

During the past three years the Hester Street and Park Avenue of this city have both come to understand that they belong to the same economic pattern and indeed to the same Nation as the cotton, corn and hog belts, and the flood areas and the dust bowls. Not so long ago it was the farm against the city and the city against the farm. From now on if both are to survive, it must be the farm with the city and the city with the farm.

Economists are still trying to find out what it was that hit us back in 1929. I am not a professional economist but I think I know. What hit us was a decade of debauch, of group selfishness - the sole objective expressed in the thought - "every man for himself and the devil take the hindmost". And the result was that about 98 per cent of the American population turned out to be "the hindmost".

Let me illustrate what happened by taking the case of the garment workers in New York City. They make 40 per cent of all the clothes of the Nation worn outside of New York City. Their work and wages in this city were dependent on the sales they made all over the country. The garment workers' depression did not begin in 1929. It began back in 1921 when the depression began on the farms of the Nation. But back in the twenties people in power still thought of prosperity chiefly in industrial terms. They overlooked the farm depression; and because it went unrelieved the troubles that started among the farmers in 1921 finally and inevitably reached the garment workers on Eighth Avenue.

Nebraska's corn and Eighth Avenue's clothing are not different problems; they are the same problems. Before the War a Nebraska farmer could take a two hundred pound hog to market and buy a suit of clothes made in New York. But in 1932, to get that same suit of clothes he had to take two and a half hogs to market. Back in the twenties a cotton farmer had to raise seven pounds of cotton to buy one pair of overalls. By 1932, however, he had to raise fourteen pounds of cotton to get those New York overalls.

Obviously, the farmers stopped buying as many clothes and when the farm districts stopped buying, New York's garment districts soon started bread lines. That, however, was only half of the vicious circle. When the garment district's breadlines grew longer buying power in the cities grew less. Other breadlines formed. Every man on a new breadline meant one person who ate less and wore less. Because the garment worker ate less the farmer sold less and his income went down. The vicious strangling circle was complete. Today we have broken that throttlehold. The American electorate proposes that it shall be not renewed.

And while I am talking of food consumption here is a fact of equal interest to the city dweller and the farmer population. If all of the seven million people living in New York City could afford to buy the bread and meat and vegetables and milk and cotton and wool that their health and decent living call for then we would need crop production from three million more acres of good crop land than we are using to feed and clothe New York City today. I propose to continue the fight for more food and better homes.

But this tie up between cities and farms is one of the chief reasons why in 1933 we sought a national solution for a national problem. We sought simultaneously to raise the farmer's cash income and to add to the working man's pay envelope. What our success has been you can prove by the simple process of putting the financial pages of any newspaper published in 1936 along side the financial pages of the same newspaper published in 1932. By the way, every time I come to New York I look for that grass which was to grow in the city streets!

But some individuals are never satisfied. People complain to me about the current costs of rebuilding America, about the burden on future generations. I tell them that whereas the deficit of the Federal government this year is about three billion dollars, the national income of the people of the United States has risen from thirty-five billions in the year 1932 to sixty-five billions in the year 1936, and I tell them further that the only burden we need to fear is the burden our children would have to bear if we failed to take these measures today.

Building national income, distributing it more widely means not only the bettering of conditions of life but the end of, and insurance against, individual and national deficits tomorrow.

Nationwide thinking, nationwide planning and nationwide action are the three great essentials to prevent nationwide crises for future generations to struggle through.

Other individuals are never satisfied - one of these, for example, belongs to a newly organized Brain Trust - not mine. He says that the only way to get full recovery -- I wonder if he admits that we have had any recovery - is to lower prices by cheapening the costs of production.

Let us reduce that to plain English. You can cheapen the costs of industrial production by two methods. One is by the development of new machinery and new technique and by increasing employee efficiency. We do not discourage that. But do not dodge the fact that this means fewer men employed and more men unemployed. The other way to reduce the costs of industrial production is to establish longer hours for the same pay or to reduce the pay for the same number of hours. If you lengthen hours you will need fewer workers. More men out of work. If you choose lower wages for the same number of hours you cut the dollars in the pay envelope and automatically cut down the purchasing power of the worker himself.

Reduction of costs of manufacture does not mean more purchasing power and more goods consumed. It means just the opposite.

The history of the 1929 to 1933 period shows that consumption of goods actually declines with a declining price level. The reason is that in such periods the buying power goes down faster than the prices.

If you increase buying power prices will go up but more goods will be bought. This does not mean unsound inflation or skyrocketing prices; this should be avoided just as we seek to avoid deflation and bankruptcy sale values. What we do seek are a greater purchasing power and a reasonably stable and constant price level. It is my belief as I think it is yours that the industry and agriculture of America subscribe to that objective. Toward that end, representative government is working. The objective cannot be obtained in a month or a year. But results -- results proven by facts and figures show that we are on our way -- very definitely on our way. Higher wages for workers, more income for farmers mean more goods produced, more food eaten, fewer unemployed and lower taxes.

That is my economic and social philosophy, and, incidentally, my political philosophy as well. I believe from the bottom of my heart that it is the philosophy of the 1936 America.

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STEPHEN EARLY  
Assistant Secretary to the President

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TO THE CONGRESS OF THE UNITED STATES:

For the first time in our national history a President delivers his Annual Message to a new Congress within a fortnight of the expiration of his term of office. While there is no change in the Presidency this year, change will occur in future years. It is my belief that under this new constitutional practice, the President should in every fourth year, in so far as seems reasonable, review the existing state of our national affairs and outline broad future problems, leaving specific recommendations for future legislation to be made by the President about to be inaugurated.

