distribution of surplus commodities are somewhat expanded, there will be an over-all reduction of about 30 million dollars."

Q Mr. President, why will that be discontinued?

THE PRESIDENT: What?

Q Why is the food-stamp plan being discontinued?

THE PRESIDENT: Well, because -- because essentially it's a relief -- two-edged -- it was relief, and getting rid of surpluses. Now we don't need to get rid of surpluses any more. And there isn't anywhere as much relief needed as there was before.

Q Haven't both those conditions prevailed for some time?

THE PRESIDENT: Do they -- have they prevailed?

Q Yes, sir.

THE PRESIDENT: Oh, Yes. We had surpluses before we got into the war.

Q No. I mean after the surplus condition ceased to exist?

THE PRESIDENT: I didn't get it?

Q But the conditions which brought the food-stamp plan into being ceased to exist quite sometime ago, did it not?

THE PRESIDENT: It has been gradually decreasing. It's just like -- what? -- W.P.A. You don't need it now. But that has been a gradually reducing thing.

Well, I don't think there's anything else -- just the essence there.

(reading): "Civilian Consumption. In spite of a 100-billion-dollar war program, civilians can be supplied with an average of about 500 dollars' worth of goods and services during the next year."

Q. Could you stop at that point, Mr. President, and give us comparable figures for the last 2 years on the same basis?

THE PRESIDENT: In 1941 -- that's the next sentence. (reading): "This implies an average reduction of almost 25% in civilian consumption below the record level of the calendar year 1941." That was 76 billions in 1941, and we estimate 58 billions in 1944.

Q. Are you talking about calendar year now, or fiscal year, Mr. President?

THE PRESIDENT: Those are fiscal year.

MR. COY: (interposing) Calendar.

THE PRESIDENT: Are you sure?

MR. SMITH: It says calendar.

MR. COY: We tried to designate each place where it says fiscal year.

THE PRESIDENT: Calendar.

Q. Is there a comparative figure to that 500 (dollars) per capita?

MR. COY: We would have to dig it up for you. Suppose you just add 25%.

Q. A mathematician could figure it out, but we can't. (laughter)

MR. COY: About six and a quarter.

THE PRESIDENT: I believe 625, just rule of thumb -- 625 dollars per capita, and this in 1944 -- 500 dollars. What?

MR. COY: A 25% reduction, I believe.

Q. Mr. President, could you give us for use with that the national income figures for the 2 years in question -- 1941 and 1944?

THE PRESIDENT: Have we got those?

MR. SMITH: 1944, as I recall, figures out to a national income of about 145 billion.

Q Is that calendar?

Q Calendar or fiscal?

MR. COY: Fiscal.

Q Fiscal 1944?

Q Fiscal? I would rather have calendar on that. (laughter)

Q Calendar 1943?

MR. COY: Calendar 1943 -- about 135 billions in national income. But that figure can be very misleading in trying to get your figure, because when you talk about the amount of goods and services civilians will consume, it doesn't come out of the national income necessarily. It comes out of what these economists call the "gross national product." Don't ask me to explain that -- (laughter) ---

Q (aside) Explain that!

MR. COY: (continuing) --- because I will only repeat what the economists tell me.

Q Mr. President, how does this 500 dollars compare with 1933? Mr. (Leon) Henderson said we are going back to the 1933 level. How does this 500 dollars compare with 1933? I mean, how does the ---

THE PRESIDENT: (interposing) You remember 1933 we figured, as I remember it, in national income terms to 39 billion or 40 billion.

Q (interposing) I am talking about the 500 dollars.

THE PRESIDENT: (continuing) How you would translate it into terms of per capita, I don't know.

MR. COY: You would have to ask some of our economists over there to give you the figures.

MR. SMITH: We will have to give you the figures on it.

THE PRESIDENT: You can do it by rule of thumb. You can say 40 billion dollars in ---

Q (interposing) I am not talking about national income, I am talking about the 500 dollars.

THE PRESIDENT: Yes. As I say, what was the population of the country in 1933?

Q (interposing) Mr. President, is this 500 dollars during next year? Is that next year, 1944 calendar -- or 1944 fiscal year -- or is it 1944 calendar year?

Q What about that 58 billion dollar figure? Is that 1943 or 1944 calendar year?

THE PRESIDENT: What is it, Wayne?

MR. COY: I don't -- there is so much of it, I will have to read it now, to be sure.

Q I think that's calendar year.

Q It's calendar.

Q It's calendar.

MR. COY: I think the 500 dollar figure applies to the fiscal year basis, because of reference to the 100-billion-dollar program. Then you make your comparison on the calendar year basis to get your reduction, and show what the reduction is going to have to be under this kind of program. Our difficulty here is that the Department of Commerce, for example, gets out an income on a calendar year basis, and you get into some little tricky figuring when you get to translating that to a fiscal year basis.

THE PRESIDENT: I don't know whether the Budget, and the Certified Public

Accountants, and the Committees on the Hill would agree, but I think sometimes -- it's not one of those essential things -- it would be an awfully nice thing if, as has been brought out in the last ten minutes, if we could have legislation making the fiscal year the same as the calendar year.

Q It would be wonderful.

Q It would be wonderful.

THE PRESIDENT: I really don't know. There are all kinds of technical reasons, but I don't know whether we can do it.

Q You promised us that last year.

THE PRESIDENT: What?

Q You promised us that last year. (laughter)

THE PRESIDENT: Yes, yes. And I have tried, ---

MR. COY: (interjecting) Tried to do it.

THE PRESIDENT: (continuing) --- but the trouble is it takes legislation, not an Executive Order.

Q Do you plan to request that legislation?

THE PRESIDENT: What?

Q Do you plan to request that legislation?

THE PRESIDENT: I have asked for it dozens of time. Every time I see old Bob Doughton (Chairman of the House Ways and Means Committee) I ask for it. (laughter)

Q Are you going to include that in the post-war program?

THE PRESIDENT: What? Oh, ---

Q (interposing) That 58 billion dollars in goods and services, was that 1944 calendar year, to get back to that one figure?

MR. COY: That's correct.

Q What are the estimates of the calendar year goods and services ---

MR. COY (interjecting) I don't have that.

Q (continuing) --- this year?

MR. COY: (continuing) I don't have that here.

Q Is the 58 billion a translation of the 500 -- the multiplication of the 500?

Q No.

Q No.

(the President began to laugh at the apparent confusion)

Q Can't we go along, Mr. President? It's getting very confusing.

THE PRESIDENT: I think we might go on.

Q Why don't we make Doughton attend one of these sessions? (laughter)

THE PRESIDENT: I think so. It's a good idea.

Q (aside) We can't fix that now.

THE PRESIDENT: Now on the -- on the third line from the bottom -- (see Page X, 5th line actually) -- there is one thing which is not in the figures -- the Tables -- that's worth calling attention to -- something additional.

Speaking of living conditions -- (reading, not literally): "Do not let us assume from the previous statement that there is no need for great improvement in the living conditions of a large segment of our population."

Now the average of the lower third of our population has been estimated by some experts for the years 1935 and 1936 at (less than) 780 dollars, and that it has gone up in 1942 -- those are calendar years -- to (less than) 1335 dollars. Right?

Q Is that income, Mr. President?

Q That is income?

THE PRESIDENT: Yes.

Q For a family?

THE PRESIDENT: What?

Q For a family?

THE PRESIDENT: Yes. That's family.

Q What year is that 1935, Mr. President?

THE PRESIDENT: 1935 and 1936 -- No, 1942.

"The Stabilization Program" -- Page XI. And on the last line in that paragraph, ".....limited use of subsidies to stimulate needed production," 700 million dollars are now being paid -- that is the annual rate -- based on a narrower definition of subsidies. But it may be slightly reduced this year. Right?

Q May be slightly what?

THE PRESIDENT: Reduced.

