MESSAGE TRANSMITTING THE BUDGET.

To the Congress of the United States:

I transmit herewith the Budget of the United States for the fiscal year ending June 30, 1925. In making this submission it is felt that the present is a peculiarly appropriate time briefly to review the fiscal experience of the country since the beginning of the World War.

The beginning of the war marked also the beginning of a period of unprecedented and unexampled public expenditure not only by our own but by well-nigh all the nations of the world. The great weight of the fiscal burden that our own country has borne since our entrance into the war is suggested by the statement that our part in the great conflict cost the nation roundly forty billions of dollars. While the war was in progress, by dint of the patriotic willingness of the people to pay heavy taxes, it was possible to meet from current revenues about twenty-five per cent of the war costs. This in itself was a remarkable accomplishment—I believe without parallel in any of the other warring countries.

The public debt at the beginning of the war amounted to about a billion dollars. At the close of August, 1919, it reached its highest point, approximately $26,500,000,000. From that point it has since been reduced until it now totals about $22,000,000,000.

The American people have given a truly magnificent demonstration of patience and patriotism during the years in which they have borne this burden. In less than seven years, to put the matter very briefly, we have spent forty billion dollars and we have paid off from current revenues eighteen billion dollars, or nearly half of the amount. Certainly the nation, which has thus patiently persisted in meeting the enormous burden of governmental costs, is entitled at the earliest possible moment to the largest measure of relief from these burdens that can possibly be accorded. I am convinced that the time has now come to extend this relief through a substantial reduction of taxation, and the fiscal program which is crystallized in the Budget estimates which are herewith transmitted to the Congress is based on this purpose.

We are all familiar with the fact that the larger part of the tax burden arises not from the exactions of the Federal Government but from the governmental costs of the States and municipalities. President Harding, in his address on taxation and government costs at Salt Lake City last June, pointed out that for the year 1922 approximately sixty per cent of all taxes collected throughout the nation were for the States, cities, and other local taxing bodies. It is therefore highly desirable that an example of determined and insistent economy be set by the Federal Government for the sake of its influence upon every body which possesses the authority to levy taxes. I am firmly persuaded that if the National Government will reduce its expenditures and its levies under the program which is presented to you herewith, it will have a highly salutary effect in inducing greater economies in all other departments of public taxation. A definite recommendation for tax reduction is made later in this message.

The Budget transmitted herewith is summarized in the following statement:

Budget Summary.

[Exclusive of postal revenues and postal expenditures paid from postal revenues.]

	Estimated, 1925.	Estimated, 1924.	Actual, 1923.
Total receipts	$3, 693, 762, 078	$3, 894, 677, 712	$4, 007, 135, 480
Total expenditures (including reduction of the public debt required by law to be made from ordinary receipts)	3, 298, 080, 444	3, 565, 038, 088	3, 697, 478, 020
Excess of receipts	395, 681, 634	329, 639, 624	309, 657, 460

In the Budget for the fiscal year ending June 30, 1924, transmitted to Congress December 4, 1922, the estimated receipts for the fiscal year 1923 were $3,429,862,959, and the estimated expenditures $3,703,801,671, thus forecasting an apparent excess of expenditures over receipts of $273,938,712. President Harding, in referring to this estimated deficiency, said:

> I am hopeful, however, that the condition on which this estimate is predicated will change for the better in the ensuing months of the fiscal year and that the close of the year will show a balanced budget.

This hope was justified. At the close of business June 30, 1923, the actual receipts for the year were $4,007,135-480, and the actual expenditures $3,697,478,020, an excess of receipts over expenditures of $309,657,460. This fortunate transition from an apparent deficit to a large surplus, while greatly aided by an unexpected increase in receipts, was due in no small measure to the efforts of the individual departments and establishments of the Government and to the spirit of cooperation shown by them in carrying out the economy policies of the President.

The estimates made at the time of the presentation of the Budget in December, 1922, indicated that for 1924 the receipts would be $3,361,812,359 and the expenditures $3,180,843,234, making an excess of receipts over expenditures of $180,969,125. The revised estimates recently made indicate that the receipts for the current year will be $3,894,677,712 and the expenditures $3,565,038,088, making an excess of receipts over expenditures of $329,639,624.

For the fiscal year 1925 it is estimated that the total ordinary receipts from all sources, excluding the Postal Service, will be $3,693,762,078. This is $313,373,402 less than the actual receipts for 1923 and $200,915,634 less than the estimated receipts for 1924.

The expenditures during the fiscal year 1923 were $3,697,478,020 compared with $3,795,302,499 for 1922, a reduction of more than $97,000,000. Included in the 1923 expenditures, however, were certain items appearing also among the receipts for the purposes of clearness in accounting. To get an accurate comparison between the expenditures for the two years, it is necessary to deduct the sum of these items from the gross expenditures of 1923, which are reduced to $3,532,269,266.32. This shows a reduction of approximately $263,000,000 below the expenditures for 1922.

It is estimated that the expenditures for 1924 will be $3,565,038,088, which is $132,439,932 less than the expenditures for 1923.

The estimate of expenditures for 1925 is $3,298,080,444, which is $266,957,644 less than the estimated expenditures for 1924. By expenditures for 1925 is meant the amount it is estimated will be withdrawn from the Treasury during the year ending June 30, 1925. This is to be distinguished from the estimate of appropriations for the same year. Withdrawals during the fiscal year will be from funds heretofore appropriated as well as from appropriations recommended in the Budget. Furthermore, a portion of the money to be appropriated for 1925 will not be withdrawn from the Treasury until after the close of that fiscal year.

The foregoing does not include expenditures for the Postal Service and the Post Office Department payable from postal revenues. Such expenditures for the fiscal year 1923 were $570,823,232. A deficiency of $32,526,915, payable from ordinary receipts, is included in the ordinary expenditures hereinbefore mentioned. The estimated expenditures from postal revenues during 1924 are $593,309,673. An estimated deficiency of $24,679,673 is included in the estimated ordinary expenditures for 1924. The estimated expenditures from postal revenues for 1925 are $613,295,184. It is estimated that the postal expenditures for that year will exceed postal revenues by $2,085,184.

This brings us to the estimates of appropriations contained in this Budget. The Executive instructions governing the preparation of these estimates called for a substantial reduction as compared with the appropriations for 1924. This was essential to a continuation of the policy of strict and drastic economy. That is the administration's undebatable policy. It has been adhered to unswervingly in the past and we shall hew to the line in the future.

The estimates of appropriations appearing in this Budget for 1925, exclusive of the estimate for the Post Office Department, amount to $3,018,069,946.06, which is $260,365,022.56 less than the appropriations for 1924.

I give below a comparative statement of the estimates of appropriations for 1925 and the appropriations for 1924.

Comparative statement of estimates of appropriations for 1925 and appropriations for 1924.

	Estimates of appropriations, 1925.	Appropriations, 1924.
Legislative establishment	$13,783,836.25	$14,416,911.60
Executive Office	397,847.50	445,770.00
Independent offices:		
Civil Service Commission	949,116.00	990,895.00
Employees' Compensation Commission	2,656,260.00	2,450,500.00
Federal Board for Vocational Education	6,380,000.00	6,427,000.00
Federal Trade Commission	950,000.00	1,010,000.00
General Accounting Office	3,724,612.00	3,870,801.00
Housing Corporation	808,100.00	920,450.00
Interstate Commerce Commission	4,262,284.00	5,203,860.00
Shipping Board and Emergency Fleet Corporation	30,344,000.00	50,411,500.00
State, War, and Navy Department Buildings	2,306,215.00	2,412,124.00
Tariff Commission	681,980.00	742,000.00
United States Veterans' Bureau	349,065,000.00	431,514,053.00
Other independent offices	2,656,018.45	1,931,350.74
Department of Agriculture	69,590,575.00	85,061,453.00
Department of Commerce	24,048,025.00	21,145,957.00
Department of the Interior	299,312,600.06	325,872,078.00
Department of Justice	21,378,456.00	19,253,506.00

Comparative statement of estimates of appropriations for 1925 and appropriations for 1924—Continued.

	Estimates of appropriations, 1925.	Appropriations, 1924.
Department of Labor	$6,702,576.51	$7,476,896.00
Navy Department	278,499,054.00	297,097,250.00
Post Office Department, payable from the Treasury		11,520.00
State Department	14,988,446.29	15,306,665.50
Treasury Department	148,986,065.00	157,214,895.78
War Department, including Panama Canal	336,441,092.00	349,192,582.00
District of Columbia	26,879,812.00	26,086,825.00
Ordinary	1,645,791,971.06	1,826,466,843.62
Reduction in principal of the public debt:		
Sinking fund	310,000,000.00	297,144,300.00
Purchase of Liberty bonds from foreign repayments		37,854,500.00
Redemption of bonds and notes from estate taxes	6,000,000.00	10,000,000.00
Redemption of securities from Federal reserve bank franchise tax receipts	6,000,000.00	6,000,000.00
Redemption of bonds, etc., received as repayments of principal and as interest payments on obligations of foreign Governments	160,277,975.00	160,969,325.00
Principal of the public debt	482,277,975.00	511,968,125.00
Interest on the public debt	890,000,000.00	940,000,000.00
Total payable from the Treasury	3,018,069,946.06	3,278,434,968.62
Post Office Department and Postal Service, payable from postal revenues	613,093,183.50	585,210,239.50
Total, including Post Office Department and Postal Service	3,631,163,129.56	3,863,645,208.12

The estimates of appropriations for the Department of Justice show an increase of something more than $2,000,000 above the estimates contained in the Budget for 1924. Probably to a much greater extent than any other executive department, the Department of Justice involves activities which are not subject to administrative control as regards expenditures. Due to this condition the practice for a great many years has been to present estimates of appropriations for the Department of Justice which were known to be less than the amount which would eventually be required for the service of the fiscal year to which they pertained and to follow these annual estimates with supplemental estimates when the fiscal year was well under way and the needs could be more accurately determined. This practice was known to and sanctioned by Congress. The estimates for the fiscal year 1925 are in an amount which it is believed will cover in full the requirements of the Department of Justice for that fiscal year. This change in practice operates to increase the Budget something more than $2,000,000 over what the total of the Budget estimates would be if the old practice had been continued, but it presents a truer picture of the estimated requirements of this Department which is in accord with the principles of proper budgeting.

The estimate for the Department of Commerce includes $3,500,000 for the decennial Census of Agriculture, required by act of Congress approved March 3, 1919.

For prohibition enforcement the Congress has appropriated for the current fiscal year ending June 30, 1924, an amount which provides an executive unit of 700, directorates for the several States, and a field force of 1,522. A considerably enlarged field force should be provided for prohibition enforcement, and to meet this requirement the estimates of appropriations for the prohibition unit for the fiscal year 1925 are something more than $1,600,000 in excess of appropriations for the current fiscal year. In my annual message I am presenting to Congress the need for a material increase in the personnel and equipment of the United States Coast Guard for the purpose of combating more thoroughly rum-running and unlawful importations. I mention this here for the reason that I will shortly present to Congress a supplemental estimate of appropriations for the Coast Guard of approximately $20,000,000, mainly for additional vessels and boats, for the current fiscal year which, if granted, will be followed by a request for a further appropriation of approximately $6,000,000 for the coming fiscal year.

The estimates of appropriations contained in the Budget include amounts to cover the classification of civilian positions within the District of Columbia as required by the act of Congress approved March 4, 1923. The amounts involved in the classification are also reflected in the estimates of expenditures contained in the Budget. The Budget contains a statement giving a detailed summary and comparison of the Budget estimates of appropriations with the expenditures for 1924 as regards the personnel of the departments and establishments in the District of Columbia.

