

EXCERPT FROM THE PRESIDENT'S BUDGET MESSAGE  
OF JANUARY 3, 1939.

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"A year ago I recommended an increase in work relief, public works, and other related expenditures to check the downward spiral of business. The program undertaken at that time has contributed materially, I believe, to the existing upward movement of business and employment; and I feel that the business men and farmers and workers of the country, no less than the unemployed, are entitled to an assurance that this program will not be curtailed arbitrarily or violently.

"The actual cost of work relief and similar expenditures goes down after jobs are found by the workers on these rolls. A violent contraction, before the natural expansion of private industry is ready to take up the slack, would mean, not only human misery, but a disruptive withdrawal from American industry of a volume of purchasing power which business needs at this time. The necessity of increasing Federal expenditures a year ago to check a recession is a well-known fact. Any decision to decrease those expenditures now that recovery has just started would constitute a new policy which ought not to be adopted without full understanding of what may be the result."

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"I believe I am expressing the thought of the most far-sighted students of our economic system in saying that it would be unwise either to curtail expenditures sharply or to impose drastic new taxes at this stage of recovery. But in view of the addition to our public expenditures involved in the proposed enlarged national defense program and the program for agricultural parity payments, for which no revenue provision has yet been made, I think we might safely consider moderate tax increases which would approximately meet the increased expenditures on these accounts. It should be added, however, that it is my firm conviction that such new taxes as may be imposed should be most carefully selected from the standpoint of avoiding repressive effects upon purchasing power.

"Sound progress toward a budget that is formally balanced is not to be made by heavily slashing expenditures or drastically increasing taxes. On the contrary, it is to be sought by employing every effective device we may have at our command for promoting a steady recovery, which means steady progress toward the goal of full utilization of our resources. We can contribute very materially toward that end by a wise tax program.

"I am recommending the reenactment of the excise taxes which will expire in June and July of this year, not because I regard them as ideal components of our tax structure, but because their collection has been perfected, our economy is adjusted to them, and we cannot afford at this time to sacrifice the revenue they represent. If the Congress should at this session adopt new taxes more scientifically planned to care for the defense and agricultural programs, it is quite possible that the existence of these new taxes will enable us in a later year to give consideration to abolishing some of the present excise levies."