Then down at the bottom of that page (XI, 7th line from the bottom) -- (reading): "The stabilization of incomes and the absorption of excess purchasing power by fiscal measures are essential for the success of the stabilization program. I am confident that the Congress will implement that program by adequate legislation increasing taxation, savings, or both. Thus, we will help to 'pay-as-we-go' and make the coming peace easier for ourselves and our children."

Q Mr. President, would you discuss that savings a little more, please?

THE PRESIDENT: That what?

Q With reference to savings, what type of legislation on savings?

THE PRESIDENT: Well, one thing Budget wanted, and I wanted, but more

specifically the problem of taxes -- increased taxes and increased savings, it was perfectly impossible to be too specific, because after all the legislation is written on the Hill. There are all kinds of different forms. You can increase, let us say, the question of savings. You can do it a number of ways, either by voluntary savings, where we have this system that is working today pretty well -- nearly up to a billion a month -- or you can have a system of compulsory savings, or you can have a system of both.

Q You wouldn't need any legislation would you, Mr. President, for voluntary savings?

THE PRESIDENT: No. When you talk about implementing ---

Q (interposing) You are talking about forced savings, aren't you, sir?

THE PRESIDENT: Yes.

Q Wouldn't you consider the Victory Tax a form of forced savings?

THE PRESIDENT: Yes. Savings are best defined by, I suppose -- by the statement that it is money belonging to an individual which will be repaid to the individual sometime after the war.

Q Is it your idea, Mr. President, as it is Mr. (James F.) Byrnes's (Economic Stabilization Director), that the bulk of this projected increase should be in direct -- in savings rather than in added taxes, that the great majority of the ---

THE PRESIDENT: (interposing) Probably -- that's the trouble. You can't make a didactic statement like that, because it depends on a combination. For instance, one way would be to increase the 5% Victory Tax to 10%, ---

Q (interjecting) Yes.

THE PRESIDENT: (continuing) --- or to leave that out and increase the --

the compulsory, putting in so much a month out of your salary.

There are so many combinations that you can't work out figures on it until you know what the combination is going to be.

Q What I mean, Mr. President, is in your own mind on this 16 billion additional which you seek next year, ---

THE PRESIDENT: (interjecting) Yes.

Q (continuing) --- would you rather have that in the form of what we have always called taxes? By that I mean ---

THE PRESIDENT: (interposing) I would say a combination.

Q (continuing) By that I mean, I want to know where the weight is?
(laughter)

THE PRESIDENT: Well, you will have to ask the Congress that, because they pass the legislation.

Q I want to know your mind.

THE PRESIDENT: Oh, Yes. You will have to stick to this Message.

Q Would it be wholly a question of the form of the tax? The Treasury advocated what is known as a spending tax, which has a greater compulsory feature than the Victory Tax.

THE PRESIDENT: Yes. That's another element, another possibility. And there are several forms of that.

Q How do you like the spending tax?

THE PRESIDENT: What?

Q How do you like the spending tax?

THE PRESIDENT: I can't tell you because -- because there are some forms I never heard of. I was talking about it the other day to -- I think it was Danny Bell (Under Secretary of the Treasury), and he told me that they had been discussing a brand-new form -- (I had) never heard of it.

Q How about the sales tax, Mr. President?

THE PRESIDENT: The what?

Q The sales tax?

Q Sales tax?

Q Still against the sales tax?

THE PRESIDENT: Yes. I think there's something about that in here. I don't know whether it's still in or not. Well now, of course, again, we can't -- we can't write stories without getting out on a limb. What is a sales tax? You have got a sales tax today. Every excise tax is a sales tax. Smoking a cigarette -- it's a sales tax. Take a drink -- it's a sales tax. Damn high, too, a lot of people think.

(laughter)

Q (interposing) To put it another way, sir, ---

THE PRESIDENT: (continuing) On the other hand, just -- just to illustrate now -- this has got to be off the record, because it's only -- it's only an illustration of a half-dozen different ways of increasing sales -- of increasing excise taxes -- part-way toward a general sales tax.

Now the illustration is, when I was over on the other side, in the summer of 1918, the French government gave me what everybody got, which was a coupon book. And if I went into a restaurant in Paris and bought a -- say, a two-dollar meal, I hauled out my coupon book and gave them -- I paid my two dollars because that was -- that was the cost of the meal -- the price in the restaurant -- I got to take out my coupon and hand them a coupon equivalent to two dollars. Now I paid my two dollars.

I went around to an old print shop on La Rive Gauche, and found

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a very, very attractive old print that I had wanted for years and years, and the price was 50 dollars. And I figured out that amount and gave him the coupons. The man said, "Oh, No. Oh, No. That doesn't apply to luxuries." So I had to pay the 50 dollars for the print, and a 50 -- a 25 dollar tax. So I paid 75 dollars for that print.

And practically everything had a percentage tax on it. Let us say a 10 dollar item would have a 10 dollar -- a 10 percent tax on it -- you paid 11 dollars. And that extra dollar went to the French government. Certain things like household utensils, and food, and a certain amount of clothing you did not have to pay any tax on them; but you had to hand in a coupon.

Now that's -- that's one way of doing it. There are a good many other ways. Now some people would call that a sales tax, with the exemption of -- a general sales tax, with the exemption of certain things. Other people would say there is no sales tax, it's an extension of the present excise taxes.

It's a whole lot of words -- doesn't mean an awful lot, because in -- in the essence, both -- both statements are correct. It's a general sales tax with a whole list of stuff exempted. On the other hand, it's an extension of the present excise tax system. And it's as short as it's long. It depends on what paper you write for.

(laughter)

Q On another point, sir, the present Victory Tax, inasmuch as it is simply a blanket exemption (??) is in effect a modifying tax on gross income, rather than a tax based on net income?

THE PRESIDENT: Yes, yes.

Q Do you feel a forced savings program that carries the same gross income principle should apply, rather than net and various deductions?

THE PRESIDENT: I think if you can put that a different way, I might agree.

Q You put it the way you want, sir?

THE PRESIDENT: No. We are talking -- (turning to Mr. Lawrence) -- what was your word? -- empirically now -- a good word. (laughter)

Now next, on Page XII -- "Civilian Controls (In Total War)." (reading, not literally): "About a little over 400 thousand civilian employees of the Federal Government who are engaged ---"

-- third paragraph ---

"--- in the task of civilian administration for total war. They direct and schedule war production; handle the procurement of food, munitions, and equipment for our armed forces and our Allies; supervise wartime transportation; administer price, wage, rent, labor, and material controls and commodity rationing; conduct economic and propaganda offensives against our enemies; and do necessary paper work for the armed forces.

"Besides these Government employees, millions of men and women volunteers ---"

I think it's important to draw -- call attention to the fact -- to the number of Americans who are working for nothing for the war all through the country. They deserve a pat on the back.

Now -- (continuing reading, not literally): "More than a million ---"

-- last paragraph --

"--- more than a million, 6 -- approximately three-fifths of all Federal civilian employees are engaged directly in war production.

They build and load ships, make guns and shells, repair machines and equipment, build arsenals and camps, sew uniforms, operate airports, and signal systems. These are the workers in navy yards, arsenals, storage depots, military airfields, and other operating centers. It is scarcely ethical to try to make people believe that these workers are holding down armchair or unnecessary Government jobs."

Q What did you have in mind there?

THE PRESIDENT: What?

Q Whom on the Hill did you have in mind there?

THE PRESIDENT: You said it. (laughter)

Q Mr. President, that makes 2 million. The million 6, and the 400 thousand make 2 million. What do you figure ---

MR. COY: (interposing) About 2 million, 850 thousand altogether. You can find the reference to another 800 thousand in the Message.

THE PRESIDENT: Yes. We are coming to that.

MR. COY: I was just trying to find it.

THE PRESIDENT: It's about 800 thousand more.

MR. COY: It's less than 850 thousand. On Page XIV you get your totals.

