

State of the Union Addresses

Herbert Hoover

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This eBook was produced by James Linden.

State of the Union Address Herbert Hoover

State of the Union Addresses

December 3, 1929

To the Senate and House of Representatives:

The Constitution requires that the President "shall, from time to time, give to the Congress information of the state of the Union, and recommend to their consideration such measures as he shall judge necessary and expedient." In complying with that requirement I wish to emphasize that during the past year the Nation has continued to grow in strength; our people have advanced in comfort; we have gained in knowledge; the education of youth has been more widely spread; moral and spiritual forces have been maintained; peace has become more assured. The problems with which we are confronted are the problems of growth and of progress. In their solution we have to determine the facts, to develop the relative importance to be assigned to such facts, to formulate a common judgment upon them, and to realize solutions in spirit of conciliation.

FOREIGN RELATIONS

We are not only at peace with all the world, but the foundations for future peace are being substantially strengthened. To promote peace is our long-established policy. Through the Kellogg-Briand pact a great moral standard has been raised in the world. By it fifty-four nations have covenanted to renounce war and to settle all disputes by pacific means. Through it a new world outlook has been inaugurated which has profoundly affected the foreign policies of nations. Since its inauguration we have initiated new efforts not only in the organization of the machinery of peace but also to eliminate dangerous forces which produce controversies amongst nations.

In January, 1926, the Senate gave its consent to adherence to the Court of International Justice with certain reservations. In September of this year the statute establishing the court has, by the action of the nations signatory, been amended to meet the Senate's reservations and to go even beyond those reservations to make clear that the court is a true international court of justice. I believe it will be clear to everyone that no controversy or question in which this country has or claims an interest can be passed on by the court without our consent at the time the question arises. The doubt about advisory opinions has been completely safeguarded. Our adherence to the International Court is, as now constituted, not the slightest step toward entry into the League of Nations. As I have before indicated, I shall direct that our signature be affixed to the protocol of adherence and shall submit it for the approval of the Senate with a special message at some time when it is convenient to deal with it.

In the hope of reducing friction in the world, and with the desire that we may reduce the great economic burdens of naval armament, we have joined in conference with Great Britain, France, Italy, and Japan to be held in London in January to consider the further limitation and reduction of naval arms. We hold high hopes that success may attend this effort.

At the beginning of the present administration the neighboring State of Mexico was beset with domestic insurrection. We maintained the embargo upon the shipment of arms to Mexico but permitted the duly constituted Government to procure supplies from our surplus war stocks. Fortunately, the Mexican Government by its own strength successfully withstood the insurrection with but slight damage. Opportunity of further peaceful development is given to that country. At the request of the Mexican Government, we have since lifted the embargo on shipment of arms altogether. The two governments have taken further steps to promote friendly relationships and so solve our differences. Conventions prolonging for a period of two years the life of the general and special claims commissions have been concluded.

In South America we are proud to have had part in the settlement of the long-standing dispute between Chile and Peru in the disposal of the question of Tacna-Arica.

The work of the commission of inquiry and conciliation between Bolivia and Paraguay, in which a representative of this Government participated, has successfully terminated an incident which seemed to threaten war. The proposed plan for final settlement as suggested by the neutral governments is still under consideration.

This Government has continued its efforts to act as a mediator in boundary difficulties between Guatemala and Honduras.

A further instance of profound importance in establishing good will was the inauguration of regular air mail service between the United States and Caribbean, Central American, and South American countries.

We still have marines on foreign soil—in Nicaragua, Haiti, and China. In the large sense we do not wish to be

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represented abroad in such manner. About 1,600 marines remain in Nicaragua at the urgent request of that government and the leaders of all parties pending the training of a domestic constabulary capable of insuring tranquility. We have already reduced these forces materially and we are anxious to withdraw them further as the situation warrants. In Haiti we have about 700 marines, but it is a much more difficult problem, the solution of which is still obscure. If Congress approves, I shall dispatch a commission to Haiti to review and study the matter in an endeavor to arrive at some more definite policy than at present. Our forces in China constitute 2,605 men, which we hope also further to reduce to the normal legation guard.

It is my desire to establish more firmly our understanding and relationships with the Latin American countries by strengthening the diplomatic missions to those countries. It is my hope to secure men long experienced in our Diplomatic Service, who speak the languages of the peoples to whom they are accredited, as chiefs of our diplomatic missions in these States. I shall send to the Senate at an early date the nominations of several such men.

The Congress has by numerous wise and foresighted acts in the past few years greatly strengthened the character of our representation abroad. It has made liberal provision for the establishment of suitable quarters for our foreign staffs in the different countries. In order, however, that we may further develop the most effective force in this, one of the most responsible functions of our Government, I shall recommend to the Congress more liberal appropriations for the work of the State Department. I know of no expenditure of public money from which a greater economic and moral return can come to us than by assuring the most effective conduct of our foreign relations.

NATIONAL DEFENSE

To preserve internal order and freedom from encroachment is the first purpose of government. Our Army and Navy are being maintained in a most efficient state under officers of high intelligence and zeal. The extent and expansion of their numbers and equipment as at present authorized are ample for this purpose.

We can well be deeply concerned, however, at the growing expense. From a total expenditure for national defense purposes in 1914 of \$267,000,000, it naturally rose with the Great War, but receded again to \$612,000,000 in 1924, when again it began to rise until during the current fiscal year the expenditures will reach to over \$730,000,000, excluding all civilian services of those departments. Programs now authorized will carry it to still larger figures in future years. While the remuneration paid to our soldiers and sailors is justly at a higher rate than that of any other country in the world, and while the cost of subsistence is higher, yet the total of our expenditures is in excess of those of the most highly militarized nations of the world.

Upon the conference shortly to be held in London will depend such moderation as we can make in naval expenditure. If we shall be compelled to undertake the naval construction implied in the Washington arms treaty as well as other construction which would appear to be necessary if no international agreement can be completed, we shall be committed during the next six years to a construction expenditure of upward of \$1,200,000,000 besides the necessary further increase in costs for annual upkeep.

After 1914 the various Army contingents necessarily expanded to the end of the Great War and then receded to the low point in 1924, when expansion again began. In 1914 the officers and men in our regular forces, both Army and Navy, were about 164,000, in 1924 there were about 256,000, and in 1929 there were about 250,000. Our citizens' army, however, including the National Guard and other forms of reserves, increase these totals up to about 299,000 in 1914, about 672,000 in 1924, and about 728,000 in 1929.

Under the Kellogg pact we have undertaken never to use war as an instrument of national policy. We have, therefore, undertaken by covenant to use these equipments solely for defensive purposes. From a defense point of view our forces should be proportioned to national need and should, therefore, to some extent be modified by the prospects of peace, which were never brighter than to-day.

It should be borne in mind that the improvement in the National Guard by Federal support begun in 1920 has definitely strengthened our national security by rendering them far more effective than ever heretofore. The advance of aviation has also greatly increased our effectiveness in defense. In addition to the very large program of air forces which we are maintaining in the Army and Navy, there has been an enormous growth of commercial aviation. This has provided unanticipated reserves in manufacturing capacity and in industrial and air personnel, which again adds to our security.

I recommend that Congress give earnest consideration to the possibilities of prudent action which will give

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relief from our continuously mounting expenditures.

FINANCES OF THE GOVERNMENT

The finances of the Government are in sound condition. I shall submit the detailed evidences and the usual recommendations in the special Budget message. I may, however, summarize our position. The public debt on June 30 this year stood at \$16,931,000,000, compared to the maximum in August, 1919, of \$26,596,000,000. Since June 30 it has been reduced by a further \$238,000,000. In the Budget to be submitted the total appropriations recommended for the fiscal year 1931 are \$3,830,445,231, as compared to \$3,976,141,651 for the present fiscal year. The present fiscal year, however, includes \$150,000,000 for the Federal Farm Board, as to which no estimate can as yet be determined for 1931.

Owing to the many necessary burdens assumed by Congress in previous years which now require large outlays, it is with extreme difficulty that we shall be able to keep the expenditures for the next fiscal year within the bounds of the present year. Economies in many directions have permitted some accommodation of pressing needs, the net result being an increase, as shown above, of about one-tenth of 1 per cent above the present fiscal year. We can not fail to recognize the obligations of the Government in support of the public welfare but we must coincidentally bear in mind the burden of taxes and strive to find relief through some tax reduction. Every dollar so returned fertilizes the soil of prosperity.

TAX REDUCTION

The estimate submitted to me by the Secretary of the Treasury and the Budget Director indicates that the Government will close the fiscal year 1930 with a surplus of about \$225,000,000 and the fiscal year 1931 with a surplus of about \$123,000,000. Owing to unusual circumstances, it has been extremely difficult to estimate future revenues with accuracy.

I believe, however, that the Congress will be fully justified in giving the benefits of the prospective surpluses to the taxpayers, particularly as ample provision for debt reduction has been made in both years through the form of debt retirement from ordinary revenues. In view of the uncertainty in respect of future revenues and the comparatively small size of the indicated surplus in 1931, relief should take the form of a provisional revision of tax rates.

I recommend that the normal income tax rates applicable to the incomes of individuals for the calendar year 1929 be reduced from 5, 3, and 1 ½ per cent, to 4, 2, and ½ per cent, and that the tax on the income of corporations for the calendar year 1929 be reduced from 12 to 11 per cent. It is estimated that this will result in a reduction of \$160,000,000 in income taxes to be collected during the calendar year 1930. The loss in revenue will be divided approximately equally between the fiscal years 1930 and 1931. Such a program will give a measure of tax relief to the maximum number of taxpayers, with relatively larger benefits to taxpayers with small or moderate incomes.

FOREIGN DEBTS

The past year has brought us near to completion of settlements of the indebtedness of foreign governments to the United States.

The act of Congress approved February 4, 1929, authorized the settlement with the Government of Austria along lines similar to the terms of settlement offered by that Government to its other relief creditors. No agreement has yet been concluded with that government, but the form of agreement has been settled and its execution only awaits the Government of Austria securing the assent by all the other relief creditors of the terms offered. The act of Congress approved February 14, 1929, authorized the settlement with the Government of Greece, and an agreement was concluded on May 10, 1929.

The Government of France ratified the agreement with us on July 27, 1929. This agreement will shortly be before the Congress and I recommend its approval.

The only indebtedness of foreign governments to the United States now unsettled is that of Russia and Armenia.

During the past year a committee of distinguished experts under American leadership submitted a plan looking to a revision of claims against Germany by the various Governments. The United States denied itself any participation in the war settlement of general reparations and our claims are comparatively small in amount. They arise from costs of the army of occupation and claims of our private citizens for losses under awards from the Mixed Claims Commission established under agreement with the German Government. In finding a basis for

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settlement it was necessary for the committee of experts to request all the Governments concerned to make some contribution to the adjustment and we have felt that we should share a proportion of the concessions made.

The State and Treasury Departments will be in a position shortly to submit for your consideration a draft of an agreement to be executed between the United States and Germany providing for the payments of these revised amounts. A more extensive statement will be submitted at that time.

The total amount of indebtedness of the various countries to the United States now funded is \$11,579,465,885. This sum was in effect provided by the issue of United States Government bonds to our own people. The payments of the various Governments to us on account of principal and interest for 1930 are estimated at a total of about \$239,000,000, for 1931 at about \$236,000,000, for 1932 at about \$246,000,000. The measure of American compromise in these settlements may be appreciated from the fact that our taxpayers are called upon to find annually about \$475,000,000 in interest and in addition to redeem the principal of sums borrowed by the United States Government for these purposes.

ALIEN ENEMY PROPERTY

The wise determination that this property seized in war should be returned to its owners has proceeded with considerable rapidity. Of the original seized cash and property (valued at a total of about \$625,000,000), all but \$111,566,700 has been returned. Most of the remainder should be disposed of during the next year.

GENERAL ECONOMIC SITUATION

The country has enjoyed a large degree of prosperity and sound progress during the past year with a steady improvement in methods of production and distribution and consequent advancement in standards of living. Progress has, of course, been unequal among industries, and some, such as coal, lumber, leather, and textiles, still lag behind. The long upward trend of fundamental progress, however, gave rise to over-optimism as to profits, which translated itself into a wave of uncontrolled speculation in securities, resulting in the diversion of capital from business to the stock market and the inevitable crash. The natural consequences have been a reduction in the consumption of luxuries and semi-necessities by those who have met with losses, and a number of persons thrown temporarily out of employment. Prices of agricultural products dealt in upon the great markets have been affected in sympathy with the stock crash.

