

NOTES FOR ADDRESS BY THE PRESIDENT
ON THE NATIONAL CREDIT.

My friends, an issue has been raised in this campaign, a false issue, that would not have been raised were not the memory of some men—some women, too, perhaps—pitifully short. It has been raised by persons whose entrenched and fortified position in the economic life of our country shielded them from the worst effects of the depression and made them the foremost to profit from recovery.

Already owning or controlling much of the nation's material resources before the recovery from depression began, they now have the additional wealth and income that three years of business improvement have brought to them. And they have gained this, mind you, not through any bold initiative or exceptional enterprise on their own part, but through a recovery finally brought about by measures initiated and energetically pursued by government after all private efforts, and an administration too much reliant on those efforts, had miserably failed. They have forgotten, and seem to think that others will also quickly forget, what the dismal prospects of business and finance were three or four years ago, what the fears of business men and bankers were then, how powerless they were then to cope with the economic forces that threatened to overwhelm them. They have forgotten, too, that it

was the power of the national government and the strength of the national credit that finally saved them.

For they come forward now challenging, attacking, decrying as a fearful and abhorrent thing, the very means by which the processes of recovery have been set in motion. The issue that they raise is the use of the national credit—the use of that credit to combat the social and economic evils of depression, to give an impetus to business and employment, and to increase the national wealth and income for the benefit of all classes of our people. They say that because of this use of the national credit the country is on the road to bankruptcy and ruin. They would have you believe, if they could make you do so, that long into the future, for generations yet unborn, the American people will be oppressed with the debt created during this national emergency.

These are the dire prophecies, the "solemn words of warning," of business and financial leaders who eight or nine years ago—not long enough for most of us to have forgotten—were acclaiming a new era of industrial prosperity and rallying under a banner that was to abolish poverty forever from this land. Have they more wisdom, more foresight now than they had then? Only a little while later, six or seven years ago, they were explaining away a world-rocking crash in the stock market and assuring us that business and financial conditions in the United States were fundamentally sound, the stock-

market crash but a brief interlude in the new-found prosperity. Have they a profounder understanding now, even of their own immediate concerns and activities, than they had then?

And are they more reliable guides now to national monetary and fiscal policy than they were from 1929 to 1933? They told us then that if we but kept the budget in balance, and held taxes down, and adhered steadfastly to sound money and a currency convertible into gold, "the natural forces of recovery" would come to our rescue and all would soon be well. But while they harped on that tune year in and year out the appalling miseries of deflation and depression spread wider and wider, business and employment and values fell lower and lower, discouragement and despair grew darker and darker, until at length their whole vaunted system went into a convulsion that closed every bank in the country. That is what came of their prophecies.

What, then, is this use of the national credit about which they raise such a great hue and cry? What is this increase in the national debt which they seek to surround with an atmosphere of suspicion and distrust? The national credit, my friends, is not the private possession of business and finance; it is not something that business and finance magnanimously confer on government, or sternly withhold at will. It is the country's worth that we have all as a people inherited from the generations past, and that we have ourselves added to these past few years for the present and the future. It is a great national resource, the common possession of us all, that we have

used to save the country from the bankruptcy and ruin, the destitution and human suffering, the mental anguish and despair, to which deflation and depression brought American business, agriculture, and finance from 1929 to 1933. It is a great motive power by which, when all other means had failed, we were able to turn the wheels of industries that had long been idle. It is a powerful dynamic force that we have infused into our social and economic life to give relief and employment and orders for goods.

Hard necessity dictated this emergency use of the national credit, and humanitarian principles have guided it; but the use that we have made of it has been prudent and successful. Far from being the national calamity that the prophets of doom and fomenters of fear would have you believe it to be, it is an investment in human rehabilitation and productive enterprise that has yielded a larger return, even when only the material gains are considered, than any other investment the American people have ever made in such a short period. We could afford to make that investment. What we could not afford was the idle plants and idle men, the deterioration of machinery and morale, the long-continued failure to use the material and human resources of this rich country. For that was waste of the most wanton kind. The human needs and human wants that went unsatisfied during those depression years, when our productive capacity was in reality immense, tell their own story of a waste that is irretrievable. But the investment that we have made these

past three years in relief and recovery is not irretrievable. Far from it.

I have said that our use of the national credit during this great national emergency has been prudent and successful. To be prudent, my friends, is to be careful of the consequences, to have an eye to the future. To be successful, is to make perceptible and steady progress on the course of action that one sets for one's self. These things are so with the nation's business, with the business that is done through the activities of all our people collectively considered, as with a single enterprise.