THE PRESIDENT: Then comes this thing (Non-War Expenditures). There is no

use reading it. It's the same story about Non-War Expenditures.

Where can we save? Obviously, certain things. It's up to Congress.

They can eliminate certain controls that we have always used.

Then on the top of the next page is what Wayne was talking about.

(reading): "All counted, there are less than 850 thousand civilian employees of the Federal Government, including the Postal Service, who are engaged in these so called "non-war" activities."

The Postal Service, incidentally, had 320 thousand employees at the end of 1942.

Then comes the Table, showing the reduction in Non-War Expenditures, which I think in the interest of good ethics should be used. 1939 it was 6 billion dollars for them -- six and a half. 1940 it was 6 billion, 2. In 1941 it was 5 billion, 2. In 1942 it was 5 billion, 125. We estimate this year that it will be 5 billion and -- what? -- it will be 4 billion, 582 -- this year, 1943. And in 1944, the next fiscal year, it figures on down to 4 billion, 124, or a reduction in Non-War Expenditures of 2 billion, 392 million over the 1939 figure.

Q Pretty good bird-shooting there.

THE PRESIDENT: What?

Q Pretty good bird-shooting there.

THE PRESIDENT: Pretty good what?

Q Pretty good bird-shooting there.

MR. EARLY: (interjecting) Bird-shooting.

THE PRESIDENT: Yes. (laughter)

36.7% in 1944, compared with 1939. And of course that has to include that reduction, in spite of the fact that the Veterans' Administration went up 265 million dollars. And outside of this war, which as you probably know is just the Veterans of previous wars, the peak of care for them -- and they are mostly World War now -- some Spanish -- won't be reached until April, 1945.

And -- this is not in, but it's just a little human interest story -- I talked with (Brigadier General Frank T.) Hines two years ago about the question of building more Veterans' hospitals, thinking that we would reach our peak of Veterans -- in numbers -- caring for them -- in five years. Later, Hines and I decided that we ought not

to build any more Veterans' hospitals, but that in 4 or 5 years we should crowd up the existing hospitals -- not build any more buildings -- because after 1945 they would start to go down-hill.

But of course this war has knocked all those figures into a cocked hat, and already we are beginning to take care of a very sizeable number of -- of -- of Veterans in the Veterans' hospitals already -- Veterans of this war. That of course will mount steadily, and one of the -- part of the planning that we are doing, we are having studies made as to the use of these various camps and training stations, at the end of this war, to take care of Veterans. They will probably take care of even the existing plants.

Q Mr. President, is any part of the Interest on the Public Debt included in this Table of Non-War Expenditures?

THE PRESIDENT: No, no.

MR. COY: No.

THE PRESIDENT: That is roughly 3 billion.

MR. COY: Parenthetically phrased across the Table, "Excluding Interest and Statutory Debt Retirement."

Q Sorry. I just didn't see it.

THE PRESIDENT: Then the last paragraph -- (reading): "The most important reductions recommended for the coming year relate to work relief and general public works. Because of present high levels of employment, I am able to recommend elimination of the Work Projects Administration. This action under present conditions does not cast upon the State and local governments more than the proper burden of financing the relief of those who are unable to work. Expenditures for general public works will be greatly curtailed. Continuing projects are directly

related to war needs. Others have been discontinued as rapidly as this could be done without risking the loss of the investment already made.

"I shall be glad to cooperate with the Congress in effecting further reductions in 'non-war' expenditures through the necessary revision of underlying legislation and in every other way."

Of course, as you all know, the Executive branch is -- has received a mandate on a great many of these things. Congress has told us -- Oh, sometime ago -- way, way back -- dozens of years ago -- that we have to do a task; and it brings up the question of -- as to whether the Congress, in time of war, wants to eliminate -- cut down the thing drastically, and practically give no money for any of the things that are on the statute books, or repeal the mandate. I could have cut a lot of things out, if Congress had repealed the mandate -- I still can -- but as long as the mandate is on the statute books I have to send in an estimate for it. I can do either one. They have got two ways of doing it. Cut out the mandate, or eliminate the appropriation and leave the mandate on the statute books.

And on the Interest -- Oh, Yes -- the last paragraph -- the paragraph before -- (reading): "My recommendations contemplate that in the fiscal year 1944, 96 cents of every dollar expended by the Federal Government will be used to pay war costs and interest on the public debt, and only 4 cents for all the so called 'non-war' purposes."

And then, the Debt is being serviced with interest at about 2%, compared with the 1919 figure -- the previous war -- of 4.2%. In other words, less than half.

Q. Is that 1919, Mr. President?

THE PRESIDENT: Yes.

Q Could we get a breakdown of the War Expenditures in dollars and cents, and the amount of the Debt in dollars and cents? That is the service on it. It's 96 (cents), and 4 (cents) goes in for Non-War. I was just wondering whether ---

THE PRESIDENT: (interposing) Just about.

Q (continuing) --- if the 96 (cents) could be broken down?

THE PRESIDENT: I gave you that in the beginning -- 109 billion (dollars) is the total, of which only 4 billion is for Non-War; 3 billion is for Interest; and 2 billion is for Corporation expenditures; ---

Q (interjecting) Oh, Yes.

THE PRESIDENT: (continuing) --- and the other hundred (billion) is for war.

Q Mr. President, in this paragraph on Interest (see Page XV), there is a clause -- the last clause says that under existing legislation it will be 3 billion dollars. Can legislation, by increased taxes or some other legislation, make it less than 3 billion, or make it go up beyond 3 billion?

THE PRESIDENT: I don't know why.

MR. SMITH: It will be a very large figure, depending upon how the expenditures for fiscal 1944 are financed. In other words, what makes up the 16 billion dollars that you are asking for; how much additional legislation, and how much for borrowing.

Q Mr. President, have you any suggestion as to what you might cut out, if Congress would repeal the mandate you referred to?

THE PRESIDENT: No. No. I have talked with them individually about a dozen things. As I have said, the white pine blister rust -- I mention it

again because it's a very good example. I personally happen to be interested in white pine blister rust, because I grow white pines.

Q (interjecting) That is part of the war effort.

THE PRESIDENT: (continuing) I grow white pines. They won't reach maturity until my grand-children come along -- a total of about 80 years. But they may get infected unless -- and ruined so far as lumber goes -- long before that, if we take -- take off the Government's supervision of gooseberries and currants. That's the way it goes, from one to the other. Well, I suppose a lot of people have never even heard of the white pine blister rust. I think it's entirely a Congressional thing. That's Democracy. I wouldn't take it out because I'm growing them.

Q Mr. President, did you cut down the amount for the Anti-Trust Division?

MR. COY: (interposing) Yes, ---

THE PRESIDENT: (interposing) Yes. I don't know.

MR. COY: (continuing) --- from a million, 8 to -- is it a million, 5? -- a million, 6.

Q A million, 6?

MR. COY: A million, 6.

MR. SMITH: I think it should be pointed out in connection with this, Mr. President, that the 4 billion -- that in that 4 billion you have virtually got 900 million for the Veterans' Bureau alone. And if you go through and analyze it, I think you will see that there are a lot of fixed charges there, and you get down to small items.

We can increase here and there, and cut probably -- cut the amount for it, but you get such items as this: We suggested to the Congress, for example, to pass on a bill which would eliminate the printing of

a whole raft of annual reports, and that bill happens to be still in Congress. When you get your analysis, as we have done in these things, you get those minor changes in policy, or margin changes, with respect to Grants and Aids to the States, for education, for health, for vocational education, and so forth and so on. You see, you get all of these Grants and Aids in here.

I know a lot of people think that some of these discussions are phony on these scores, but you can tie them down very definitely to Congressional legislation, and you have to just submit this and that proposal to them.

Q Would you say then, sir, that on the basis of existing legislation the Non-War Expenditures are at a minimum?