Fortunately, the Federal reserve system had taken measures to strengthen the position against the day when speculation would break, which together with the strong position of the banks has carried the whole credit system through the crisis without impairment. The capital which has been hitherto absorbed in stock-market loans for speculative purposes is now returning to the normal channels of business. There has been no inflation in the prices of commodities; there has been no undue accumulation of goods, and foreign trade has expanded to a magnitude which exerts a steadying influence upon activity in industry and employment.

The sudden threat of unemployment and especially the recollection of the economic consequences of previous crashes under a much less secured financial system created unwarranted pessimism and fear. It was recalled that past storms of similar character had resulted in retrenchment of construction, reduction of wages, and laying off of workers. The natural result was the tendency of business agencies throughout the country to pause in their plans and proposals for continuation and extension of their businesses, and this hesitation unchecked could in itself intensify into a depression with widespread unemployment and suffering.

I have, therefore, instituted systematic, voluntary measures of cooperation with the business institutions and with State and municipal authorities to make certain that fundamental businesses of the country shall continue as usual, that wages and therefore consuming power shall not be reduced, and that a special effort shall be made to expand construction work in order to assist in equalizing other deficits in employment. Due to the enlarged sense of cooperation and responsibility which has grown in the business world during the past few years the response has been remarkable and satisfactory. We have canvassed the Federal Government and instituted measures of prudent expansion in such work that should be helpful, and upon which the different departments will make some early recommendations to Congress.

I am convinced that through these measures we have reestablished confidence. Wages should remain stable. A very large degree of industrial unemployment and suffering which would otherwise have occurred has been prevented. Agricultural prices have reflected the returning confidence. The measures taken must be vigorously pursued until normal conditions are restored. AGRICULTURE

The agricultural situation is improving. The gross farm income as estimated by the Department of Agriculture

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for the crop season 1926–27 was \$12,100,000,000; for 1927–28 it was \$12,300,000,000; for 1928–29 it was \$12,500,000,000; and estimated on the basis of prices since the last harvest the value of the 1929–30 crop would be over \$12,650,000,000. The slight decline in general commodity prices during the past few years naturally assists the farmers' buying power.

The number of farmer bankruptcies is very materially decreased below previous years. The decline in land values now seems to be arrested and rate of movement from the farm to the city has been reduced. Not all sections of agriculture, of course, have fared equally, and some areas have suffered from drought. Responsible farm leaders have assured me that a large measure of confidence is returning to agriculture and that a feeling of optimism pervades that industry.

The most extensive action for strengthening the agricultural industry ever taken by any government was inaugurated through the farm marketing act of June 15 last. Under its provisions the Federal Farm Board has been established, comprised of men long and widely experienced in agriculture and sponsored by the farm organizations of the country. During its short period of existence the board has taken definite steps toward a more efficient organization of agriculture, toward the elimination of waste in marketing, and toward the upbuilding of farmers' marketing organizations on sounder and more efficient lines. Substantial headway has been made in the organization of four of the basic commodities—grain, cotton, livestock, and wool. Support by the board to cooperative marketing organizations and other board activities undoubtedly have served to steady the farmers' market during the recent crisis and have operated also as a great stimulus to the cooperative organization of agriculture. The problems of the industry are most complex, and the need for sound organization is imperative. Yet the board is moving rapidly along the lines laid out for it in the act, facilitating the creation by farmers of farmer-owned and farmer-controlled organizations and federating them into central institutions, with a view to increasing the bargaining power of agriculture, preventing and controlling surpluses, and mobilizing the economic power of agriculture.

THE TARIFF

The special session of Congress was called to expedite the fulfillment of party pledges of agricultural relief and the tariff. The pledge of farm relief has been carried out. At that time I stated the principles upon which I believed action should be taken in respect to the tariff: "An effective tariff upon agricultural products, that will compensate the farmer's higher costs and higher standards of living, has a dual purpose. Such a tariff not only protects the farmer in our domestic market but it also stimulates him to diversify his crops and to grow products that he could not otherwise produce, and thus lessens his dependence upon exports to foreign markets. The great expansion of production abroad under the conditions I have mentioned renders foreign competition in our export markets increasingly serious. It seems but natural, therefore, that the American farmer, having been greatly handicapped in his foreign market by such competition from the younger expanding countries, should ask that foreign access to our domestic market should be regulated by taking into account the differences in our costs of production.

"In considering the tariff for other industries than agriculture, we find that there have been economic shifts necessitating a readjustment of some of the tariff schedules. Seven years of experience under the tariff bill enacted in 1922 have demonstrated the wisdom of Congress in the enactment of that measure. On the whole it has worked well. In the main our wages have been maintained at high levels; our exports and imports have steadily increased; with some exceptions our manufacturing industries have been prosperous. Nevertheless, economic changes have taken place during that time which have placed certain domestic products at a disadvantage and new industries have come into being, all of which create the necessity for some limited changes in the schedules and in the administrative clauses of the laws as written in 1922.

"It would seem to me that the test of necessity for revision is, in the main, whether there has been a substantial slackening of activity in an industry during the past few years, and a consequent decrease of employment due to insurmountable competition in the products of that industry. It is not as if we were setting up a new basis of protective duties. We did that seven years ago. What we need to remedy now is whatever substantial loss of employment may have resulted from shifts since that time.

"In determining changes in our tariff we must not fail to take into account the broad interests of the country as a whole, and such interests include our trade relations with other countries." No condition has arisen in my view to change these principles stated at the opening of the special session. I am firmly of the opinion that their

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application to the pending revision will give the country the kind of a tariff law it both needs and wants. It would be most helpful if action should be taken at an early moment, more especially at a time when business and agriculture are both cooperating to minimize future uncertainties. It is just that they should know what the rates are to be.

Even a limited revision requires the consideration and readjustment of many items. The exhaustive inquiries and valuable debate from men representative of all parts of the country which is needed to determine the detailed rates must necessarily be accomplished in the Congress. However perfectly this rate structure may be framed at any given time, the shifting of economic forces which inevitably occurs will render changes in some items desirable between the necessarily long intervals of congressional revision. Injustices are bound to develop, such as were experienced by the dairymen, the flaxseed producers, the glass industry, and others, under the 1922 rates. For this reason, I have been most anxious that the broad principle of the flexible tariff as provided in the existing law should be preserved and its delays in action avoided by more expeditious methods of determining the costs of production at home and abroad, with executive authority to promulgate such changes upon recommendation of the Tariff Commission after exhaustive investigation. Changes by the Congress in the isolated items such as those to which I have referred would have been most unlikely both because of the concentrations of oppositions in the country, who could see no advantage to their own industry or State, and because of the difficulty of limiting consideration by the Congress to such isolated cases.

There is no fundamental conflict between the interests of the farmer and the worker. Lowering of the standards of living of either tends to destroy the other. The prosperity of one rests upon the well-being of the other. Nor is there any real conflict between the East and the West or the North and the South in the United States. The complete interlocking of economic dependence, the common striving for social and spiritual progress, our common heritage as Americans, and the infinite web of national sentiment, have created a solidarity in a great people unparalleled in all human history. These invisible bonds should not and can not be shattered by differences of opinion growing out of discussion of a tariff.

PUBLIC BUILDINGS

Under the provisions of various acts of Congress \$300,000,000 has been authorized for public buildings and the land upon which to construct them, being \$75,000,000 for the District of Columbia and \$225,000,000 for the country at large. Excluding \$25,000,000 which is for the acquisition of land in the so-called "triangle" in this city, this public building legislation provides for a five-year program for the District of Columbia and between an eight and nine year program for the country at large. Of this sum approximately \$27,400,000 was expended up to June 30 last, of which \$11,400,000 has been expended in the District and \$16,000,000 outside.

Even this generous provision for both the District of Columbia and the country is insufficient for most pressing governmental needs. Expensive rents and inadequate facilities are extravagance and not economy. In the District even after the completion of these projects we shall have fully 20,000 clerks housed in rented and temporary war buildings which can last but a little longer.

I therefore recommend that consideration should be given to the extension of authorizations both for the country at large and for the District of Columbia again distributed over a term of years. A survey of the need in both categories has been made by the Secretary of the Treasury and the Postmaster General. It would be helpful in the present economic situation if such steps were taken as would enable early construction work.

An expedition and enlargement of the program in the District would bring about direct economies in construction by enabling the erection of buildings in regular sequence. By maintaining a stable labor force in the city, contracts can be made on more advantageous terms.

The earlier completion of this program which is an acknowledged need would add dignity to the celebration in 1932 of the two hundredth anniversary of the birth of President Washington.

In consideration of these projects which contribute so much to dignify the National Capital I should like to renew the suggestion that the Fine Arts Commission should be required to pass upon private buildings which are proposed for sites facing upon public buildings and parks. Without such control much of the effort of the Congress in beautification of the Capital will be minimized.

THE WATERWAYS AND FLOOD CONTROL

The development of inland waterways has received new impulse from the completion during this year of the canalization of the Ohio to a uniform 9-foot depth. The development of the other segments of the Mississippi

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system should be expedited and with this in view I am recommending an increase in appropriations for rivers and harbors from \$50,000,000 to \$55,000,000 per annum which, together with about \$4,000,000 per annum released by completion of the Ohio, should make available after providing for other river and harbor works a sum of from \$25,000,000 to \$30,000,000 per annum for the Mississippi system and thus bring it to early completion.

Conflict of opinion which has arisen over the proposed floodway from the Arkansas River to the Gulf of Mexico via the Atchafalaya River has led me to withhold construction upon this portion of the Mississippi flood control plan until it could be again reviewed by the engineers for any further recommendation to Congress. The other portions of the project are being vigorously prosecuted and I have recommended an increase in appropriations for this from \$30,000,000 of the present year to \$35,000,000 during the next fiscal year.

Expansion of our intracoastal waterways to effective barge depths is well warranted. We are awaiting the action of Canada upon the St. Lawrence waterway project.

HIGHWAYS

There are over 3,000,000 miles of legally established highways in the United States, of which about 10 per cent are included in the State highway systems, the remainder being county and other local roads. About 626,000 miles have been improved with some type of surfacing, comprising some 63 per cent of the State highway systems and 16 per cent of the local roads. Of the improved roads about 102,000 miles are hard surfaced, comprising about 22 per cent of the State highway systems and about 8 per cent of the local roads.

While proper planning should materially reduce the listed mileage of public roads, particularly in the agricultural districts, and turn these roads back to useful purposes, it is evident that road construction must be a long-continued program. Progress in improvement is about 50,000 miles of all types per annum, of which some 12,000 miles are of the more durable types. The total expenditures of Federal, State, and local governments last year for construction and maintenance assumed the huge total of \$1,660,000,000.

Federal aid in the construction of the highway systems in conjunction with the States has proved to be beneficial and stimulating. We must ultimately give consideration to the increase of our contribution to these systems, particularly with a view to stimulating the improvement of farm-to-market roads.

POST OFFICE

Our Post Office deficit has now increased to over \$80,000,000 a year, of which perhaps \$14,000,000 is due to losses on ocean mail and air mail contracts. The department is making an exhaustive study of the sources of the deficit with view to later recommendation to Congress in respect to it.

The Post Office quarters are provided in part by the Federal construction, in part by various forms of rent and lease arrangements. The practice has grown up in recent years of contracting long term leases under which both rent and amortization principal cost of buildings is included. I am advised that fully 40 per cent could be saved from many such rent and lease agreements even after allowing interest on the capital required at the normal Government rate. There are also many objectionable features to some of these practices. The provision of adequate quarters for the Post Office should be put on a sound basis.

A revision of air mail rates upon a more systematic and permanent footing is necessary. The subject is under study, and if legislation should prove necessary the subject will be presented to the Congress. In the meantime I recommend that the Congress should consider the desirability of authorizing further expansion of the South American services.

COMMERCIAL AVIATION

During the past year progress in civil aeronautics has been remarkable. This is to a considerable degree due to the wise assistance of the Federal Government through the establishment and maintenance of airways by the Department of Commerce and the mail contracts from the Post Office Department. The Government-improved airways now exceed 25,000 miles—more than 14,000 miles of which will be lighted and equipped for night-flying operations by the close of the current year. Airport construction through all the States is extremely active. There are now 1,000 commercial and municipal airports in operation with an additional 1,200 proposed for early development.