At this time, however, circumstances of the moment compel me to ask your immediate consideration of: First, measures extending the life of certain authorizations and powers which, under present statutes, expire within a few weeks; second, an addition to the existing Neutrality Act to cover specific points raised by the unfortunate civil strife in Spain; and, third, a deficiency appropriation bill for which I shall submit estimates this week.

In March, 1933, the problems which faced our nation and which only our national government had the resources to meet, were more serious even than appeared on the surface.

It was not only that the visible mechanism of economic life had broken down. More disturbing was the fact that long neglect of the needs of the underprivileged had brought too many of our people to the verge of doubt as to the successful adaptation of our historic traditions to the complex modern world. In that, lay a challenge to our democratic form of government itself.

Ours was the task to prove that democracy could be made to function in the world of today as effectively as in the simpler world of a hundred years ago. Ours was the task to do more than to argue a theory. The times required the confident answer of performance to those whose instinctive faith in humanity made them want to believe that in the long run democracy would prove superior to more extreme forms of government as a process of getting action when action was wisdom, without the spiritual sacrifices which those other forms of government exact.

That challenge we met. To meet it required unprecedented activities under Federal leadership -- to end abuses -- to restore a large measure of material prosperity -- to give new faith to millions of our citizens who had been traditionally taught to expect that democracy would provide continuously wider opportunity and continuously greater security in a world where science was continuously making material riches more available to man.

In the many methods of attack with which we met these problems, you and I, by mutual understanding and by determination to cooperate, helped to make democracy succeed by refusing to permit unnecessary disagreement to arise between two of our branches of government. That spirit of cooperation was able to solve difficulties of extraordinary magnitude and ramification with few important errors, and at a cost cheap when measured by the immediate necessities and the eventual results.

I look forward to a continuance of that cooperation in the next four years. I look forward also to a continuance of the basis of that cooperation -- mutual respect for each other's proper sphere of functioning in a democracy which is working well, and a common-sense realization of the need for play in the joints of the machine.

On that basis, it is within the right of the Congress to determine which of the many new activities shall be continued or abandoned, increased or curtailed.

On that same basis, the President alone has the responsibility for their administration. I find that this task of executive management has reached the point where our administrative machinery needs comprehensive overhauling. I shall, therefore, shortly address the Congress more fully in regard to modernizing and improving the Executive branch of the government.

That cooperation of the past four years between the Congress and the President has aimed at the fulfillment of a two-fold policy -- first, economic recovery through many kinds of assistance to agriculture, industry and banking; and, second, deliberate improvement in the personal security and opportunity of the great mass of our people.

The recovery we sought was not to be merely temporary. It was to be a recovery protected from the causes of previous disasters. With that aim in view -- to prevent a future similar crisis -- you and I joined in a series of enactments -- safe banking and sound currency, the guarantee of bank deposits, protection for the investor in securities, the removal of the threat of agricultural surpluses, insistence on collective bargaining, the outlawing of sweat shops, child labor and unfair trade practices, and the beginnings of security for the aged and the worker.

Nor was the recovery we sought merely a purposeless whirring of machinery. It is important, of course, that every man and woman in the country be able to find work, that every factory run, that business as a whole earn profits. But government in a democratic nation does not exist solely, or even primarily, for that purpose.

It is not enough that the wheels turn. They must carry us in the direction of a greater satisfaction in life for the average man. The deeper purpose of democratic government is to assist as many of its citizens as possible -- especially those who need it most -- to improve their conditions of life, to retain all personal liberty which does not adversely affect their neighbors, and to pursue the happiness which comes with security and an opportunity for recreation and culture.

Even with our present recovery we are far from the goal of that deeper purpose. There are far-reaching problems still with us for which democracy must find solutions if it is to consider itself successful.

For example, many millions of Americans still live in habitations which not only fail to provide the physical benefits of modern civilization but breed disease and impair the health of future generations. The menace exists not only in the slum areas of the very large cities, but in many smaller cities as well. It exists on tens of thousands of farms, in varying degrees, in every part of the country.

Another example is the prevalence of an un-American type of tenant farming. I do not suggest that every farm family has the capacity to earn a satisfactory living on its own farm. But many thousands of tenant farmers -- indeed most of them -- with some financial assistance and with some advice and training, can be made self-supporting on land which can eventually belong to them. The nation would be wise to offer them that chance instead of permitting them to go along as they do now, year after year, with neither future security as tenants nor hope of ownership of their homes nor expectation of bettering the lot of their children.

Another national problem is the intelligent development of our social security system, the broadening of the services it renders, and practical improvement in its operation. In many nations where such laws are in effect, success in meeting the expectations of the community has come through frequent amendment of the original statute.

And, of course, the most far-reaching and the most inclusive problem of all is that of unemployment and the lack of economic balance of which unemployment is at once the result and the symptom. The immediate question of adequate relief for the needy unemployed who are capable of performing useful work, I shall discuss with the Congress during the coming months. The broader task of preventing unemployment is a matter of long-range evolutionary policy. To that we must continue to give our best thought and effort. We cannot assume that immediate industrial and commercial activity which mitigates present pressures justifies the national government at this time in placing the unemployment problem in a filing cabinet of finished business.

Fluctuations in employment are tied to all other wasteful fluctuations in our mechanism of production and distribution. One of these wastes is speculation. In securities or commodities, the larger the volume of speculation, the wider become the upward and downward swings and the more certain the result that in the long run there will be more losses than gains in the underlying wealth of the community.

And, as is now well known to all of us, the same net loss to society comes from reckless overproduction and monopolistic underproduction of natural and manufactured commodities.

Overproduction, underproduction and speculation are three evil sisters who distill the troubles of unsound inflation and disastrous deflation. It is to the interest of the nation to have government help private enterprise to gain sound general price levels and to protect those levels from wide perilous fluctuations. We know now that if early in 1931 government had taken the steps which were taken two and three years later, the depression would never have reached the depths of the beginning of 1933.