THE PRESIDENT: No. No. They can be cut still further. You can cut out Federal Aid to education in the different States, if you want to. You can do all kinds of things.

Q (interposing) On the basis of existing legislation?

THE PRESIDENT: (continuing) That is up to Congress.

Q (interposing) I said on the basis of existing legislation?

THE PRESIDENT: (continuing) You can cut out certain trust funds for employees, ---

Q (interposing) But on the basis of existing legislation ---

THE PRESIDENT: (continuing) --- but it will take legislation, or a failure to appropriate, one or the other. Again, I have got a mandate. In every department we have got all kinds of annual trust funds to set up because of legislation, and each year we put money into the trust fund.

Q Mr. President, did you ever think of closing the Shenandoah National Park?

THE PRESIDENT: Yes, sure. Shenandoah, and lots of other places. But, how much money can we save?

MR. COY: Mr. President, I would like to point out, in that connection, that the Parks -- National Parks are on a purely maintenance basis, for the most part.

THE PRESIDENT: (interjecting) Yes.

MR. COY: (continuing) There are a few of them where they are open to the public, because of the large number of soldiers being in them.

THE PRESIDENT: And we are trying to use them all we can.

MR. COY: Well, I know about this Shenandoah Park, but I wanted to take all the Parks and raise the question, and make another point.

THE PRESIDENT: We were talking about Yellowstone. I think all the buildings at the entrance to Yellowstone are recuperating places for wounded soldiers. You can't use Old Faithful Inn because, as I said, it is a fire trap. I wouldn't put anybody in there -- except tourists. (laughter)

Q Because they consume gasoline and tires, Mr. President?

THE PRESIDENT: What, what?

Q Because they consume gasoline and tires, Mr. President?

THE PRESIDENT: Yes.

Well, "The Need For Additional Funds" -- (see Page XV) -- we have talked about so often. It means this 100 billion dollars on war expenditures is going to contractors, farmers, and so forth and so on, putting this huge buying power into the hands of the public. And it will create inflation unless we use a part of that buying power to run the war with.

(reading): -- (see Page XVI) -- "We cannot hope to increase tax

collections as fast as we step up war expenditures, or to absorb by fiscal measures alone all excess purchasing power created by these expenditures. We must, therefore, provide a substantial portion of the needed funds by additional borrowing, and we must also use direct controls, such as price ceilings and rationing, for the protection of the consumer. Nevertheless, the more nearly increases in tax receipts follow increases in expenditures, the better we safeguard our financial integrity and the easier the administration of price control and rationing. All of these measures are inter-related. Each increase in taxes and each increase in savings will lessen the upward pressure on prices and reduce the amount of rationing and other direct controls we shall need.

"The revenue acts of the past 3 years, particularly the Revenue Act of 1942, have contributed greatly toward meeting our fiscal needs. In the fiscal year 1944, total general and special receipts under present law are estimated at 35 billion dollars, or almost six times those of the fiscal year 1940. But the increase in expenditures has been even more rapid.

"I believe that we should strive to collect not less than 16 billion dollars of additional funds by taxation, savings, or both, during the fiscal year 1944.

"On the basis of present legislation, we expect to meet 34 percent of total estimated Federal expenditures by current receipts during the fiscal year 1944. If the objective proposed in this Message is adopted, we shall meet approximately 50 percent of expenditures during the fiscal year 1944."

In other words, what we are trying to do is to get the excess to the same old figure we mentioned before -- 16 billion dollars additional.

Q In the second paragraph there, it was estimated 35 billion dollars under existing legislation in 1944 fiscal. Does that include the -- the estimated voluntary sales of war bonds, sir?

Q No.

Q No.

Q How much is that estimated to be?

MR. SMITH: That has no relation to this figure at all.

MR. COY: That would be 10 or 12 (billion).

MR. SMITH: Or 15 billion.

THE PRESIDENT: Around 10 or 12 billion.

Q On this 16 billion in additional savings or taxation, the savings there would not take the form of voluntary purchases of War Bonds? In other words, that would not meet the objective?

THE PRESIDENT: No. Something like the 5% Tax -- the Victory Tax.

Q Mr. President, you want that 16 billion, I take it, primarily from individuals rather than corporations?

THE PRESIDENT: I wouldn't say that. I think both. I think everybody ought to contribute.

Q The individuals are the people who have got the money to spend -- to inflate?

THE PRESIDENT: Well, corporations do too.

Q Mr. President, have you any suggestions as to what portion of taxes and forced savings go to make up this 16 billion?

THE PRESIDENT: No. You see, that's the thing, as I said before -- the

thing so dovetails in. There are so many new plans being talked about you can't be specific, unless you break down each and make a hard and fast allocation -- a ruling -- either before or after the Congress has had time to study it. And if the Congress decides on one thing -- the specific amount -- that has got to be related because of the other things in the same tax bill.

Q Does that mean, Mr. President, that the Secretary of the Treasury has abandoned early plans for an additional 6 billion dollars in taxes, which I believe he announced in November? Has that been abandoned?

THE PRESIDENT: Oh, Yes, that's out of date.

Q That's out of date.

Q Mr. President, may we properly say "forced" savings? Is that a fair statement? You say taxation. May we say "forced" savings, or "compulsory"?

THE PRESIDENT: Well, you see, there are so many different kinds. You have the 5% -- 5% Victory Tax.

Q I am trying to differentiate between voluntary purchases and obligations, and some type of compulsory. I am not trying to raise any other question at all. We have got to write these stories.

THE PRESIDENT: (interjecting) And it's damn hard, God knows.

Q (continuing) Is there any difference between voluntary and forced savings?

THE PRESIDENT: My own opinion is that we will probably -- this is just guess on my part -- we will use both methods.

Q Thank you.

Q In connection with the 16 billion dollar figure, I believe you said a moment ago that voluntary purchases of that much War Bonds would not

meet the objective?

THE PRESIDENT: (interjecting) No.

Q (continuing) So it would hardly be voluntary savings; therefore, it must be forced or compulsory savings?

THE PRESIDENT: It will always be a continuation of voluntary savings, as voluntary as -- take a simple figure -- Yes -- voluntary savings -- this 16 billion. Now if we put in some form of compulsory savings, that 16 billion figure is going to drop way down. Therefore, we have to deduct that ---

Q (interjecting) That's right.

THE PRESIDENT: (continuing) --- from the total of the objective. We can no longer count it as 16 billion.

Q Isn't that the fear, sir, of what is going to happen to the War Bond sales now, with the Victory Tax in effect?

THE PRESIDENT: Yes, yes. That's true.

MR. SMITH: Mr. President, might I say that in terms -- if you think of it as a refundable tax, it means virtually the equivalent of any of these other terms?

THE PRESIDENT: That's another way of putting it.

Q Well, Mr. President, would we be wrong if we said that the President recommended 16 billion dollars in additional taxes?

THE PRESIDENT: Savings.

Q Savings of both enforced and voluntary?

Q No.

Q No, no.

THE PRESIDENT: No. They wouldn't.

Q Savings on some compulsory basis?

Q Cash and refundable taxes?

THE PRESIDENT: Just for example, as Harold says, the Victory Tax refund part of it ---

Q (interposing) I am referring only to savings, Mr. President, not taxation. I assume all the savings will be returned to the person who made the saving.

THE PRESIDENT: (interjecting) Yes.

Q (continuing) But it seems to me that in so far as savings make up part of this 16 billion dollar figure, they would have to be compulsory, or forced, or refundable; in any wise, not voluntary?

THE PRESIDENT: That's right. That's right. That's what I was driving at.

Q The only way you can get compulsory savings is through a refundable tax?

THE PRESIDENT: (laughing) Yes.

Now just one -- one other thing, which Wayne called my attention to, and that is: it's not anything new in legislation to have some form of compulsory legislation. Part of the Victory Tax ---

Q (interposing) We are not trying to get you on the "spot." We are just trying to write these stories.

