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credited, setting forth what had been done in an effort to settle the dispute. Notes were received in reply from these other American Republics, indicating the friendly interest of their governments in a peaceful solution of the difficulty.

On December 14 the Government of Haiti invoked the Gondra Treaty of 1923 (the Treaty to Avoid and Prevent Conflicts between the American states), and also the General Convention of Inter-American Conciliation of 1929. This informa-

tion was received by me in a telegram from President Vincent of Haiti, and on December 17 I received a cable from the President of the Dominican Republic stating that his Government accepted the conciliation procedure involved in these treaties.

On December 20, 1937, I sent a telegram to President Trujillo (Item 165 of this volume), indicating the gratification of this Government at this adoption of machinery for peaceful adjustment.

152 ¶ The Message to the Extraordinary Session of the Congress Recommending Certain Legislation. November 15, 1937

To the Congress:

IMPORTANT measures are already pending before this Congress, and other matters will require early consideration. Therefore, it has seemed advisable to call this Extraordinary Session to expedite the work of the regular session which will begin in January.

Since your adjournment in August there has been a marked recession in industrial production and industrial purchases following a fairly steady advance for more than four years.

We have not been unaware of uncertainties in the economic picture. As far back as last Spring I called attention to the rapid rise in many prices—a rise that threatened in particular the anticipated revival of building. And over a month ago I quoted one of the country's leading economists to this effect: that the continuance of business recovery in the United States depends far more upon business policies than it does upon anything that may be done, or not done, in Washington.

The present decline has not reached serious proportions. But it has the effect of decreasing the national income, and that is a matter of definite concern.

During the adjournment of the Congress I have sought to avail myself of the wisdom and advice of managers of large industrial and financial enterprise, of owners of small businesses in many lines, and of representatives of agriculture and of labor.

Out of long experience I place great value on this method of getting suggestions from every possible source. Single answers or simple slogans will not cure the complicated economic problems which today face all nations.

To over-emphasize one symptom out of many—to over-emphasize any one panacea that for the moment appeals to any one group—is to play with the lives of all the men and women of America.

The ultimate answer to the conditions of today is a cordial and confident cooperation not only between government and every kind of citizen—but also between every kind of citizen and his government. As never before in our history, the well-being of those who have much, as well as those who have less, depends upon a contented society of good-will where the good-will rests on the solid foundation that all have enough.

From these conferences and from other sources many suggestions have come to me and to other members of the Executive Branch of the Government. Some of these recommendations are consistent with each other; some are at complete variance.

But these discussions make it clear that we have enough wisdom in the country today not only to check the present recession but to lay the ground work for a more permanent recovery. If the people are as willing as government to use the economic knowledge gained in recent years, this recession need go no further.

With the exercise of ordinary prudence, there is no reason why we should suffer any prolonged recession, let alone any general economic paralysis. Despite some maladjustments, which can be corrected, underlying conditions are not unfavorable.

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The fundamental situation is not to be compared with the far different conditions of 1929. The banking system is not over-extended. Interest rates are lower. Inventories are not dangerously large. We are no longer over-extended in new construction or in capital equipment. Speculation requiring liquidation does not overhang our markets.

Obviously an immediate task is to try to increase the use of private capital to create employment. Private enterprise, with cooperation on the part of government, can advance to higher levels of industrial activity than those reached earlier this year. Such advance will assure balanced budgets. But obviously also, government cannot let nature take its course without regard to consequences. If private enterprise does not respond, government must take up the slack.

What we can do covers so wide a field and so many subjects that it is not feasible to include them all in this Message.

A little later I shall address you further in regard to proposals to encourage private capital to enter the field of new housing on a large scale—a field which during the past four years has failed almost completely to keep pace with the marked improvement in other industries.

On the subject of taxation, in accordance with my suggestion of last Spring, committees of the Congress, with the cooperation of the Treasury Department, are already engaged in studies aimed at the elimination of any injustices in our tax laws. Unjust provisions should be removed provided such removal does not create new injustices. Modifications adequate to encourage productive enterprise, especially for the smaller businesses, must not extend to the point of using the corporate form for the purpose of hiding behind it to reduce or eliminate taxes in a way not open to an individual or partnership. Nor should we extend tax privileges to speculative profits on capital where the intent of the original risk was speculation rather than the actual development of productive enterprise. Nor can we at this time accept a revision of our revenue laws which involves a reduction

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in the aggregate revenues or an increase in the aggregate tax burdens of those least able to bear them.

We should give special consideration to lightening inequitable burdens on the enterprise of the small business men of the nation. Small businesses or even those of average size have difficulties of financing and distribution which are not shared by large corporations. Therefore, by special tax consideration they should receive more equal opportunity to compete with their more powerful competitors. In this way we may also find assistance in our search for a more effective method of checking the growing concentration of economic control and the resultant monopolistic practices which persist today in spite of anti-trust statutes. A further search for additional methods to meet this threat to free competitive enterprise is called for at this time.

The proposed Federal budget for the coming fiscal year also will shortly be ready for submission to the Congress—a budget which I expect can be brought within a definite balance.