Sober second thought confirms most of us in the belief that the broad objectives of the National Recovery Act were sound. We know now that its difficulties arose from the fact that it tried to do too much. For example, it was unwise to expect the same agency to regulate the length of working hours, minimum wages, child labor and collective bargaining on the one hand and the complicated questions of unfair trade practices and business controls on the other.

The statute of NRA has been outlawed. The problems have not. They are still with us.

That decent conditions and adequate pay for labor, and just return for agriculture, can be secured through parallel and simultaneous action by forty-eight states is a proven impossibility. It is equally impossible to obtain curbs on monopoly, unfair trade practices and speculation by state action alone. There are those who, sincerely or insincerely, still cling to state action as a theoretical hope. But experience with actualities makes it clear that Federal laws supplementing state laws are needed to help solve the problems which result from modern invention applied in an industrialized nation which conducts its business with scant regard to state lines.

During the past year there has been a growing belief that there is little fault to be found with the Constitution of the United States as it stands today. The vital need is not an alteration of our fundamental law, but an increasingly enlightened view with reference to it. Difficulties have grown out of its interpretation; but rightly considered, it can be used as an instrument of progress, and not as a device for prevention of action.

It is worth our while to read and re-read the preamble of the Constitution, and Article I thereof which confers the legislative powers upon the Congress of the United States. It is also worth our while to read again the debates in the Constitutional Convention of one hundred and fifty years ago. From such reading, I obtain the very definite thought that the members of that Convention were fully aware that civilization would raise problems for the proposed new Federal Government, which they themselves could not even surmise; and that it was their definite intent and expectation that a liberal interpretation in the years to come would give to the Congress the same relative powers over new national problems as they themselves gave to the Congress over the national problems of their day.

In presenting to the Convention the first basic draft of the Constitution, Edmund Randolph explained that it was the purpose "to insert essential principles only, lest the operation of government should be clogged by rendering those provisions permanent and unalterable which ought to be accommodated to times and events."

With a better understanding of our purposes, and a more intelligent recognition of our needs as a nation, it is not to be assumed that there will be prolonged failure to bring legislative and judicial action into closer harmony. Means must be found to adapt our legal forms and our judicial interpretation to the actual present national needs of the largest progressive democracy in the modern world.

That thought leads to a consideration of world problems. To go no further back than the beginning of this century, men and women everywhere were seeking conditions of life very different from those which were customary before modern invention and modern industry and modern communications had come into being. The World War, for all of its tragedy, encouraged these demands, and stimulated action to fulfill these new desires.

Many national governments seemed unable adequately to respond; and, often with the improvident assent of the masses of the people themselves, new forms of government were set up with oligarchy taking the place of democracy. In oligarchies, militarism has leapt forward, while in those nations which have retained democracy, militarism has waned.

I have recently visited three of our sister Republics in South America. The very cordial receptions with which I was greeted were in tribute to democracy. To me the outstanding observation of that visit was that the masses of the peoples of all the Americas are convinced that the democratic form of government can be made to succeed and do not wish to substitute for it any other form of government. They believe that democracies are best able to cope with the changing problems of modern civilization within themselves, and that democracies are best able to maintain peace among themselves.

The Inter-American Conference, operating on these fundamental principles of democracy, did much to assure peace in this Hemisphere. Existing peace machinery was improved. New instruments to maintain peace and eliminate causes of war were adopted. Wider protection of the interests of the American Republics in the event of war outside the Western Hemisphere was provided. Respect for, and observance of, international treaties and international law were strengthened. Principles of liberal trade policies, as effective aids to the maintenance of peace were reaffirmed. The intellectual and cultural relationships among American Republics were broadened as a part of the general peace program.

In a world unhappily thinking in terms of war, the representatives of twenty-one nations sat around a table, in an atmosphere of complete confidence and understanding, sincerely discussing measures for maintaining peace. Here was a great and a permanent achievement directly affecting the lives and security of the two hundred and fifty million human beings who dwell in this Western Hemisphere. Here was an example which must have a wholesome effect upon the rest of the world.

In a very real sense, the Conference in Buenos Aires sent forth a message on behalf of all the democracies of the world to those nations which live otherwise. Because such other governments are perhaps more spectacular, it was high time for democracy to assert itself.

Because all of us believe that our democratic form of government can cope adequately with modern problems as they arise, it is patriotic as well as logical for us to prove that we can meet new national needs with new laws consistent with an historic constitutional framework clearly intended to receive liberal and not narrow interpretation.

The United States of America, within itself, must continue the task of making democracy succeed.

In that task the legislative branch of our government will, I am confident, continue to meet the demands of democracy whether they relate to the curbing of abuses, the extension of help to those who need help, or the better balancing of our interdependent economies.

So, too, the Executive branch of the government must move forward in this task, and, at the same time, provide better management for administrative action of all kinds.

The Judicial branch also is asked by the people to do its part in making democracy successful. We do not ask the Courts to call non-existent powers into being, but we have a right to expect that conceded powers or those legitimately implied shall be made effective instruments for the common good.

The process of our democracy must not be imperiled by the denial of essential powers of free government.

Your task and mine is not ending with the end of the depression. The people of the United States have made it clear that they expect us to continue our active efforts in behalf of their peaceful advancement.

In that spirit of endeavor and service I greet the Seventy-Fifth Congress at the beginning of this auspicious New Year.

THE WHITE HOUSE,  
January 6, 1937.

FRANKLIN D. ROOSEVELT.

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Ours was the task to prove that democracy could be made to function in the world of today as effectively as in the simpler world of a hundred years ago. Ours was the task to do more than to argue a theory. The times required the confident answer of performance to those whose instinctive faith in humanity made them want to believe that in the long run democracy would prove superior to more extreme forms of government as a process of getting action when action was wisdom, without the spiritual sacrifices which those other forms of government exact.