THE PRESIDENT: I am trying to get it clear in my own mind. The Victory Tax is already on the statute books.

Q (interjecting) Yes, sir.

THE PRESIDENT: (continuing) Well, that's a portion of it ---

Q (interjecting) Yes, sir.

THE PRESIDENT: (continuing) --- which is refundable. The other part of it is a tax that you don't get back.

Q (interjecting) Yes, sir.

THE PRESIDENT: (continuing) Of course the principle of compulsory savings
-- that's the refundable part ---

Q (interposing) I wasn't raising that part at all.

THE PRESIDENT: (interjecting) Yes.

Q (continuing) We have got to make up our minds on what to call it.

MR. SMITH: The difficulty is that these various terms have been used for
some time, both forced savings and compulsory savings.

Q What term would you prefer, Mr. Smith?

MR. SMITH: You can use any of them, but it's really a refundable tax --
(laughter) -- it's really a refundable tax. It has got to be a part
of the tax bill, though it isn't compulsory -- if you want to put it
that way.

Q In other words, sir, are you going to take money away from people by
law, and give it back to them by law, rather than ask them ---

THE PRESIDENT: (interposing) You can make them give it up by law, and
then you have the two things that happen: either they never get it
back, or they do get it back. (laughter)

Q Refundable savings, Mr. President?

THE PRESIDENT: What?

Q Would you call these refundable savings, Mr. President?

THE PRESIDENT: Yes. Refundable savings.

Q Automatic savings?

THE PRESIDENT: Well, of course -- of course, as I said at the -- putting
it in very, very layman language, we are trying to pay for half of the
war in this coming year, instead of a third of it -- a little over a
third. And a portion of that money that goes -- 50% -- that goes

for paying the war will go back to the people who put up the money. That's the easiest way of putting it. It's awful layman stuff, but the average fellow will know that we have got a new objective. Instead of paying for a third of the war as we go along -- instead of paying for a half of the war as we go along, some of the money that comes into the Treasury would pay for half of the war. Some of it will go back, and some of it won't.

Q Mr. President, this return of the money will be over a period of years after the war?

THE PRESIDENT: Yes, yes, yes.

Q Mr. President, on the next page (see Page XVI, last paragraph), you say there that we can't ask Congress to impose national burdens on the lower income unless the taxes on higher and very large incomes are made fully effective. Are you referring there to tax-exempt funds?

THE PRESIDENT: That is one of the things I am referring to.

Q (interposing) Also referring to ---

THE PRESIDENT: (continuing) In other words, I didn't put it in because it's sort of an old story. I never got anything out of the Congress yet, yet I have been asking for it a long time. I still think that it isn't a good thing to have the City of Poughkeepsie, or the State of New York, or Merriweather County, issue tax-exempt bonds. The average fellow doesn't buy. It's the "savvy" fellow that knows how to go and get them. And I still think on future issues -- I have never gone so far as some other people have, asking for them -- of including new income tax rates, and interest on bonds that have already been issued.

Q You also had the 25 thousand dollar limitation in mind when you wrote that sentence?

THE PRESIDENT: Yes. Yes -- it isn't though. You're wrong. I didn't have the 25 thousand limitation -- I had the 67 thousand, 200 dollar ---

Q (interjecting) Excuse me.

THE PRESIDENT: (continuing) --- limitation in mind. (laughter)

Q If it becomes a tax limitation then, the principle is different, isn't it, Mr. President?

THE PRESIDENT: Wait a minute now! (laughter)

Q Mr. President, did you have that limitation in mind as to all income, rather than just wages and salaries now?

THE PRESIDENT: I think it ought to go on all income. I frankly don't see, in time of war, which is a real danger to the -- to the existence of the nation, why anybody needs net in their pockets more than 25 thousand dollars a year for the balance of this war.

Q How would you apply that, sir, to Government bonds already issued?

THE PRESIDENT: Well, we haven't issued any tax-exempt bonds for a long time. Government bonds that have been issued in the last -- what? -- six or seven years have not been tax-exempt.

Q The man who has a hundred thousand in taxes, he is getting local tax-exempt. How are you going to reach him?

THE PRESIDENT: You can't, without legislation. I don't think -- I don't think we can apply it to the old bonds. I have been -- I have been trying to be perfectly fair about it, applying it only to the future issues.

Oh, and then there are other things in here which we all know about, and have talked about a lot before -- depletion reserves of oil-wells, and certain -- certain taxes in Western States where you can put it on a -- on a family basis instead of an individual basis.

Q Mr. President, to go back to that pay-as-you-go thing which we discussed, is it clearly established, have you asked the Treasury to try and work out the "bugs" in that Rumml Plan, and present some program altogether on a pay-as-you-go basis?

THE PRESIDENT: No. It's one of those things that's beyond my comprehension, in the first place. It's up to the experts. They have got all the experts, and two committees. And the Treasury Department and the Budget -- they are all working on it.

Q In other words, you have in mind joint returns?

THE PRESIDENT: What? Yes, ---

Q (interposing) In other words, ---

THE PRESIDENT: (continuing) --- in certain States.

Q (continuing) --- it is more or less safe to assume that Congress will pass a Rumml Plan, whether known by that name or something else, before very much longer, isn't it? It may not be called that.

THE PRESIDENT: I can't say anything on that off the record, ---

Q (interposing) Yes, off the record.

THE PRESIDENT: (continuing) --- I mean on the record; but off the record there are -- I think there is a real desire on the part of Congress to put in some kind of pay-as-you-go provision, as long as it doesn't take too much money out of the Treasury.

Q Mr. President, the Treasury suggested the plan last year -- the Rumml Plan.

THE PRESIDENT: Yes.

Q Mr. President, is it our understanding that all of this discussion, except what you specifically said was off the record, we can attribute to you, just as if it was a normal Press Conference?

THE PRESIDENT: I think so.

MR. EARLY: What?

THE PRESIDENT: You had better check up with your colleagues, and with the telephone number of the Director of the Budget.

Q Mr. President, are you calling this the "Victory Budget"?

THE PRESIDENT: No. It's just "Annual Budget."

Q Mr. President, ---

Q (interposing) Thank you, Mr. President.

Q (interposing) Thank you, Mr. President.

Q (continuing) --- on Page XVIII here, the first sentence I want to get very clear. You mean there -- you say, "The economic stabilization program, although born of war necessity, will greatly facilitate post-war reconstruction."

THE PRESIDENT: (interjecting) Yes.

Q (continuing) Now do you mean to infer by that that you hope to retain present economic wartime controls after the conclusion?

THE PRESIDENT: No, no. I will tell you exactly what I mean by that. If prices at the end of this war were to be as much out of line as they were in 1919, we would have a great many more troubles -- as we did in 1920 and 1921 -- than we will have at the end of this war, if we can keep prices approximately at their present levels.

VOICES: Thank you, Mr. President! (laughter)

THE PRESIDENT: Have a good time! I'm glad I don't have to write a piece on this!

Q You're lucky.

Q You're fortunate.

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(the Seminar adjourned at 1.08 P.M.,
E.W.T.)

(an extra copy for Harold Smith,
Director of the Budget)

(Notebook PC-XII - Page 33 - JR)

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no portion, synopsis, or intimation to be published or given out until the READING of the President's Budget Message has been begun in the Senate or House of Representatives. While the Message and the Budget of the United States are dated JANUARY 6, 1943, some contingency may arise to prevent its delivery to the Houses of Congress on that date, and extreme care must therefore be exercised to avoid premature publication.

CAUTION: This Budget Message must not be confused with the President's Annual Message. A separate release is necessary.

STEPHEN EARLY,
Secretary to the President.

MESSAGE TRANSMITTING THE BUDGET FOR 1944

BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

I am transmitting herewith a war Budget exceeding 100 billion dollars for the fiscal year beginning July 1, 1943. Last year I called the Budget an instrument for transforming a peace economy into a war economy. This Budget presents the maximum program for waging war.