Still other matters are receiving renewed examination—for instance the problems of the railroads and of other public utilities. Here because of thoroughly unsound financing extending over many past years, solutions will frankly be difficult.

But as we work with these problems of detail we must not forget the broad central truth that this Administration has pledged itself to the people of the United States to carry on with a wide social program pointed toward higher living standards and a more just distribution of the gains of civilization. Much of that program is already in effect, but its continued and complete success depends on a wider distribution of an immensely enlarged national income. Such enlargement presupposes full employment of both capital and labor, and reasonable profits and fair wages—a resumption of that vigorous moving equilibrium which began in 1933. Deflation and inflation are equal enemies of the balanced economy that will produce that progressive increase in national income.

In the attainment of the broad central purpose we recognize

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many related objectives. This message, however, deals with only four of these objectives—four which are already being considered by the Congress. Two relate directly to the stabilization and maintenance of the purchasing power of the nation. The other two, essential tools for the whole task, look to the improvement of the machinery and functioning of both the Executive and the Legislative branches of the Federal Government.

AGRICULTURE

Intention to pass a new and permanent national farm act was declared by the Congress in Joint Resolution last summer. Great as the need was then, that need is still greater today. Some crops will begin to be planted within three months.

In recent weeks farmers have once more been facing acute surpluses and falling prices. Cotton farmers are harvesting the largest cotton crop in all our history—five million bales more than the markets of this country and of the world have been accustomed to take. Corn farmers and potato farmers are harvesting crops that threaten to crush them for producing this plenty. And the producers of other crops are wondering how soon they, too, will be the victims of surplus uncontrolled.

We must continue in our efforts toward abundance without waste. We need legislation which will not only prevent new farm surpluses from causing new collapse in farm prices, but which will also safeguard farmers and consumers against the hazards of crop failure. We need an "all weather" farm plan—a plan that uses the reasonable surpluses of a year of good weather to carry over food supplies to make up for the shortages of a year of bad weather.

Out of the experience of the last five years we have learned that with the aid of the government farmers can successfully guard themselves against economic disaster.

In formulating a farm program there are certain things we must keep in mind.

We must keep in mind the fertility of our soil. We have be-

gun to assist farmers to stop the waste of soil and save the good soil that remains. Any sound, long-time program must have soil conservation as a principal goal.

We must keep in mind the economic welfare of farm families. As a long-time national policy, farmers must have a fair share in the national income to supply farmers' buying to keep city factories running.

We must keep in mind the consumers of the nation. The blighting droughts of 1934 and 1936 which spelled disaster for so many farmers in those years were brought forcibly home to our large cities in the high prices of many foodstuffs this year. Consumers should have the same protection against the underproduction of years of scarcity as the farmers should have against the overproduction of years of glut.

We must keep in mind the American democratic way. Farm programs cannot long succeed unless they have the active support of the farmers who take part in them. Our program should continue to be one planned and administered, so far as possible, by the farmers themselves. Here again, majority rule seems justified. If and when huge surpluses in any one crop threaten to engulf all the producers of that crop, our laws should provide ways by which a small minority may be kept from destroying the proceeds of the toil of the great majority.

We must keep in mind the United States Treasury. I have already expressed my view that if the new farm act provides for expenditure of funds beyond those planned in the regular budget, additional means should be provided to yield the additional revenue. May I reiterate that with all the emphasis I can give?

We must keep in mind the Constitution of the United States. Although vital portions of the Agricultural Adjustment Act were set aside nearly two years ago by the Supreme Court, Acts of Congress to improve labor relations and assure workers' security have since then been upheld. In these later decisions the powers of the Federal Government to regulate commerce between the

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States and to tax and to spend for the general welfare have been clearly recognized.

I believe that the Courts themselves are coming to have increasing regard for the true nature of the Constitution as a broad charter of democratic government which can function under the conditions of today. I believe that the Congress can constitutionally write an adequate farm act that will be well within the broad meaning and purpose of the Constitution.

I hope and believe that the Supreme Court will not again deny to farmers the protection which it now accords to others.

LABOR

I believe that the country as a whole recognizes the need for immediate congressional action if we are to maintain wage income and the purchasing power of the nation against recessive factors in the general industrial situation. The exploitation of child labor and the undercutting of wages and the stretching of the hours of the poorest paid workers in periods of business recession have a serious effect on buying power. In the interest of the national economy such adjustments as must be made should not be made at the expense of those least able to bear them.

I further believe that the country as a whole realizes the necessary connection between encouraging business men to make capital expenditures for new plants and raising the total wage income of the total of our working population. New plants today mean labor-saving machinery. What does the country ultimately gain if we encourage business men to enlarge the capacity of American industry to produce, unless we see to it that the income of our working population actually expands sufficiently to create markets to absorb that increased production?

I further believe that the country as a whole recognizes the need of seeking a more uniformly adequate standard of living and purchasing power everywhere if every part is to live happily with every other part. We do not recognize the destiny of any state or any county to be permanently backward. Political and

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social harmony requires that every state and every county not only produce goods for the nation's markets but furnish markets for the nation's goods.

