

December 17, 1938.

The Federal budget, unlike that of an individual or corporation, cannot, or rather should not, be considered by and of itself without reference to the budget of the whole American people. This follows from the elementary but frequently forgotten fact that the national government is not a privately owned corporation but is the instrumentality of all the American people. Consequently, in approaching the Federal budget, primary consideration must be given to the economic necessities of the country.

If what the American people need is jobs, better education, health, security and a higher standard of living, and if there is available man power, knowledge and resources to supply these needs, then it is the duty of Government to insure that these needs are actually supplied.

This principle has guided my Administration since 1933. We have tried to ascertain and meet the primary needs of our people and we will continue to try to do so.

There are those who do not deny the existence of pressing economic want nor the desirability of meeting it, but who nevertheless feel we cannot afford it. They point not to a shortage of plant capacity and man power, but to the high level of Federal expenditures, to the succession of deficits and to the growth in the public debt. They have convinced themselves, against both the dictates of ordinary common sense and advanced economic reasoning, that any expenditures of the Federal Government not financed out of current taxes are unsound and dangerous.

These people are unaware that an indispensable condition of a progressive economy is that money must be kept at work. This means that as long as there is saving out of current income these savings must be borrowed and spent if the stream of purchasing power is not to be reduced.

Debt creation and wealth creation have proceeded hand and hand throughout our history. At such times when there was no demand nor outlet for current savings, our economy stagnated or regressed. The very people who condemn the government for incurring debt when it builds houses or roads or sewer systems, praise private corporations for making investments when they do essentially the same thing. We must not let ourselves be deceived by such verbal tricks.

A major part of our recovery efforts has consisted in meeting the primary essential economic needs of the American people and, in so doing, putting new money and idle savings to work. These efforts were crowned with such success that in the year 1937 there was added \$30 billion to our collective incomes over what we made in 1932. We thought it then safe to withdraw Government support. It did not prove so. The Government, therefore, again stepped in and with most gratifying and immediate results. Buying power and consumption were prevented from going into the tailspin of 1929-32 and production quickly revived.

Although we have had a gratifying degree of recovery the national income and employment are still too low. It continues

necessary to offset the failure of industry to provide an outlet for savings; to build up buying power to a point where industry will again find it profitable to borrow and expand. This time, however, owing to our prompt action in 1938, we start at a much higher level and we can look forward to a far more rapid revival in private borrowing. When and as private debt creation provides a sufficient outlet for our savings, the resulting high national income will make it easy, as well as safe, to discontinue Government borrowing.

As for the burden of the debt, let me call your attention to the fact that total debt, both public and private, is today no greater than in 1929; whereas the interest charge is very much less. In other words, the burden of the debt today, in relation to our resources and manpower, is substantially less than in 1929.