Through this assistance the Nation is building a sound aviation system, operated by private enterprise. Over 6,400 planes are in commercial use, and 9,400 pilots are licensed by the Government. Our manufacturing capacity has risen to 7,500 planes per annum. The aviation companies have increased regular air transportation until it now totals 90,000 miles per day—one-fourth of which is flown by night. Mail and express services now connect our principal cities, and extensive services for passenger transportation have been inaugurated, and others of

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importance are imminent. American air lines now reach into Canada and Mexico, to Cuba, Porto Rico, Central America, and most of the important countries of South America. RAILWAYS

As a whole, the railroads never were in such good physical and financial condition, and the country has never been so well served by them. The greatest volume of freight traffic ever tendered is being carried at a speed never before attained and with satisfaction to the shippers. Efficiencies and new methods have resulted in reduction in the cost of providing freight transportation, and freight rates show a continuous descending line from the level enforced by the World War.

We have, however, not yet assured for the future that adequate system of transportation through consolidations which was the objective of the Congress in the transportation act. The chief purpose of consolidation is to secure well-balanced systems with more uniform and satisfactory rate structure, a more stable financial structure, more equitable distribution of traffic, greater efficiency, and single-line instead of multiple-line hauls. In this way the country will have the assurance of better service and ultimately at lower and more even rates than would otherwise be attained. Legislation to simplify and expedite consolidation methods and better to protect public interest should be enacted.

Consideration should also be given to relief of the members of the Commission from the necessity of detailed attention to comparatively inconsequential matters which, under the existing law, must receive their direct and personal consideration. It is in the public interest that the members of the Commission should not be so pressed by minor matters that they have inadequate time for investigation and consideration of the larger questions committed to them for solution. As to many of these minor matters, the function of the Commission might well be made revisory, and the primary responsibility delegated to subordinate officials after the practice long in vogue in the executive departments.

MERCHANT MARINE

Under the impulse of the merchant marine act of 1928 the transfer to private enterprise of the Government-owned steamship lines is going forward with increasing success. The Shipping Board now operates about 18 lines, which is less than half the number originally established, and the estimate of expenditures for the coming fiscal year is based upon reduction in losses on Government lines by approximately one-half. Construction loans have been made to the amount of approximately \$75,000,000 out of the revolving fund authorized by Congress and have furnished an additional aid to American shipping and further stimulated the building of vessels in American yards.

Desirous of securing the full values to the Nation of the great effort to develop our merchant marine by the merchant marine act soon after the inauguration of the present administration, I appointed an interdepartmental committee, consisting of the Secretary of Commerce, as chairman, the Secretary of the Navy, the Postmaster General, and the chairman of the Shipping Board, to make a survey of the policies being pursued under the act of 1928 in respect of mail contracts; to inquire into its workings and to advise the Postmaster General in the administration of the act.

In particular it seemed to me necessary to determine if the result of the contracts already let would assure the purpose expressed in the act, "to further develop an American merchant marine, to assure its permanence in the transportation of the foreign trade of the United States, and for other purposes," and to develop a coordinated policy by which these purposes may be translated into actualities.

In review of the mail contracts already awarded it was found that they aggregated 25 separate awards imposing a governmental obligation of a little over \$12,000,000 per annum. Provision had been imposed in five of the contracts for construction of new vessels with which to replace and expand services. These requirements come to a total of 12 vessels in the 10-year period, aggregating 122,000 tons. Some other conditions in the contracts had not worked out satisfactorily.

That study has now been substantially completed and the committee has advised the desirability and the necessity of securing much larger undertakings as to service and new construction in future contracts. The committee at this time is recommending the advertising of 14 additional routes, making substantial requirements for the construction of new vessels during the life of each contract recommended. A total of 40 new vessels will be required under the contracts proposed, about half of which will be required to be built during the next three years. The capital cost of this new construction will be approximately \$250,000,000, involving approximately 460,000 gross tons. Should bidders be found who will make these undertakings, it will be necessary to

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recommend to Congress an increase in the authorized expenditure by the Post Office of about \$5,500,000 annually. It will be most advantageous to grant such an authority.

A conflict as to the administration of the act has arisen in the contention of persons who have purchased Shipping Board vessels that they are entitled to mail contracts irrespective of whether they are the lowest bidder, the Post Office, on the other hand, being required by law to let contracts in that manner. It is urgent that Congress should clarify this situation.

THE BANKING SYSTEM

It is desirable that Congress should consider the revision of some portions of the banking law.

The development of "group" and "chain" banking presents many new problems. The question naturally arises as to whether if allowed to expand without restraint these methods would dangerously concentrate control of credit, and whether they would not in any event seriously threaten one of the fundamentals of the American credit system—which is that credit which is based upon banking deposits should be controlled by persons within those areas which furnish these deposits and thus be subject to the restraints of local interest and public opinion in those areas. To some degree, however, this movement of chain or group banking is a groping for stronger support to the banks and a more secure basis for these institutions.

The growth in size and stability of the metropolitan banks is in marked contrast to the trend in the country districts, with its many failures and the losses these failures have imposed upon the agricultural community.

The relinquishment of charters of national banks in great commercial centers in favor of State charters indicates that some conditions surround the national banks which render them unable to compete with State banks; and their withdrawal results in weakening our national banking system.

It has been proposed that permission should be granted to national banks to engage in branch banking of a nature that would preserve within limited regions the local responsibility and the control of such credit institutions.

All these subjects, however, require careful investigation, and it might be found advantageous to create a joint commission embracing Members of the Congress and other appropriate Federal officials for subsequent report.

ELECTRICAL POWER REGULATION

The Federal Power Commission is now comprised of three Cabinet officers, and the duties involved in the competent conduct of the growing responsibilities of this commission far exceed the time and attention which these officials can properly afford from other important duties. I recommended that authority be given for the appointment of full-time commissioners to replace them.

It is also desirable that the authority of the commission should be extended to certain phases of power regulation. The nature of the electric utilities industry is such that about 90 per cent of all power generation and distribution is intrastate in character, and most of the States have developed their own regulatory systems as to certificates of convenience, rates, and profits of such utilities. To encroach upon their authorities and responsibilities would be an encroachment upon the rights of the States. There are cases, however, of interstate character beyond the jurisdiction of the States. To meet these cases it would be most desirable if a method could be worked out by which initial action may be taken between the commissions of the States whose joint action should be made effective by the Federal Power Commission with a reserve to act on its own motion in case of disagreement or nonaction by the States.

THE RADIO COMMISSION

I recommend the reorganization of the Radio Commission into a permanent body from its present temporary status. The requirement of the present law that the commissioners shall be appointed from specified zones should be abolished and a general provision made for their equitable selection from different parts of the country. Despite the effort of the commissioners, the present method develops a public insistence that the commissioners are specially charged with supervision of radio affairs in the zone from which each is appointed. As a result there is danger that the system will degenerate from a national system into five regional agencies with varying practices, varying policies, competitive tendencies, and consequent failure to attain its utmost capacity for service to the people as a whole.

MUSCLE SHOALS

It is most desirable that this question should be disposed of. Under present conditions the income from these plants is less than could otherwise be secured for its use, and more especially the public is not securing the full

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benefits which could be obtained from them.

It is my belief that such parts of these plants as would be useful and the revenues from the remainder should be dedicated for all time to the farmers of the United States for investigation and experimentation on a commercial scale in agricultural chemistry. By such means advancing discoveries of science can be systematically applied to agricultural need, and development of the chemical industry of the Tennessee Valley can be assured.

I do not favor the operation by the Government of either power or manufacturing business except as an unavoidable by-product of some other major public purpose.

Any form of settlement of this question will imply entering upon a contract or contracts for the lease of the plants either as a whole or in parts and the reservation of facilities, products, or income for agricultural purposes. The extremely technical and involved nature of such contracts dealing with chemical and electrical enterprises, added to the unusual difficulties surrounding these special plants, and the rapid commercial changes now in progress in power and synthetic nitrogen manufacture, lead me to suggest that Congress create a special commission, not to investigate and report as in the past, but with authority to negotiate and complete some sort of contract or contracts on behalf of the Government, subject, of course, to such general requirements as Congress may stipulate.

BOULDER DAM

The Secretary of the Interior is making satisfactory progress in negotiation of the very complex contracts required for the sale of the power to be generated at this project. These contracts must assure the return of all Government outlays upon the project. I recommend that the necessary funds be appropriated for the initiation of this work as soon as the contracts are in the hands of Congress. CONSERVATION

Conservation of national resources is a fixed policy of the Government. Three important questions bearing upon conservation of the public lands have become urgent.

Conservation of our oil and gas resources against future need is a national necessity. The working of the oil permit system in development of oil and gas resources on the public domain has been subject to great abuse. I considered it necessary to suspend the issuance of such permits and to direct the review of all outstanding permits as to compliance of the holders with the law. The purpose was not only to end such abuse but to place the Government in position to review the entire subject.

We are also confronted with a major problem in conservation due to the overgrazing on public lands. The effect of overgrazing (which has now become general) is not only to destroy the ranges but by impairing the ground coverage seriously to menace the water supply in many parts of the West through quick run-off, spring floods, and autumn drought.

We have a third problem of major dimensions in the reconsideration of our reclamation policy. The inclusion of most of the available lands of the public domain in existing or planned reclamation projects largely completes the original purpose of the Reclamation Service. There still remains the necessity for extensive storage of water in the arid States which renders it desirable that we should give a wider vision and purpose to this service.

To provide for careful consideration of these questions and also of better division of responsibilities in them as between the State and Federal Governments, including the possible transfer to the States for school purposes of the lands unreserved for forests, parks, power, minerals, etc., I have appointed a Commission on Conservation of the Public Domain, with a membership representing the major public land States and at the same time the public at large. I recommend that Congress should authorize a moderate sum to defray their expenses.

SOCIAL SERVICE

The Federal Government provides for an extensive and valuable program of constructive social service, in education, home building, protection to women and children, employment, public health, recreation, and many other directions.

In a broad sense Federal activity in these directions has been confined to research and dissemination of information and experience, and at most to temporary subsidies to the States in order to secure uniform advancement in practice and methods. Any other attitude by the Federal Government will undermine one of the most precious possessions of the American people; that is, local and individual responsibility. We should adhere to this policy.

Federal officials can, however, make a further and most important contribution by leadership in stimulation of the community and voluntary agencies, and by extending Federal assistance in organization of these forces and

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bringing about cooperation among them.

As an instance of this character, I have recently, in cooperation with the Secretaries of Interior and Labor, laid the foundations of an exhaustive inquiry into the facts precedent to a nation-wide White House conference on child health and protection. This cooperative movement among interested agencies will impose no expense upon the Government. Similar nation-wide conferences will be called in connection with better housing and recreation at a later date.

In view of the considerable difference of opinion as to the policies which should be pursued by the Federal Government with respect to education, I have appointed a committee representative of the important educational associations and others to investigate and present recommendations. In cooperation with the Secretary of the Interior, I have also appointed a voluntary committee of distinguished membership to assist in a nation-wide movement for abolition of illiteracy.

I have recommended additional appropriations for the Federal employment service in order that it may more fully cover its cooperative work with State and local services. I have also recommended additional appropriations for the Women's and Children's Bureaus for much needed research as to facts which I feel will prove most helpful.

PUBLIC HEALTH

The advance in scientific discovery as to disease and health imposes new considerations upon us. The Nation as a whole is vitally interested in the health of all the people; in protection from spread of contagious disease; in the relation of physical and mental disabilities to criminality; and in the economic and moral advancement which is fundamentally associated with sound body and mind. The organization of preventive measures and health education in its personal application is the province of public health service. Such organization should be as universal as public education. Its support is a proper burden upon the taxpayer. It can not be organized with success, either in its sanitary or educational phases, except under public authority. It should be based upon local and State responsibility, but I consider that the Federal Government has an obligation of contribution to the establishment of such agencies.

In the practical working out of organization, exhaustive experiment and trial have demonstrated that the base should be competent organization of the municipality, county, or other local unit. Most of our municipalities and some 400 rural counties out of 3,000 now have some such unit organization. Where highly developed, a health unit comprises at least a physician, sanitary engineer, and community nurse with the addition, in some cases, of another nurse devoted to the problems of maternity and children. Such organization gives at once a fundamental control of preventive measures and assists in community instruction. The Federal Government, through its interest in control of contagion, acting through the United States Public Health Service and the State agencies, has in the past and should in the future concern itself with this development, particularly in the many rural sections which are unfortunately far behind in progress. Some parts of the funds contributed under the Sheppard-Towner Act through the Children's Bureau of the Department of Labor have also found their way into these channels.

I recommend to the Congress that the purpose of the Sheppard Towner Act should be continued through the Children's Bureau for a limited period of years; and that the Congress should consider the desirability of confining the use of Federal funds by the States to the building up of such county or other local units, and that such outlay should be positively coordinated with the funds expended through the United States Public Health Service directed to other phases of the same county or other local unit organization. All funds appropriated should of course be applied through the States, so that the public health program of the county or local unit will be efficiently coordinated with that of the whole State.