The gross public debt, which on June 30, 1922, was $22,963,381,708.31, on June 30, 1923, was $22,349,707,365.36, a reduction of $613,674,342.95 during 1923. The total of this reduction was made up first, in the amount of $402,850,491.10, through the cumulative sinking fund and other public debt expenditures payable from certain specific receipts; and second, in the amount of $210,823,851.85, from the surplus of $309,657,460.30 of ordinary receipts over expenditures for the year. The balance of this surplus, $98,833,608.45, was added to the net balance in the general fund of the Treasury, which was thus increased from $272,105,512.63 at the commencement of the year, to $370,939,121.08 at the end of the year.

During the next five years there mature $4,000,000,000 of Treasury notes and about $3,400,000,000 of third Liberty bonds, a total of $7,400,000,000. The ordinary sinking fund will take care of about $1,600,000,000 in the five years, leaving between $5,000,000,000 and $6,000,000,000 of Government securities to be refunded.

The debt agreement with the British Government, concluded on June 19, 1923, involves a payment of approximately $160,000,000, principal and interest, each year, and in accordnace with the terms of the agreement, these payments may be made in bonds of the United States issued since April 6, 1917. Such bonds, when so used in payment, are canceled and retired, but this is not likely to affect the earlier maturing debt referred to above, because the bonds tendered in payment by the British Government will probably be those of longer term which are now lower in price. If future adjustments are made with other foreign Governments, the United States debt may be affected, but for some years to come the principal reliance on debt reduction must be the sinking fund, and the specific receipts referred to above.

The fiscal year 1923 was closed with a surplus of more than three hundred million dollars. For 1924 the forecast is that the ordinary receipts will exceed the expenditures chargeable thereto, including our fixed-debt charges, by $329,000,000. The surplus for the next fiscal year, 1925, under present revenue laws, is estimated at $395,000,000. Joint executive and legislative action has demonstrated what united effort can do toward reducing expenditures, and the results certainly justify the view that we can stand a reduction in our ordinary receipts and still achieve a balanced Budget. This, of course, will be possible only if the present pressure and coordinated effort for economy in our public expenditures be continued without relaxation and there be no embarkation upon any extraordinary expenditure program. I have in mind that the taxpayers are the stockholders of the business corporation of the United States, and that if this business is showing a surplus of receipts, the taxpayers should share therein in some material way that will be of immediate benefit.

Having in mind that the Budget and Accounting Act, 1921, contemplates that the Chief Executive, under the fortunate situation in which we now find ourselves, shall make such recommendations as in his opinion the public interests require, I recommend a revision of tax laws along lines which will effect a reduction of income taxes by taxing earned income more lightly than income from business or from investments; by reducing the percentages of the normal tax, and by reducing the surtax rates, with commencement of their application at $10,000 instead of $6,000. I also recommend repeal of the tax on telegrams, telephones, and leased wires, and of the tax on admissions, and revision of the miscellaneous taxes which are a source of inconvenience to taxpayers, and difficult to collect. On the other hand, amendments which would cause some increase of revenue should also be made to existing income tax laws relative to deductions of capital losses; deductions from gross income for interest paid and nonbusiness losses sustained, where income from tax-exempt securities is involved; and the manner of taxing community incomes. These changes would reduce taxes by more than $300,000,000, which is safely within the probable surplus.

It would not take much, however, to exhaust this margin, and any program of new expenditure on a large scale would make tax reduction impossible for years to come.

I know of nothing which will give the people of this nation greater assurance that we are unalterably committed to a campaign of economy in public expenditure than a reduction of our present taxation. It will take from the realm of debate plans which contemplate extravagant expenditures or expansions of the business of Government beyond those necessary to keep pace with a growing nation and fix as the measure of our requirements an amount which will represent what is actually necessary to carry on efficiently the proper business and functions of Government and meet our fixed debt charges payable out of current revenue. It would certainly tend to align the whole people in support of economical administration of Government, and I frankly state that such an alignment is becoming every day more and more necessary because of the influence which it will have upon the States and the other lesser subdivisions of our body politic.

In stating that a reduction in taxation carries with it an obligation not to embark upon an extraordinary expenditure program, I am not unmindful of the demand for adjusted compensation for soldiers of the World War, which would include among its beneficiaries the able-bodied of our veterans as well as the disabled. I question if there is any sound reason for such a measure. The country is prosperous, and remunerative employment is available for the able-bodied veterans as well as for other citizens. For the disabled veterans of the war and the dependents of those who fell the country can not do too much. It has already spent nearly two billions of dollars and is now spending nearly half a billion dollars yearly in their behalf. That obligation it must and will continue to fulfill in fullest measure, and it is one of the most important of the duties and privileges of the Chief Executive to minister to the wants and needs of these wards and creditors of the nation. But the fit and able-bodied veterans are offered the opportunities open to every other citizen. The Government has no money to distribute to any class of its citizens that it does not take from the pockets of the people and the payment of a bonus to millions of our former soldiers could only be accomplished at a cost to the whole community, including the veterans themselves, far outweighing the benefits intended to be conferred. If I felt that a soldiers' bonus represented a great need and a proper obligation which should be fulfilled by this nation, I certainly would not make a recommendation which would be adverse thereto.

We have now reached a point in our financial program where we can lighten the tax burden of the people, which is an added reason for taking a firm stand against any and all programs of spending that would tend to absorb the expected margin between receipts and expenditures.

I also recommend the enactment of legislation which will authorize a reasonable progressive building program to meet the needs of the executive departments and establishments of the Government in the District of Columbia. All of the permanent and semipermanent buildings are more or less crowded, with an overflow which of necessity is housed in temporary buildings erected during the period of the late emergency. A program authorizing an expenditure of not exceeding $5,000,000 annually for a period of years would operate to gradually relieve the existing unfortunate situation and in the course of time give adequate accommodations to the departments and establishments.

THE WHITE HOUSE,
December 3, 1923.

CALVIN COOLIDGE

MESSAGE TRANSMITTING THE BUDGET

To the Congress of the United States:

I transmit herewith the Budget of the United States for the fiscal year ending June 30, 1926. The receipts and expenditures shown in detail in the Budget are summarized in the following statement:

Summary

	Estimated, 1926	Estimated, 1925	Actual, 1924
Total receipts	$3, 641, 295, 092. 00	$3, 601, 968, 297. 00	$4, 012, 044, 701. 65
Total expenditures (including reduction of the public debt required by law to be made from ordinary receipts)	3, 267, 551, 378. 00	3, 534, 083, 808. 00	3, 506, 677, 715. 34
Excess of receipts	373, 743, 714. 00	67, 884, 489. 00	505, 366, 986. 31

In transmitting to Congress December 3, 1923, the Budget for the fiscal year ending June 30, 1925, I recommended that taxes be reduced. This recommendation was warranted by the statement of our finances as presented to Congress in that Budget. It was there estimated that under the tax laws then in force the surplus of receipts over expenditures would be $329,639,624 for the fiscal year 1924 and $395,681,634 for the fiscal year 1925. Taxes have been reduced. The benefits to the people of this reduction went back to the commencement of the calendar year January 1, 1923. The confidence of the Chief Executive and of the Congress that our revenues could be safely reduced has been fully justified. The fiscal year which ended June 30, 1924, was closed with a surplus of receipts over expenditures of $505,366,000. This was $175,727,000 in excess of the estimate made on December 3, 1923. Increase of $117,367,000 in receipts and decrease of $58,360,000 in expenditures produced this unexpected additional surplus of $175,727,000.

We have now completed five months of the current fiscal year, which ends June 30, 1925. This affords an index of the probable reduction in our revenues under the current tax law. It also affords an index of the limits within which our expenditures can be kept under the continuing policy of economy. A revision of the estimate of receipts and expenditures for the fiscal year ending June 30, 1925, indicates to-day that the receipts will be $3,601,968,297 and the expenditures $3,534,083,808. This forecasts a surplus of receipts over expenditures for the current fiscal year of $67,884,489. This estimate is most significant. On the one hand, we anticipate receiving this year $400,000,000 less revenue than we had last year, due principally to the reduction in taxes. On the other hand, we must provide $114,000,000 for the extraordinary increase in expenditures made necessary by the World War adjusted compensation act. Yet we are confident that the year will be closed with a surplus of more than $67,000,000. Our aim should be not only to conserve this prospective surplus but to add to it.

For the fiscal year 1926 it is estimated that the ordinary receipts will be $3,641,295,092 and the expenditures $3,267,551,378. This indicates a surplus of $373,743,714. In addition to these receipts and expenditures it is estimated that the postal receipts will be $647,410,000 and the expenditures chargeable thereto $637,376,005. This forecasts a surplus in postal revenue of $10,033,995, which amount is included in the estimated general surplus of $373,743,714.

We come now to the estimates of appropriations contained in this Budget. The Chief Executive is pledged to economy in the requests he makes upon Congress for funds for the executive branch of the Government. This pledge is kept in these estimates of appropriations. They call for a total of $3,092,143,841.48, exclusive of the Postal Service. A fair comparison of the estimates of appropriations for 1926 with the appropriations actually made for 1925 should include the supplemental estimates for 1925 which were presented to Congress for consideration in the second deficiency bill, fiscal year 1924, and the bill to adjust compensation of employees in certain of the field services. These two bills failed of enactment before the adjournment of Congress June 7, 1924. In the following table a comparison is made of the estimates of appropriations for 1926 with the appropriations actually made for 1925 and the supplemental estimates submitted for that year which are awaiting final legislative consideration:

Estimates of appropriations for 1926 compared with appropriations for 1925, plus supplemental estimates for 1925 which are awaiting final legislative consideration

	Estimates of appropriations, 1926	Appropriations, 1925	Supplemental estimates submitted for 1925	Total for 1925
Legislative establishment	$15, 094, 545. 80	$14, 229, 816. 00	$50, 000. 00	$14, 279, 816. 00
Executive Office	439, 960. 00	397, 847. 50	43, 520. 00	441, 367. 50
Independent offices:				
Civil Service Commission	997, 375. 00	947, 115. 00	64, 920. 00	1, 012, 035. 00
Employees' Compensation Commission	2, 301, 500. 00	2, 650, 600. 00		2, 650, 600. 00
Federal Board for Vocational Education	8, 222, 270. 00	6, 380, 000. 00	944, 000. 00	7, 324, 000. 00
Federal Trade Commission	950, 000. 00	1, 010, 000. 00		1, 010, 000. 00
General Accounting Office	3, 701, 960. 00	3, 724, 612. 00	75, 240. 00	3, 799, 852. 00
Housing Corporation	743, 915. 00	808, 100. 00	74, 315. 00	882, 415. 00
Interstate Commerce Commission	4, 913, 500. 00	4, 272, 284. 00	369, 580. 00	4, 641, 864. 00
Shipping Board and Emergency Fleet Corporation	24, 330, 000. 00	30, 344, 000. 00		30, 344, 000. 00
State, War, and Navy Department Buildings	2, 342, 880. 00	2, 433, 115. 00		2, 433, 115. 00
Tariff Commission	721, 500. 00	681, 980. 00	1, 260. 00	683, 240. 00
Smithsonian Institution and National Museum	817, 890. 00	869, 101. 66		869, 101. 66
United States Veterans' Bureau	405, 700, 000. 00	349, 065, 000. 00	135, 892, 898. 00	484, 957, 898. 00
Other independent offices	1, 578, 045. 00	1, 777, 186. 79	30, 000. 00	1, 807, 186. 79
Department of Agriculture	140, 092, 750. 00	70, 956, 024. 00	7, 091, 162. 00	78, 047, 186. 00
Department of Commerce	22, 741, 514. 00	23, 942, 905. 00	1, 904, 650. 00	25, 847, 555. 00
Department of the Interior	267, 785, 596. 17	290, 473, 724. 06	3, 845, 439. 80	294, 319, 163. 86
Department of Justice	24, 917, 822. 00	21, 371, 430. 00	1, 258, 186. 50	22, 629, 616. 50
Department of Labor	8, 335, 260. 00	7, 981, 516. 51	694, 829. 96	8, 676, 346. 47
Navy Department	289, 783, 978. 00	277, 208, 327. 00	498, 930. 00	277, 707, 257. 00
State Department	16, 130, 652. 51	15, 027, 646. 29	737, 110. 00	15, 764, 756. 29
Treasury Department	163, 847, 741. 00	147, 414, 605. 00	33, 243, 495. 00	180, 658, 100. 00
War Department, including Panama Canal	338, 551, 230. 00	334, 553, 786. 13	12, 599, 808. 54	347, 153, 594. 67
District of Columbia	32, 335, 827. 00	27, 682, 067. 00	2, 672, 048. 21	30, 354, 115. 21
Ordinary	1, 777, 377, 711. 48	1, 636, 202, 788. 94	202, 091, 393. 01	1, 838, 294, 181. 95
Reduction in principal of the public debt:				
Sinking fund	323, 175, 000. 00	310, 000, 000. 00		310, 000, 000. 00
Purchase of Liberty bonds from foreign repayments		208, 600. 00		208, 600. 00
Redemption of bonds and notes from estate taxes		100, 000. 00		100, 000. 00
Redemption of securities from Federal reserve bank and Federal intermediate credit bank franchise tax receipts	950, 000. 00	1, 152, 200. 00		1, 152, 200. 00
Redemption of bonds, etc., received as repayments of principal and as interest payments on obligations of foreign Governments	160, 641, 130. 00	160, 345, 601. 00		160, 345, 601. 00
Principal of the public debt	484, 766, 130. 00	471, 806, 401. 00		471, 806, 401. 00
Interest on the public debt	830, 000, 000. 00	865, 000, 000. 00		865, 000, 000. 00
Total payable from the Treasury	3, 092, 143, 841. 48	2, 973, 009, 189. 94	202, 091, 393. 01	3, 175, 100, 582. 95
Post Office Department and Postal Service, payable from postal revenues	637, 376, 005. 00	613, 645, 195. 25		613, 645, 195. 25
Total, including Post Office Department and Postal Service	3, 729, 519, 846. 48	3, 586, 654, 385. 19	202, 091, 393. 01	3, 788, 745, 778. 20