We wage total war because our very existence is threatened. Without that supreme effort we cannot hope to retain the freedom and self-respect which give life its value.

Total war is grim reality. It means the dedication of our lives and resources to a single objective: Victory.

Total war in a democracy is a violent conflict in which everyone must anticipate that both lives and possessions will be assigned to their most effective use in the common effort—the effort for community survival—Nation survival.

In total war we are all soldiers, whether in uniform, overalls, or shirt sleeves.

BUDGETING FOR TOTAL WAR

WAR EXPENDITURES

The huge and expanding rate of war expenditures shows our determination to equip our fighting forces and those of our Allies with the instruments of war needed for victory. Monthly expenditures for war purposes amounted to 2 billion dollars just after Pearl Harbor; they now exceed 6 billion dollars and they will average more than 8 billion dollars a month during the fiscal year 1944. For the whole of the current fiscal year total war expenditures are now estimated at 77 billion dollars; for the next fiscal year, at 100 billion dollars. These estimates include the net outlays of Government corporations for war purposes and assume only a small rise in prices.

Victory cannot be bought with any amount of money, however large; victory is achieved by the blood of soldiers, the sweat of working men and women, and the sacrifice of all people. But a 100-billion-dollar expenditure program does reflect a national effort of gigantic magnitude. It calls for vision on the part of those in charge of war production, ingenuity of management, and the skill, devotion, and tenacity of the men on the farms and in the factories. It makes

THE BUDGET FOR FISCAL YEAR 1944

possible the expansion of our armed forces necessary to offensive operations, the production of planes and munitions to provide unquestioned superiority, and the construction of ships which will make it possible for us to strike at the enemy wherever he may be. It reflects the determination of the civilians to "pass the ammunition." Moreover, consumers' goods and services will have to be produced in an amount adequate to maintain the health and productivity of the civilian population. And all of this will have to be done while we are withdrawing millions of men from production for service in the armed forces.

Some persons may believe that such a program is fantastic. My reply is that this program is feasible. If the Nation's manpower and resources are fully harnessed, I am confident that the objective of this program can be reached, but it requires a complete recognition of the necessities of total war by all—management, labor, farmers, consumers, and public servants—regardless of party. Production short of these military requirements would be a betrayal of our fighting men.

This Budget does not include the detailed estimates of war expenditures which would reveal information to our enemies. An additional reason for such action at this time is that rapid developments on far-flung battle fronts make it impossible to submit a detailed war Budget for a year ending 18 months hence. I shall continue, however, to report on the broad categories of war expenditures. The following table summarizes our present estimates of war expenditures from general and special accounts and by Government corporations.

Estimates of total expenditures for war, fiscal years 1943 and 1944

[Billions]

Object of expenditure	Fiscal 1943	Fiscal 1944
Munitions.....	\$43	\$66
Military and civilian pay, subsistence, and travel.....	15	21
Industrial construction.....	6	2
Other construction.....	8	5
Other, including agricultural lend-lease.....	5	6
Total.....	77	100

This spring I shall submit the necessary information upon which the Congress can base war appropriations for the fiscal year 1944. In the meantime there are available about 170 billion dollars of unspent war

appropriations and authorizations; about two-thirds of this amount is already obligated or committed. Further appropriations will soon be needed to permit letting of contracts with industry for the next year.

THE PROCUREMENT OF MUNITIONS

Total mobilization of all our men and women, all our equipment, and all our materials in a balanced production program will enable us to accomplish the production goals underlying this war Budget.

Manpower.—Marked progress has been made in mobilizing manpower. In spite of the increase in the armed services, industrial production rose by 46 percent, and agricultural production by 15 percent between calendar years 1940 and 1942. Industrial production has not been delayed and crops have not been lost because of lack of manpower except in a few isolated cases. More than 10 million people have been added to the employed or the armed forces since the summer of 1940, 7 million of whom were unemployed and more than 3 million of whom are additions to the Nation's labor and armed forces.

Manpower mobilization is now entering a much more difficult phase. During the calendar year 1943 approximately 6 million people will be needed above present requirements for the armed services and war production. This number can be obtained by transferring from less essential work, and by drawing into the working force people who have not recently sought employment. Vigorous action is required to mobilize and train our reserve of women and young people, to accelerate the transfer of workers to essential industries, and to reduce harmful turn-over and migration of workers in essential industries. It also requires prevention of labor hoarding and elimination of hiring restrictions based on sex, creed, or race. I reiterate my previous recommendation for a unified and adequate rehabilitation service to make available a million persons for war industry and to restore to civil employment persons who are being disabled in the armed forces.

Manpower needs of the armed forces and of war production during the calendar year 1943 can be met without impairment of essential civilian requirements. I stress the important distinction between "essential requirements" and the thousand and one things that are nonessentials or luxuries. The production of these nonessentials wastes manpower at a time when careful economy and greater effi-

ciency in the use of our manpower resources is imperative. Private thought and public discussion of this subject are very necessary.

Equipment.—Were it not for an unprecedented program of conversion and the building up of a new war industry during the past two and one-half years, we could not expect to fulfill the war-production program outlined in this Message.

Some progress, but not enough, has been made in spreading war contracts more widely among medium-sized and smaller plants. Further efforts are necessary. In certain cases, of course, saving of manpower and materials requires concentration in those plants best equipped to produce a given commodity.

Materials.—Furthermore, war production is limited by our supply of raw materials. The available materials must be transformed into the maximum of striking power. The production of less urgent or the wrong quantity of items, or poor scheduling of production in any single plant or in the munitions program as a whole, results in waste of precious materials. The Nation's war production must be so scheduled that the right items are produced in the right amounts at the right time.

War contracts.—The procurement program must achieve maximum production with minimum waste and with the speed essential in time of war. This is the controlling objective not only for the original negotiation of contracts but also for the renegotiation required by law. The law provides for the prevention or recapture of excessive profits, thus supplementing and reinforcing the objectives of the excess-profits tax. I believe that control of the costs of production is of equal importance.

The proper negotiation and renegotiation of contracts must strive to reconcile the avoidance of excessive profits with the maintenance of incentives to economical management.

FARM AND FOOD PROGRAM

Food is a primary weapon of war. An adequate food supply is, therefore, a basic aspect of a total war program. I have placed in the hands of the Secretary of Agriculture full responsibility for determining and fulfilling the food requirements in this war. Our agricultural production is larger than ever in our history but the needs of our armed services and our Allies are so great that a shortage of certain foods is inevitable. The production of the less-needed commodities must be reduced, while the production of commodities for war and

essential civilian use must be increased. It is imperative also that this increased demand for food be adjusted to available supplies. There will be sufficient volume in our bill of fare but less variety. That may hurt our taste but not our health.

To facilitate this program, I am recommending appropriations for Aids to Agriculture totaling 837 million dollars for the fiscal year 1944. Among the major items included in the 837-million-dollar total are 400 million for Conservation and Use of Agricultural Land Resources; 194 million for Parity Payments on the 1942 crops; and 96 million for Exportation and Domestic Consumption of Surplus Commodities. Other large items included are 64 million dollars for payments under the Sugar Act; 38 million for the Farm Security Administration; and 31 million for reductions in interest rates on farm mortgages.

Prior to the 1943 appropriation acts, annual appropriations for parity payments were made a year in advance of actual need, and acreage allotments for the year ahead were used as a factor in determining payments on the crops of the current year. In the 1943 Budget and appropriation acts, provisions were made to insure that all factors used in determining the amount of parity payments on the crops of a given year would pertain to the program of that year. Also, to bring this item into conformity with our general budgetary practice, the annual cash appropriation for parity payments was omitted, but the Secretary was authorized to incur contractual obligations assuring the cooperating producers of cotton, corn, wheat, rice, and tobacco that such payments would be made, if and as necessary, on their 1942 crops.

