

"Government Spending"



Speech

of

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For nearly nine years the Federal Government has spent more than its income. We approach the 10th deficit year with no assurance or early prospect of a balancing of the Federal budget. In fact, in this current year the Federal expenditures are the highest in peacetime history. The deficit is second only to 1936 when the soldiers' bonus was paid. On the basis of the budget submitted to Congress for the next fiscal year, the expenditures are likely to be as large or larger, and the deficit as great or greater. Throughout this period of deficit spending the President's budget states that the Federal Government alone has spent 68 billions of dollars, over 28 billions of this expenditure being added to the public debt. And this does not include any debts and increased expenditures of the States and local governments.

How much longer can this continue without disastrous consequences? Should we begin now a gradual approach to a balanced budget by a retrenchment of governmental waste and extravagance or shall we continue in the vain and discredited effort to purchase prosperity by spending borrowed money? The true answer to this question is a vital concern to you—a vital concern to every citizen of America—as your welfare, your children's welfare and the future progress of our country may depend largely upon the correct answer. Because of its vital importance, I thank the National Radio Forum sponsored by The Washington Evening Star, for giving me the privilege of speaking to this great radio audience on the subject of Government spending.

It is not those who vote to impose these new burdens of debts and taxes who must pay for them. Neither will the new taxes be paid by the office-holders here in Washington who spend your money with such ease and rapidity. You, the 130,000,000 of Americans, and your children, and grandchildren, and their children, are the ones who must sooner or later carry the burdens of new taxes to pay the interest on, and some day the principal of, the debts now being created in a reckless experiment to create national prosperity by priming the pump with borrowed money.

Good Intentions Not Enough.

Let us not deceive ourselves or be deceived. I do not question the good intentions of those responsible for the financial policies of our Government, but let me add, good intentions are not quite enough. Acting upon the advice and recommendation of the Chief Executive,

the Congress in the past six years has appropriated huge sums for one emergency after another; always, however, with the assurance that such excess expenditures were temporary and for the period of the emergency only. The facts are, however, that not one single emergency appropriation has been even reduced, much less eliminated.

The expenditures for recovery and relief in the current year are the largest in our history. We began the depression with a Federal budget of three and one-half billions. It is now nine and a half billions, making a steady climb, with the single exception of a reduction in the year succeeding the payment of the soldiers' bonus.

The President says that on July 1, 1940, the Federal debt will be \$44,458,000,000.

When we entered the World War our national debt was about one billion, and the interest charge was only about 20 million a year. The annual interest charge now is over a billion—more than the total indebtedness prior to the war. It is \$300,000,000 more than the total expenses of Government in 1916. Interest alone now takes 20 cents out of every dollar of Federal tax revenue. During the depression we added more to the public debt than we spent defeating our enemies in the World War.

Suppose we should become involved in another world war costing as much as the last? Suppose we should blunder into another depression costing as much as this one? Suppose that, by chance or mischance, we should suffer the double calamity of being obliged to finance another war and another depression? We would start, after the budget just presented is adopted, with \$45,000,000,000 Federal debt, and not \$1,000,000,000, as we did in 1918.

Staggering Indebtedness.

Our public debt—national, State and local—now averages \$430 for every man, woman and child in the country. For every family of four, the public debt is more than \$1,600. The present generation has placed a mortgage upon all the people and upon the property of all the people in order to prime the pump for the present generation. We are handing down to our children a staggering indebtedness which they did not incur but which they will be required to pay. Are we to assume that our children and their children will have no wars to fight, no depressions to meet, no emergencies to overcome?

I will not mention tonight the admonitions so frequently given us in the past by our leaders of the disasters certain to follow continued

deficits, or to the assurances that pump priming as financial magic was certain to bring recovery. We were told time and time again that emergency expenditures were temporary and that recovery thereby was definite and very certain.