For the national defense the estimates amount to $549,000,000, which is $29,000,000 less than the amount available this current fiscal year. These figures do not include nonmilitary items of the War and Navy Departments. This reduction is made in accordance with my belief that we can have adequate national defense with a more modest outlay of the taxpayers' money. Further study may point the way to additional reduction without weakening our national defense, but rather perfecting it. This nation is at peace with the world. We no longer have international competition in naval construction of major units. We are concerned primarily with maintaining adequate preparedness. We should have adequate preparedness in 1926 within the limits of the amount recommended.

Aside from the important factor of training personnel our national defense is largely an industrial problem. To-day the outstanding weakness in the industrial situation as it affects national defense is the inadequacy of facilities to supply air service needs. The airplane industry in this country at the present time is dependent almost entirely upon Government business. To strengthen this industry is to strengthen our national defense. For the air service of the Army and Navy, and the Air Mail Service, the estimates, including contract authorizations, amount to $38,945,000. This contemplates an expenditure with the industries of $18,287,000 for the procurement of airplanes, engines, and accessories. The remaining $20,658,000 is for maintenance, operation, experimentation and research.

The amount of $38,945,000, however, does not include all that will be available for this service in 1926. Amounts contributing to the air service carried in other estimates, and usable war supplies, will make a total availability conservatively estimated at $65,000,000.

The amount requested for national defense includes $50,118,000 for the Army and Navy Reserves, National Guard, Citizens' Military Training Camps, and other civilian training activities.

There is also included in the national defense estimates $7,444,000 for increase of the Navy. This will provide for continuing work on the fleet submarines under construction and for beginning work on two of the four remaining fleet submarines authorized in the 1916 program. With regard to the Navy estimates, legislation is now pending which provides for additional vessels, including gunboats for use on the Yangtze River. Further estimates for increase in the Navy are dependent upon the enactment of this legislation. It will also be necessary to request of Congress legislation increasing the authorized cost of the two airplane carriers now under construction. If this be granted it will require funds for the next fiscal year not provided in the estimates contained in this Budget.

For rivers and harbors $56,237,600 is recommended. In this is included $40,000,000 for maintenance and improvement of existing river and harbor works, $10,500,000 for flood control on the Mississippi and Sacramento Rivers, and $5,437,600 for the operation and maintenance of canals and the removal of wrecks and other obstructions. Of the $40,000,000 for maintenance and improvement of rivers and harbors, $21,973,915 is for new work and $17,241,575 is for maintenance. This will make possible material progress on the most important projects approved by Congress.

It is estimated that $6,541,590 will be needed to complete Dam No. 2 at Muscle Shoals. Of this amount, $3,501,200 will be required this year. This will be covered by a supplemental estimate for 1925. The balance—$3,040,390—is provided for in these estimates.

There is included in these estimates $50,000,000 to be set aside in the adjusted service certificate fund established under the World War adjusted compensation act of May 19, 1924. This is for the second payment to the fund to be made January 1, 1926. For the first payment, due January 1, 1925, $100,000,000 is included in the deficiency bill now under consideration by Congress. The applications from veterans so far have been below the estimated number which the records indicate as entitled to the benefits of the act. If the two appropriations recommended be made, it is estimated there will be a sufficient amount in the fund on January 1, 1926, to meet the demands of the act. Should the number of applications increase beyond what present experience indicates as probable, there will be ample time to submit a supplemental estimate for the additional amount necessary before that date.

The estimates for salaries of civilian employees in the District of Columbia are in accordance with the provisions of the classification act approved March 4, 1923. For the field services the estimates for salaries are based on rates comparable with those for departmental employees in the District of Columbia.

For Federal aid to States the estimates provide in excess of $109,000,000. These subsidies are prescribed by law. I am convinced that the broadening of this field of activity is detrimental both to Federal and State Governments. Efficiency of Federal operations is impaired as their scope is unduly enlarged. Efficiency of State governments is impaired as they relinquish and turn over to the Federal Government responsibilities which are rightfully theirs. I am opposed to any expansion of these subsidies. My conviction is they can be curtailed with benefit to both the Federal and State Governments.

For reclamation purposes I am recommending $9,777,257 for 1926. It is highly desirable that the Congress, as a basis for this and other future reclamation expenditures, enact the legislation embodying new reclamation policies proposed in H. R. 9611, Sixty-eighth Congress, first session.

The gross public debt was reduced $1,098,894,375 during the fiscal year ended June 30, 1924, and stood at $21,250,812,989 on the latter date. This reduction was accomplished through (1) the application of the sinking fund and other public debt retirements required to be made from ordinary receipts, aggregating $457,999,750; (2) a reduction in the general fund balance of $135,527,639; and (3) the use of the entire surplus of $505,366,986. The annual interest charges on the debt represented by this reduction are equivalent to over $45,000,000.

The total reduction in the debt since the high point of $26,594,000,000 on August 31, 1919, amounted to $5,343,000,000 at the close of the last fiscal year. This total reduction has effected a saving in interest amounting to approximately $225,000,000 annually, a saving which equals nearly one-third of the total annual pre-war expenditures of the Government.

The fixed-debt charges are included in the regular Budget of the Government under a definite plan worked out soon after the close of the war for the gradual retirement of the public debt, and must be met before the Budget can balance. The most important of these fixed-debt charges is the cumulative sinking fund provided in the Victory Liberty Loan act. Retirements through this fund during the past fiscal year were about $296,000,000. The next items in size among the fixed-debt charges are the retirements of securities received from foreign governments under debt settlements and the purchases and retirements of securities from foreign repayments. These continuing reductions of the public debt have a very material effect in maintaining high prices for Liberty bonds. They permit the issuance of new Government securities for temporary and for refunding purposes at low interest rates, with consequent further economy in Government expenditures. Interest paid in the fiscal year 1924 amounted to $940,000,000. It is estimated that this item will be $865,000,000 in 1925 and $830,000,000 in 1926. This saving of $110,000,000 in two years is the result of the reduction in the amount of the debt and decrease in the average rate of interest paid. The sinking fund is a part of the contract between the United States and the holder of the United States obligation, and, therefore, can not in good faith be changed. The continual steady effect of these debt-reducing factors is to cut down the largest single item of government expenditure, and permit further reductions in the burden of taxation.

In my message transmitting the Budget for the fiscal year 1925 I recommended the enactment of legislation which would authorize a reasonable progressive building program to meet the needs of the executive departments and establishments of the Government in the District of Columbia. The situation is yearly becoming more acute even with full utilization of all Government-owned buildings, including the temporary buildings erected during the period of the late emergency. We are now spending something more than $670,000 per year for rental of buildings or parts of buildings in the District of Columbia. The present crowded condition is detrimental to efficiency. The fire hazard in the temporary buildings is great. An expenditure of $5,000,000 annually for a period of years would enable the present situation to be gradually relieved. A larger yearly expenditure would shorten the period during which full relief could be attained. During the last session of Congress a bill was introduced authorizing a yearly appropriation of not exceeding $10,000,000 for a progressive building program in the District of Columbia. This bill has my indorsement. I earnestly recommend its enactment by Congress.

I have recently appointed a commission to investigate agricultural conditions. The purpose of this was to determine what action, through legislation or otherwise, should be taken to place agriculture on a basis of economic equality with other industries. The findings and recommendations of the commission are for the use of the Congress. I mention this commission here for the reason that I will shortly submit to the Congress an estimate of appropriation to meet the expenses of the commission.

We are now in the fourth year of our campaign for reduction in the cost of Government. Our aim is to reduce the burden of taxes. In this we have been successful. For those things which we are now required to do we are fast reducing our expenditures to a minimum consistent with efficient service. We have before us an estimated surplus of $67,000,000 for the current fiscal year and $373,000,000 for the next fiscal year. Shall we embark upon new projects involving expenditures which will prevent the accumulation of these expected surpluses, or shall we continue the campaign for economy? I am for economy. If we continue the campaign for economy we will pave the way for further reduction in taxes. This reduction can not be effected immediately. Before it is undertaken we should know more definitely by actual operation what our revenues will be under our present tax law. But the knowledge of our revenue under the existing law will avail us nothing if we embark upon any new large expenditure program.

CALVIN COOLIDGE.

THE WHITE HOUSE, *December 1, 1924.*

MESSAGE TRANSMITTING THE BUDGET

To the Congress of the United States:

Herewith is transmitted the Budget of the United States for the fiscal year ending June 30, 1928. The receipts and expenditures shown in detail in the Budget are summarized in the following statement:

Summary (exclusive of postal revenues and postal expenditures paid from postal revenues)

	Estimated, 1928	Estimated, 1927	Actual, 1926
Receipts:			
Customs	$601, 800, 000. 00	$616, 800, 000. 00	$579, 430, 092. 86
Income tax	2, 090, 000, 000. 00	2, 190, 000, 000. 00	1, 982, 040, 088. 58
Miscellaneous internal revenue	568, 985, 000. 00	619, 685, 000. 00	855, 599, 289. 26
Miscellaneous receipts	511, 968, 077. 00	600, 295, 688. 00	545, 686, 219. 44
Total receipts	3, 772, 753, 077. 00	4, 026, 780, 688. 00	3, 962, 755, 690. 14
Total expenditures (including reduction of the public debt required by law to be made from ordinary receipts)	3, 572, 049, 214. 00	3, 643, 701, 593. 00	3, 584, 987, 873. 50
Excess of receipts	200, 703, 863. 00	383, 079, 095. 00	377, 767, 816. 64

In carrying out the purposes of the Budget system so wisely prescribed by the Congress in June, 1921, the executive branch and the legislative branch of the Government have been colaborers. It has been a great demonstration of cooperation made possible by our form of government. The results of this united effort have gone directly to the people of this Nation. The real object back of this united effort has been to make the greatest possible return to the people of the money which was taken from them to finance the World War. And this has been accomplished not to the detriment of the Federal service, not by the withholding of funds for necessary and worthy purposes, but to the advantage of that service and of the business of the people. It has required us to put our house in order and to provide for its management in a scientific business way, not alone for its current operations, but also for its future requirements.