FEDERAL PRISONS

Closely related to crime conditions is the administration of the Federal prison system. Our Federal penal institutions are overcrowded, and this condition is daily becoming worse. The parole and probation systems are inadequate. These conditions make it impossible to perform the work of personal reconstruction of prisoners so as to prepare them for return to the duties of citizenship. In order to relieve the pressing evils I have directed the temporary transfer of the Army Disciplinary Barracks at Leavenworth to the Department of Justice for use as a Federal prison. Not only is this temporary but it is inadequate for present needs.

We need some new Federal prisons and a reorganization of our probation and parole systems; and there should be established in the Department of Justice a Bureau of Prisons with a sufficient force to deal adequately

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with the growing activities of our prison institutions. Authorization for the improvements should be given speedily, with initial appropriations to allow the construction of the new institutions to be undertaken at once.

IMMIGRATION

Restriction of immigration has from every aspect proved a sound national policy. Our pressing problem is to formulate a method by which the limited number of immigrants whom we do welcome shall be adapted to our national setting and our national needs.

I have been opposed to the basis of the quotas now in force and I have hoped that we could find some practical method to secure what I believe should be our real national objective; that is, fitness of the immigrant as to physique, character, training, and our need of service. Perhaps some system of priorities within the quotas could produce these results and at the same time enable some hardships in the present system to be cleared up. I recommend that the Congress should give the subject further study, in which the executive departments will gladly cooperate with the hope of discovering such method as will more fully secure our national necessities.

VETERANS

It has been the policy of our Government almost from its inception to make provision for the men who have been disabled in defense of our country. This policy should be maintained. Originally it took the form of land grants and pensions. This system continued until our entry into the World War. The Congress at that time inaugurated a new plan of compensation, rehabilitation, hospitalization, medical care and treatment, and insurance, whereby benefits were awarded to those veterans and their immediate dependents whose disabilities were attributable to their war service. The basic principle in this legislation is sound.

In a desire to eliminate all possibilities of injustice due to difficulties in establishing service connection of disabilities, these principles have been to some degree extended. Veterans whose diseases or injuries have become apparent within a brief period after the war are now receiving compensation; insurance benefits have been liberalized. Emergency officers are now receiving additional benefits. The doors of the Government's hospitals have been opened to all veterans, even though their diseases or injuries were not the result of their war service. In addition adjusted service certificates have been issued to 3,433,300 veterans. This in itself will mean an expenditure of nearly \$3,500,000,000 before 1945, in addition to the \$600,000,000 which we are now appropriating annually for our veterans' relief.

The administration of all laws concerning the veterans and their dependents has been upon the basis of dealing generously, humanely, and justly. While some inequalities have arisen, substantial and adequate care has been given and justice administered. Further improvement in administration may require some amendment from time to time to the law, but care should be taken to see that such changes conform to the basic principles of the legislation.

I am convinced that we will gain in efficiency, economy, and more uniform administration and better definition of national policies if the Pension Bureau, the National Home for Volunteer Soldiers, and the Veterans' Bureau are brought together under a single agency. The total appropriations to these agencies now exceed \$800,000,000 per annum.

CIVIL SERVICE

Approximately four-fifths of all the employees in the executive civil service now occupy positions subject to competitive examination under the civil service law.

There are, however, still commanding opportunities for extending the system. These opportunities lie within the province of Congress and not the President. I recommend that a further step be taken by authorization that appointments of third-class postmasters be made under the civil service law.

DEPARTMENTAL REORGANIZATION

This subject has been under consideration for over 20 years. It was promised by both political parties in the recent campaign. It has been repeatedly examined by committees and commissions—congressional, executive, and voluntary. The conclusions of these investigations have been unanimous that reorganization is a necessity of sound administration; of economy; of more effective governmental policies and of relief to the citizen from unnecessary harassment in his relations with a multitude of scattered governmental agencies. But the presentation of any specific plan at once enlivens opposition from every official whose authority may be curtailed or who fears his position is imperiled by such a result; of bureaus and departments which wish to maintain their authority and activities; of citizens and their organizations who are selfishly interested, or who are inspired by fear that their

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favorite bureau may, in a new setting, be less subject to their influence or more subject to some other influence.

It seems to me that the essential principles of reorganization are two in number. First, all administrative activities of the same major purpose should be placed in groups under single-headed responsibility; second, all executive and administrative functions should be separated from boards and commissions and placed under individual responsibility, while quasi-legislative and quasi-judicial and broadly advisory functions should be removed from individual authority and assigned to boards and commissions. Indeed, these are the fundamental principles upon which our Government was founded, and they are the principles which have been adhered to in the whole development of our business structure, and they are the distillation of the common sense of generations.

For instance, the conservation of national resources is spread among eight agencies in five departments. They suffer from conflict and overlap. There is no proper development and adherence to broad national policies and no central point where the searchlight of public opinion may concentrate itself. These functions should be grouped under the direction of some such official as an assistant secretary of conservation. The particular department or cabinet officer under which such a group should be placed is of secondary importance to the need of concentration. The same may be said of educational services, of merchant marine aids, of public works, of public health, of veterans' services, and many others, the component parts of which are widely scattered in the various departments and independent agencies. It is desirable that we first have experience with these different groups in action before we create new departments. These may be necessary later on.

With this background of all previous experience I can see no hope for the development of a sound reorganization of the Government unless Congress be willing to delegate its authority over the problem (subject to defined principles) to the Executive, who should act upon approval of a joint committee of Congress or with the reservation of power of revision by Congress within some limited period adequate for its consideration.

PROHIBITION

The first duty of the President under his oath of office is to secure the enforcement of the laws. The enforcement of the laws enacted to give effect to the eighteenth amendment is far from satisfactory and this is in part due to the inadequate organization of the administrative agencies of the Federal Government. With the hope of expediting such reorganization, I requested on June 6 last that Congress should appoint a joint committee to collaborate with executive agencies in preparation of legislation. It would be helpful if it could be so appointed. The subject has been earnestly considered by the Law Enforcement Commission and the administrative officials of the Government. Our joint conclusions are that certain steps should be taken at once. First, there should be an immediate concentration of responsibility and strengthening of enforcement agencies of the Federal Government by transfer to the Department of Justice of the Federal functions of detection and to a considerable degree of prosecution, which are now lodged in the Prohibition Bureau in the Treasury; and at the same time the control of the distribution of industrial alcohol and legalized beverages should remain in the Treasury. Second, provision should be made for relief of congestion in the Federal courts by modifying and simplifying the procedure for dealing with the large volume of petty prosecutions under various Federal acts. Third, there should be a codification of the laws relating to prohibition to avoid the necessity which now exists of resorting to more than 25 statutes enacted at various times over 40 years. Technical defects in these statutes that have been disclosed should be cured. I would add to these recommendations the desirability of reorganizing the various services engaged in the prevention of smuggling into one border patrol under the Coast Guard. Further recommendations upon the subject as a whole will be developed after further examination by the Law Enforcement Commission, but it is not to be expected that any criminal law will ever be fully enforced so long as criminals exist.

The District of Columbia should be the model of city law enforcement in the Nation. While conditions here are much better than in many other cities, they are far from perfect, and this is due in part to the congestion of criminal cases in the Supreme Court of the District, resulting in long delays. Furthermore, there is need for legislation in the District supplementing the national prohibition act, more sharply defining and enlarging the duties and powers of the District Commissioners and the police of the District, and opening the way for better cooperation in the enforcement of prohibition between the District officials and the prohibition officers of the Federal Government. It is urgent that these conditions be remedied.

LAW ENFORCEMENT AND OBSERVANCE

No one will look with satisfaction upon the volume of crime of all kinds and the growth of organized crime in our country. We have pressing need so to organize our system of administering criminal justice as to establish full

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vigor and effectiveness. We need to reestablish faith that the highest interests of our country are served by insistence upon the swift and even-handed administration of justice to all offenders, whether they be rich or poor. That we shall effect improvement is vital to the preservation of our institutions. It is the most serious issue before our people.

Under the authority of Congress I have appointed a National Commission on Law Observance and Enforcement, for an exhaustive study of the entire problem of the enforcement of our laws and the improvement of our judicial system, including the special problems and abuses growing out of the prohibition laws. The commission has been invited to make the widest inquiry into the shortcomings of the administration of justice and into the causes and remedies for them. It has organized its work under subcommittees dealing with the many contributory causes of our situation and has enlisted the aid of investigators in fields requiring special consideration. I am confident that as a result of its studies now being carried forward it will make a notable contribution to the solution of our pressing problems.

Pending further legislation, the Department of Justice has been striving to weed out inefficiency wherever it exists, to stimulate activity on the part of its prosecuting officers, and to use increasing care in examining into the qualifications of those appointed to serve as prosecutors. The department is seeking systematically to strengthen the law enforcement agencies week by week and month by month, not by dramatic displays but by steady pressure; by removal of negligent officials and by encouragement and assistance to the vigilant. During the course of these efforts it has been revealed that in some districts causes contributing to the congestion of criminal dockets, and to delays and inefficiency in prosecutions, have been lack of sufficient forces in the offices of United States attorneys, clerks of courts, and marshals. These conditions tend to clog the machinery of justice. The last conference of senior circuit judges has taken note of them and indorsed the department's proposals for improvement. Increases in appropriations are necessary and will be asked for in order to reenforce these offices.

The orderly administration of the law involves more than the mere machinery of law enforcement. The efficient use of that machinery and a spirit in our people in support of law are alike essential. We have need for improvement in both. However much we may perfect the mechanism, still if the citizen who is himself dependent upon some laws for the protection of all that he has and all that he holds dear, shall insist on selecting the particular laws which he will obey, he undermines his own safety and that of his country. His attitude may obscure, but it can not conceal, the ugly truth that the lawbreaker, whoever he may be, is the enemy of society. We can no longer gloss over the unpleasant reality which should be made vital in the consciousness of every citizen, that he who condones or traffics with crime, who is indifferent to it and to the punishment of the criminal, or to the lax performance of official duty, is himself the most effective agency for the breakdown of society.

Law can not rise above its source in good citizenship—in what right-minded men most earnestly believe and desire. If the law is upheld only by Government officials, then all law is at an end. Our laws are made by the people themselves; theirs is the right to work for their repeal; but until repeal it is an equal duty to observe them and demand their enforcement.

I have been gratified at the awakening sense of this responsibility in our citizens during the past few months, and gratified that many instances have occurred which refuted the cynicism which has asserted that our system could not convict those who had defied the law and possessed the means to resist its execution. These things reveal a moral awakening both in the people and in officials which lies at the very foundation of the rule of law.

CONCLUSION

The test of the rightfulness of our decisions must be whether we have sustained and advanced the ideals of the American people; self-government in its foundations of local government; justice whether to the individual or to the group; ordered liberty; freedom from domination; open opportunity and equality of opportunity; the initiative and individuality of our people; prosperity and the lessening of poverty; freedom of public opinion; education; advancement of knowledge; the growth of religious spirit; the tolerance of all faiths; the foundations of the home and the advancement of peace.

The White House,
December 3, 1929

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State of the Union Address Herbert Hoover

December 2, 1930

To the Senate and House of Representatives:

I have the honor to comply with the requirement of the Constitution that I should lay before the Congress information as to the state of the Union, and recommend consideration of such measures as are necessary and expedient.

Substantial progress has been made during the year in national peace and security; the fundamental strength of the Nation's economic life is unimpaired; education and scientific discovery have made advances; our country is more alive to its problems of moral and spiritual welfare.

ECONOMIC SITUATION

During the past 12 months we have suffered with other Nations from economic depression.

The origins of this depression lie to some extent within our own borders through a speculative period which diverted capital and energy into speculation rather than constructive enterprise. Had overspeculation in securities been the only force operating, we should have seen recovery many months ago, as these particular dislocations have generally readjusted themselves.

Other deep-seated causes have been in action, however, chiefly the world-wide overproduction beyond even the demand of prosperous times for such important basic commodities as wheat, rubber, coffee, sugar, copper, silver, zinc, to some extent cotton, and other raw materials. The cumulative effects of demoralizing price falls of these important commodities in the process of adjustment of production to world consumption have produced financial crises in many countries and have diminished the buying power of these countries for imported goods to a degree which extended the difficulties farther afield by creating unemployment in all the industrial nations. The political agitation in Asia; revolutions in South America and political unrest in some European States; the methods of sale by Russia of her increasing agricultural exports to European markets; and our own drought—have all contributed to prolong and deepen the depression.