This does not mean that legislation must require immediate uniform minimum hour or wage standards; that is an ultimate goal.

We should provide flexible machinery which will enable industries throughout the country to adjust themselves progressively to better labor conditions. But we must not forget that no policy of flexibility will be practical unless a coordinating agency has the obligation of inspection and investigation to ensure the recognition and enforcement of what the law requires.

Although there are geographic and industrial diversities which practical statesmanship cannot well ignore, it is high time that we had legislation relating to goods moving in or competing with interstate commerce which will accomplish two immediate purposes:

First, banish child labor and protect workers unable to protect themselves from excessively low wages and excessively long hours.

Second, end the unsound practice of some communities — by no means confined to any one section of the country — which seek new industries by offering as the principal attraction labor more plentiful and much cheaper than may be found in competing communities. To them the Congress should reiterate the oft-repeated pledge of political parties that labor is not a mere commodity.

REORGANIZATION

Last January I presented for the consideration of the Congress the improvement of administrative management in the Executive Branch of the Government. Five principal objectives were outlined:

(a) To create one or more additional departments and to give the Chief Executive authority to arrange all present and

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future strictly executive activities in or under regular executive departments.

(b) To establish a budget and efficiency agency, a personnel agency and a planning agency through which the Chief Executive may coordinate the executive functions.

(c) To permit the Chief Executive to make a slight increase in the White House Staff so that he may keep in close touch with, and maintain knowledge of, the widespread affairs of administration which require his final direction.

(d) To establish accountability of the Executive to the Congress by providing a genuine independent audit by an officer solely responsible to the Congress, who will, however, have no administrative part in the transactions he audits and certifies.

(e) To extend the merit system upward, outward and downward to cover practically all non-policy determining posts. I am giving consideration to proposed Executive Orders extending the merit principle of selection under the authority vested in me by the Constitution and Revised Statutes. Executive Orders, however, have not the permanence of law; they will not lessen the need for permanent legislation on this subject in connection with reorganization. I, therefore, seek a statutory modernized machinery for the permanent enforcement of merit principles in appointment, promotion, and personnel management throughout the government service.

The experience of states and municipalities definitely proves that reorganization of government along the lines of modern business administrative practice can increase efficiency, minimize error, duplication and waste, and raise the morale of the public service. But that experience does not prove, and no person conversant with the management of large private corporations or of governments honestly suggests, that reorganization of government machinery in the interest of efficiency is a method of making major savings in the cost of government.

Large savings in the cost of government can be made only by cutting down or eliminating government functions. And to

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those who advocate such a course it is fair to put the question — which functions of government do you advocate cutting off?

PLANNING

Of equal importance with intelligent reorganization of the executive departments is intelligent reorganization of our methods of spending national funds for the conservation and development of those natural resources which are the foundation of a virile national life. As I said in a special message to the Congress last Spring, we have reached a stage in the depletion of our natural resources where we should allot a definite portion of each year's budget to this work of husbandry.

Our present machinery for carrying out such purposes, however, is geared to methods of which the rivers-and-harbors legislation of many years ago is an example. We spend sporadically — on a project here and a project there, determined upon without relation to the needs of other localities, without relation to possibly more important needs of the same locality, and without relation to the national employment situation or the Federal Budget.

To avoid waste and to give the nation its money's worth from the national funds we expend, we must, like any business corporation, have a definite building and operating plan worked out ahead of time — a planned order in which to make expenditures, a planned timing for expenditures so that we may keep our working force employed, and a planned coordinated use of the projects after completion. And because relative values of local projects should be appraised before they come to Washington, first by those with local knowledge, and then by regional conferences, we must have some kind of local and regional planning machinery and coordination to get full value out of the final appropriations authorized in Washington — money value and human value.

Last year I recommended such machinery. For this purpose of conservation and development of our natural resources, I

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recommended that the country be divided into the seven great regions into which Nature divided those resources — that in such regions local authorities be set up to arrange projects into some kind of comprehensive and continuing plan for the entire region — and that only after such consideration should regional projects be submitted to the Executive and to the Congress for inclusion in a national development program of such size as the budget of the year will permit.

Such machinery will provide decentralization. It will give local communities and the nation alike new confidence in the true worth of such expenditure. . . .

What these four subjects promise in continued and increased purchasing power — what they promise in greater efficiency in the use of government funds — are intelligent foundations for the other plans for encouragement of industrial expansion with government help. What they promise in social contentment is an almost necessary basis for greater security of profits and property.

In the months they have been before the Congress they have been discussed from one end of the country to the other.

For the sake of the Nation, I hope for your early action.

153 ¶ A Request for Data on Monopolistic Practices Raising Living Costs. November 16, 1937

My dear Mr. Ayres:

MY ATTENTION has been directed to reports of a marked increase in the cost of living during the present year, as compared with recent years past, attributable in part to monopolistic practices and other unwholesome methods of competition.

I believe it to be important to know the facts touching this situation, and, therefore, request the Federal Trade Commission to make an immediate investigation into such alleged practices and methods and report to me as early as practicable.