A business does not go backward, does not invite disaster, when it goes into debt; not if it is careful of the consequences and has an eye to the future. On the contrary, the fact that it is able to incur indebtedness on fair terms is everywhere acknowledged to be evidence of its solvency and strength; of its ability to make headway, to turn a profit on the debt it has incurred. And when it makes perceptible and steady progress, doing more and more business each year, adding each year to the value of the enterprise, we do not say that it is headed toward bankruptcy and ruin, that it has impaired its credit and imperilled the future of its owners. We should call that man a mischief-maker and slanderer who said such a thing. And we should call the business enterprise a success.

It is so with the nation's business--the combined business of all our factories and farms, our mines and forests, our transportation and communication and power systems, our mercantile establishments, our service

trades, our professional groups, and all their employees. Is the use that has been made of the national credit since March 4, 1933, great or small when measured by the progress which the country as an economic whole has made since then? That is the practical question; that is the crux of the issue which the critics of our fiscal policy have raised. And that is the practical test, the only sensible test, by which the policy is to be judged.

Look back for a moment to 1929 and 1930, and what do you find? You find that when the assets of American business in plant and money were greater than they had ever been before, and its ability to supply human needs and human wants had reached a point never before attained, the demand for workers, who constitute the great bulk of the market for the ultimate products of industry, entered a long period of decline. We were like that man who built his family a fine house, and then on completing it was content to let them live in the kitchen. From an income of 81 billion dollars that our people as a whole produced in 1929, the national income fell to less than half that sum by 1932. In three years the total of the annual declines in our national income from the 1929 level was 32 billion dollars. Could we not better afford to invest a fraction of that sum to arrest deflation and induce recovery than to let that huge decline in national income go on unchecked?

In an earlier period of economic stress a bold financier laid down the maxim, "Never be a bear on the United States." By 1933, my friends, it was high time for some one to become a bull on the United States. It

was time for government to take the risks, to make the investment in the future of America, that private enterprise was unwilling or unable to make. And that is what was done. It was done not only because it would pay as it has already paid, but because it was necessary and just and prudent to do it. We provided relief where relief was needed, supplied capital where capital was needed, extended credit where credit was needed, when no one else stood ready to do these things. In this manner purchasing power was put into hands that would use it. Workers began to work again and money began to move again.

And what is now the result?

Well, one result is that the national debt has been increased 13 billion dollars over the 21 billions at which it stood on March 4, 1933. Included in this increase is the provision made for the payment of the veterans' compensation certificates—an obligation incurred before the depression began, and one that we should have had to meet in any event in 1945. Apart from this, the increase in the public debt since March 4, 1933, is in round figures 11 billion dollars.

Now there are some persons—I have already referred to them—who talk about this increase in the public debt as if it were the sole item in the balance sheet of the American people as a nation. They dwell on it to the exclusion of everything else; in fact, it has become an obsession with them. But there are none so blind as those that will not see. Nearly everyone else is aware, I am sure, that there is an asset side

to the national balance sheet as well as a liability side. True, the liability side is important; I do not underrate its importance. But the asset side is important, too; and it is not to be underrated.

We should not underrate, for example, the integrity and good faith of the individuals and institutions to whom government loans have been made as part of the relief and recovery program. These borrowers are not cheats and rascals; they are not repudiationists. They meet their obligations when they have the means to meet them. There are of course some defaults here and there, some delinquencies; it was to be expected that there would be. But the manner in which borrowers are meeting their current payments, and the rate at which loans are being paid off, should leave no one in doubt that the great bulk of the loans made in the recovery effort are recoverable assets.

Cash is another item that, like recoverable loans, belongs on the asset side of the balance sheet. The increase in these two items together since March 4, 1933, is 4 billion dollars; and this, let me say parenthetically, is exclusive of the 2 billion dollars set aside in 1934 for the defense of our currency in the international exchanges. When, therefore, the increase in recoverable assets and the increase in the ordinary cash balance of the Treasury is deducted from the 11-billion-dollar deficit incurred for relief and recovery expenditures and for the ordinary expenditures of government, we are left with a figure of 7 billion dollars which may fairly be said to represent the net cost of the progress made from March 4, 1933, to the present time. That is our net investment, if you

please, in relief and recovery; and it happens to correspond almost exactly with the total expenditures for direct relief and work relief.

It is not, my friends, a startling figure or a burden that we shall stagger under. I shall not attempt to measure against it, in bookkeeping terms, the protection of millions of our people against privation and want, or the protection of the nation against the social disorders that arise when the consequences of deflation and depression pass the limits of human endurance. But there is some value, an immeasurable value, in people who have been saved from degradation and demoralization, and made secure in at least the common necessities of life. And there is value, too, of a measurable kind in terms of utility, in the public improvements that have been paid for in large part through the expenditures for recovery—highways, bridges, water systems, schoolhouses, and numerous other projects that will continue to be used long after the depression of these recent years has finally passed into history. It is true that much of this addition to the permanent wealth of the nation does not take the form of saleable commodities and is on that account sometimes referred to as unproductive. But one must indeed have a perverted sense of values to maintain that nothing is productive or useful unless it is designed for sale.