In the span of a little more than five years there have been three substantial reductions in taxes. The direct result of this has been that the people have been permitted to retain more of their own earnings for their own use and productive investment. And from this, and probably to a greater extent than from any other cause, has come the great prosperity which now exists in almost all lines in this country.

In considering the question of further tax reduction there are many factors which should be taken into account. During the past five fiscal years the Treasury has had the benefit of receipts aggregating $950,000,000 representing returns from moneys theretofore expended by the United States, and, in addition, there has been received $400,000,000 from income taxes for past years in excess of refunds. In the present fiscal year the net income from these items represents about $250,000,000 of our expected receipts. They are now about at an end, and in the fiscal year 1928 it is estimated the net return from this source will amount to less than $50,000,000. We have come to the point, therefore, where we will have to rely for the future entirely upon current taxes. The yield from current taxes of the Federal Government is measured by the prosperity of the American people. When business is good and national income is high, our revenue from income taxes based upon a percentage of income is also high. But should the national income decline, the Government would experience a material loss of revenue even under existing rates of tax. Miscellaneous taxes and customs duties are dependent upon the purchasing power of the people, which also is subject to variation with prosperity, and we must expect a decrease in Government revenue from these sources with any drop in the purchases of the American people. Under these conditions our estimated surplus of $200,000,000 for 1928 is none too large an operating margin in a business involving an annual expenditure of more than three and one-half billions of dollars payable from ordinary receipts, or more than four billions of dollars when we include our postal expenditures payable from postal receipts.

The revenue act of 1926 has been in effect but nine months, and the reduction in miscellaneous taxes has not yet been fully reflected in revenue. We have had too short an experience with the new law to permit an intelligent permanent reduction of tax rates. It must be clear to all that a permanent reduction of rates affects not only the current fiscal year, in which, as I have said, there are included nonrecurring items aggregating $250,000,000, but the next and succeeding fiscal years in which nonrecurring items will no longer be material and when current taxes may feel the effect of any change in our prosperity. Business can easily adjust itself to less expenses brought about by less taxes, but it is much more difficult to make an adjustment for more expenses made necessary by more taxes. This is particularly true with respect to Federal taxes, since the necessity of imposing additional taxes would arise from a decline in prosperity which would decrease governmental revenue below governmental expenditures, a decline which must also affect all taxpayers. Increased taxes to meet Government requirements would come at a time not of prosperity but of depression, and would aggravate the depression. For these reasons I do not advise the present session of Congress to reduce permanently our tax rates or abolish any particular tax. Each of the three reductions in taxes which have been enacted by the Congress since the fiscal year 1921 have been predicated on an assurance that our financial condition warranted it. No such assurance can be given to-day as a warrant for future permanent tax reduction.

With our still enormous national debt amounting to nearly nineteen and one-half billion dollars, a surplus can be no embarrassment, since it can be applied without difficulty to the reduction of the interest-bearing obligations of the Government and thus effect a saving in interest costs. Interest is the largest single item of Government expenditure, and its decrease offers the most fruitful subject for permanent reduction of governmental expenditure. We have had since the close of the war an established program of debt reduction through the sinking fund and application of receipts from foreign-debt settlements. This should not be disturbed. But surplus is a factor in debt reduction in addition to the items I have just mentioned. In considering the question of a lessening of the surplus for the current fiscal year it is necessary to weigh the desirability in the present of temporary relief to the American taxpayer against desirability in the future of greater debt reduction now. Should Congress be of the opinion that the surplus estimated for the current fiscal year based upon receipts expected to be received under the existing law is too large, then I suggest a temporary tax reduction measure which will cut down this expected surplus by leaving the excess in the pockets of the American taxpayers.

In determining the form such temporary tax reduction should take, if the Congress proposes one, I believe we should adopt the simplest practical plan which will do equity. It is administratively difficult to consider any arrangement affecting the December 15, 1926, tax payment. Many individuals have already paid their income taxes in full, and time is too short for action by Congress and by the Bureau of Internal Revenue before the December payment. It would not be practicable, either, to postpone the date of the December payment, since there are $452,000,000 of United States certificates of indebtedness maturing on December 15, 1926, and the Treasury is relying upon cash to be received during that month to assist it in meeting this maturity. It has seemed to me, therefore, that the most practicable way of preventing the accumulation by the close of this fiscal year of a surplus larger than the Congress deems desirable is to authorize a reduction in the taxes which become due in the first six months of the next year; that is, a reduction on the quarterly tax payments due March 15 and June 15, 1927. The amount of this relief should depend upon the surplus which Congress may desire to divert from debt reduction to tax reduction. It is a problem on which the House under the Constitution must originate action.

With the experience of another year's test of the revenue act of 1926, and with a more accurate knowledge which the year will give of what the future has in store for a continuance of our prosperity, we can determine what our permanent policy of taxation shall be. In times of peace we must meet governmental expenditures out of governmental revenues. We should not take by taxation more than our requirements. But also we should not take less than our requirements.

In the Budget for the fiscal year ending June 30, 1927, transmitted to the Congress December 7, 1925, the estimated receipts for the fiscal year 1926 were $3,880,716,942 and the estimated expenditures $3,618,675,186. Actual receipts for that year were $3,962,755,690.14, while actual expenditures totaled but $3,584,987,873.50—an increase of $82,038,748.14 in receipts over the Budget estimate, and a decrease in expenditure of $33,687,312.50 below that estimate, which is approximately 1 per cent of the total expenditure. This increase in receipts and reduction in expenditure increased the estimated surplus by $115,726,060.64—from $262,041,756, the Budget estimate, to $377,767,816.64, the actual surplus.

This brings us to the current fiscal year, of which five full months are now completed. The Budget for 1927 forecast for that year receipts $3,824,530,203, and expenditures $3,494,222,308.44, and indicated a surplus of $330,307,894.56. This favorable forecast made one year ago now may be made even more favorable. With five months of the current year completed, the estimate is now that our receipts will amount to $4,026,780,688 and our expenditures, $3,643,701,593, thus forecasting a surplus of $383,079,095.

While the revised estimate for 1927 shows an increase of $52,771,200 in the surplus, it also shows a net increase of $149,500,000 in the estimated expenditure for that year.

This net increase embraces a number of items in which changes, both increases and decreases, have occurred in the year which has ensued since the original estimate was made. On the increase side of the new estimate the principal items are: Pensions, $41,000,000; construction of public buildings and vessels under the Treasury Department, $25,000,000; vocational rehabilitation, insurance and compensation under the Veterans' Bureau, $41,000,000; public debt reduction, $50,000,000. The last-mentioned item was due to a corresponding increase in the estimated receipts of funds that are required by law to be applied to debt reduction as a result of new foreign funding agreements made during the year. The other items of increase are due principally to new legislation enacted during the year. On the decrease side the major items are adjusted service certificate fund, $24,000,000; increased receipts of the War Finance Corporation, applied to a reduction of expenditure, $15,000,000; and interest on public debt, $10,000,000. Part of the increase in estimated expenditure was provided by appropriations made during the last session of Congress. There remains to be provided at the present session of the Congress for the 1927 requirements of the Veterans' Bureau $28,000,000, and for pensions $41,000,000.

We now come to the estimates of appropriations for the fiscal year 1928. These are summarized in the following statement, in which they are compared with the appropriations for the fiscal year 1927:

Estimates of appropriations for 1928 compared with appropriations for 1927

	Estimates of appropriations, 1928	Appropriations, 1927
Legislative establishment	$16, 174, 988. 76	$17, 834, 919. 57
Executive Office	438, 460. 00	819, 460. 00
Independent establishments:		
Alaska Relief Funds	15, 000. 00	15, 000. 00
Alien Property Custodian	98, 000. 00	130, 650. 00
American Battle Monuments Commission	600, 000. 00	800, 000. 00
Arlington Memorial Bridge Commission	2, 500, 000. 00	2, 500, 000. 00
Board of Mediation	390, 000. 00	[1] 285, 220. 00
Board of Tax Appeals	570, 000. 00	614, 224. 64
Bureau of Efficiency	210, 350. 00	210, 350. 00
Civil Service Commission	1, 002, 742. 00	1, 001, 592. 00
Commission of Fine Arts	7, 300. 00	5, 295. 00
Employees' Compensation Commission	2, 694, 740. 00	2, 744, 540. 00
Federal Board for Vocational Education	8, 165, 230. 00	8, 210, 620. 00
Federal Power Commission	42, 500. 00	32, 400. 00
Federal Trade Commission	984, 350. 00	997, 000. 00
General Accounting Office	3, 783, 000. 00	3, 859, 960. 00
Housing Corporation	564, 236. 00	673, 398. 00
Interstate Commerce Commission	6, 104, 967. 00	6, 153, 157. 00
National Advisory Committee for Aeronautics	523, 000. 00	513, 000. 00
Public Buildings Commission		260, 000. 00
Public Buildings and Public Parks of the National Capital	2, 422, 950. 00	2, 306, 850. 00
Smithsonian Institution and National Museum	909, 871. 00	893, 301. 00
Tariff Commission	682, 000. 00	699, 000. 00
United States Geographic Board	3, 945. 00	345. 00
United States Shipping Board	12, 290, 000. 00	24, 198, 574. 00
United States Veterans' Bureau	475, 400, 000. 00	462, 965, 000. 00
Other independent offices, etc		161, 000. 00
Total, Executive Office and independent establishments	520, 402, 641. 00	521, 049, 936. 64
Department of Agriculture	144, 487, 820. 00	139, 635, 823. 00
Department of Commerce	35, 240, 430. 00	30, 632, 847. 00
Department of the Interior	285, 717, 596. 00	252, 962, 318. 00
Department of Justice	25, 895, 349. 50	25, 628, 707. 00
Department of Labor	8, 558, 540. 00	9, 561, 305. 00
Navy Department	313, 815, 500. 00	322, 061, 975. 00
State Department	11, 969, 119. 41	17, 357, 062. 64
Treasury Department	170, 468, 453. 00	176, 637, 465. 63
War Department, including Panama Canal	366, 722, 142. 00	354, 345, 801. 16
District of Columbia	38, 519, 869. 00	36, 532, 128. 00
Total ordinary	1,937,972,448. 67	1, 904, 240, 288. 64
Reduction in principal of the public debt:		
Sinking fund	354, 157, 085. 00	336, 058, 208. 26
Redemption of securities from Federal reserve bank and Federal intermediate credit bank franchise tax receipts	800, 000. 00	1, 000, 000. 00
Redemption of bonds, etc., received as repayments of principal and as interest payments on obligations of foreign governments	208, 672, 475. 93	232, 923, 596. 58
Principal of the public debt	563, 629, 560. 93	569, 981, 804. 84
Interest on the public debt	755, 000, 000. 00	785, 000, 000. 00
Total payable from the Treasury	3,256,602,009. 60	3, 259, 222, 093. 48
Post Office Department and Postal Service, payable from postal revenues	757,969,115. 00	738, 805, 303. 00
Total, including Post Office Department and Postal Service	4,014,571,124. 60	3, 998, 027, 396. 48

[1] Appropriations for the Railroad Labor Board for 1927 were made available for expenses of the Board of Mediation.

This statement indicates that the estimates of appropriations for 1928 payable from the Treasury are $2,600,000 less than the appropriations for 1927. The estimates for 1928 do not include the amount which will be required in that year, in addition to existing appropriations, for carrying out the public building act of May 25, 1926. An estimate for this purpose, which will amount to approximately $20,000,000, will be submitted to the Congress later, as all of the essential data has not yet been assembled. On the other hand, the appropriations for 1927 do not take into consideration certain lawful obligations for that year for which it will be necessary to present supplemental estimates to the Congress.

TAX REFUNDS

The appropriations for 1927 and the estimates for 1928 make no provision for tax refunds. There will be needed for the balance of the current year $119,000,000 and for 1928 the sum of $152,000,000, approximately. There has been spent this year for this purpose $34,775,000, so that the expenditures for the two years will fairly balance. The appropriations for this purpose have been completely exhausted. A supplemental estimate to provide for refunds up to and including December, 1927, will be presented to Congress.