The appropriation now requested, therefore, is simply the amount estimated to be necessary to compensate the producers of corn, wheat, and certain minor types of tobacco for the disparity between the market returns from the normal yield of their 1942 allotted acreage and the parity price return from that production. It is expected that no parity payments will be necessary on the 1942 crops of cotton, rice, and most types of tobacco.

Since the established national policy is to assure the cooperating producers of these basic crops parity prices on the normal yields of their allotted acreages, I am again recommending that the authority to incur contractual obligations for such payments on future crops be renewed.

On the other hand, I am recommending a reduction of 50 million dollars in the appropriation for Conservation and Use of Agricultural

THE BUDGET FOR FISCAL YEAR 1944

Land Resources. I am also directing the Secretary of Agriculture to utilize the 400 million dollars still provided under this heading as fully and effectively as the basic law will permit to encourage greater production of the crops essential to the war effort. This fund will not be used for restriction of production except of less-needed crops. Payments will be made only to those producers who comply fully in their plantings with the stated war-production goals.

For Exportation and Domestic Consumption of Agricultural Commodities the Budget includes only the permanent annual appropriation of 30 percent of customs revenues provided by law, plus reappropriation of unobligated balances. The food-stamp plan, which is a major item of the current program, will be discontinued shortly. Although other items such as school lunch and school milk projects and the direct distribution of surplus commodities are somewhat expanded, there will be an over-all reduction of about 30 million dollars.

Provision for operations under the Farm Tenant Act and for Loans, Grants, and Rural Rehabilitation are continued on about the same level as for the current year. Small farms, like other small war plants, must be encouraged to make a maximum contribution to the war. I hope the Congress will give as much sympathetic consideration to these smaller and poorer farmers as it has given to the smaller and poorer industrial concerns.

Because no one can immediately foresee all the needs we may encounter in fulfilling our essential war requirements for agriculture, various loan and purchase operations, involving contingent liabilities which cannot be exactly predetermined, may be necessary.

CIVILIAN CONSUMPTION

In spite of a 100-billion-dollar war program, civilians can be supplied with an average of about \$500 worth of goods and services during the next year. This implies an average reduction of almost 25 percent in civilian consumption below the record level of the calendar year 1941. Even then most of us will be better fed, better clothed, and better housed than other peoples in the world. Do not let us assume from that statement, however, that there is no need for great improvement in the living conditions of a large segment of our population.

It is the responsibility of the Government to plan for more production of essential civilian goods and less of nonessential goods.

Production and distribution of goods should be simplified and standardized; unnecessary costs and frills should be eliminated. Total war demands simplification of American life. By giving up what we do not need, all of us will be better able to get what we do need.

In order to distribute the scarce necessities of life equitably we are rationing some commodities. By rationing we restrict consumption, but only to assure to each civilian his share of basic commodities.

The essentials for civilian life also include a good standard of health and medical service, education, and care for children in wartime as well as in peace.

THE STABILIZATION PROGRAM

We must assure each citizen the necessities of life at prices which he can pay. Otherwise, rising prices will lift many goods beyond his reach just as surely as if those goods did not exist. By a concerted effort to stabilize prices, rents, and wages we have succeeded in keeping the rise in the cost of living within narrow bounds. We shall continue those efforts, and we shall succeed. By making effective use of all measures of control, we shall be able to stabilize prices with only a limited use of subsidies to stimulate needed production.

Some would like to see the controls relaxed for this or that special group. They forget that to relax controls for one group is an argument to relax for other groups, thereby starting the cost-of-living spiral which would undermine the war effort and cause grave post-war difficulties. Economic stabilization for all groups—not for just the other fellow—is the only policy consistent with the requirements of total war. I have read of this bloc, and that bloc, and the other bloc, which existed in past Congresses. May this new Congress confine itself to one bloc—a national bloc.

Stabilization goes beyond effective price control. Under war conditions a rise in profits, wages, and farm incomes unfortunately does not increase the supply of goods for civilians; it merely invites the bidding up of prices of scarce commodities. The stabilization of incomes and the absorption of excess purchasing power by fiscal measures are essential for the success of the stabilization program. I am confident that the Congress will implement that program by adequate legislation increasing taxation, savings, or both. Thus, we will help to "pay as we go" and make the coming peace easier for ourselves and our children.

CIVILIAN CONTROLS IN TOTAL WAR

Total war requires nothing less than organizing all the human and material resources of the Nation. To accomplish this all-out mobilization speedily, effectively, and fairly we have had to adopt extensive controls over civilian life. We use the Selective Service System to man the armed forces. We are systematizing the movement of labor to assure needed manpower to war industries and agriculture. We regulate prices, wages, salaries, and rents; we limit consumer credit; we allocate scarce raw materials; and we ration scarce consumer goods—all to the end of providing the materials of war and distributing the sacrifices equitably.

Such regulations and restrictions have complicated our daily lives. We save rubber, metal, fats—everything: We fill out forms, carry coupons, answer questionnaires. This is all new. We have overdone it in many cases. By trial and error we are learning simpler and better methods. But remember always that reaching the objective is what counts most. There is no easy, pleasant way to restrict the living habits—the eating, clothing, heating, travel, and working habits—of 130 million people. There is no easy, pleasant way to wage total war.

About 400,000 civilian employees of the Federal Government are engaged in the task of civilian administration for total war. They direct and schedule war production; handle the procurement of food, munitions, and equipment for our armed forces and our Allies; supervise wartime transportation; administer price, wage, rent, labor, and material controls and commodity rationing; conduct economic and propaganda offensives against our enemies; and do necessary paper work for the armed forces.

Besides these Government employees, millions of men and women volunteers—who draw no pay—are carrying out tasks of war administration, many of them after long hours at their regular occupation. These patriotic citizens are serving on draft boards, on war price and ration boards, in the civilian defense organization, the war bond campaign, and many other activities. They deserve the gratitude of their countrymen.

More than 1,600,000—or approximately three-fifths—of all Federal civilian employees are engaged directly in war production. They build and load ships, make guns and shells, repair machines and equipment, build arsenals and camps, sew uniforms, operate airports and

signal systems. These are the workers in navy yards, arsenals, storage depots, military airfields, and other operating centers. It is scarcely ethical to try to make people believe that these workers are holding down armchair or unnecessary Government jobs.

This huge organization, created overnight to meet our war needs, could not be expected to function smoothly from the very start. Congressional committees and many individuals have made helpful suggestions. Criticism is welcome if it is based on truth. We will continue our efforts to make the organization more fully effective.

Compensation of Federal employees.—Last month the Congress took temporary and emergency action, which will expire April 30, 1943, relative to compensation for Federal employees. The legislation removed inequities, lengthened the workweek to conserve manpower, increased payment for longer hours, and provided bonus payments for certain employees. The pay increases should be met largely by reducing the total number of employees proportionate to the increase in the workweek.

In the present appropriation requests and expenditure estimates for the fiscal years 1943 and 1944, no allowance has been made for any cost increase resulting from the adjustment in Federal salaries.

The problems of Federal salary administration need further study in the early days of the new Congress for enactment of more permanent legislation for the duration of the war.

"NONWAR" EXPENDITURES

I am making recommendations in the usual detail for so-called "nonwar" appropriations for the fiscal year 1944. This classification includes the same items as in former years.

Actually, the "nonwar" classification now has little, if any, meaning. Most of these expenditures are related to the war effort and many are directly occasioned by it. This "nonwar" category includes, for instance, expenditures for war tax collections, for budgeting, disbursing, and auditing war expenditures, and for statistical and scientific services to war agencies. It includes also such items as the control of white pine blister rust, which I recently discussed. Expenditures for controlling this threat to our timber resources are necessary to avoid possible loss of millions of dollars in lumber from trees which require more than 50 years to reach maturity.