In the larger view the major forces of the depression now lie outside of the United States, and our recuperation has been retarded by the unwarranted degree of fear and apprehension created by these outside forces.

The extent of the depression is indicated by the following approximate percentages of activity during the past three months as compared with the highly prosperous year of 1928:

Value of department-store sales – 93% of 1928

Volume of manufacturing production – 80% of 1928

Volume of mineral production – 90% of 1928

Volume of factory employment – 84% of 1928

Total of bank deposits – 105% of 1928

Wholesale prices—all commodities – 83% of 1928

Cost of living – 94% of 1928

Various other indexes indicate total decrease of activity from 1928 of from 15 to 20 per cent.

There are many factors which give encouragement for the future. The fact that we are holding from 80 to 85 per cent of our normal activities and incomes; that our major financial and industrial institutions have come through the storm unimpaired; that price levels of major commodities have remained approximately stable for some time; that a number of industries are showing signs of increasing demand; that the world at large is readjusting itself to the situation; all reflect grounds for confidence. We should remember that these occasions have been met many times before, that they are but temporary, that our country is to-day stronger and richer in resources, in equipment, in skill, than ever in its history. We are in an extraordinary degree self-sustaining, we will overcome world influences and will lead the march of prosperity as we have always done hitherto.

Economic depression can not be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body—the producers and consumers themselves. Recovery can be expedited and its effects mitigated by cooperative action. That cooperation requires that every individual should sustain faith and courage; that each should maintain his self-reliance; that each and every one should search for methods of improving his business or service; that the vast majority whose income is

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unimpaired should not hoard out of fear but should pursue their normal living and recreations; that each should seek to assist his neighbors who may be less fortunate; that each industry should assist its own employees; that each community and each State should assume its full responsibilities for organization of employment and relief of distress with that sturdiness and independence which built a great Nation.

Our people are responding to these impulses in remarkable degree. The best contribution of government lies in encouragement of this voluntary cooperation in the community. The Government, National, State, and local, can join with the community in such programs and do its part. A year ago I, together with other officers of the Government, initiated extensive cooperative measures throughout the country.

The first of these measures was an agreement of leading employers to maintain the standards of wages and of labor leaders to use their influence against strife. In a large sense these undertakings have been adhered to and we have not witnessed the usual reductions of wages which have always heretofore marked depressions. The index of union wage scales shows them to be today fully up to the level of any of the previous three years. In consequence the buying power of the country has been much larger than would otherwise have been the case. Of equal importance the Nation has had unusual peace in industry and freedom from the public disorder which has characterized previous depressions.

The second direction of cooperation has been that our governments, National, State, and local, the industries and business so distribute employment as to give work to the maximum number of employees.

The third direction of cooperation has been to maintain and even extend construction work and betterments in anticipation of the future. It has been the universal experience in previous depressions that public works and private construction have fallen off rapidly with the general tide of depression. On this occasion, however, the increased authorization and generous appropriations by the Congress and the action of States and municipalities have resulted in the expansion of public construction to an amount even above that in the most prosperous years. In addition the cooperation of public utilities, railways, and other large organizations has been generously given in construction and betterment work in anticipation of future need. The Department of Commerce advises me that as a result, the volume of this type of construction work, which amounted to roughly \$6,300,000,000 in 1929, instead of decreasing will show a total of about \$7,000,000,000 for 1930. There has, of course, been a substantial decrease in the types of construction which could not be undertaken in advance of need.

The fourth direction of cooperation was the organization in such States and municipalities, as was deemed necessary, of committees to organize local employment, to provide for employment agencies, and to effect relief of distress.

The result of magnificent cooperation throughout the country has been that actual suffering has been kept to a minimum during the past 12 months, and our unemployment has been far less in proportion than in other large industrial countries. Some time ago it became evident that unemployment would continue over the winter and would necessarily be added to from seasonal causes and that the savings of workpeople would be more largely depleted. We have as a Nation a definite duty to see that no deserving person in our country suffers from hunger or cold. I therefore set up a more extensive organization to stimulate more intensive cooperation throughout the country. There has been a most gratifying degree of response, from governors, mayors, and other public officials, from welfare organizations, and from employers in concerns both large and small. The local communities through their voluntary agencies have assumed the duty of relieving individual distress and are being generously supported by the public.

The number of those wholly out of employment seeking for work was accurately determined by the census last April as about 2,500,000. The Department of Labor index of employment in the larger trades shows some decrease in employment since that time. The problem from a relief point of view is somewhat less than the published estimates of the number of unemployed would indicate. The intensive community and individual efforts in providing special employment outside the listed industries are not reflected in the statistical indexes and tend to reduce such published figures. Moreover, there is estimated to be a constant figure at all times of nearly 1,000,000 unemployed who are not without annual income but temporarily idle in the shift from one job to another. We have an average of about three breadwinners to each two families, so that every person unemployed does not represent a family without income. The view that the relief problems are less than the gross numbers would indicate is confirmed by the experience of several cities, which shows that the number of families in distress represents from 10 to 20 per cent of the number of the calculated unemployed. This is not said to minimize the very real problem

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which exists but to weigh its actual proportions.

As a contribution to the situation the Federal Government is engaged upon the greatest program of waterway, harbor, flood control, public building, highway, and airway improvement in all our history. This, together with loans to merchant shipbuilders, improvement of the Navy and in military aviation, and other construction work of the Government will exceed \$520,000,000 for this fiscal year. This compares with \$253,000,000 in the fiscal year 1928. The construction works already authorized and the continuation of policies in Government aid will require a continual expenditure upwards of half a billion dollars annually.

I favor still further temporary expansion of these activities in aid to unemployment during this winter. The Congress will, however, have presented to it numbers of projects, some of them under the guise of, rather than the reality of, their usefulness in the increase of employment during the depression. There are certain commonsense limitations upon any expansions of construction work. The Government must not undertake works that are not of sound economic purpose and that have not been subject to searching technical investigation, and which have not been given adequate consideration by the Congress. The volume of construction work in the Government is already at the maximum limit warranted by financial prudence as a continuing policy. To increase taxation for purposes of construction work defeats its own purpose, as such taxes directly diminish employment in private industry. Again any kind of construction requires, after its authorization, a considerable time before labor can be employed in which to make engineering, architectural, and legal preparations. Our immediate problem is the increase of employment for the next six months, and new plans which do not produce such immediate result or which extend commitments beyond this period are not warranted.

The enlarged rivers and harbors, public building, and highway plans authorized by the Congress last session, however, offer an opportunity for assistance by the temporary acceleration of construction of these programs even faster than originally planned, especially if the technical requirements of the laws which entail great delays could be amended in such fashion as to speed up acquirements of land and the letting of contracts.

With view, however, to the possible need for acceleration, we, immediately upon receiving those authorities from the Congress five months ago, began the necessary technical work in preparation for such possible eventuality. I have canvassed the departments of the Government as to the maximum amount that can be properly added to our present expenditure to accelerate all construction during the next six months, and I feel warranted in asking the Congress for an appropriation of from \$100,000,000 to \$150,000,000 to provide such further employment in this emergency. In connection therewith we need some authority to make enlarged temporary advances of Federal-highway aid to the States.

I recommend that this appropriation be made distributable to the different departments upon recommendation of a committee of the Cabinet and approval by the President. Its application to works already authorized by the Congress assures its use in directions of economic importance and to public welfare. Such action will imply an expenditure upon construction of all kinds of over \$650,000,000 during the next twelve months. AGRICULTURE

The world-wide depression has affected agriculture in common with all other industries. The average price of farm produce has fallen to about 80 per cent of the levels of 1928. This average is, however, greatly affected by wheat and cotton, which have participated in world-wide overproduction and have fallen to about 60 per cent of the average price of the year 1928. Excluding these commodities, the prices of all other agricultural products are about 84 per cent of those of 1928. The average wholesale prices of other primary goods, such as nonferrous metals, have fallen to 76 per cent of 1928.

The price levels of our major agricultural commodities are, in fact, higher than those in other principal producing countries, due to the combined result of the tariff and the operations of the Farm Board. For instance, wheat prices at Minneapolis are about 30 per cent higher than at Winnipeg, and at Chicago they are about 20 per cent higher than at Buenos Aires. Corn prices at Chicago are over twice as high as at Buenos Aires. Wool prices average more than 80 per cent higher in this country than abroad, and butter is 30 per cent higher in New York City than in Copenhagen.

Aside from the misfortune to agriculture of the world-wide depression we have had the most severe drought. It has affected particularly the States bordering on the Potomac, Ohio, and Lower Mississippi Rivers, with some areas in Montana, Kansas, Oklahoma, and Texas. It has found its major expression in the shortage of pasturage and a shrinkage in the corn crop from an average of about 2,800,000,000 bushels to about 2,090,000,000 bushels.

On August 14 I called a conference of the governors of the most acutely affected States, and as a result of its

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conclusions I appointed a national committee comprising the heads of the important Federal agencies under the chairmanship of the Secretary of Agriculture. The governors in turn have appointed State committees representative of the farmers, bankers, business men, and the Red Cross, and subsidiary committees have been established in most of the acutely affected counties. Railway rates were reduced on feed and livestock in and out of the drought areas, and over 50,000 cars of such products have been transported under these reduced rates. The Red Cross established a preliminary fund of \$5,000,000 for distress relief purposes and established agencies for its administration in each county. Of this fund less than \$500,000 has been called for up to this time as the need will appear more largely during the winter. The Federal Farm Loan Board has extended its credit facilities, and the Federal Farm Board has given financial assistance to all affected cooperatives.

In order that the Government may meet its full obligation toward our countrymen in distress through no fault of their own, I recommend that an appropriation should be made to the Department of Agriculture to be loaned for the purpose of seed and feed for animals. Its application should as hitherto in such loans be limited to a gross amount to any one individual, and secured upon the crop.

The Red Cross can relieve the cases of individual distress by the sympathetic assistance of our people.

FINANCES OF THE GOVERNMENT

I shall submit the detailed financial position of the Government with recommendations in the usual Budget message. I will at this time, however, mention that the Budget estimates of receipts and expenditures for the current year were formulated by the Treasury and the Budget Bureau at a time when it was impossible to forecast the severity of the business depression and have been most seriously affected by it. At that time a surplus of about \$123,000,000 was estimated for this fiscal year and tax reduction which affected the fiscal year to the extent of \$75,000,000 was authorized by the Congress, thus reducing the estimated surplus to about \$48,000,000. Closely revised estimates now made by the Treasury and the Bureau of the Budget of the tax, postal, and other receipts for the current fiscal year indicate a decrease of about \$430,000,000 from the estimate of a year ago, of which about \$75,000,000 is due to tax reduction, leaving about \$355,000,000 due to the depression. Moreover, legislation enacted by Congress subsequent to the submission of the Budget enlarging Federal construction work to expand employment and for increase in veterans' services and other items, have increased expenditures during the current fiscal year by about \$225,000,000.

Thus the decrease of \$430,000,000 in revenue and the increase of \$225,000,000 in expenditure adversely change the original Budget situation by about \$655,000,000. This large sum is offset by the original estimated surplus a year ago of about \$123,000,000, by the application of \$185,000,000 of interest payments upon the foreign debt to current expenditures, by arrangements of the Farm Board through repayments, etc., in consequence of which they reduced their net cash demands upon the Treasury by \$100,000,000 in this period, and by about \$67,000,000 economies and deferrals brought about in the Government, thus reducing the practical effect of the change in the situation to an estimated deficit of about \$180,000,000 for the present fiscal year. I shall make suggestions for handling the present-year deficit in the Budget message, but I do not favor encroachment upon the statutory reduction of the public debt.

While it will be necessary in public interest to further increase expenditures during the current fiscal year in aid to unemployment by speeding up construction work and aid to the farmers affected by the drought, I can not emphasize too strongly the absolute necessity to defer any other plans for increase of Government expenditures. The Budget for 1932 fiscal year indicates estimated expenditure of about \$4,054,000,000, including postal deficit. The receipts are estimated at about \$4,085,000,000 if the temporary tax reduction of last year be discontinued, leaving a surplus of only about \$30,000,000. Most rigid economy is therefore necessary to avoid increase in taxes.