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In the many methods of attack with which we met these problems, you and I, by mutual understanding and by determination to cooperate, helped to make democracy succeed by refusing to permit unnecessary disagreement to arise between two of our branches of government. That spirit of cooperation was able to solve difficulties of extraordinary magnitude and ramification with few important errors, and at a cost cheap when measured by the immediate necessities and the eventual results.

I look forward to a continuance of that cooperation in the next four years. I look forward also to a continuance of the basis of that cooperation -- mutual respect for each other's proper sphere of functioning in a democracy which is working well, and a common-sense realization of the need for play in the joints of the machine.

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FRANKLIN D. ROOSEVELT.

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January 11, 1937

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STEPHEN EARLY  
Assistant Secretary to the President

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SUMMARY OF THE PRESIDENT'S COMMITTEE'S REPORT  
ON ADMINISTRATIVE MANAGEMENT IN THE GOVERNMENT OF THE  
UNITED STATES, JANUARY, 1937.

Modern management equipment for the Federal Government so that it may do promptly and efficiently what is expected of it by the American people is the keynote of the report made today to the President by his Committee on Administrative Management. The purpose of making Federal administrative management modern and businesslike is to make American democracy efficient. It is the view of the Committee that self-government cannot long survive even in this country unless it can do its work efficiently. "The forward march of American democracy at this point of our history" says the Committee, "depends more upon effective management than upon any other single factor." To this end a five point program of reorganization of the Executive Branch of the Government is presented by the Committee including these major recommendations:

Five-Point Program

Modernize the White House business and management organization by giving the President six high-grade executive assistants to aid him in dealing with the regular departments and agencies.

Strengthen the budget and efficiency research, the planning, and the personnel services of the Government, so that these may be effective managerial arms for the President, with which he may better coordinate, direct and manage all of the work of the Executive Branch for which he is responsible under the Constitution.

Place the whole governmental administrative service on a career basis and under the merit system by extending the civil service upward, outward and downward to include all non-policy-determining positions and jobs.

Overhaul the more than 100 separate departments, boards, commissions, administrations, authorities, corporations, committees, agencies and activities which are now parts of the Executive Branch, and theoretically under the President, and consolidate them within 12 regular departments, which would include the existing ten departments and two new departments, a Department of Social Welfare, and a Department of Public Works. The name of the Department of Interior is changed to Department of Conservation.

Make the Executive Branch accountable to the Congress by creating a true postaudit of financial transactions by an independent Auditor General who would report illegal and wasteful expenditures to Congress without himself becoming involved in the management of

departmental policy, and transfer the duties of the present Comptroller in part to the Auditor, to the Treasury, and to the Attorney General.

These five points are woven together in a single comprehensive program.

#### Executive to Assign Bureaus

The report of the Committee does not deal with the abolition of emergency or established activities or jobs, which is stated to be a matter of policy for the President and the Congress to determine, but devotes itself entirely to setting up an efficient modern machinery of government. But in this process over 80 activities are abolished as separate and independent establishments and their work transferred either to the new Departments of Social Welfare and Public Works, or to one of the 10 old departments. The exact placing of bureaus and activities is not set out in the report as this assignment of work is placed upon the Executive as a continuing responsibility, after research by the Bureau of the Budget, in accordance with efficiency and service standards to be fixed by Congress. Such assignment and division of work, once the standards have been set by law, is regarded by the Committee as an "executive function."

No estimate of savings by reorganization is contained in the report, though these will follow, in the opinion of the Committee. Extensive economy beyond this point depends upon a change of policy, the abandonment of functions, and the demobilization of the staffs involved, and is outside of the terms of reference of the Committee on Administrative Management. The Committee points out however, that the recommended plan of organization which ties all agencies into 12 departments is designed to permit the prompt and efficient demobilization of any activities which are later discontinued by act of Congress or Executive order.

#### Assistants for President

The proposed addition to the White House staff is not to be made up of "Assistant Presidents," says the Committee. It will be composed of half a dozen men, drawn from the very top of the existing career service or from outside, and will assist the President in organizing and maintaining contact with his departments. These executive assistants will not issue orders or make speeches, but will work directly and anonymously in the White House getting information when needed by the President in making decisions, and then in seeing that decisions are promptly communicated to those who are involved. They would be like the private assistants of the president or general manager of a great private business. The Committee condemns the existing situation and says that the President of the United States, managing the biggest business in the world now has less assistance of this sort than many state governors, city managers and mayors, and executives of even small private concerns.

#### Personnel Reorganization

Extensive reorganization of the civil service system with increase of salaries for posts of great responsibilities is a part of the program. As the Committee says "Government cannot be any better or more efficient than the men and women who work in it." It is pointed out that many of the people are now leaving the Government for industry because Government does not offer a satisfactory career. Top posts both in and out of the Civil Service are underpaid, and there is no systematic provision for transfer and advancement in the service. This is corrected by making personnel administration a part of every department, and a part of overhead management by establishing a Civil Service Administrator to work directly under the President, just as the Budget Director does now. This Administrator would devote his attention not only to giving civil service examinations, recruiting, classifying, etc., but even more to finding able people who can be brought

into the Government especially on the lower rungs of career ladders, to discovering able persons in the service, and to seeing that they get training and opportunities for promotion, and generally to advancing the merit system and the career idea. Salaries in top posts are increased, and the civil service is extended upward to include all except the Secretaries, Under Secretaries, Assistant Secretaries, and similar positions.

Over 250,000 positions, some of which are now under merit principles, will be brought under civil service within one year. Unless designated as "temporary" or "policy-determining" by Executive order, all Federal positions will be covered into the civil service. Those persons in these positions will not be given civil service status, however, without taking a qualifying examination given by the new Civil Service Administrator, and without being certified by their director as having "rendered satisfactory service" in their posts.