THE BUDGET FOR FISCAL YEAR 1944

All counted, there are less than 850,000 civilian employees of the Federal Government, including the Postal Service, who are engaged in these so-called "nonwar" activities.

A few weeks ago I transmitted to the Congress a comprehensive report on "nonwar" expenditures during the past decade. This document demonstrated the important reductions which had been made in these expenditures, especially since the start of the defense program.

The following table summarizes reductions analyzed in the report, to which it is now possible to add revised estimates for the fiscal year 1943 and estimates for 1944 as developed in this Budget.

"Nonwar" expenditures, fiscal years 1939-44

(Excluding interest and statutory debt retirement)

[Millions]

Fiscal year	Total non-war expenditures	Reduction below 1939
1939.....	\$6,516
1940.....	6,246	\$270
1941.....	5,298	1,218
1942.....	5,125	1,391
1943 (estimated).....	4,582	1,934
1944 (estimated).....	4,124	2,302

The table shows a reduction of 36.7 percent in "nonwar" expenditures in the next fiscal year compared with 1939. In appraising these reductions, it should be borne in mind that large items, such as veterans' pensions and social-security grants, are controlled by legal or other commitments. In fact the outstanding increase for the fiscal year 1944 is for the Veterans' Administration, for which expenditures are estimated at 879 million dollars, or 265 million dollars higher than in the current year. Most of the increase is for insurance for our fighting forces in the present war.

The most important reductions recommended for the coming year relate to work relief and general public works. Because of present high levels of employment, I am able to recommend elimination of the Work Projects Administration. This action under present conditions does not cast upon the State and local governments more than the proper burden of financing the relief of those who are unable to work. Expenditures for general public works will be greatly curtailed.

Continuing projects are directly related to war needs. Others have been discontinued as rapidly as this could be done without risking the loss of the investment already made.

I shall be glad to cooperate with the Congress in effecting further reductions in "nonwar" expenditures through the necessary revision of underlying legislation and in every other way. It should be pointed out to the Congress and to the Nation, however, that we are fast approaching the subsistence level of government—the minimum for sustaining orderly social and economic processes—and that further reductions will necessarily be of much smaller magnitude than those already achieved.

My recommendations contemplate that in the fiscal year 1944, 96 cents of every dollar expended by the Federal Government will be used to pay war costs and interest on the public debt, and only 4 cents for all the so-called "nonwar" purposes.

INTEREST

War financing has raised the requirement for interest on the public debt from 1,041 million dollars in 1940, the fiscal year before the defense program started, to an estimated 1,850 million dollars for the current year and 3,000 million dollars for the fiscal year 1944 under existing legislation.

FINANCING TOTAL WAR

THE NEED FOR ADDITIONAL FUNDS

Financing expenditures which will exceed 100 billion dollars is a task of tremendous magnitude. By meeting this task squarely we will contribute substantially to the war effort and clear the ground for successful reconstruction after the war. An adequate financial program is essential both for winning the war and for winning the peace.

Financing total war involves two main fiscal problems. One problem is to supply the funds currently required to pay for the war and to keep the increase in Federal debt within bounds. The second problem is caused by the disbursement of 100 billion dollars a year to contractors, war workers, farmers, soldiers, and their families, thus adding many billions to the peoples' buying power, at a time when the amount of goods to be bought is declining steadily. A large portion of this excess buying power must be recovered into the Treasury to prevent the excess from being used to bid up the price of scarce goods and thus undermine the stabilization program by breaking price ceilings, creating black markets, and increasing the cost of living.

We cannot hope to increase tax collections as fast as we step up war expenditures or to absorb by fiscal measures alone all excess purchasing power created by these expenditures. We must, therefore, provide a substantial portion of the needed funds by additional borrowing, and we must also use direct controls, such as price ceilings and rationing, for the protection of the consumer. Nevertheless, the more nearly increases in tax receipts follow increases in expenditures, the better we safeguard our financial integrity and the easier the administration of price control and rationing. All of these measures are interrelated. Each increase in taxes and each increase in savings will lessen the upward pressure on prices and reduce the amount of rationing and other direct controls we shall need.

The revenue acts of the past 3 years, particularly the Revenue Act of 1942, have contributed greatly toward meeting our fiscal needs. In the fiscal year 1944, total general and special receipts under present law are estimated at 35 billion dollars, or almost six times those of the fiscal year 1940. But the increase in expenditures has been even more rapid.

I believe that we should strive to collect not less than 16 billion dollars of additional funds by taxation, savings, or both, during the fiscal year 1944.

On the basis of present legislation, we expect to meet 34 percent of total estimated Federal expenditures by current receipts during the fiscal year 1944. If the objective proposed in this Message is adopted, we shall meet approximately 50 percent of expenditures during the fiscal year 1944.

THE NEED FOR A BALANCED AND FLEXIBLE REVENUE SYSTEM

I hope that the Congress in working out the revenue program will consider that the fiscal measures must be designed not only to provide revenue, but also to support the stabilization program as well by deterring luxury or nonessential spending. The cost of the war should be distributed in an equitable and fair manner. Furthermore, care should be taken that the fiscal measures do not impair but actually promote maximum war production. Finally, it is more important than ever before to simplify taxation both for taxpayers and for those collecting the tax, and to put our taxes as far as feasible on a pay-as-you-go basis.

I cannot ask the Congress to impose the necessarily heavy financial burdens on the lower and middle incomes unless the taxes on higher

and very large incomes are made fully effective. At a time when wages and salaries are stabilized, the receipt of very large net incomes from any source constitutes a gross inequity undermining national unity.

Fairness requires the closing of loopholes and the removal of inequities which still exist in our tax laws. I have spoken on these subjects on several previous occasions.

The Congress can do much to solve our problem of war finance and to support the stabilization program. In the past, wars have usually been paid for mainly by means of inflation, thereby shifting the greatest burden to the weakest shoulders and inviting post-war collapse. We seek to avoid both. Of necessity, the program must be harsh. We should remember, however, that it is a war for existence, and not taxation, which compels us to devote more than one-half of all our resources to war use. An effective program of war finance does not add to the total sacrifices necessitated by war, but it does assure that those sacrifices are distributed equitably and with a minimum of friction.

We should remember, furthermore, that helping to finance the war is the privilege mainly of those who still enjoy the receipt of incomes as civilians during the war. It is a modest contribution toward victory when we compare it with the contribution of those in the fighting forces.

By the end of the current fiscal year, the public debt will total 135 billion dollars. By June 30, 1944, it will be about 210 billion dollars under existing revenue legislation. Before the present debt limit of 125 billion dollars is reached, the Congress will be requested to extend that limit. To do this is sound, for such a debt can and will be repaid. The Nation is soundly solvent.

PREPARING FOR TOTAL VICTORY

Preparing for total victory includes preparing the base on which a happier world can be built. The tremendous productive capacity of our country, of all countries, has been demonstrated. Freedom from want for everybody, everywhere, is no longer a Utopian dream. It can be translated into action when the fear of aggression has been removed by victory. The soldiers of the fighting forces and the workmen engaged in military production want to be assured that they will return to a life of opportunity and security in a society of free men.

THE BUDGET FOR FISCAL YEAR 1944

The economic stabilization program, although born of war necessity, will greatly facilitate post-war reconstruction. A determined policy of war taxation and savings will aid in making post-war problems manageable by reducing the volume of additional borrowing and supporting the stabilization program. Because of the unavoidable magnitude of interest-bearing debt, taxes probably will never revert to their pre-war level. But substantial reduction from the war level will, nevertheless, be possible and will go hand in hand with a greater human security if the underlying fiscal structure is kept sound.

I shall be happy to meet with the appropriate committees of the Congress at any and all times in regard to the methods by which they propose to attain the objectives outlined in this Message. We are at one in our desire quickly to win this war and to avoid passing on to future generations more than their just share of its sacrifices and burdens.

FRANKLIN D. ROOSEVELT.

JANUARY 6, 1943.