

ANNUAL MESSAGE
JANUARY 3, 1938

In addressing the Congress on the state of the Union, present facts and future hazards demand that I speak clearly and earnestly of the causes which underlie events of profound concern to all.

In spite of the determination of this Nation for peace, it has become clear that acts and policies of nations in other parts of the world have far-reaching effects, not only upon their immediate neighbors but also on us.

I am thankful that I can tell you that our Nation is at peace. It has been kept at peace despite provocations which in other days, because of their seriousness could well have engendered war. ^{It} The people of the United States and the Government of the United States have shown capacity for restraint and a civilized approach to the purposes of peace, while at the same time we maintain the integrity inherent in the sovereignty of 130,000,000 people. ^{We maintain it} lest we weaken or destroy our influence for peace and jeopardize the sovereignty itself.

It is our traditional policy to live at peace with other nations. More than that, we have been among the leaders in advocating the use of pacific methods of discussion and conciliation in international differences. We have striven for the reduction of military forces.

But in a world of high tension and disorder, in a world where stable civilization is actually threatened, it becomes the responsibility of each nation which strives for peace at home and peace with and among others, to be strong enough to assure the observance. ~~Interests are concerned~~ of those fundamentals of peaceful solution of conflicts which are the only ultimate basis for orderly existence.

Resolute in our determination to respect the rights of others, and to command respect for the rights of ourselves, we must keep ourselves adequately strong in self-defense.

There is a trend in the world ~~is~~ away from the observance both of the letter and the spirit of treaties. We propose to observe, as we have in the past, our own treaty obligations:

but we cannot be certain of reciprocity on the part of others.

Disregard for treaty obligations seems to have followed the surface trend away from the democratic representative form of government. It would seem, therefore, that world peace through international agreements, is most safe in the hands of democratic representative governments -- or, in other words, peace is most greatly jeopardized in and by those nations where ~~that~~ democracy has been discarded or has never developed.

I have used the words "surface trend", for I still believe that civilized man increasingly insists and in the long run will insist on genuine participation in his own government. Our people believe that over the years democracies of the world will survive, ^{- But} and democracy will be restored or established in those nations which today know it not. In that faith lies the future peace of mankind.

At home, conditions call for my equal candor. Events of recent months are new proof that we cannot conduct a national government after the practice of 1787, or 1837 or 1887, for the obvious reason that human needs and human desires are infinitely greater, infinitely more difficult to meet than in any previous period in the life of our Republic. Hitherto it has been an acknowledged duty of government to meet these desires and needs: nothing has occurred of late to absolve the Congress, the Courts or the President from that task. It faces us -- as squarely, as insistently, as in March, 1933.

Much of trouble in our own lifetime has sprung from a long period of inaction -- from ignoring ~~of~~ what fundamentally was happening to us, and from a time-serving unwillingness to face facts as they forced themselves upon us.

Our national life rests on two nearly equal producing forces, agriculture and industry, each employing one-third of our citizens. The other third transports and distributes the products of the first two, or performs special services for the whole.

The first great force, agriculture -- and with it the production of timber, minerals and other natural resources -- went forward feverishly and thoughtlessly until nature rebelled and we saw deserts encroach, floods destroy, trees disappear and soil exhausted.

At the same time we have been discovering that vast numbers of our farming population live in a poverty more abject than that of many of the farmers of Europe whom we are wont to call peasants; that the prices of our products of agriculture ^{are} ~~were~~ too often dependent on speculation by non-farming groups; and that foreign nations, eager to become self-sustaining or ^{are} ready to put virgin land under the plough, ~~were~~ no longer buying our surpluses of cotton and wheat and lard and tobacco and fruit as they had before.

Since 1933 we have knowingly faced a choice of three remedies. First, to cut our cost of farm production below that of other nations -- an obvious impossibility in many crops today unless we revert to human slavery or its equivalent.

Second, to make the government the guarantor of farm prices and the underwriter of excess farm production without limit -- a course which would bankrupt the strongest government in the world in a decade.