NATIONAL DEFENSE

The estimates for the War and Navy Departments total $680,537,642. In addition to this they provide for availability through contract authorizations and allotments from the naval supply account of $5,900,000. Eliminating all nonmilitary items, including the retired lists, this Budget provides $574,000,000 for our national defense. This is a very considerable amount to spend for protection in time of peace. No threatening cloud at the present time darkens the sky. Our intent and attitude is one of peace and friendly regard toward all nations and peoples. This, however, is not sufficient warrant to neglect our defense and default on necessary precautions. In recommending the amount herein carried for the Army and Navy and other national defense factors, I am fully satisfied that with the wise administration we have reason to expect from those charged with its expenditure it will give us an adequate defense program.

With regard to personnel the estimates provide for the Army an average of 11,961 commissioned officers, 1,153 cadets, 1,219 warrant officers, and 115,000 enlisted men, exclusive of the Philippine Scouts, for which provision is made to the number of 6,882. For the Navy provision is made for an average of 7,231 commissioned officers, 1,479 warrant officers, 1,545 midshipmen, and 82,500 enlisted men, and for the Marine Corps 1,020 commissioned officers, 155 warrant officers, and 16,800 enlisted men. These, with our highly trained and efficient National Guard, for which the estimates make provision for an average personnel of 180,000, give us the rather formidable strength of 426,945. But we do not stop here. The estimates contain funds for the War Department for the training of 12,924 reserve officers, for the attendance of 30,000 men at civilian military training camps and for the enrollment of 116,141 students in the units of the Reserve Officers' Training Corps. Under the Navy Department provision is made in the estimates for 14,142 fleet and assigned fleet reserve of the Navy and Marine Corps and the training of 11,145 Navy and Marine Corps reserves.

Taking all of these into account, we are really making provision for military and naval strength of more than 610,000 men. And this does not take into consideration the military and naval retired lists which embrace 14,167 officers and men, or the Coast Guard of 11,969 officers and men which, in time of emergency, becomes an integral part of our national defense. I am in favor of adequate military preparedness, and so far as personnel is concerned we should certainly have this from the funds carried in these estimates.

While on the subject of our national defense it is proper to state that no provision is made in the estimates for the Navy Department for commencing the construction of the remaining three of the eight light cruisers which the act of December 18, 1924, authorizes to be undertaken prior to July 1, 1927. This country is now engaged in negotiations to broaden our existing treaties with the great powers which deal with the elimination of competition in naval armaments. I feel that it would be unfortunate at this time and not in keeping with our attitude toward these negotiations to commence the construction of these three cruisers. Rather do I recommend to the Congress the enactment of legislation which will extend the time for beginning their construction.

With regard to the improvement of Pearl Harbor, Hawaii, an appropriation of $1,000,000 is available this year for commencing dredging operations. Bids covering the completion of this Navy project will be opened during the current month. A supplemental estimate will be submitted should it be found that additional funds for 1928 are needed for the orderly prosecution and early completion of this important project.

AVIATION IN NATIONAL DEFENSE AND IN COMMERCE

The Congress has recently prescribed a well-digested and orderly program for the further development of the air services of the Army and Navy. The estimates herewith make adequate provision for carrying this program into effect. They provide for the immediate availability of certain amounts for the Air Corps of the Army so as not to delay the inauguration of the five-year program. As the act defining the Army aircraft program was not approved until July 2, 1926, there was no opportunity to present to the Congress at its last session an estimate for funds fully to carry into effect the first increment during the fiscal year 1927. The estimates submitted herewith make ample provision for carrying into effect that part of the program for 1927 and 1928 which orderly and efficiently can be accomplished. They do not, however, make provision of funds for two full yearly increments, as I do not believe it is the desire of the Congress that we attempt to crowd into less than one and one-half years a full two-year increment. The act of July 2, 1926, increases the authorized commissioned strength of the Air Corps of the Army by 403 officers in yearly increments over the period of the five-year program. No provision for any of these additional officers is made in these estimates, as the Air Corps should first absorb the additional 328 officers necessary to bring its actual strength—919—up to the authorized strength—1,247 under the old law. These 328 additional officers are to be provided from the commissioned force for which provision is made in these estimates. The additional enlisted men authorized for the Air Corps are provided for in the enlisted strength of 115,000 men.

The Navy five-year air program approved June 24, 1926, authorized the construction of two rigid airships of approximately 6,000,000 cubic feet volume, the two to cost not in excess of $8,000,000. The act provides that the building of one of these ships shall be undertaken as soon as practicable and prior to July 1, 1928. Having in mind that the Congress recently appropriated $300,000 for the construction of an all-metal airship for experimental purposes, to determine by practical demonstration the type of construction and character of material to govern in the future in the making of lighter-than-air craft, it is thought the part of wisdom to wait upon this determination, even though it may be found necessary to ask for an extension of the time limit placed on the initiation of work on one of the ships.

Briefly summarized, provision is made in this Budget under the appropriation items for the air services and other items which enter into the cost thereof for a total of $73,477,380 for aviation of the Army and the Navy. This amount embraces $20,600,000 for the procurement of new planes and $2,400,000 for the construction of barracks and quarters at aviation fields. It does not, however, include the value of supplies available from war surplus, which would increase this total by a number of millions of dollars.

While discussing the subject of our air services, it is proper here to refer to the other provisions made in this Budget for air navigation. To carry into effect the act to encourage and regulate the use of aircraft in commerce, approved May 20, 1926, the estimates carry for the Department of Commerce $796,250 for the promotion of air commerce and regulatory work, which includes funds for the procurement of not to exceed 10 airplanes, and $3,219,500 for the establishment and maintenance of aids to air navigation. The estimates carry $523,000 for the National Advisory Committee for Aeronautics. Under the Department of Agriculture they provide $50,000 for the maintenance and operation of airplane patrol in the national forests and $120,000 for special weather observations for the benefit of air navigation. The estimates for the Postal Service carry for the operation of the air mail service between New York and San Francisco $2,350,000, with provision that a part of this sum be made available for contract service if the route be leased to private operators and for the contract air mail service $2,000,000. The estimates for the Coast Guard carry $186,151 for the operation of its seaplane fleet.

The proper development of the aeronautical industry in this country is essential both to our national defense and commercial aviation. The Federal requirements for aircraft alone are strengthening this industry. The program which the Congress has prescribed for our air forces will assure the industry continuing Federal business and an increase from other sources should accrue to the industry from the legislation for the encouragement of commercial aviation and from the policy which we are following of making contracts with private operators for the air transportation of mail. The Government is operating but one air mail route and proposals have been issued by the Post Office Department with a view of placing this route under contract for operation by private interests. In the production of airplanes and accessories there is no competition between the Federal Government and private industry. It is a fortunate situation when the needs of the Government can be met by affording an orderly stimulation of the industry upon which we depend to supply our needs. The present sound condition of the aeronautical industry in this country shows the wisdom of the policy which we are following. If there is any question as to the failure of our Government to recognize the importance of aviation in national defense and in commerce the answer can be found in the vast sums which heretofore have been appropriated and the legislation enacted by the Congress. The estimates contained in this Budget carry alone for this purpose a total of more than $82,500,000.

SHIPPING BOARD

There is included in this Budget $12,000,000 for the operating deficit of the Shipping Board. It is believed this amount, reenforced by certain receivables and other available resources, with reduction of losses through sales of lines as opportunity offers, as contemplated by the Congress, will permit necessary operation of the Government's merchant marine during the fiscal year 1928. From 1921 to 1926, inclusive, the total net loss incurred in the operation of its various lines was $238,157,582.18. These figures represent losses sustained through the operation of the active fleet and the maintenance of inactive vessels. I mention this to show that in the six fiscal years from 1921 to 1926, inclusive, the Government has spent in the operation of its merchant marine an average of nearly $40,000,000 a year. The losses have been gradually diminishing each year. Provision is also made for continuing the availability of the $10,000,000 defense fund appropriated in the first session of this Congress.

With regard to the operation of vessels by the Shipping Board, the merchant marine act of 1920 contemplates that such operation shall be maintained unless it shall appear within a reasonable time that the lines or parts thereof can not be made self-sustaining. None of the lines now being operated are self-sustaining, and while the reduction in cost has been helpful from the standpoint of the Treasury there is no immediate prospect that any part of these lines can be operated without loss to the Government.

Under the joint resolution of July 3, 1926, the United States Shipping Board will present to the Congress not later than January 1, 1927, two plans for building up and maintaining an adequate merchant marine for commerce and national security—one through private capital and under private ownership and the other through construction, operation, and ownership by the Government. The time is approaching, if it has not already been reached, when the Congress should give consideration to the formulation of a more definite policy regarding our merchant marine. Such definite policy, I trust, is foreshadowed in the resolution to which I have referred.

ERADICATION OF TUBERCULOSIS

For the eradication of tuberculosis in animals an estimate for $5,853,000 is included in the Budget. This is an increase of $1,200,000 over the amount provided for the current year. The continuing increase in the number of cities which have placed embargoes against milk from dairy herds which have not passed the Federal tuberculin test is placing a heavy burden on the owners of dairy herds, since slaughter of infected animals is the accepted method of eradication. The furnishing of pure milk is of vital importance to the health of the people. Because of its interstate character, it is entirely proper that the Federal Government share with the States the cost of protecting the purity of this great food supply. The amount included in the estimates should permit adequate prosecution of the work of eliminating tubercular cattle from dairy herds.

The results of the work already done warrant the belief that we can confidently expect the complete elimination of this menace to health. With this hope and probability in mind, there certainly is no excuse or warrant for State or Nation to withhold the funds necessary to effectively carry on this important campaign.

FOREST CONSERVATION

The estimates carry a total of $22,037,984 for the protection, preservation, and conservation of our forests. The forest acreage in the United States is approximately 372,426,000 acres, of which 158,000,000 acres are in the national forests. With such generous forest resources we have been prone to consider the supply of forest materials inexhaustible. The constantly increasing demands to meet our growing needs, however, and the destruction of forests by fire are arousing apprehension that in the comparatively near future industry may be seriously handicapped for lack of forest products. Important remedies to meet this situation are fire prevention and reforestation. Throughout the forest regions cooperative work in connection with protection of timber and reforestation of lands has been highly developed. In many of the States it is compulsory on private owners. The Clarke-McNary law contemplates that the Federal Government as beneficiary in this cooperative work contribute approximately one-fourth the cost. Since forest products enter so largely into the necessities of all of our people, it is proper that the Federal Government stand ready to bear its share of the needed conservation of our timber resources. The increased estimates for forest activities now submitted have that end in view. The recent heavy losses by fire must be met by a deficiency appropriation, which will approximate $2,000,000. With further protective measures, it is hoped such large deficiency appropriations may be avoided in the future.

The estimates also include $1,000,000 for the acquisition of land at the headwaters of navigable streams. While this item is primarily for the conservation and control of water, the project bears an important relation to forest conservation. There is now pending in Congress a bill to authorize an appropriation of $2,000,000 a year for the fiscal years 1928 and 1929 for this purpose. In the event of the passage of this bill consideration will be given to the submission of a supplemental estimate of $1,000,000 for this purpose.

RURAL POST ROADS

For cooperative construction of rural post roads to June 30, 1928, the amount of $765,000,000 has been authorized by the Congress. The estimates carry $75,000,000 for 1928, which is the total authorization for that year. This amount would bring total appropriations to $666,200,000—$98,800,000 less than the amount authorized. In view of the authority granted the Secretary of Agriculture to enter into contractual obligations for the total authorization, it is necessary only to appropriate in each fiscal year the funds required to pay for current work. The construction program is not delayed by this method. In view of the increasing ability of the States to finance their own road construction, due to the general adoption of the gasoline tax, I renew my recommendation of a year ago that future legislation restrict the Federal Government's participation in State road construction to primary or interstate highways, leaving it to the States to finance their secondary or intercounty roads. This would operate to diminish the amount of the authorizations after the fiscal year 1929, when the present authority expires.