Let the facts speak for themselves. The number of unemployed today, by the Government's own estimates, is 10,500,000, nearly as many as when the depression began, and 3,000,000 more than last year. Our debt has been more than doubled and the taxes collected nearly trebled. The Government reports that 18,300,000 Americans are now receiving public assistance in the form of relief, nearly 2,000,000 more than in 1933 when the depression was the worst. The Federal Government alone is actually spending \$23,000 every minute of every day and every night, including Sundays, and adding \$11,500 every minute to the public debt. All governments, national, State and local—are spending close to one-third of the total national income; spending, in fact, more than twice each year the total value of all the products that come from the soil and under the ground—all the products of the farm, the products of the forests, and the products of the mines—those things that replenish and add to the wealth of the Nation. But even that is not all. Public spending has been firmly entrenched in every nook and corner of America. Governmental extravagance has become habitual, as spending feeds on more spending, and the Nation faces the danger of larger and greater appropriations. The menace of continued deficit spending, now firmly rooted may be a worse evil than what has already been done.

Policy Held Tragic Failure.

It is my considered judgment, in the light of the facts, that pump priming has been a tragic failure; tragic in that our unemployment is nearly as great as before, and tragic in the constant increase in the number of those on relief, and even more tragic in contemplation of the burdens that will be placed upon us and upon future generations.

In a recent letter censuring me because of a speech I made in Boston condemning waste and extravagance in Government, the Hon. Marriner S. Eccles, chairman of the Federal Reserve System, announces and advocates a new spending policy, one that will make deficit spending a contribution to the purchasing power of the country, one that may make deficit spending a part of the regular expenditures of our Nation. The President, in his message to Congress on January 3, adopted, in substance, this new fiscal program,

and thus it becomes the policy of the administration.

The Eccles' program is that the budget of the Federal Government cannot be balanced except by the restoration of national income. He proposes to attempt to restore the national income by more pump priming. The plan is that when an \$80,000,000,000 national income is gained, the budget will automatically balance itself by increased tax yields without economy or retrenchment. We are to continue to borrow and spend until this \$80,000,000,000 national income is secured, regardless of how many years it takes and how much more debt will be incurred. Neither Chairman Eccles nor the President guarantees or predicts when this national income of \$80,000,000,000 will come.

I am duly sensible of the scorn with which Chairman Eccles ridicules my devotion, as he expressed it, to the time-old virtues of thrift, frugality, self-reliance and industry. It is quite true that I do not agree with those who regard thrift as a vice or a mistake, or who regard spending for spending's sake as the highest virtue and wisdom. I still agree with the philosophy of the late Will Rogers, repeated often but not often enough, that "we ought not to spend money we haven't got for things we don't need."

I do not believe prosperity is born of debts and taxes. I do not believe, as Chairman Eccles does, that the Government can borrow money and purchase prosperity. There is, of course, a temporary stimulus given to business by spending borrowed money, but genuine prosperity can only come from the productive industry of the citizens of our Republic. To me it is utterly fallacious to attempt to justify the huge increase in the Government debt by the statement made by the President and Chairman Eccles that the total of all debts, public and private, is no greater now than in 1929. Instead of being reassured by this statement, it is to me alarming to know that the very thing that was one of the chief causes of the crash of 1929 still exists today as a potential evil—to breed another depression. The fact is that the national income of the United States is today 25 per cent less than it was in 1929, and if the total of all debts is the same, then these debts must be paid out of an income that has shriveled 25 per cent.

Eccles' Theory Called Unsound.

The contention of Chairman Eccles that the same general economic considerations apply to both private and public debts is to me an utterly unsound economic theory. A

private debt incurred in business is intended to be productive, a public debt is not. A private debt is contracted for expansion and to give new employment. A steadily increasing public debt means wasteful Government expenditures which pile a steadily increasing tax load on the backs of the public and makes it more difficult for men to get off of the relief rolls and on to the pay rolls.

In our Government of checks and balances, the check on excessive spending comes from the tax-conscious citizen who can see where his tax money goes and criticizes its use. Spending by increasing the debt prevents the taxpayer from being conscious of the tax burdens to be imposed upon him later.

A private and a public debt are essentially different in that a private obligation is the obligation of those who make it, whereas a public debt is a first lien on every acre of land, on every house and home, on every piece of property, on every service that is rendered, on every transaction that is made.

When our leaders tell us, in justification of the constantly mounting public debt, that today the total of all indebtedness is as much as in 1929, a frank admission is made that notwithstanding what we have spent and done, one of the basic causes of the crash of 1929, namely too much debt and over-spending, exists today as one of the evils of our economic system, and as a menace to our future.

Would Avoid Disaster.

If the path of greater and greater debts leads to another depression let us avoid the disaster before it is too late.