Third, to place the primary responsibility directly on the farmers themselves, under the principle of majority rule, so that they may decide, with full knowledge of the facts of surpluses, scarcities, world markets and domestic needs, what of each crop the planting should be in order to maintain a reasonably adequate supply which will assure a minimum adequate price under the normal processes of the law of supply and demand.

That means adequacy of supply but not glut. It means adequate reserves against the day of drought. It is shameless misrepresentation to call this a policy of scarcity. It is in truth insurance before the fact, instead of government subsidy after the fact.

Any such plan for the control of excessive surpluses and the speculation they bring has two enemies. There are those well-meaning theorists who harp on the inherent right of every free born American to do with his land what he wants --

to cultivate it well -- or badly; to conserve his timber by cutting only the annual increment thereof -- or to strip it clean, let fire burn the ~~remains~~^{slash}, and erosion complete the ruin; to raise only one crop -- and if that crop fails, to look for food and support from his neighbors or his government.

I assert, not
That, ~~it is~~ an inherent right of citizenship.

For if a man farms his land to the waste of the soil or the trees, he destroys not only his own assets but the Nation's assets. Or if by his methods he makes himself, year after year, a financial hazard of the community and the government, he becomes not only a social problem but an economic menace. The day has gone by when it could be claimed that government has no interest in such ill-considered practices and no right through representative methods to stop them.

The other group of enemies is perhaps less well-meaning. It includes those who for partisan purposes oppose each and every practical effort to help the situation, and also those who make money from undue fluctuations in crop prices.

I gladly note that measures which seek to initiate a government program for a balanced agriculture are now in conference between the two Houses of the Congress. In their final consideration, I hope for a sound consistent measure which ~~will~~ will keep the cost of its administration within the figure of current government expenditures in aid of agriculture. The farmers of this Nation know that a balanced output can be put into effect without excessive cost and with the cooperation of the great majority of them.

If this balance can be created by an all-weather farm program, our farm population will soon be assured of relatively constant purchasing power. ~~and~~ From this will flow two other practical results: the consuming public will be protected against excessive food and textile prices, and the industries of the Nation and their workers will find a steadier demand for wares sold to the agricultural third of our people.
~~population~~

To raise the purchasing power of the farmer is, however, not enough. It will not stay raised if we do not also raise the purchasing power of that third of the Nation which receives its income from industrial employment. Millions of industrial workers receive pay so low that they have little buying power. Aside from the undoubted fact that they thereby suffer great human hardship, they are unable to buy adequate food and shelter, to maintain health or to buy their share of manufactured goods.

We have not only seen minimum wage and maximum hour provisions prove their worth economically and socially under government auspices in 1933, 1934 and 1935, but the people of this country, by an overwhelming vote, are in favor of having the Congress -- this Congress -- put a floor below which industrial wages shall not fall, and a ceiling beyond which the hours of industrial labor shall not rise.

Here again let us analyze the opposition. A part of it is sincere in believing that an effort thus to raise the purchasing power of lowest paid industrial workers is not the business of the Federal Government. Others give "lip service" to a general objective, but do not like any specific measure that is proposed. In both cases it is worth our while to wonder whether some of these opponents are not at heart opposed to any program for raising the wages of the underpaid or reducing the hours of the overworked.

Another group opposes legislation of this type on the ground that cheap labor will help their locality to acquire industries and outside capital, or to retain industries which today are surviving only because of existing low wages and long hours. It has been my thought that, especially during these past five years, this Nation has grown away from local or sectional selfishness and toward national patriotism and unity. I am disappointed by some recent actions and ^{by} some recent utterances which sound ~~more~~ like the philosophy of half a century ago.

There are many communities in the United States where the average family income is pitifully low. It is in those communities that we find the poorest educational facilities and the worst conditions of health. Why? It is not because they are satisfied to live as they do. It is because those communities have the lowest per capita wealth and income; therefore, the lowest ability to pay taxes; and, therefore, inadequate functioning of local government.