The Civil Service Commission, which has been the policeman of the civil service since 1883 is abolished. The administrative duties are transferred to the Civil Service Administrator, who though appointed by the President, is himself selected on the basis of competitive examination, while the protection of the system from politics is to be enforced by an unpaid citizen board, composed of seven members with seven year overlapping terms and provided with funds for investigation. This Civil Service Board, says the Committee, for which the President can secure the ablest men and women of the country, drawn from business, administration, education, the professions, labor, and finance, will be "the watch dog of the merit system." Under the program of the Committee it would be impossible to appoint to this Board any person who is a party committeeman, or who has held or run for political office within five years.

#### Danger of "Fourth Branch"

The Committee on Administrative Management also condemns all other boards and commissions when used for management, and recommends that they be abolished and their work transferred to the regular departments, in which there would be set up, wherever needed, a commission or board to deal exclusively with the judicial phases of the work. The Committee points out that the independent commissions have been created one by one over the last 50 years, and that they threaten in time to become "a headless fourth branch of the Government, not contemplated by the Constitution, and not responsible administratively either to the President, to the Congress, or to the Courts."

#### Managerial Agencies Needed

The budgeting and planning are, together with personnel, the three managerial agencies which should be strengthened, in the opinion of the Committee. It is pointed out that the Bureau of the Budget was by law supposed to engage in efficiency research and to promote economy, but that the whole Budget Bureau spends only \$187,000 a year though it is responsible for dealing with budgets of billions. The Committee recommends that the staff of the Bureau be expanded immediately, particularly through the development of its efficiency research division, which will advise the President in reassigning and reorganizing the work of the Executive Branch under the recommended program.

Planning has been carried on thus far through a temporary National Resources Committee and through many interdepartmental, state, and local planning commissions and committees. The Committee insists that this should be made permanent by the establishment of a National Resources Board. This board would be advisory only, and would work directly under the President to assist him in thinking broadly about the "state of the nation," dealing particularly with problems which cut across departmental and jurisdictional lines. The board would continue to rely on interdepartmental committees and would encourage state and local planning bodies. The Committee believes that the main purpose of planning in America should be to bring

into the center of government more intelligence, research, and long-range thinking about all our related problems, especially those dealing with water, land, and natural resources, so that the Congress and the President may, in determining policy and carrying on the Government, make a better job of it, and so that the Federal Government and the states and localities may work together more effectively in dealing with common problems.

#### Executive Accountability to Congress

Accountability of the Executive Branch to the Congress, the Committee maintains, has been confused and ineffective in the past because of the fact that the Comptroller General has endeavored to control the spending policy of the departments. This the Committee regards as "an unconstitutional usurpation of power" and recommends the abolition of the office and the establishment of a new office of Auditor General to do what the Comptroller was supposed but failed to do for 15 years, namely, give Congress an independent annual audit and a report on illegal transactions. The Committee does not blame any person for this failure, but says that the system as set up by law was impossible from a business standpoint, and certainly unconstitutional, if what has happened under the law was actually contemplated. The Committee points out that the dangers of the law were recognized before adoption by Governor Frank O. Lowden, Secretary of the Treasury Carter Glass, and other experts, and since its enactment by President Hoover and by the Committee on Federal Expenditures of the United States Chamber of Commerce.

In line with these criticisms the Committee recommends that there be a postaudit, by an independent auditor (taking no part whatsoever in making administrative decisions) reporting illegal and wasteful practices directly to the policy-determining body, that is, the Congress, as would be done in any American business concern. Current administrative audit is transferred to the Treasury, under guidance on legal matters by the Attorney General, and the business of keeping the accounting system up to date is entrusted in the Treasury where it may be related to the Budget system.

#### Conclusion

In its conclusion, the Committee on Administrative Management summarizes its five-point program for modernizing the Executive Branch and says:

"These changes cannot be adopted and maintained unless the American people itself fully appreciates the advantages of good management and insists upon getting them. The need for reorganization rests not alone on the idea of savings, considerable as they will be, but upon better service to society. The times demand better governmental organization, staffed with more competent public servants, more free to do their best, and coordinated by an Executive accountable to the Congress, and fully equipped with modern tools of management."

#### Membership of President's Committee on Administrative Management

The President's Committee on Administrative Management, which today submitted its report to the President, was appointed last May. It is made up of: Louis Brownlow, of Chicago, Director of the Public Administration Clearing House, Chairman; Luther Gulick, of New York, Director of the Institute of Public Administration; and Charles E. Merriam, of Chicago, Chairman of the Department of Political Science of the University of Chicago. Its Director of Research is Joseph P. Harris, of the staff of the Committee on Public Administration of the Social Science Research Council.

FOR THE PRESS

April 14, 1938

CONFIDENTIAL UNTIL RELEASED

CAUTION: This address of the President, to be broadcast from the White House, Thursday, April 14, 1938, MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to all editions of newspapers appearing on the streets NOT EARLIER than 10:30 P.M., Eastern Standard Time, April 14, 1938.

STEPHEN EARLY  
Secretary to the President

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Five months have gone by since I last spoke to the people of the Nation about the state of the Nation.

I had hoped to be able to defer this talk until next week because, as we all know, this is Holy Week. But what I want to say to you, the people of the country, is of such immediate need and relates so closely to the lives of human beings and the prevention of human suffering that I have felt that there should be no delay. In this decision I have been strengthened by the thought that by speaking tonight there may be greater peace of mind and the hope of Easter may be more real at firesides everywhere, and that it is not inappropriate to encourage peace when so many of us are thinking of the Prince of Peace.