MATERNITY AND INFANCY

No estimate is submitted for carrying on the work under the maternity and infancy act, approved November 23, 1921, inasmuch as the authorization of appropriations for this purpose was fulfilled with the appropriation for 1927. A bill is now pending before the Congress extending the provisions of that act to the fiscal years 1928 and 1929. If and when that measure becomes law I propose sending to the Congress a supplemental estimate for an appropriation to make its provisions effective. I am in favor of the proposed legislation extending the period of operation of this law with the understanding and hope that the administration of the funds to be provided would be with a view to the gradual withdrawal of the Federal Government from this field, leaving to the States, who have been paid by Federal funds and schooled under Federal supervision, the privilege and duty of maintaining this important work without aid or interference from the Federal Government.

I have referred in previous Budget messages to the advisability of restricting and curtailing Federal subsidies to the States. The maternity act offers concrete opportunity to begin this program. The States should now be in a position to walk alone along this highway of helpful endeavor, and I believe it in the interest of the States and the Federal Government to give them the opportunity.

ENFORCEMENT OF PROHIBITION

For the enforcement of prohibition nearly $30,000,000 is provided in the Budget by direct and indirect appropriations. The Coast Guard has been enlarged and strengthened to enable it to prosecute effectively its part of the campaign of enforcement, while the other enforcement agencies have been amply financed. Whatever is necessary to put into effect the expressed will of the people as written into the eighteenth amendment of the Constitution of the United States and the will of the Congress as expressed in the Volstead Act will be done. Whatever funds may be necessary to vindicate the law and secure compliance with all its provisions should be provided. The constitutional duties of the President and the Congress make any other course indefensible.

RIVER AND HARBOR WORKS

This Budget carries $66,347,600 for the improvement and maintenance of existing river and harbor works, flood control, operation and care of canals, and other works of navigation. This does not include the maintenance and operation of the Panama Canal, for which $7,600,000 is recommended. For rivers and harbors proper the sum of $50,000,000 is asked. To complete approved projects, $195,000,000 will be required. Of the $50,000,000 contained in the Budget slightly more than $30,000,000 will be available for improvement and new construction. At this rate we will complete authorized projects in something less than seven years. We are providing $50,000,000 annually for river and harbor work and $10,000,000 annually for Mississippi flood control. Commitment of the Federal Government at this time to a more ambitious and generous annual spending program should not be made without the most careful study of the financial condition of the country and the plight of the taxpayer.

RELIEF OF VETERANS

For the relief, care, and comfort of the veterans of our various wars and their dependents I am recommending in this Budget a total of nearly $705,000,000. This total includes pensions, adjusted compensation, and all other factors, direct and indirect, that enter into this great patriotic service the Government owes its defenders. There can be no thought of curtailing this work of appreciation, this willing attempt to pay the Nation's debt. It may be wise, however, to call a halt at this time with regard to additional legislation for the veterans. It may be in the interest of the beneficiaries to permit existing provisions for their care and the care of their families to rest undisturbed for a period, at least until we can definitely determine what deserving need is unprovided for. What the veterans need it is a privilege to give, and the giving should crowd the heels of the need when determined.

CIVIL SERVICE RETIREMENT

Neither the estimates of expenditure nor the estimates of appropriations contained herein include any amount for meeting the accrued liability of the Government to the civil service retirement and disability fund. The pay-as-you-go policy should apply to this fund and an appropriation be made to meet the accrued liability of the

Government. The act of Congress approved July 3, 1926, provides for the annual submission of a Budget estimate of appropriation for this purpose. Such an estimate, however, requires an actuarial valuation of the fund under the new law. This valuation is under way, but is not yet completed. When completed, I shall submit to the Congress an estimate of the amount required for the fiscal year for this purpose.

FEDERAL BUILDING

The Congress has made wise and substantial provision for the construction of much-needed Federal buildings, both at the seat of government and in the States. Contemporaneously with this the Congress made similar provision for our foreign building requirements and also for permanent housing at our military posts and stations. These measures give us a much-needed construction program. The funds which we spend to complete this program will be a good investment and bring us adequate return.

SPECIAL FUNDS AND ACCOUNTS

In addition to the usual statements giving information of the financial transactions of the establishments of the Government for which annual appropriations are made, the 1928 Budget carries a comprehensive summary of the financial status of a considerable number of special funds, accounts, and authorizations operated either by Government agencies direct or under some form of Government supervision and responsibility. This summary makes available information concerning the financial condition of various Government institutions not heretofore published in readily available form.

THE NATIONAL DEBT

The reduction in the total gross debt for the fiscal year 1926 was $872,977,572.71. This was effected by (1) $487,376,050.69 on account of the sinking fund and other debt retirements chargeable against ordinary receipts; (2) application of the entire surplus of $377,767,816.64; and (3) reduction in the general fund balance of $7,833,705.38 below the balance at the close of the previous fiscal year.

In the past five fiscal years the debt reduction aggregated $4,334,000,000, and in June, 1926, reached a level below twenty billions for the first time since November, 1918. The short-dated debt required to be paid or refunded in three and one-half years, which includes the third Liberty loan, amounted on June 30, 1926, to 4.7 billions, as compared with 6.1 billions at the close of the previous fiscal year. The decrease of 1.4 billions in this part of the debt has strengthened the position of the Treasury for the refunding operations necessary in connection with the third Liberty loan, which matures on September 15, 1928, and is not callable before that date.

The interest payment on the debt, the largest single item of our expenditures, amounted to $832,000,000 in 1926, as against $999,000,000 in 1921, a decrease of $167,000,000, or nearly 17 per cent. For 1927 the estimated expenditures are $785,000,000 and for 1928, $755,000,000.

The World War Foreign Debt Commission has substantially completed the duties imposed upon it by Congress. Eliminating certain debtors with which negotiations are not now practical, funding agreements have been signed with all of those nations owing the United States on account of loans made during and after the war. All of the settlements have been ratified by Congress except those with France and Jugo-Slavia, and in these cases the House of Representatives has acted but the bills are still pending in the Senate. But the French settlement has not yet been taken up by their Parliament. In general, uncertainty with respect to war debts has ended.

ALIEN PROPERTY LEGISLATION

By the Paris agreement the United States has participated officially in the restoration of Germany. Through the Federal reserve system and through our bankers and private American citizens, we have been of assistance in the progress of financial restoration of many countries in Europe. The American spirit, characteristic of construction, will, I feel sure, be an active help in further plans to put other countries in sound condition. Europe is progressing and is reaching again peace condition.

There remains still for the United States to settle a series of related questions now unanswered but which already have the attention of Congress. These questions are three, and have to do principally with Germany, although similar matters, but lesser in amount, also involve Austria and Hungary. As a war measure the President, through the Alien Property Custodian, seized the private property of enemy nationals, and to a large extent this property is still held by the custodian awaiting disposition by Congress. Under her treaty of peace with us, Germany undertook to reimburse American nationals and the United States Government for losses and damages occasioned by Germany. By the treaty the property of German nationals seized and held in this country is pledged as security for the payment of the claims of American nationals against Germany, and by arrangement between the two countries a mixed German-American commission has been constituted to pass upon the merits of the claims and is now completing its awards.

Germany's obligations to pay reparations were in excess of her immediate capacity, and her creditors devised for her reorganization a plan and method of payment a part of which accrues to the United States. This plan, in the opinion of its framers, constitutes the maximum that Germany can immediately pay to her former enemies and of necessity represents holding in abeyance some of Germany's obligations. Under this plan the amount applicable to the immediate payment of the American claims is as a practical matter inadequate. Some other way will have to be found to insure prompt payment to our nationals for their losses.

Also as a war measure the United States seized and used ships, radio stations, and patents belonging to German nationals and found in the United States. The moral obligation to return the private property or its proceeds in the hands of the Alien Property Custodian to its German owners is equally applicable to the payment of compensation for the ships, radio stations, and patents or proceeds received from their disposal. We should treat the two situations alike.

Congress should enact into law during the present session a fair and comprehensive plan for the settlement of these three questions. Without here suggesting the details of any particular plan, I believe that a correct solution of the problem is controlled by two principles. The Supreme Court of the United States has held in effect that it is within the legal rights of Congress to make such use of the property of German nationals which the United States has seized as Congress may desire. It might, therefore, apply the proceeds of this property belonging to German nationals to the payment of the obligations of the German Government to the United States and to our nationals, thus satisfying American claims. In my opinion such a course is not consistent with the American ideal of the sanctity of private property of nationals, even though their Government may be at war with us. Sound American policy is opposed to the application of the property of German nationals to the payment of the debt of their Government. This is the first principle. If the policy I have just mentioned is right, as I believe it to be, then the cost of its adoption must be borne by the whole people, and the policy can not be affirmed at the sacrifice of the rights of only a part of the people—the American claimants against Germany. The alien property is pledged as security for the payment of the American claims. If the United States deprives the American claimants of their security it can only do so fairly if it substitutes for this security practical assurance of ultimate payment of the American claims. The United States should do justice to German nationals, but it must not do justice to Germans by doing injustice to our own American nationals. This is the second principle. Within these principles I feel sure that means will be found to accomplish a solution of the questions fair to all and consistent with American policies.

CALVIN COOLIDGE

The WHITE HOUSE, *December 6, 1926.*

MESSAGE TRANSMITTING THE BUDGET

To the Congress of the United States:

Herewith is transmitted the Budget of the United States for the fiscal year ending June 30, 1929. The receipts and expenditures shown in detail in the Budget are summarized in the following statement:

Summary (exclusive of postal revenues and postal expenditures paid from postal revenues)

	Estimated, 1929	Estimated, 1928	Actual, 1927
Receipts:			
Customs	$602, 000, 000. 00	$602, 000, 000. 00	$605, 499, 983. 44
Income tax	2, 065, 000, 000. 00	2, 165, 000, 000. 00	2, 224, 992, 800. 25
Miscellaneous internal revenue	640, 545, 000. 00	638, 545, 000. 00	644, 421, 541. 56
Miscellaneous receipts	501, 952, 314. 00	670, 053, 091. 00	654, 480, 115. 85
Total receipts	3, 809, 497, 314. 00	4, 075, 598, 091. 00	4, 129, 394, 441. 10
Total expenditures (including reduction of the public debt required by law to be made from ordinary receipts)	3, 556, 957, 031. 00	3, 621, 314, 285. 00	3, 493, 584, 519. 40
Excess of receipts	252, 540, 283. 00	454, 283, 806. 00	635, 809, 921. 70

The Budget system has now been in effect a sufficient length of time to enable us to appreciate fully its far-reaching importance. It is directly responsible for our present position of financial stability. That position has been acquired by scientific management of our business affairs. This management has resulted in improvement throughout the entire field covered by Federal operations. It seems inconceivable that such progress could have been made in so short a period after the great world conflict. Yet it has been done. It demonstrates the efficiency of our form of government. The good of all the people is our controlling consideration. And because of this, scientific management of our affairs is essential. In slightly more than six years we have had substantial reductions in taxes and in that same period we have enhanced greatly the value of the service which we are rendering the people. We are raising money to pay our long-term commitments. We have provided for adequate national defense. Our housing problems are being cared for. All through our Government activities there have been improvement and progress. Federal activities have kept pace with a growing and progressive nation. This has all called for orderly procedure, and we are reaping the rewards which follow that course. We can well take the experience of the past as our index to future operations. If we proceed along the orderly lines followed these last years our continued success is assured.

TAX REDUCTION

Since 1920 there have been three reductions in taxes for the purpose of relieving the people of some of their war burdens. The act of November, 1921, lightened the tax load by a reduction of $663,000,000. The act of 1924 afforded additional relief of $519,000,000. The act of 1926 made a further reduction of $422,000,000. Taking these all together our tax demands have been lessened by $1,604,000,000. This in itself illustrates the value of orderly procedure. The people are permanently richer because of the diminished demands made by the Federal Government. And hand in hand with these material curtailments of the amounts taken from the people the public debt has been reduced. From a peak of more than twenty-six and a half billions of dollars the debt had been reduced on June 30, 1927, by $8,084,794,716. This lowering of the debt means an annual saving in interest of approximately $320,000,000. While this tangible and extraordinary saving emphasized the importance of debt reduction as a preliminary to ultimate adequate tax reduction we have at this time for consideration the question of further relief to those who pay Federal taxes.

