

This program will require a comparatively small amount of new financing and hence only a small increase in the national debt. Moreover, I am confident that only in this way can we quickly restore a condition under which the budget will once more be balanced. That condition is dependent upon restoration of national income. National income is the sum total of wages, salaries and incomes of all classes of the people. Unless the farmer receives an adequate return upon his crops, unless the worker receives his fair share of wages, unless the labor and services of the people as a whole are sufficiently employed, unless there is a flow of income among all groups of our people, the entire nation is the loser, national income is bound to fall and government revenues inevitably dwindle. That is what causes an unbalanced budget. To permit such conditions to persist and become worse would be intolerable in any democracy. It would be unsound from every social and economic standpoint. Unless private business is able to give adequate employment, unless it is able to disperse wages and maintain a flow of income, it is the primary duty of the government to make decent provision for those unable to find employment and to exert all of its powers to bring about a restoration of business activity. That is the purpose of this program--to bring about the restoration essential to bringing about a balanced budget. For the federal government to attempt to achieve a balanced budget at this time by cutting down expenditures while industry is retrenching would only lower the national income and the federal revenues and thus increase the deficit.

There has been widespread misunderstanding of the budget situation. It is important to bear in mind that for nearly a year the government has not been required to raise any additional funds from the public in order to meet expenditures. In other words, it is important to remember that the cash budget has been balanced—that cash revenues have exceeded cash outgo for the past nine months.

If the program is adopted in its entirety, it is estimated that the federal book deficit for the next fiscal year will amount to _____, plus an indeterminate amount for work relief in the last five months of the fiscal year. This is a lot of money, but it is vitally important to understand the meaning of this figure. It does not mean that the public debt will be increased by this amount. Nor does it mean that the money market will be called upon to absorb this amount of additional government securities.

Let me explain. In the first place, it is proposed to utilize the funds in the inactive gold account, to the amount of \$1,400,000,000, which the Treasury has already borrowed money to purchase. To this extent no further increase in the public debt is called for. The expenditure of these idle funds will create additional deposits and additional excess reserves in banks; the public will have more money to spend and the banks more money to loan. Deducting this amount from the estimated deficit leaves
\$_____.

This figure of _____ will represent the increase in the public debt, except for work relief expenditures from February to June of next year. It does not represent, however, the amount of money to be raised in the open market. From collections, which the government receives from employers and employees on account of old-age and unemployment insurance, in excess of outpayments for these purposes a sum of _____ will be available for investment in special securities of the government. The investment of this money is similar to the investment by insurance companies of part of their premiums in government securities.

Finally, there are the funds accruing from the sale of United States Savings Bonds - Baby bonds. These are currently running around half a billion a year and represent the current savings of millions of our citizens.

All in all, therefore, the public debt will not be increased in the next fiscal year by more than \$_____, exclusive of work relief expenditures in the last five months of the fiscal year. The amount of new securities that will be issued in the open market will be \$_____, plus the additional amount for work relief, to which I have just referred. Considering the smallness of this amount in comparison with the sums raised in recent years, and considering also the dearth of private borrowing

in relation to the large volume of current saving, no difficulty in financing the program will arise. The excess reserves alone of the banks will shortly amount to more than 3-1/2 billion dollars.

Let us look at the other side of the picture. In the absence of this program billions of dollars of the current savings of the nation derived from production would lie idle. I propose that in the absence of private borrowing the government borrow some of these otherwise idle and stagnant pools of capital and turn them back into the money stream where they will perform work and create demands for the products of industry.

4/13/34
message to
Congress
White House

In the second category, the Administration proposes immediately to make additional bank resources available for the credit needs of the country. This can be done without legislation. It will be done through the desterilization of approximately one and one-quarter⁴ billion dollars of Treasury gold accompanied by action on the part of the Federal Reserve Board to reduce reserve requirements by about three-quarters of a billion dollars. These measures will make more abundant the supply of funds for commerce, industry and agriculture. By themselves, however, monetary measures are insufficient to start us on a sustained upward movement.

As a part of this program I expect the federal banking supervisory authorities to coordinate and liberalize their examination policies with reference both to loans and investments and to their regulations governing investments which banks can buy. In addition, I am requesting that the Securities Exchange Commission consider such liberalization of regulations as will assist and expedite the financing particularly of small business enterprises.

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In the second category the Administration proposes immediately to make available ~~increased~~ ^{bring about} ~~additional banking credits.~~ ^{resources available for the needs of Agr. Com. & Ind} This can be done without legislation. It ~~can~~ ^{will}

be done through a gradual desterilization of $1\frac{1}{4}$ billion of Treasury gold accompanied by measures on the part of the Federal Reserve Board which will reduce the ~~excess~~ ^{of member banks by approx 750 m} reserve requirements. This monetary measure will make borrowing for business enterprises more fluid than it is today, but standing alone by themselves the increase in credit facilities is insufficient definitely to support prosperity on the upgrade.