Five years ago we faced a very serious problem of economic and social recovery. For four and a half years that recovery proceeded apace. It is only in the past seven months that it has received a visible setback.

And it is only within the past two months, as we have waited patiently to see whether the forces of business itself would counteract it, that it has become apparent that government itself can no longer safely fail to take aggressive government steps to meet it.

This recession has not returned us to the disasters and suffering of the beginning of 1933. Your money in the bank is safe; farmers are no longer in deep distress and have greater purchasing power; dangers of security speculation have been minimized; national income is almost 50% higher than in 1932; and government has an established and accepted responsibility for relief.

But I know that many of you have lost your jobs or have seen your friends or members of your families lose their jobs, and I do not propose that the government shall pretend not to see these things. I know that the effect of our present difficulties has been uneven; that they have affected some groups and some localities seriously but that they have been scarcely felt in others. But I conceive the first duty of government is to protect the economic welfare of all the people in all sections and in all groups. I said in my Message opening the last session of Congress that if private enterprise did not provide jobs this Spring, government would take up the slack -- that I would not let the people down. We have all learned the lesson that government cannot afford to wait until it has lost the power to act.

Therefore, I have sent a message of far-reaching importance to the Congress. I want to read to you tonight certain passages from that message, and to talk with you about them.

In that message I analyzed the causes of the collapse of 1929 in these words: "over-speculation in and over-production of practically every article or instrument used by man .... millions of people had been put to work, but the products of their hands had exceeded the purchasing power of their pocketbooks ..... Under the inexorable law of supply and demand, supplies so overran demand which would pay that production was compelled to stop. Unemployment and closed factories resulted. Hence the tragic years from 1929 to 1933."

I pointed out to the Congress that the national income -- not the Government's income but the total of the income of all the individual citizens and families of the United States -- every farmer, every worker, every banker, every professional man and every person who lived on income derived from investments -- that national income amounted, in the year 1929, to eighty-one billion dollars. By 1932 this had fallen to thirty-eight billion dollars. Gradually, and up to a few months ago, it had risen to a total of sixty-eight billion dollars -- a pretty good come-back from the low point.

I then said this to the Congress:

"But the very vigor of the recovery in both durable goods and consumers' goods brought into the picture early in 1937 certain highly undesirable practices, which were in large part responsible for the economic decline which began in the later months of that year. Again production outran the ability to buy.

"There were many reasons for this over-production. One was fear -- fear of war abroad, fear of inflation, fear of nationwide strikes. None of these fears have been borne out.

".... Production in many important lines of goods outran the ability of the public to purchase them. For example, through the winter and spring of 1937 cotton factories in hundreds of cases were running on a three-shift basis, piling up cotton goods in the factory and in the hands of middle men and retailers. For example, also, automobile manufacturers not only turned out a normal increase of finished cars, but encouraged the normal increase to run into abnormal figures, using every known method to push their sales. This meant, of course, that the steel mills of the Nation ran on a twenty-four hour basis, and the tire companies and cotton factories speeded up to meet the same type of abnormally stimulated demand. The buying power of the Nation lagged behind.

"Thus by the Autumn of 1937 the Nation again had stocks on hand which the consuming public could not buy because the purchasing power of the consuming public had not kept pace with the production.

"During the same period ... the prices of many vital products had risen faster than was warranted. .... In the case of many commodities the price to the consumer was raised well above the inflationary boom prices of 1929. In many lines of goods and materials, prices got so high that buyers and builders ceased to buy or to build.

"... the economic process of getting out the raw materials, putting them through the manufacturing and finishing processes, selling them to the retailers, selling them to the consumer, and finally using them, got completely out of balance.

"... The laying off of workers came upon us last Autumn and has been continuing at such a pace ever since that all of us, Government and banking and business and workers, and those faced with destitution, recognize the need for action."

All of this I said to the Congress today and I repeat it to you, the people of the country tonight.

I went on to point out to the Senate and the House of Representatives that all the energies of government and business must be directed to increasing the national income, to putting more people into private jobs, to giving security and a feeling of security to all people in all walks of life.

I am constantly thinking of all our people - unemployed and employed alike - of their human problems of food and clothing and homes and education and health and old age. You and I agree that security is our greatest need - the chance to work, the opportunity of making a reasonable profit in our business - whether it be a very small business or a larger one - the possibility of selling our farm products for enough money for our families to live on decently. I know these are the things that decide the well-being of all our people.

Therefore, I am determined to do all in my power to help you attain that security and because I know that the people themselves have a deep conviction that secure prosperity of that kind cannot be a lasting one except on a basis of business fair dealing and a basis where all from top to bottom share in prosperity, I repeated to the Congress today that neither it nor the Chief Executive can afford "to weaken or destroy great reforms which, during the past five years, have been effected on behalf of the American people. In our rehabilitation of the banking structure and of agriculture, in our provisions for adequate and cheaper credit for all types of business, in our acceptance of national responsibility for unemployment relief, in our strengthening of the credit of state and local government, in our encouragement of housing, slum clearance and home ownership, in our supervision of stock exchanges and public utility holding companies and the issuance of new securities, in our provision for social security, the electorate of America wants no backward steps taken.

"We have recognized the right of labor to free organization, to collective bargaining; and machinery for the handling of labor relations is now in existence. The principles are established even though we can all admit that, through the evolution of time, administration and practices can be improved. Such improvement can come about most quickly and most peacefully through sincere efforts to understand and assist on the part of labor leaders and employers alike.

"The never-increasing evolution of human society will doubtless bring forth new problems which will require new adjustments. Our immediate task is to consolidate and maintain the gains achieved.

"In this situation there is no reason and no occasion for any American to allow his fears to be aroused or his energy and enterprise to be paralyzed by doubt or uncertainty."