In planning for a revision downward of tax rates the first question that presents itself is the amount of money that can safely be devoted to the purpose without curtailing necessary activities of the Government or threatening a deficit. The extraordinary surplus of June 30, 1927, was $635,809,000, and was made possible by receipts from nonrecurring sources of $414,000,000, only $221,000,000 coming from current and continuing sources. Of this surplus $612,000,000 was applied to the public debt, effecting an annual interest saving of $24,000,000.

The estimated surplus for this year—which ends with June 30, next—is $454,000,000, of which $318,000,000 is from nonrecurring sources, and $136,000,000 from current and continuing sources. This is an increase of $254,000,000 over the estimate carried in the 1928 Budget, of which increase $158,000,000 is from miscellaneous receipts which include $154,000,000 in receipts from railroads. The remaining $96,000,000 of the increase is found in regular revenue returns.

The estimated surplus for 1929—the coming fiscal year—is $252,540,000, of which $75,000,000 is from nonrecurring sources. This surplus is reached by means of a fairly sanguine estimate of receipts and a carefully restricted estimate of expenditure. The expenditure estimate for 1929 of $3,557,000,000 includes nothing for flood control with the exception of the fifth-year allowance of $10,000,000 in the six-year program authorized by Congress. Other proposed major projects, not yet the subject of legislation, are not provided for in this estimate. It is reasonably certain that some of them will be enacted into law and will call for material advances from the Federal Treasury. This will doubtless have the consideration of the Congress. Careful study of all these factors points to a tax reduction of $225,000,000 as the maximum, and that amount only possible on the assumption that the estimates of expenditure for 1929 be not materially exceeded, and that additional continuing obligations be incurred only to the extent that absolute necessity from the standpoint of public need warrants. Adequate flood protection, of course, meets the requirement of absolute and urgent necessity.

Under the provisions of the Budget and Accounting Act I recommend to Congress that taxes be reduced by not to exceed $225,000,000.

IMPORTANCE OF A BALANCED BUDGET

Each of the three reductions in tax rates since November, 1921, has been measured on the certainty of our ability to stand such reductions. This is the only safe course. It has brought forth a balanced budget. In this we have found our financial stability. We have been operating on the wise plan that reduction in rates of Federal taxes should be permanent. This is the only proper basis for tax reduction. In a business of the magnitude of that of the Federal Government there must be a margin of safety. The fact that this margin has grown to large proportions in the past fiscal years carries no assurance that that will continue. I am in favor of tax reduction. I am not in favor of any such reduction as will jeopardize our financial stability. The assurance that Federal expenditures will be kept within Federal receipts has bulwarked public confidence, it has contributed measurably to the prosperous condition of the country, it has ministered to the justifiable pride of our people in their Government and in its orderly and sane processes. To jeopardize our balanced budget, to do anything that in the most remote degree would threaten to interfere with the orderly processes of wise financing, to take steps in the interest of tax reduction that would necessitate either revolutionary curtailment of important Federal projects and activities or compel a later upward revision of tax rates, or both, is unthinkable. I am convinced the people of this country are overwhelmingly in favor of keeping the Budget balanced and are just as overwhelmingly opposed to any measure or measures that would make any other result even remotely possible.

I am counting on the continued prosperity of the Nation in recommending a tax reduction of $225,000,000. I am also counting on the determined continuance of the campaign for rigid Government economy. I believe that a tax reduction in the sum which I have mentioned is justified. We must, however, preserve the sanctity of a balanced budget. Under the law made by the Congress the President can not countenance a program of expenditure or approve estimates for appropriations that threaten to interfere with the annual balancing of the National Budget.

Estimated receipts for the fiscal year ending June 30, 1927, as carried in the 1928 Budget totaled $4,026,780,688, and estimated expenditure was $3,643,701,593. The year closed, however, with actual receipts of $4,129,394,441.10 and actual expenditures of $3,493,584,519.40. We were fortunate in having a marked increase in receipts, while a material reduction in estimated expenditure, resulting largely from the continuing policy of economy, contributed to the creation of the largest surplus in history, $635,809,921.70.

In the Budget for 1928, transmitted to the Congress December 6, 1926, it was estimated that our receipts for that year would be $3,772,753,077 and our expenditures $3,572,049,214. The surplus indicated was $200,703,863. To-day our finances for 1928 present a more favorable outlook. It is now estimated that our receipts for the year now in progress will reach $4,075,598,091 and that our expenditures will be $3,621,314,285. This indicates a surplus of $454,283,806.

The estimates of appropriations contained in this Budget reach a total of $3,505,793,766, which is exclusive of the Postal Service payable from postal receipts. A comparison between the estimates in this Budget and those for the fiscal year 1928 should necessarily include the supplemental estimates for 1928. Many of these were presented to the Congress for consideration in the second deficiency bill, fiscal year 1927. That bill failed of enactment. There has necessarily been a change in these estimates. In the following table a comparison is made with the estimates of appropriations contained in this Budget and the appropriations for 1928 coupled with the estimates pertaining to the latter fiscal year.

	Estimates of appropriations, 1929	Appropriations, 1928 [1]	Supplemental estimates submitted for 1928	Total for 1928
Legislative establishment	$16, 862, 930. 86	$16, 554, 579. 56	$1, 146, 608. 75	$17, 701, 188. 31
Executive office	437, 180. 00	438, 460. 00	90, 000. 00	528, 460. 00
Independent establishments:				
Alaska relief funds	15, 000. 00	15, 000. 00		15, 000. 00
Alien Property Custodian	7, 500. 00	98, 000. 00		98, 000. 00
American Battle Monuments Commission	700, 000. 00	600, 000. 00		600, 000. 00
Arlington Memorial Bridge Commission	2, 300, 000. 00	2, 500, 000. 00		2, 500, 000. 00
Board of Mediation	347, 902. 00	390, 000. 00		390, 000. 00
Board of Tax Appeals	720, 740. 00	712, 780. 00	9, 000. 00	721, 780. 00
Bureau of Efficiency	210, 350. 00	210, 350. 00		210, 350. 00
Civil Service Commission	1, 098, 752. 00	1, 007, 442. 00	191, 500. 00	1, 198, 942. 00
Commission of Fine Arts	7, 300. 00	7, 300. 00		7, 300. 00
Employees' Compensation Commission	3, 675, 000. 00	2, 698, 240. 00	950, 000. 00	3, 648, 240. 00
Federal Board of Vocational Education	8, 220, 000. 00	8, 165, 230. 00		8, 165, 230. 00
Federal Power Commission	120, 890. 00	42, 500. 00		42, 500. 00
Federal Radio Commission	80, 560. 00		52, 186. 00	52, 186. 00
Federal Reserve Board	2, 700, 000. 00	2, 700, 000. 00		2, 700, 000. 00
Federal Trade Commission	963, 000. 00	984, 350. 00		984, 350. 00
General Accounting Office	3, 820, 000. 00	3, 833, 000. 00	10, 400. 00	3, 843, 400. 00
Housing Corporation	475, 750. 00	564, 236. 00		564, 236. 00
International Trade Exhibition			150, 000. 00	150, 000. 00
Interstate Commerce Commission	7, 642, 337. 00	7, 811, 314. 00	170, 000. 00	7, 981, 314. 00
National Advisory Committee for Aeronautics	600, 000. 00	525, 000. 00	25, 000. 00	550, 000. 00
Public Buildings and Public Parks	2, 584, 980. 00	2, 422, 950. 00	31, 520. 00	2, 454, 470. 00
Smithsonian Institution	974, 761. 00	939, 711. 00	80, 000. 00	1, 019, 711. 00
Tariff Commission	749, 000. 00	682, 000. 00	39, 000. 00	721, 000. 00
United States Geographic Board	4, 300. 00	3, 945. 00		3, 945. 00
United States Shipping Board and Merchant Fleet Corporation	13, 688, 750. 00	12, 290, 000. 00		12, 290, 000. 00
United States Veterans' Bureau	560, 060, 000. 00	545, 865, 000. 00	19, 400, 000. 00	565, 265, 000. 00
Claims, judgments, etc		14, 000. 00	7, 919, 489. 11	7, 933, 489. 11
Total, Executive Office and independent establishments	612, 204, 052. 00	595, 520, 808. 00	29, 118, 095. 11	624, 638, 903. 11
Department of Agriculture	142, 753, 229. 00	139, 862, 989. 00	3, 481, 560. 00	143, 344, 549. 00
Department of Commerce	37, 599, 460. 00	36, 630, 450. 00	838, 000. 00	37, 468, 450. 00
Department of the Interior	300, 190, 089. 00	285, 810, 120. 00	13, 199, 801. 20	299, 009, 921. 20
Department of Justice	26, 784, 630. 00	26, 400, 889. 50	503, 296. 00	26, 904, 185. 50
Department of Labor	10, 735, 840. 00	10, 159, 516. 00	1, 000. 00	10, 160, 516. 00
Navy Department	362, 167, 020. 00	318, 131, 957. 00	23, 803, 362. 55	341, 935, 319. 55
Post Office Department, postal deficiency, payable from Treasury	15, 270, 042. 00	[2] [3] 30, 370, 000. 00	2, 032, 164. 30	[2] [3] 32, 402, 164. 30
State Department	14, 015, 188. 14	12, 155, 119. 41	971, 000. 00	13, 126, 119. 41
Treasury Department	316, 333, 562. 00	[4] 275, 732, 633. 00	52, 178, 222. 79	[4] 327, 910, 855. 79
War Department, including Panama Canal	398, 823, 143. 00	371, 904, 165. 00	30, 772, 778. 81	402, 676, 943. 81
District of Columbia	40, 431, 186. 00	38, 824, 385. 00	395, 795. 74	39, 220, 180. 74
Total, ordinary	2, 294, 170, 372. 00	2, 158, 057, 611. 47	[5] 158, 441, 685. 25	2, 316, 499, 296. 72
Reduction in principal of the public debt:				
Sinking fund	369, 209, 093. 53	354, 157, 085. 00		354, 157, 085. 00
Redemption of securities from Federal reserve bank and Federal intermediate credit bank franchise tax receipts	1, 000, 000. 00	800, 000. 00		800, 000. 00
Redemption of bonds, etc., account of repayments of principal and as interest payments on obligations of foreign governments	171, 214, 300. 00	181, 963, 650. 00		181, 963, 650. 00
Redemption of bonds, etc., account of forfeitures, gifts, etc	200, 000. 00	200, 000. 00		200, 000. 00
Principal of the public debt	541, 623, 393. 53	[2] 537, 120, 735. 00		[2] 537, 120, 735. 00
Interest on the public debt	670, 000, 000. 00	[2] 720, 000, 000. 00		[2] 720, 000, 000. 00
Total payable from the Treasury	3, 505, 793, 765. 53	3, 415, 178, 346. 47	[5] 158, 441, 685. 25	3, 573, 620, 031. 72
Postal Service payable from postal revenues	753, 000, 000. 00	[2] 724, 966, 200. 00		[2] 724, 966, 200. 00
Total, including Post Office Department and Postal Service	4, 258, 793, 765. 53	4, 140, 144, 546. 47	[5] 158, 441, 685. 25	4, 298, 586, 231. 72

[1] Includes $79,664,436 permanent and indefinite appropriations not included in Budget estimates prior to 1929.
[2] Revised to date.
[3] Heretofore included in estimates of appropriation for "Postal Service payable from postal revenue."
[4] Includes $107,000,000 1927-28 supplemental appropriation for internal revenue refunds.
[5] Exclusive of $45,233,508.02 for requirements of fiscal year 1927 including deficiencies and replacement of amoun advanced from appropriations for fiscal year 1928.