NATIONAL DEFENSE

Our Army and Navy are being maintained at a high state of efficiency, under officers of high training and intelligence, supported by a devoted personnel of the rank and file. The London naval treaty has brought important economies in the conduct of the Navy. The Navy Department will lay before the committees of the Congress recommendations for a program of authorization of new construction which should be initiated in the fiscal year of 1932. LEGISLATION

This is the last session of the Seventy-first Congress. During its previous sittings it has completed a very large amount of important legislation, notably: The establishment of the Federal Farm Board; fixing congressional reapportionment; revision of the tariff, including the flexible provisions and a reorganization of the Tariff

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Commission; reorganization of the Radio Commission; reorganization of the Federal Power Commission; expansion of Federal prisons; reorganization of parole and probation system in Federal prisons; expansion of veterans' hospitals; establishment of disability allowances to veterans; consolidation of veteran activities; consolidation and strengthening of prohibition enforcement activities in the Department of Justice; organization of a Narcotics Bureau; large expansion of rivers and harbors improvements; substantial increase in Federal highways; enlargement of public buildings construction program; and the ratification of the London naval treaty.

The Congress has before it legislation partially completed in the last sitting in respect to Muscle Shoals, bus regulation, relief of congestion in the courts, reorganization of border patrol in prevention of smuggling, law enforcement in the District of Columbia, and other subjects.

It is desirable that these measures should be completed.

The short session does not permit of extensive legislative programs, but there are a number of questions which, if time does not permit action, I recommend should be placed in consideration by the Congress, perhaps through committees cooperating in some instances with the Federal departments, with view to preparation for subsequent action. Among them are the following subjects:

ELECTRICAL POWER

I have in a previous message recommended effective regulation of interstate electrical power. Such regulation should preserve the independence and responsibility of the States. RAILWAYS

We have determined upon a national policy of consolidation of the railways as a necessity of more stable and more economically operated transportation. Further legislation is necessary to facilitate such consolidation. In the public interest we should strengthen the railways that they may meet our future needs.

ANTITRUST LAWS

I recommend that the Congress institute an inquiry into some aspects of the economic working of these laws. I do not favor repeal of the Sherman Act. The prevention of monopolies is of most vital public importance. Competition is not only the basis of protection to the consumer but is the incentive to progress. However, the interpretation of these laws by the courts, the changes in business, especially in the economic effects upon those enterprises closely related to the use of the natural resources of the country, make such an inquiry advisable. The producers of these materials assert that certain unfortunate results of wasteful and destructive use of these natural resources together with a destructive competition which impoverishes both operator and worker can not be remedied because of the prohibitive interpretation of the antitrust laws. The well-known condition of the bituminous coal industry is an illustration. The people have a vital interest in the conservation of their natural resources; in the prevention of wasteful practices; in conditions of destructive competition which may impoverish the producer and the wage earner; and they have an equal interest in maintaining adequate competition. I therefore suggest that an inquiry be directed especially to the effect of the workings of the antitrust laws in these particular fields to determine if these evils can be remedied without sacrifice of the fundamental purpose of these laws.

CAPITAL-GAINS TAX

It is urged by many thoughtful citizens that the peculiar economic effect of the income tax on so-called capital gains at the present rate is to enhance speculative inflation and likewise impede business recovery. I believe this to be the case and I recommend that a study be made of the economic effects of this tax and of its relation to the general structure of our income tax law. IMMIGRATION

There is need for revision of our immigration laws upon a more limited and more selective basis, flexible to the needs of the country.

Under conditions of current unemployment it is obvious that persons coming to the United States seeking work would likely become either a direct or indirect public charge. As a temporary measure the officers issuing visas to immigrants have been, in pursuance of the law, instructed to refuse visas to applicants likely to fall into this class. As a result the visas issued have decreased from an average of about 24,000 per month prior to restrictions to a rate of about 7,000 during the last month. These are largely preferred persons under the law. Visas from Mexico are about 250 per month compared to about 4,000 previous to restrictions. The whole subject requires exhaustive reconsideration.

DEPORTATION OF ALIEN CRIMINALS

I urge the strengthening of our deportation laws so as to more fully rid ourselves of criminal aliens. Furthermore, thousands of persons have entered the country in violation of the immigration laws. The very

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method of their entry indicates their objectionable character, and our law-abiding foreign-born residents suffer in consequence. I recommend that the Congress provide methods of strengthening the Government to correct this abuse.

POST OFFICE

Due to deferment of Government building over many years, previous administrations had been compelled to enter upon types of leases for secondary facilities in large cities, some of which were objectionable as representing too high a return upon the value of the property. To prevent the occasion for further uneconomic leasing I recommend that the Congress authorize the building by the Government of its own facilities.

VETERANS

The Nation has generously expanded its care for veterans. The consolidation of all veterans' activities into the Veterans' Administration has produced substantial administrative economies. The consolidation also brings emphasis to the inequalities in service and allowances. The whole subject is under study by the administrator, and I recommend it should also be examined by the committees of the Congress.

SOCIAL SERVICE

I urge further consideration by the Congress of the recommendations I made a year ago looking to the development through temporary Federal aid of adequate State and local services for the health of children and the further stamping out of communicable disease, particularly in the rural sections. The advance of scientific discovery, methods, and social thought imposes a new vision in these matters. The drain upon the Federal Treasury is comparatively small. The results both economic and moral are of the utmost importance. GENERAL

It is my belief that after the passing of this depression, when we can examine it in retrospect, we shall need to consider a number of other questions as to what action may be taken by the Government to remove Possible governmental influences which make for instability and to better organize mitigation of the effect of depression. It is as yet too soon to constructively formulate such measures.

There are many administrative subjects, such as departmental reorganization, extension of the civil service, readjustment of the postal rates, etc., which at some appropriate time require the attention of the Congress.

FOREIGN RELATIONS

Our relations with foreign countries have been maintained upon a high basis of cordiality and good will.

During the past year the London naval pact was completed, approved by the Senate, and ratified by the governments concerned. By this treaty we have abolished competition in the building of warships, have established the basis of parity of the United States with the strongest of foreign powers, and have accomplished a substantial reduction in war vessels.

During the year there has been an extended political unrest in the world. Asia continues in disturbed condition, and revolutions have taken place in Brazil, Argentina, Peru, and Bolivia. Despite the jeopardy to our citizens and their property which naturally arises in such circumstances, we have, with the cooperation of the governments concerned, been able to meet all such instances without friction.

We have resumed normal relations with the new Governments of Brazil, Argentina, Peru, and Bolivia immediately upon evidence that they were able to give protection to our citizens and their property, and that they recognized their international obligations.

A commission which was supported by the Congress has completed its investigation and reported upon our future policies in respect to Haiti and proved of high value in securing the acceptance of these policies. An election has been held and a new government established. We have replaced our high commissioner by a minister and have begun the gradual withdrawal of our activities with view to complete retirement at the expiration of the present treaty in 1935.

A number of arbitration and conciliation treaties have been completed or negotiated during the year, and will be presented for approval by the Senate.

I shall, in a special message, lay before the Senate the protocols covering the statutes of the World Court which have been revised to accord with the sense of previous Senate reservations.

The White House,
December 2, 1930

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State of the Union Address Herbert Hoover

December 8, 1931

To the Senate and House of Representatives:

It is my duty under the Constitution to transmit to the Congress information on the state of the Union and to recommend for its consideration necessary and expedient measures.

The chief influence affecting the state of the Union during the past year has been the continued world-wide economic disturbance. Our national concern has been to meet the emergencies it has created for us and to lay the foundations for recovery.

If we lift our vision beyond these immediate emergencies we find fundamental national gains even amid depression. In meeting the problems of this difficult period, we have witnessed a remarkable development of the sense of cooperation in the community. For the first time in the history of our major economic depressions there has been a notable absence of public disorders and industrial conflict. Above all there is an enlargement of social and spiritual responsibility among the people. The strains and stresses upon business have resulted in closer application, in saner policies, and in better methods. Public improvements have been carried out on a larger scale than even in normal times. The country is richer in physical property, in newly discovered resources, and in productive capacity than ever before. There has been constant gain in knowledge and education; there has been continuous advance in science and invention; there has been distinct gain in public health. Business depressions have been recurrent in the life of our country and are but transitory. The Nation has emerged from each of them with increased strength and virility because of the enlightenment they have brought, the readjustments and the larger understanding of the realities and obligations of life and work which come from them.

NATIONAL DEFENSE

Both our Army and Navy have been maintained in a high state of efficiency. The ability and devotion of both officers and men sustain the highest traditions of the service. Reductions and postponements in expenditure of these departments to meet the present emergency are being made without reducing existing personnel or impairing the morale of either establishment.

The agreement between the leading naval powers for limitation of naval armaments and establishment of their relative strength and thus elimination of competitive building also implies for ourselves the gradual expansion of the deficient categories in our Navy to the parities provided in those treaties. However, none of the other nations, parties to these agreements, is to-day maintaining the full rate of construction which the treaty size of fleets would imply.

Although these agreements secured the maximum reduction of fleets which it was at that time possible to attain, I am hopeful that the naval powers, party to these agreements, will realize that establishment of relative strength in itself offers opportunity for further reduction without injury to any of them. This would be the more possible if pending negotiations are successful between France and Italy. If the world is to regain its standards of life, it must further decrease both naval and other arms. The subject will come before the General Disarmament Conference which meets in Geneva on February 2

FOREIGN AFFAIRS

We are at peace with the world. We have cooperated with other nations to preserve peace. The rights of our citizens abroad have been protected.

The economic depression has continued and deepened in every part of the world during the past year. In many countries political instability, excessive armaments, debts, governmental expenditures, and taxes have resulted in revolutions, in unbalanced budgets and monetary collapse and financial panics, in dumping of goods upon world markets, and in diminished consumption of commodities.

Within two years there have been revolutions or acute social disorders in 19 countries, embracing more than half the population of the world. Ten countries have been unable to meet their external obligations. In 14 countries, embracing a quarter of the world's population, former monetary standards have been temporarily abandoned. In a number of countries there have been acute financial panics or compulsory restraints upon banking. These disturbances have many roots in the dislocations from the World War. Every one of them has reacted upon us. They have sharply affected the markets and prices of our agricultural and industrial products.

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They have increased unemployment and greatly embarrassed our financial and credit system.

As our difficulties during the past year have plainly originated in large degree from these sources, any effort to bring about our own recuperation has dictated the necessity of cooperation by us with other nations in reasonable effort to restore world confidence and economic stability.

Cooperation of our Federal reserve system and our banks with the central banks in foreign countries has contributed to localize and ameliorate a number of serious financial crises or moderate the pressures upon us and thus avert disasters which would have affected us.

The economic crisis in Germany and Central Europe last June rose to the dimensions of a general panic from which it was apparent that without assistance these nations must collapse. Apprehensions of such collapse had demoralized our agricultural and security markets and so threatened other nations as to impose further dangers upon us. But of highest importance was the necessity of cooperation on our part to relieve the people of Germany from imminent disasters and to maintain their important relations to progress and stability in the world. Upon the initiative of this Government a year's postponement of reparations and other intergovernmental debts was brought about. Upon our further initiative an agreement was made by Germany's private creditors providing for an extension of such credits until the German people can develop more permanent and definite forms of relief.

We have continued our policy of withdrawing our marines from Haiti and Nicaragua.

The difficulties between China and Japan have given us great concern, not alone for the maintenance of the spirit of the Kellogg-Briand Pact, but for the maintenance of the treaties to which we are a party assuring the territorial integrity of China. It is our purpose to assist in finding solutions sustaining the full spirit of those treaties.

I shall deal at greater length with our foreign relations in a later message.

THE DOMESTIC SITUATION

Many undertakings have been organized and forwarded during the past year to meet the new and changing emergencies which have constantly confronted us.

Broadly the community has cooperated to meet the needs of honest distress, and to take such emergency measures as would sustain confidence in our financial system and would cushion the violence of liquidation in industry and commerce, thus giving time for orderly readjustment of costs, inventories, and credits without panic and widespread bankruptcy. These measures have served those purposes and will promote recovery.

In these measures we have striven to mobilize and stimulate private initiative and local and community responsibility. There has been the least possible Government entry into the economic field, and that only in temporary and emergency form. Our citizens and our local governments have given a magnificent display of unity and action, initiative and patriotism in solving a multitude of difficulties and in cooperating with the Federal Government.

For a proper understanding of my recommendations to the Congress it is desirable very briefly to review such activities during the past year.