I came to the conclusion that the present-day problem calls for action both by the Government and by the people, that we suffer from a failure of consumer demand because of lack of buying power. It is up to us to create an economic upturn.

"How and where can and should the Government help to start an upward spiral?"

I went on to propose three groups of measures and I will summarize the recommendations.

First, I asked for certain appropriations which are intended to keep the Government expenditures for work relief and similar purposes during the coming fiscal year at the same rate of expenditure as at present. That includes additional money for the Works Progress Administration; additional funds for the Farm Security Administration; additional allotments for the National Youth Administration, and more money for the Civilian Conservation Corps, in order that it can maintain the existing number of camps now in operation.

These appropriations, made necessary by increased unemployment, will cost about a billion and a quarter more than the estimates which I sent to the Congress on the third of January.

Second, I told the Congress that the Administration proposes to make additional bank reserves available for the credit needs of the country. About one billion four hundred million dollars of gold now in the Treasury will be used to pay these additional expenses of the Government, and three-quarters of a billion dollars of additional credit will be made available to the banks by reducing the reserves now required by the Federal Reserve Board.

These two steps taking care of relief needs and adding to bank credits are in our judgment insufficient by themselves to start the Nation on a sustained upward movement.

Therefore, I came to the third kind of Government action which I consider to be vital. I said to the Congress:

"You and I cannot afford to equip ourselves with two rounds of ammunition where three rounds are necessary. If we stop at relief and credit, we may find ourselves without ammunition before the enemy is routed. If we are fully equipped with the third round of ammunition, we stand to win the battle against adversity."

The third proposal is to make definite additions to the purchasing power of the Nation by providing new work over and above the continuing of the old work.

First, to enable the United States Housing Authority to undertake the immediate construction of about three hundred million dollars of additional slum clearance projects.

Second, to renew a public works program by starting as quickly as possible about one billion dollars worth of needed permanent public improvements in states, counties and cities.

Third, to add one hundred million dollars to the estimate for federal aid highways in excess of the amount I recommended in January.

Fourth, to add thirty-seven million dollars over and above the former estimate of sixty-three million dollars for flood control and reclamation.

Fifth, to add twenty-five million dollars additional for federal buildings in various parts of the country.

In recommending this program I am thinking not only of the immediate economic needs of the people of the Nation, but also of their personal liberties -- the most precious possession of all Americans. I am thinking of our democracy and of the recent trend in other parts of the world away from the democratic ideal.

Democracy has disappeared in several other great nations -- not because the people of those nations disliked democracy, but because they had grown tired of unemployment and insecurity, of seeing their children hungry while they sat helpless in the face of government confusion, government weakness, through lack of leadership in government. Finally, in desperation, they chose to sacrifice liberty in the hope of getting something to eat. We in America know that our own democratic institutions can be preserved and made to work. But in order to preserve them we need to act together, to meet the problems of the Nation boldly, and to prove that the practical operation of democratic government is equal to the task of protecting the security of the people.

Not only our future economic soundness but the very soundness of our democratic institutions depends on the determination of our Government to give employment to idle men. The people of America are in agreement in defending their liberties at any cost, and the first line of that defense lies in the protection of economic security. Your Government, seeking to protect democracy, must prove that Government is stronger than the forces of business depression.

History proves that dictatorships do not grow out of strong and successful governments but out of weak and helpless ones. If by democratic methods people get a government strong enough to protect them from fear and starvation, their democracy succeeds, but if they do not, they grow impatient. Therefore, the only sure bulwark of continuing liberty is a government strong enough to protect the interests of the people, and a people strong enough and well enough informed to maintain its sovereign control over its government.

We are a rich Nation; we can afford to pay for security and prosperity without having to sacrifice our liberties into the bargain.

In the first century of our republic we were short of capital, short of workers and short of industrial production, but we were rich in free land, free timber and free mineral wealth. The Federal Government rightly assumed the duty of promoting business and relieving depression by giving subsidies of land and other resources.

Thus, from our earliest days we have had a tradition of substantial government help to our system of private enterprise. But today the government no longer has vast tracts of rich land to give away and we have discovered that we must spend large sums to conserve our land from further erosion and our forests from further depletion. The situation is also very different from the old days, because now we have plenty of capital, banks and insurance companies loaded with idle money; plenty of industrial productive capacity and several millions of workers looking for jobs. It is following tradition as well as necessity, if Government strives to put idle money and idlemen to work, to increase our public wealth and to build up the health and strength of the people -- and to help our system of private enterprise to function.

It is going to cost something to get out of this recession this way but the profit of getting out of it will pay for the cost several times over. Lost working time is lost money. Every day that a workman is unemployed, or a machine is unused, or a business organization is marking time, is a loss to the Nation. Because of idle men and idle machines this Nation lost one hundred billion dollars between 1929 and the Spring of 1933. This year you, the people of this country, are making about twelve billion dollars less than last year.

If you think back to the experiences of the early years of this Administration you will remember the doubts and fears expressed about the rising expenses of Government. But to the surprise of the doubters, as we proceeded to carry on the program which included Public Works and Work Relief, the country grew richer instead of poorer.

It is worthwhile to remember that the annual national people's income was thirty billion dollars more in 1937 than in 1932. It is true that the national debt increased sixteen billion dollars, but remember that in this increase must be included several billion dollars worth of assets which eventually will reduce that debt and that many billion dollars of permanent public improvements -- schools, roads, bridges, tunnels, public buildings, parks and a host of other things meet your eye in every one of the thirty one hundred counties in the United States.

No doubt you will be told that the Government spending program of the past five years did not cause the increase in our national income. They will tell you that business revived because of private spending and investment. That is true in part, for the Government spent only a small part of the total. But that Government spending acted as a trigger to set off private activity. That is why the total addition to our national production and national income has been so much greater than the contribution of the Government itself.