The Budget for 1929, herewith submitted, is more complete than any of its predecessors. It is the intent of the law creating a Budget system for the Federal Government that the annual Budget include estimates for all needs of the Government for the full 12 months for which Budget estimates are submitted. In our great and growing Government changes are kaleidoscopic and new needs and imperative new demands arise overnight calling for congressional help. The Chief Executive is committed by law to the policy of making each annual Budget a complete provision for a full year, appreciating the wisdom of such a policy. While actual deficits are rare, supplementals, because of the reasons cited, persist, and persist large in amount and many in number.

Estimates of this character, which have already been submitted to this Congress for inclusion in the urgent deficiency bill, total approximately $204,000,000. Of this amount, $106,000,000 is made necessary by new legislation. Of the balance of approximately $98,000,000, the sum of $43,000,000 is required for tax refunds, $7,000,000 for emergency flood relief, $8,000,000 for claims and judgments, while the remainder is needed for national defense or to meet demands of policies that have congressional approval. The nonenactment of the second deficiency bill during the session of Congress which closed March 4, 1927, necessarily adds to the total of these supplemental estimates which must now be presented to the Congress.

REFUNDING TAXES

I believe the time has come when our estimates of appropriations for refunding taxes illegally collected should be reflected in the appropriation items requested in the Budget. In prior years this item of expense, while reflected in Budget estimates of expenditure, has not been fully reflected in the annual estimates for appropriations. The operation has been conducted on a calendar-year basis by making the refundment of taxes an item for inclusion as a supplemental, rather than Budget, estimate. The Budget herewith, contains an estimate of $135,000,000 for refundment of taxes for the full fiscal year 1929. This is in harmony with the plan to have the Annual Budget estimates reflect the conditions for the fiscal year to which they relate. The balance of the current fiscal year will be covered by a supplemental estimate.

In the development of this plan the estimates of appropriations in this Budget carry approximately $80,000,000 more for permanent and indefinite appropriations than has appeared in preceding Budgets. This is all in the interest of having the Budget estimates reflect actual requirements. This is a step in the right direction. It narrows the margin between our estimate of appropriations and the estimate of expenditure. The latter estimate has always carried these items, but their reflection elsewhere in the Budget as estimates of appropriations is most desirable. Taking the refundment of taxes item and these additional permanent and indefinite funds together we have an increase of $230,000,000 over what would have been required under the plan of estimates heretofore followed in preparing the annual Budgets. This is not a real increase, as these items have always been included in the estimates of expenditure.

CIVILIAN EMPLOYEES

The Budget herewith contains for the first time estimates of appropriations for commencing liquidation of the liability of the Government to both the civil-service and foreign-service retirements. The Congress wisely authorized submission of estimates for this purpose. This conforms to the principle under which we have been operating to amortize our long-term commitments. For the civil-service retirement fund the estimate is $19,950,000 and for the foreign-service retirement fund $213,000. The Government board of actuaries estimates that an annual appropriation of the former amount for 71 years and of the latter amount for 60 years will meet fully the accrued and accruing liability of the Government to these two funds. Since these estimates are based on the present pay roll, any increase in the roll will be reflected in a reduction of the time in which the liability of the Government will be fully discharged. An increase of 1 per cent annually in the pay roll of those contributing to the civil-service retirement fund would reduce the period of amortization from 71 to 42 years.

We are necessarily concerned in the Federal pay roll. This concern involves both the interests of the taxpayers and those who are on the rolls. The effort has been to do equal justice to both. The classification act of 1923, with the extension of comparable rates of compensation to those in the field service, has substantially met the situation. In 1923 the average salary of Federal employees at the seat of government was $1,674. When the classification act went into effect in 1924 it increased the average salary to $1,749. For the fiscal year 1927 the average salary had increased to $1,846. For 1928 the average salary will be about $1,886 and for 1929 will amount approximately to $1,897. Adequate provision has been made for those employees who are injured in line of duty and for those who are retired because of permanent disability or age. The allowance for annual and sick leave, the reasonable hours of daily service under favorable working conditions, and the permanency of employment are other factors which favor the Government worker. Taking all things into consideration, I feel that the Government is liberal in the treatment of its employees. If this were not so, it is hardly possible that the civil-service records would show that more than a quarter of a million persons sought Federal employment in 1927 when the number of vacancies was only 38,700. All our investigations show that in places paying less than $2,500 to $3,000 the rate of pay by the Government is higher than in comparable places in private employ.

NATIONAL DEFENSE

In 1927 there was available for expenditure for defense purposes, excluding all nonmilitary items and retired pay, $576,000,000. The current year's availability will be $625,000,000, while this Budget contemplates available defense funds of approximately $645,000,000.

The estimates carry $48,000,000 for increase of the Navy. This provides for prosecution of work on all projects authorized by the Congress with the exception of 3 submarines and 12 destroyers authorized in 1916, for which no funds are desired at this time. Navy craft under construction in 1929 will comprise 2 submarines and 8 cruisers, of which 2 will be practically completed in 1929—the *Pensacola* and *Salt Lake City*. Ample funds are provided in the estimate for the modernization of the battleships *Oklahoma* and *Nevada*, in accordance with the approved modernization program. Necessary funds are provided to carry out the third increment of the five-year air program. It is expected with the funds recommended, the Navy at the end of the coming fiscal year will have 696 planes of the 1,000 final total contemplated in the program approved by the Congress. Additional funds are also recommended for the lighter-than-air ship, for which Congress has already appropriated $200,000.

Army estimates contemplate a Regular Army of 118,750 men with 12,000 officers, 30,000 trainees for the Citizens' Military Training Camp, 15,725 trainees in the Organized Reserve, 125,000 cadets in the Reserve Officers' Training Corps, and a National Guard strength of 188,000 men.

The total availability asked for Army housing in 1929 is $7,115,000, including contract authorization. There is carried in the supplemental estimates for 1928 the sum of $6,166,000 for Army housing, that being the amount which failed of enactment in the second deficiency bill in the last Congress. This makes a total available in the two estimates of $13,281,000, and completes the authorizations so far made by Congress for this purpose. In addition thereto the amount recommended for repair and maintenance of barracks, quarters, sewers, roads, and water systems amounts to $10,440,000, an increase of $1,672,500 over available funds this current year. Included in these estimates also is an increase of $2,000,000 over the 1928 appropriation for ammunition. Estimates herewith for the Army Air Corps provide for the second year increment in the five-year program looking toward 1,800 airplanes at the end of the five years.

AIR SERVICE

We have proceeded sufficiently far in our air service program to show the wisdom of the legislative policy with regard to this important and developing line of Federal activity. Under this policy the needs of the Federal Government are being met with orderly stimulation of private industry. The appropriations of the past as well as the estimates now submitted are all in furtherance of this policy. Our procurement of aircraft and accessories is from private industry. This is as it should be. We have gone further than this. Private industry is now operating by contract our entire postal air mail service. We now have 13 contract mail routes in operation and 7 others under contract with a view to their early operation. We can point with pride to the Federal operation of the postal air mail service. Such operation was necessary in the beginning. We can point with equal pride to the turning of that service over to private industry for operation under contract. That has resulted largely from the policy which this Nation has been pursuing in air navigation. That policy, probably more than any one other thing, made possible the handling of this business by private enterprise. In the realm of navigation by air, I have mentioned elsewhere the provision made in these estimates for carrying on the five-year air programs for the Army and Navy. In our civil work the Coast Guard, the Prohibition Service, and the Forest Service are also operating airplanes. The Department of Commerce is also using planes in its air navigation work. Provision for all of these is made in the estimates herewith submitted, which also carry funds for further development of our lighted airways. With regard to this latter Federal function, the end of the next fiscal year under the estimate herein submitted should see more than 10,000 miles of lighted airways.

FEDERAL AID TO STATES

I am including in this Budget an estimate of $1,108,000 for the promotion of the welfare and hygiene of maternity and infancy. I refer to this estimate for two reasons. The first is, that the authorization for this appropriation expires with the fiscal year 1929. The second is, that it marks the termination of Federal contribution to a project which is for State control and administration. The extension for two years of the provisions of the act for the promotion of the welfare and hygiene of maternity and infancy was approved with the understanding that its administration during these two added years would be with a view to the discontinuance of Federal aid thereafter. Six years of experience under the able administration that has characterized the Government's policy warrants this permanent withdrawal of Federal aid, assured that the States are now or should be able to carry on this work without aid or interference from the Federal Government.

This opens up the whole subject of State aid, which despite frequent warnings continues strongly intrenched in Federal operations. While the amount of money taken annually from the Federal Treasury for subsidies to States is not inconsiderable, the dangers inherent in the policy are of far greater importance. To relieve the States of their just obligations by resort to the Federal Treasury in the final result is hurtful rather than helpful to the State, and unfair to the payers of national taxes. To tempt the States by Federal subsidies to sacrifice their vested rights is not a wholesome practice no matter how worthy the object to be attained. Federal interference in State functions can never be justified as a permanent continuing policy even if, which is doubtful, such interference is warranted by emergent conditions as a temporary expedient. As shown in the maternity and infancy act, when once the Government engages in such an enterprise it is almost impossible to terminate its connection therewith. We should not only decidedly refuse to countenance additional Federal participation in State-aid projects, but should make careful study of all our activities of that character with a view to curtailing them.

FEDERAL BUILDINGS

With a view to expediting the construction program authorized by the public buildings act of May 25, 1926, estimates of appropriations amounting to $8,131,000 will be submitted for the consideration of Congress in the first deficiency bill of this fiscal year. This amount will pertain to the projects included in the public buildings appropriation bill which failed of passage the last fiscal year and for which authority to enter into contracts has been previously authorized. The estimates submitted with this Budget provide for projects at limits of cost aggregating $53,577,000, and carry a total request for appropriation of $13,000,000. This amount, together with the appropriations already available and those requested in the urgent deficiency for this year, will provide ample funds for expenditure within the yearly limit of $25,000,000 fixed in the act.

REDUCTION IN SIZE OF PAPER CURRENCY

During the past year an exhaustive study involving the designs of the paper currency issues of the United States has been completed and definite conclusions have been reached. New designs are being prepared which will eliminate the existing confusion, and the size will be reduced about one-third.

For many years there has been a constantly growing demand for increased supplies of paper currency. Many factors have entered into the situation, among them being the growth of the country in population and wealth, and the more extended use of paper instead of coin. During the past decade the paper currency outstanding has increased from 536,600,000 pieces, in amount exceeding $4,212,000,000, to 865,300,000 pieces, in amount approximating $5,715,000,000. In order to meet the currency requirements, the Bureau of Engraving and Printing delivered 514,688,000 pieces during 1917, and 992,339,000 pieces during 1927. Constantly increasing appropriations have been required and it was apparent should the increase continue it would be necessary to provide additional production facilities. Both of these considerations have been effectively met by the action taken.

The reduction in size will serve the public convenience, will create substantial savings in expense of manufacture, and will insure that existing manufacturing facilities will meet increased demands for many years to come.

SECOND LIBERTY LOAN

The retirement and refunding of our second Liberty loan has aided materially in lessening our interest charges. On February 28, 1927, there were outstanding $3,104,520,050 second Liberty loan bonds, practically all of which bore interest at the rate of 4¼ per cent. From February 28, 1927, to November 18, 1927, bonds to the value of $575,000,000 were retired with funds available for debt reduction. The remainder, approximately $2,500,000,000, are being refunded into securities bearing interest at the rate of 3½ per cent and under. The saving in annual interest by the debt reduction effected by retirement of these bonds amounts to over $24,000,000 and the annual saving effected by the refunding operations will amount to more than $21,000,000, making a total annual saving in interest of more than $45,000,000. The total reduction of annual interest due to refundings and payments on the national debt for the calendar year 1927 will be about $75,000,000.

CALVIN COOLIDGE.

THE WHITE HOUSE,
December 5, 1927.