The emergencies of unemployment have been met by action in many directions. The appropriations for the continued speeding up of the great Federal construction program have provided direct and indirect aid to employment upon a large scale. By organized unity of action, the States and municipalities have also maintained large programs of public improvement. Many industries have been prevailed upon to anticipate and intensify construction. Industrial concerns and other employers have been organized to spread available work amongst all their employees, instead of discharging a portion of them. A large majority have maintained wages at as high levels as the safe conduct of their business would permit. This course has saved us from industrial conflict and disorder which have characterized all previous depressions. Immigration has been curtailed by administrative action. Upon the basis of normal immigration the decrease amounts to about 300,000 individuals who otherwise would have been added to our unemployment. The expansion of Federal employment agencies under appropriations by the Congress has proved most effective. Through the President's organization for unemployment relief, public and private agencies were successfully mobilized last winter to provide employment and other measures against distress. Similar organization gives assurance against suffering during the coming winter. Committees of leading citizens are now active at practically every point of unemployment. In the large majority they have been assured the funds necessary which, together with local government aids, will meet the situation. A few exceptional localities will be further organized. The evidence of the Public Health Service shows

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an actual decrease of sickness and infant and general mortality below normal years. No greater proof could be adduced that our people have been protected from hunger and cold and that the sense of social responsibility in the Nation has responded to the need of the unfortunate.

To meet the emergencies in agriculture the loans authorized by Congress for rehabilitation in the drought areas have enabled farmers to produce abundant crops in those districts. The Red Cross undertook and magnificently administered relief for over 2,500,000 drought sufferers last winter. It has undertaken this year to administer relief to 100,000 sufferers in the new drought area of certain Northwest States. The action of the Federal Farm Board in granting credits to farm cooperatives saved many of them from bankruptcy and increased their purpose and strength. By enabling farm cooperatives to cushion the fall in prices of farm products in 1930 and 1931 the Board secured higher prices to the farmer than would have been obtained otherwise, although the benefits of this action were partially defeated by continued world overproduction. Incident to this action the failure of a large number of farmers and of country banks was averted which could quite possibly have spread into a major disaster. The banks in the South have cooperated with the Farm Board in creation of a pool for the better marketing of accumulated cotton. Growers have been materially assisted by this action. Constant effort has been made to reduce overproduction in relief of agriculture and to promote the foreign buying of agricultural products by sustaining economic stability abroad.

To meet our domestic emergencies in credit and banking arising from the reaction to acute crisis abroad the National Credit Association was set up by the banks with resources of \$500,000,000 to support sound banks against the frightened withdrawals and hoarding. It is giving aid to reopen solvent banks which have been closed. Federal officials have brought about many beneficial unions of banks and have employed other means which have prevented many bank closings. As a result of these measures the hoarding withdrawals which had risen to over \$250,000,000 per week after the British crisis have substantially ceased.

FURTHER MEASURES

The major economic forces and weaknesses at home and abroad have now been exposed and can be appraised, and the time is ripe for forward action to expedite our recovery.

Although some of the causes of our depression are due to speculation, inflation of securities and real estate, unsound foreign investments, and mismanagement of financial institutions, yet our self-contained national economy, with its matchless strength and resources, would have enabled us to recover long since but for the continued dislocations, shocks, and setbacks from abroad.

Whatever the causes may be, the vast liquidation and readjustments which have taken place have left us with a large degree of credit paralysis, which together with the situation in our railways and the conditions abroad, are now the outstanding obstacles to recuperation. If we can put our financial resources to work and can ameliorate the financial situation in the railways, I am confident we can make a large measure of recovery independent of the rest of the world. A strong America is the highest contribution to world stability.

One phase of the credit situation is indicated in the banks. During the past year banks, representing 3 per cent of our total deposits have been closed. A large part of these failures have been caused by withdrawals for hoarding, as distinguished from the failures early in the depression where weakness due to mismanagement was the larger cause of failure. Despite their closing, many of them will pay in full. Although such withdrawals have practically ceased, yet \$1,100,000,000 of currency was previously withdrawn which has still to return to circulation. This represents a large reduction of the ability of our banks to extend credit which would otherwise fertilize industry and agriculture. Furthermore, many of our bankers, in order to prepare themselves to meet possible withdrawals, have felt compelled to call in loans, to refuse new credits, and to realize upon securities, which in turn has demoralized the markets. The paralysis has been further augmented by the steady increase in recent years of the proportion of bank assets invested in long-term securities, such as mortgages and bonds. These securities tend to lose their liquidity in depression or temporarily to fall in value so that the ability of the banks to meet the shock of sudden withdrawal is greatly lessened and the restriction of all kinds of credit is thereby increased. The continuing credit paralysis has operated to accentuate the deflation and liquidation of commodities, real estate, and securities below any reasonable basis of values.

All of this tends to stifle business, especially the smaller units, and finally expresses itself in further depression of prices and values, in restriction on new enterprise, and in increased unemployment.

The situation largely arises from an unjustified lack of confidence. We have enormous volumes of idle money

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in the banks and in hoarding. We do not require more money or working capital—we need to put what we have to work.

The fundamental difficulties which have brought about financial strains in foreign countries do not exist in the United States. No external drain on our resources can threaten our position, because the balance of international payments is in our favor; we owe less to foreign countries than they owe to us; our industries are efficiently organized; our currency and bank deposits are protected by the greatest gold reserve in history.

Our first step toward recovery is to reestablish confidence and thus restore the flow of credit which is the very basis of our economic life. We must put some steel beams in the foundations of our credit structure. It is our duty to apply the full strength of our Government not only to the immediate phases, but to provide security against shocks and the repetition of the weaknesses which have been proven.

The recommendations which I here lay before the Congress are designed to meet these needs by strengthening financial, industrial, and agricultural life through the medium of our existing institutions, and thus to avoid the entry of the Government into competition with private business.

FEDERAL GOVERNMENT FINANCE

The first requirement of confidence and of economic recovery is financial stability of the United States Government. I shall deal with fiscal questions at greater length in the Budget message. But I must at this time call attention to the magnitude of the deficits which have developed and the resulting necessity for determined and courageous policies. These deficits arise in the main from the heavy decrease in tax receipts due to the depression and to the increase in expenditure on construction in aid to unemployment, aids to agriculture, and upon services to veterans.

During the fiscal year ending June 30 last we incurred a deficit of about \$903,000,000, which included the statutory reduction of the debt and represented an increase of the national debt by \$616,000,000. Of this, however, \$153,000,000 is offset by increased cash balances.

In comparison with the fiscal year 1928 there is indicated a fall in Federal receipts for the present fiscal year amounting to \$1,683,000,000, of which \$1,034,000,000 is in individual and corporate income taxes alone. During this fiscal year there will be an increased expenditure, as compared to 1928, on veterans of \$255,000,000, and an increased expenditure on construction work which may reach \$520,000,000. Despite large economies in other directions, we have an indicated deficit, including the statutory retirement of the debt, of \$2,123,000,000, and an indicated net debt increase of about \$1,711,000,000.

The Budget for the fiscal year beginning July 1 next, after allowing for some increase of taxes under the present laws and after allowing for drastic reduction in expenditures, still indicates a deficit of \$1,417,000,000. After offsetting the statutory debt retirements this would indicate an increase in the national debt for the fiscal year 1933 of about \$921,000,000.

Several conclusions are inevitable. We must have insistent and determined reduction in Government expenses. We must face a temporary increase in taxes. Such increase should not cover the whole of these deficits or it will retard recovery. We must partially finance the deficit by borrowing. It is my view that the amount of taxation should be fixed so as to balance the Budget for 1933 except for the statutory debt retirement. Such Government receipts would assure the balance of the following year's budget including debt retirement. It is my further view that the additional taxation should be imposed solely as an emergency measure terminating definitely two years from July 1 next. Such a basis will give confidence in the determination of the Government to stabilize its finance and will assure taxpayers of its temporary character. Even with increased taxation, the Government will reach the utmost safe limit of its borrowing capacity by the expenditures for which we are already obligated and the recommendations here proposed. To go further than these limits in either expenditures, taxes, or borrowing will destroy confidence, denude commerce and industry of its resources, jeopardize the financial system, and actually extend unemployment and demoralize agriculture rather than relieve it.

FEDERAL LAND BANKS

I recommend that the Congress authorize the subscription by the Treasury of further capital to the Federal land banks to be retired as provided in the original act, or when funds are available, and that repayments of such capital be treated as a fund available for further subscriptions in the same manner. It is urgent that the banks be supported so as to stabilize the market values of their bonds and thus secure capital for the farmers at low rates, that they may continue their services to agriculture and that they may meet the present situation with consideration to the

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farmers.

DEPOSITS IN CLOSED BANKS

A method should be devised to make available quickly to depositors some portion of their deposits in closed banks as the assets of such banks may warrant. Such provision would go far to relieve distress in a multitude of families, would stabilize values in many communities, and would liberate working capital to thousands of concerns. I recommend that measures be enacted promptly to accomplish these results and I suggest that the Congress should consider the development of such a plan through the Federal Reserve Banks.

HOME-LOAN DISCOUNT BANKS

I recommend the establishment of a system of home-loan discount banks as the necessary companion in our financial structure of the Federal Reserve Banks and our Federal Land Banks. Such action will relieve present distressing pressures against home and farm property owners. It will relieve pressures upon and give added strength to building and loan associations, savings banks, and deposit banks, engaged in extending such credits. Such action would further decentralize our credit structure. It would revive residential construction and employment. It would enable such loaning institutions more effectually to promote home ownership. I discussed this plan at some length in a statement made public November 14, last. This plan has been warmly indorsed by the recent National Conference upon Home Ownership and Housing, whose members were designated by the governors of the States and the groups interested.

RECONSTRUCTION FINANCE CORPORATION

In order that the public may be absolutely assured and that the Government may be in position to meet any public necessity, I recommend that an emergency Reconstruction Corporation of the nature of the former War Finance Corporation should be established. It may not be necessary to use such an instrumentality very extensively. The very existence of such a bulwark will strengthen confidence. The Treasury should be authorized to subscribe a reasonable capital to it, and it should be given authority to issue its own debentures. It should be placed in liquidation at the end of two years. Its purpose is that by strengthening the weak spots to thus liberate the full strength of the Nation's resources. It should be in position to facilitate exports by American agencies; make advances to agricultural credit agencies where necessary to protect and aid the agricultural industry; to make temporary advances upon proper securities to established industries, railways, and financial institutions which can not otherwise secure credit, and where such advances will protect the credit structure and stimulate employment. Its functions would not overlap those of the National Credit Corporation.

FEDERAL RESERVE ELIGIBILITY

On October 6th I issued a statement that I should recommend to the Congress an extension during emergencies of the eligibility provisions in the Federal reserve act. This statement was approved by a representative gathering of the Members of both Houses of the Congress, including members of the appropriate committees. It was approved by the officials of the Treasury Department, and I understand such an extension has been approved by a majority of the governors of the Federal reserve banks. Nothing should be done which would lower the safeguards of the system.

The establishment of the mortgage-discount banks herein referred to will also contribute to further reserve strength in the banks without inflation.

BANKING LAWS

Our people have a right to a banking system in which their deposits shall be safeguarded and the flow of credit less subject to storms. The need of a sounder system is plainly shown by the extent of bank failures. I recommend the prompt improvement of the banking laws. Changed financial conditions and commercial practices must be met. The Congress should investigate the need for separation between different kinds of banking; an enlargement of branch banking under proper restrictions; and the methods by which enlarged membership in the Federal reserve system may be brought about.

POSTAL SAVINGS BANKS

The Postal Savings deposits have increased from about \$200,000,000 to about \$550,000,000 during the past year. This experience has raised important practical questions in relation to deposits and investments which should receive the attention of the Congress.

RAILWAYS

The railways present one of our immediate and pressing problems. They are and must remain the backbone of our transportation system. Their prosperity is interrelated with the prosperity of all industries. Their fundamental

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service in transportation, the volume of their employment, their buying power for supplies from other industries, the enormous investment in their securities, particularly their bonds, by insurance companies, savings banks, benevolent and other trusts, all reflect their partnership in the whole economic fabric. Through these institutions the railway bonds are in a large sense the investment of every family. The well-maintained and successful operation and the stability of railway finances are of primary importance to economic recovery. They should have more effective opportunity to reduce operating costs by proper consolidation. As their rates must be regulated in public interest, so also approximate regulation should be applied to competing services by some authority. The methods of their regulation should be revised. The Interstate Commerce Commission has made important and far-reaching recommendations upon the whole subject, which I commend to the early consideration of the Congress.

ANTITRUST LAWS

In my message of a year ago I commented on the necessity of congressional inquiry into the economic action of the antitrust laws. There is wide conviction that some change should be made especially in the procedure under these laws. I do not favor their repeal. Such action would open wide the door to price fixing, monopoly, and destruction of healthy competition. Particular attention should be given to the industries rounded upon natural resources, especially where destructive competition produces great wastes of these resources and brings great hardships upon operators, employees, and the public. In recent years there has been continued demoralization in the bituminous coal, oil, and lumber industries. I again commend the matter to the consideration of the Congress.