I am not suggesting that all the projects undertaken during the emergency have been the most productive imaginable or free

from defects. Such a result as that would have been beyond human attainment in a work of such magnitude, organized in such a short space of time, spread over such an immense area, and made to serve the welfare of such an enormous number of people. So that there must have been in all this some waste, some inefficiency, some confusion, some disappointment.

Nevertheless, it is surely plain to everyone that the money spent on public works and on relief did not reach the end of its usefulness as soon as it was spent for public works and on relief. For our wage-earners and relief workers are not hoarders; they are not in the position of these corporations that are able to build up huge surpluses and keep them idle and unspent. The money paid to wage-earners on public works and on work relief has in turn been spent on the products of industry, with the result that virtually every type of enterprise has benefited by its stimulating influence on business and employment. The recovery movement that is now rapidly gaining momentum did not, like Topsy, just "grewed." It came about because the moving force was supplied by public spending.

The question, then, is whether the net investment of 7 billion dollars in relief and recovery over the past three years is large or small in relation to the progress we have made. As to this, let me present to you some significant comparisons.

In the year 1918 alone the national debt was increased twice 7

billion dollars. That was for the destructive purposes of war. The total increase in the national debt for the prosecution of the war was 25 billion dollars in two and a quarter years. Did that sudden increase in the national debt lead the country to bankruptcy and ruin? On the contrary, we emerged in the 1920's a more prosperous people, despite the debt, than we had ever been before. The national debt was then gradually scaled down, and on three separate occasions income taxes were reduced as the national income increased.

The fact of the matter is that debt and taxes are burdensome or not according as income is small or large. It is so of the nation as of an individual. When the income produced by our people fell from 81 billion dollars in 1929 to less than half that sum in 1932, the burden of every dollar of debt, public and private, was thereby more than doubled, the burden of every dollar of taxes more than doubled. That is when the burden of debt and taxes became oppressive and insupportable. It was that 82-billion-dollar loss of income in three years—the income that provides the means of paying debt and taxes—that made the burden oppressive and insupportable.

But since 1933 the national income has been steadily rising. Those who are competent to estimate the extent of the annual increases put our total gain for the past three years at more than 35 billion dollars. For the current year the national income is esti-

mated to be running at the rate of 20 billion dollars higher than in 1932. I think that even Wall Street would concede that such returns in so short a time on a net investment of 7 billion dollars are not bad.

It is illuminating also to compare this 7 billion dollars with another figure known to Wall Street. The New York Stock Exchange has recently published the information that the stocks alone listed on that exchange have risen in value from 15 billion dollars in July 1932 to 50 billion dollars in July 1936--an appreciation of 35 billion dollars. Does that suggest a country on the road to bankruptcy and ruin? Does it reflect the trepidation of men who expect to spend the rest of their lives under the burden of the national debt? Look at the income, the profits, and the dividends of their companies if you would know the truth.

Let me present just one more comparison. The interest rate on government bonds has been steadily reduced over the past three years, until it is now at the lowest point in 28 years. The same government bonds that in 1932 were selling at less than \$830 per \$1,000 bond are now selling at more than \$1,040 per \$1,000 bond. And the financial community eagerly oversubscribes for every new issue of government securities. This is not the way men act when they are fearful of the national credit. It is not the action of men who think that the budget will not be balanced, or who indeed believe any of the dire predictions that the scaremongers among them make

for political consumption. If you would learn what these men truly believe about the soundness of our fiscal policy and the soundness of our money, look to their actions in the market for government securities.

And so you see there is a good deal more to the story of our national finances and our national credit than a temporary increase in the national debt. There is the arresting of that frightful decline in the national income that was going on unchecked; there is the impetus and encouragement that was given to business by public spending at a time when orders from private sources were wanting; there is the laying of a firm foundation for genuine and sustained recovery—not just another Wall Street boom—and for a more widespread, more equitable distribution of the national income. And there is the substantial and tangible increase in the national wealth and income that recovery has already brought, and that is steadily and plainly gaining momentum every day.

I do not mean by all this to suggest, my friends, that the increase in the national debt, even though it is but temporary, is a good thing in and of itself. Not at all. I believe that the public debt should be increased only for the most compelling reasons of national emergency, and that with the passing of the emergency the budget should be brought into balance and debt retirement begun.

We have in fact been moving as steadily toward a balanced budget these two years past as the diminishing emergency demands on government and the progress of recovery would permit. We shall have a balanced budget, but we shall not have it at the cost of human misery. We shall have it by the only sure and sound means through which a budget can be balanced, debt retired, and the tax burden lessened. We shall have it by the continuance of a sound recovery and the continued growth in the national income that this recovery is bringing about.