In pursuance of that thought I said to the Congress today: "I want to make it clear that we do not believe that we can get an adequate rise in national income merely by investing, lending or spending public funds. It is essential in our economy that private funds be put to work and all of us recognize that such funds are entitled to a fair profit."

As national income rises, "let us not forget that Government expenditures will go down and Government tax receipts will go up."

The Government contribution of land that we once made to business was the land of all the people. And the Government contribution of money which we now make to business ultimately comes out of the labor of all the people. It is, therefore, only sound morality, as well as a sound distribution of buying power, that the benefits of the prosperity coming from this use of the money of all the people should be distributed among all the people -- at the bottom as well as at the top. Consequently, I am again expressing my hope that the Congress will enact at this session a wage and hour bill putting a floor under industrial wages and a limit on working hours -- to ensure a better distribution of our prosperity, a better distribution of available work, and a sounder distribution of buying power.

You may get all kinds of impressions in regard to the total cost of this new program, or in regard to the amount that will be added to the net national debt.

It is a big program. Last autumn in a sincere effort to bring Government expenditures and Government income into closer balance, the Budget I worked out called for sharp decreases in Government spending.

In the light of present conditions those estimates were far too low. This new program adds two billion and sixty-two million dollars to direct Treasury expenditures and another nine hundred and fifty million dollars to Government loans -- and the latter sum, because they are loans, will come back to the Treasury in the future.

The net effect on the debt of the Government is this -- between now and July 1, 1939 - fifteen months away -- the Treasury will have to raise less than a billion and a half dollars of new money.

Such an addition to the net debt of the United States need not give concern to any citizen, for it will return to the people of the United States many times over in increased buying power and eventually in much greater Government tax receipts because of the increase in the citizen income.

What I said to the Congress in the close of my message I repeat to you.

"Let us unanimously recognize the fact that the Federal debt, whether it be twenty-five billions or forty billions, can only be paid if the Nation obtains a vastly increased citizen income. I repeat that if this citizen income can be raised to eighty billion dollars a year the national Government and the overwhelming majority of State and local governments will be 'out of the red.' The higher the national income goes the faster will we be able to reduce the total of Federal and state and local debts. Viewed from every angle, today's purchasing power -- the citizens' income of today -- is not sufficient to drive the economic system at higher speed. Responsibility of Government requires us at this time to supplement the normal processes and in so supplementing them to make sure that the addition is adequate. We must start again on a long steady upward incline in national income.

...."And in that process, which I believe is ready to start, let us avoid the pitfalls of the past -- the over-production, the over-speculation, and indeed all the extremes which we did not succeed in avoiding in 1929. In all of this, Government cannot and should not act alone. Business must help. I am sure business will help.

"We need more than the materials of recovery. We need a united national will.

"We need to recognize nationally that the demands of no group, however just, can be satisfied unless that group is prepared to share in finding a way to produce the income from which they and all other groups can be paid. . . . . You, as the Congress, I, as the President, must by virtue of our offices, seek the national good by preserving the balance between all groups and all sections.

"We have at our disposal the national resources, the money, the skill of hand and head to raise our economic level -- our citizens' income. Our capacity is limited only by our ability to work together. What is needed is the will.

"The time has come to bring that will into action with every driving force at our command. And I am determined to do my share.

. . . . . "Certain positive requirements seem to me to accompany the will -- if we have that will.

"There is placed on all of us the duty of self-restraint. . . . . That is the discipline of a democracy. Every patriotic citizen must say to himself or herself, that immoderate statement, appeals to prejudice, the creation of unkindness, are offenses not against an individual or individuals, but offenses against the whole population of the United States. . . . .

"Self-restraint implies restraint by articulate public opinion, trained to distinguish fact from falsehood, trained to believe that bitterness is never a useful instrument in public affairs. There can be no dictatorship by an individual or by a group in this Nation, save through division fostered by hate. Such division there must never be."

Finally I should like to say a personal word to you.

I never forget that I live in a house owned by all the American people and that I have been given their trust.

I try always to remember that their deepest problems are human. I constantly talk with those who come to tell me their own points of view -- with those who manage the great industries and financial institutions of the country -- with those who represent the farmer and the worker -- and often with average citizens without high position who come to this house. And constantly I seek to look beyond the doors of the White House, beyond the officialdom of the National Capital, into the hopes and fears of men and women in their homes. I have travelled the country over many times. My friends, my enemies, my daily mail bring to me reports of what you are thinking and hoping. I want to be sure that neither battles nor burdens of office shall ever blind me to an intimate knowledge of the way the American people want to live and the simple purposes for which they put me here.

In these great problems of government I try not to forget that what really counts at the bottom of it all, is that the men and women willing to work can have a decent job to take care of themselves and their homes and their children adequately; that the farmer, the factory worker, the storekeeper, the gas station man, the manufacturer, the merchant — big and small — the banker who takes pride in the help he gives to the building of his community — that all these can be sure of a reasonable profit and safety for the savings they earn — not today nor tomorrow alone, but as far ahead as they can see.

I can hear your unspoken wonder as to where we are headed in this troubled world. I cannot expect all of the people to understand all of the people's problems: but it is my job to try to understand those problems.

I always try to remember that reconciling differences cannot satisfy everyone completely. Because I do not expect too much, I am not disappointed. But I know that I must never give up — that I must never let the greater interest of all the people down, merely because that might be for the moment the easiest personal way out.

I believe we have been right in the course we have charted. To abandon our purpose of building a greater, a more stable and a more tolerant America, would be to miss the tide and perhaps to miss the port. I propose to sail ahead. I feel sure that your hopes and your help are with me. For to reach a port, we must sail — sail, not tie at anchor, sail, not drift.

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