UNEMPLOYMENT

As an aid to unemployment the Federal Government is engaged in the greatest program of public-building, harbor, flood-control, highway, waterway, aviation, merchant and naval ship construction in all history. Our expenditures on these works during this calendar year will reach about \$780,000,000 compared with \$260,000,000 in 1928. Through this increased construction, through the maintenance of a full complement of Federal employees, and through services to veterans it is estimated that the Federal taxpayer is now directly contributing to the livelihood of 10,000,000 of our citizens.

We must avoid burdens upon the Government which will create more unemployment in private industry than can be gained by further expansion of employment by the Federal Government. We can now stimulate employment and agriculture more effectually and speedily through the voluntary measures in progress, through the thawing out of credit, through the building up of stability abroad, through the home loan discount banks, through an emergency finance corporation and the rehabilitation of the railways and other such directions.

I am opposed to any direct or indirect Government dole. The breakdown and increased unemployment in Europe is due in part to such practices. Our people are providing against distress from unemployment in true American fashion by a magnificent response to public appeal and by action of the local governments.

GENERAL LEGISLATION

There are many other subjects requiring legislative action at this session of the Congress. I may list the following among them:

VETERANS' SERVICES

The law enacted last March authorizing loans of 50 per cent upon adjusted-service certificates has, together with the loans made under previous laws, resulted in payments of about \$1,260,000,000. Appropriations have been exhausted. The Administrator of Veterans' Affairs advises that a further appropriation of \$200,000,000 is required at once to meet the obligations made necessary by existing legislation.

There will be demands for further veterans' legislation; there are inequalities in our system of veterans' relief; it is our national duty to meet our obligations to those who have served the Nation. But our present expenditure upon these services now exceeds \$1,000,000,000 per annum. I am opposed to any extension of these expenditures until the country has recovered from the present situation.

ELECTRICAL-POWER REGULATION I have recommended in previous messages the effective regulation of interstate electrical power as the essential function of the reorganized Federal Power Commission. I renew the recommendation. It is urgently needed in public protection.

MUSCLE SHOALS

At my suggestion, the Governors and Legislatures of Alabama and Tennessee selected three members each for service on a committee to which I appointed a representative of the farm organizations and two representatives of

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the War Department for the purpose of recommending a plan for the disposal of these properties which would be in the interest of the people of those States and the agricultural industry throughout the country. I shall transmit the recommendations to the Congress.

REORGANIZATION OF FEDERAL DEPARTMENTS

I have referred in previous messages to the profound need of further reorganization and consolidation of Federal administrative functions to eliminate overlap and waste, and to enable coordination and definition of Government policies now wholly impossible in scattered and conflicting agencies which deal with parts of the same major function. I shall lay before the Congress further recommendations upon this subject, particularly in relation to the Department of the Interior. There are two directions of such reorganization, however, which have an important bearing upon the emergency problems with which we are confronted.

SHIPPING BOARD

At present the Shipping Board exercises large administrative functions independent of the Executive. These administrative functions should be transferred to the Department of Commerce, in keeping with that single responsibility which has been the basis of our governmental structure since its foundation. There should be created in that department a position of Assistant Secretary for Merchant Marine, under whom this work and the several bureaus having to do with merchant marine may be grouped.

The Shipping Board should be made a regulatory body acting also in advisory capacity on loans and policies, in keeping with its original conception. Its regulatory powers should be amended to include regulation of coastwise shipping so as to assure stability and better service. It is also worthy of consideration that the regulation of rates and services upon the inland waterways should be assigned to such a reorganized board.

REORGANIZATION OF PUBLIC WORKS ADMINISTRATION

I recommend that all building and construction activities of the Government now carried on by many departments be consolidated into an independent establishment under the President to be known as the "Public Works Administration" directed by a Public Works Administrator. This agency should undertake all construction work in service to the different departments of the Government (except naval and military work). The services of the Corps of Army Engineers should be delegated in rotation for military duty to this administration in continuation of their supervision of river and harbor work. Great economies, sounder policies, more effective coordination to employment, and expedition in all construction work would result from this consolidation.

LAW ENFORCEMENT

I shall present some recommendations in a special message looking to the strengthening of criminal-law enforcement and improvement in judicial procedure connected therewith.

INLAND WATERWAY AND HARBOR IMPROVEMENT

These improvements are now proceeding upon an unprecedented scale. Some indication of the volume of work in progress is conveyed by the fact that during the current year over 380,000,000 cubic yards of material have been moved—an amount equal to the entire removal in the construction of the Panama Canal. The Mississippi waterway system, connecting Chicago, Kansas City, Pittsburgh, and New Orleans, will be in full operation during 1933. Substantial progress is being made upon the projects of the upper Missouri, upper Mississippi, etc.

Negotiations are now in progress with Canada for the construction of the St. Lawrence Waterway.

THE TARIFF

Wages and standards of living abroad have been materially lowered during the past year. The temporary abandonment of the gold standard by certain countries has also reduced their production costs compared to ours. Fortunately any increases in the tariff which may be necessary to protect agriculture and industry from these lowered foreign costs, or decreases in items which may prove to be excessive, may be undertaken at any time by the Tariff Commission under authority which it possesses by virtue of the tariff act of 1930. The commission during the past year has reviewed the rates upon over 254 items subject to tariff. As a result of vigorous and industrious action, it is up to date in the consideration of pending references and is prepared to give prompt attention to any further applications. This procedure presents an orderly method for correcting inequalities. I am opposed to any general congressional revision of the tariff. Such action would disturb industry, business, and agriculture. It would prolong the depression.

IMMIGRATION AND DEPORTATION

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I recommend that immigration restriction now in force under administrative action be placed upon a more definite basis by law. The deportation laws should be strengthened. Aliens lawfully in the country should be protected by the issuance of a certificate of residence.

PUBLIC HEALTH

I again call attention to my previous recommendations upon this subject, particularly in its relation to children. The moral results are of the utmost importance. CONCLUSION

It is inevitable that in these times much of the legislation proposed to the Congress and many of the recommendations of the Executive must be designed to meet emergencies. In reaching solutions we must not jeopardize those principles which we have found to be the basis of the growth of the Nation. The Federal Government must not encroach upon nor permit local communities to abandon that precious possession of local initiative and responsibility. Again, just as the largest measure of responsibility in the government of the Nation rests upon local self-government, so does the largest measure of social responsibility in our country rest upon the individual. If the individual surrenders his own initiative and responsibilities, he is surrendering his own freedom and his own liberty. It is the duty of the National Government to insist that both the local governments and the individual shall assume and bear these responsibilities as a fundamental of preserving the very basis of our freedom.

Many vital changes and movements of vast proportions are taking place in the economic world. The effect of these changes upon the future can not be seen clearly as yet. Of this, however, we are sure: Our system, based upon the ideals of individual initiative and of equality of opportunity, is not an artificial thing. Rather it is the outgrowth of the experience of America, and expresses the faith and spirit of our people. It has carried us in a century and a half to leadership of the economic world. If our economic system does not match our highest expectations at all times, it does not require revolutionary action to bring it into accord with any necessity that experience may prove. It has successfully adjusted itself to changing conditions in the past. It will do so again. The mobility of our institutions, the richness of our resources, and the abilities of our people enable us to meet them unafraid. It is a distressful time for many of our people, but they have shown qualities as high in fortitude, courage, and resourcefulness as ever in our history. With that spirit, I have faith that out of it will come a sounder life, a truer standard of values, a greater recognition of the results of honest effort, and a healthier atmosphere in which to rear our children. Ours must be a country of such stability and security as can not fail to carry forward and enlarge among all the people that abundant life of material and spiritual opportunity which it has represented among all nations since its beginning.

The White House,
December 8, 1931

State of the Union Address Herbert Hoover

State of the Union Addresses

December 6, 1932

To the Senate and House of Representatives:

In accord with my constitutional duty, I transmit herewith to the Congress information upon the state of the Union together with recommendation of measures for its consideration.

Our country is at peace. Our national defense has been maintained at a high state of effectiveness. All of the executive departments of the Government have been conducted during the year with a high devotion to public interest. There has been a far larger degree of freedom from industrial conflict than hitherto known. Education and science have made further advances. The public health is to-day at its highest known level. While we have recently engaged in the aggressive contest of a national election, its very tranquillity and the acceptance of its results furnish abundant proof of the strength of our institutions.

In the face of widespread hardship our people have demonstrated daily a magnificent sense of humanity, of individual and community responsibility for the welfare of the less fortunate. They have grown in their conceptions and organization for cooperative action for the common welfare.

In the provision against distress during this winter, the great private agencies of the country have been mobilized again; the generosity of our people has again come into evidence to a degree in which all America may take great pride. Likewise the local authorities and the States are engaged everywhere in supplemental measures of relief. The provisions made for loans from the Reconstruction Finance Corporation, to States that have exhausted their own resources, guarantee that there should be no hunger or suffering from cold in the country. The large majority of States are showing a sturdy cooperation in the spirit of the Federal aid.

The Surgeon General, in charge of the Public Health Service, furnishes me with the following information upon the state of public health:

MORTALITY RATE PER 1,000 OF POPULATION ON AN ANNUAL BASIS FROM REPRESENTATIVE STATES – General – Infant

First 9 months of— – –

1928 – 11.9 – 67.8

1929 – 12.0 – 65.8

1930 – 11.4 – 62.0

1931 – 11.2 – 60.0

1932 – 10.6 – 55.0

The sickness rates from data available show the same trends. These facts indicate the fine endeavor of the agencies which have been mobilized for care of those in distress.

ECONOMIC SITUATION

The unparalleled world-wide economic depression has continued through the year. Due to the European collapse, the situation developed during last fall and winter into a series of most acute crises. The unprecedented emergency measures enacted and policies adopted undoubtedly saved the country from economic disaster. After serving to defend the national security, these measures began in July to show their weight and influence toward improvement of conditions in many parts of the country. The following tables of current business indicators show the general economic movement during the past eleven months.

MONTHLY BUSINESS INDICES WITH SEASONAL VARIATIONS ELIMINATED

Year and Month – Industrial Production – Factory Employment – Freight-car loadings – Department Store sales, value – Exports, value – Imports, value – Building Contracts, all types – Industrial Electric power consumption

1931 – – – – –

December – 74 – 69.4 – 69 – 81 – 46 – 48 – 38 – 89.1

1932 – – – – –

January – 72 – 68.1 – 64 – 78 – 39 – 42 – 31 – 93.9

February – 69 – 67.8 – 62 – 78 – 45 – 41 – 27 – 98.8

March – 67 – 66.4 – 61 – 72 – 41 – 37 – 26 – 88.0

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April – 63 – 64.3 – 59 – 80 – 38 – 36 – 27 – 82.2

May – 60 – 62.1 – 54 – 73 – 37 – 34 – 26 – 82.0

June – 59 – 60.0 – 52 – 71 – 34 – 36 – 27 – 78.1

July – 58 – 58.3 – 51 – 67 – 32 – 27 – 27 – 79.2

August – 60 – 58.8 – 51 – 66 – 31 – 29 – 30 – 73.5

September – 66 – 60.3 – 54 – 70 – 33 – 32 – 30 – 84.0

October – 66 – 61.1 – 57 – 70 – 33 – 32 – 29 – 84.4

The measures and policies which have procured this turn toward recovery should be continued until the depression is passed, and then the emergency agencies should be promptly liquidated. The expansion of credit facilities by the Federal Reserve System and the Reconstruction Finance Corporation has been of incalculable value. The loans of the latter for reproductive works, and to railways for the creation of employment; its support of the credit structure through loans to banks, insurance companies, railways, building and loan associations, and to agriculture has protected the savings and insurance policies of millions of our citizens and has relieved millions of borrowers from duress; they have enabled industry and business to function and expand. The assistance given to Farm Loan Banks, the establishment of the Home Loan Banks and Agricultural Credit Associations—all in their various ramifications have placed large sums of money at the disposal of the people in protection and aid. Beyond this, the extensive organization of the country in voluntary action has produced profound results.

The following table indicates direct expenditures of the Federal Government in aid to unemployment, agriculture, and financial relief over the past four years. The sums applied to financial relief multiply themselves many fold, being in considerable measure the initial capital supplied to the Reconstruction Finance Corporation, Farm Loan Banks, etc., which will be recovered to the Treasury.

– Public works (1) – Agricultural relief and financial loans

Fiscal year ending June 30 – –

1930 – \$410,420,000 – \$156,100,000

1931 – 574,870,000 – 196,700,000

1932 – 655,880,000 – 772,700,000

1933 – 717,260,000 – 52,000,000 –