We are told by our leaders that we must continue to add to our debts in order to have prosperity. I ask you not to accept without analysis and mature consideration the seductive theory that prosperity comes from debts and deficits. I ask you especially to reject the suggestion of Chairman Eccles that debts may not be paid. To do so would be merely to deceive ourselves. America has always paid her debts. She did so after the early wars of the Republic. She did so after the Civil War. After the World War nearly one-half of the debt created was paid, until further payments were interrupted by the depression. We are an honest people. We know that if the Government does not pay in an orderly way its debts, the citizen will not pay his debts, and financial chaos will result.

Of course it will take a long, long time to pay down the debt we have so recently incurred, and many billions of dollars in interest will be

paid out of taxes before a gradual repayment can be made. The payment of \$500,000,000 each year, as applied to the direct debt only, will take 56 continuous years to pay it down to where it was in 1933.

In considering the promises of the easy ways to return to prosperity that are offered to you, I ask you to remember that the lessons of experience are more dependable and sound than the advice of new prophets who proclaim theories that are directly contradicted not only by the experience of ourselves, but by the peoples of all other lands throughout the history of civilization who have tried these attractive schemes of spending and borrowing. It is still true that a debt must be paid. It is still true that high taxes are oppressive and still retard business, increase unemployment and increase the cost of living. It is still true that profligate relief creates abuses that will undermine the morale of the people. It is still true that society cannot lift itself by its own bootstraps by continuous spending in excess of revenue. The sooner that you, the citizens of America, and we, the lawmakers, take a realistic view of our problems, face with courage and fortitude the conditions that confront us, and eliminate waste and extravagance in governmental expenditures, the sooner we will enjoy that genuine prosperity to which this great American Republic is justly entitled.

Speaks as Business Man.

I am speaking to you tonight as a simple business man. In this day, when the brain trusters have so much to say about our Government at Washington, I am attempting to present to you the viewpoint of one who believes that after all is said and done that the simple virtues of thrift and industry are just as vital today for our success as they have been in the past in providing the foundation on which our great American Republic has made a progress — an advancement — never before attained by any other nation or any other people.

It is evident to me, as I think it must be to you, that the inspiration for a gradual retrenchment and elimination of waste and extravagance here at Washington must come more from the people themselves. As our democracy is ruled by our citizens, this is as it should be.

It is evident, too, that any retrenchment program will meet with active resistance from those in high places. For example, when at Boston I suggested a program for a gradual approach to a balanced budget, Chairman Eccles denounced this by saying: "I am convinced that your program is not only a

defeatist one, a program of retrogression and not of progression, but it would jeopardize the salvation of democracy."

I know, and we all know, that the budget cannot be balanced immediately. We have gone too far for that, but we can start now to make a gradual approach to a balanced budget and give this assurance to the country.

As one who for three years has been chairman of the Select Committee on Investigation of Executive Agencies of the Government, wherein it has been my duty to investigate all the operations of government, let me say that regardless of what any one tells you to the contrary, there is great waste in the vast bureaucracy at Washington, that there is much overlapping of activities, and I assure that great sums can be saved by eliminating such waste and duplicated effort without impairing the true and proper functions of government.

We will make a start, and a good start, by eliminating waste. I say that all squandering is waste. I think it is waste, for example, to borrow money to count trees in Cleveland, or to count chickens in New York—waste to teach the fan dance with Government money, waste to stage Communistic plays, waste to build bird nests for birds whose ancestors had been building their own nests for some centuries, and waste to expend \$19,000 upon the building of doghouses with bathtubs and curtained windows.

It is characteristic of those who desire this spending to charge that those of us who believe waste of public funds is never advisable, and may easily have dire consequences—that we who fight against needless extravagance—are willing for American citizens to starve, freeze, and suffer, and the country to stagnate because of the lack of adequate appropriations. Let me tell you that this charge, so often made, is not a truthful one. Speaking as one of that group of Senators and Congressmen who has fought against waste and extravagance, I can tell you that at no time have we opposed appropriations sufficient and reasonable to provide for the needy and to finance the necessary and proper functions of government.

For myself, I want to get public prosperity restored, not by financial manipulations on the part of the Government, but by restoring confidence on the part of the public community in the fairness of the Government by eliminating needless restrictions and restraints, and by freeing the enterprise of a great people who want jobs, not charity; work, not taxes.