Such communities exist in the East, in the Middle West, in the Far West, and in the South. Those who represent such areas in every part of the country do their constituents ill-service by blocking efforts to raise ^{their} incomes, ^{their} property values and, therefore, ^{their} ~~the~~ whole ^{standard} scale of living. In the long run, the profits from child labor, low pay and overwork enure not to the locality or region where they exist but to the absentee owners who have sent their capital into these exploited communities to gather larger profits for themselves.

Indeed, new enterprises and new industries which bring per-
manent wealth will come more readily to those communities
which insist on good pay and reasonable hours, for the simple
reason
~~fact~~ that there they will find a greater industrial efficiency
and happier workers.

No reasonable person seeks a complete uniformity in
wages in every part of the United States; nor does any reasonable
person seek an immediate and drastic change from the lowest pay
to the highest pay. We are seeking, of course, only legislation
to end starvation wages and intolerable hours; more desirable
wages are and should continue to be the product of collective
bargaining.

Many of those who represent great cities have shown
their understanding of the necessity of helping the agricultural
third of the Nation. I hope that those who represent con-
stituencies primarily agricultural will not underestimate
the importance of extending like aid to the industrial third.

Wage and hour legislation

~~THIS~~, therefore, is a problem which is definitely before this Congress for action. It is an essential part of economic recovery. It has the support of an overwhelming majority of our people in every walk of life. They have expressed themselves through the ballot box.

Again I revert to the increase of national purchasing power as an underlying necessity of the day. If you increase that purchasing power for the farmers and for the industrial workers -- especially for those in both groups who have least of it today -- you will increase the purchasing power of the final third of our population -- those who transport and distribute the products of farm and factory, and those of the professions who serve all ~~XXXX~~ groups. I have tried to make clear to you, and through you to the people of the United States, that this is an urgency which must be met by complete and not by partial action.

If it is met -- if the purchasing power of the Nation as a whole -- in other words, the total of the Nation's income -- can be still further increased -- other happy results will flow from such increase.

We have raised the Nation's income from thirty-eight billion dollars in the year 1932 to about sixty-eight billion dollars in the year 1937. Our goal, our objective is to raise it to ninety or one hundred billion dollars.

We have heard much about a balanced budget, and it is interesting to note that many of those who have pleaded for a balanced budget as the sole need now come to me to plead for additional government expenditures at the expense of unbalancing the budget. As the Congress is fully aware, the annual deficit, large ~~great~~ for several years, has been declining the last fiscal year and this. The proposed budget for 1939, which I shall shortly send to the Congress, will exhibit a further decrease in the deficit, though not a balance between income and outgo.

To many who have pleaded with me for an immediate balancing of the budget, by a sharp curtailment or even elimination of government functions, I have asked the question -- "What present expenditures would you reduce or eliminate?"

And the invariable answer has been "that is not my business -- I know nothing of the details, but I am sure that it could be done." That is not what you or I would call helpful citizenship. On only one point do most of them have a suggestion. They think that relief for the unemployed by the giving of work is wasteful, and when I pin them down I discover that at heart they are actually in favor of substituting a dole in place of useful work. To that neither I nor, I am confident, the Senators and Representatives in the Congress will ever consent.

I am as anxious as any banker or industrialist or business man or investor or economist that the budget of the United States Government be brought into balance as quickly as possible. But I lay down certain conditions which seem reasonable and which I believe all should accept. The first condition is that we continue the policy of ^{not permitting any} ~~allowing~~ ^{to} needy American who can and is willing to work to starve because the Federal Government does not provide the work. ~~by its expenditures~~
^{is}
The second ^{is} that the Congress and the Executive join hands in eliminating or curtailing any Federal activity which can be

eliminated or curtailed or even postponed without harming necessary government functions or the safety of the Nation

The is
from a national point of view. ^third^ to raise the purchasing power of the Nation to the point that the taxes on this purchasing power -- or, in other words, on the Nation's income -- will be sufficient to meet the necessary expenditures of the national government.

I have hitherto stated that, in my judgment, the expenditures of the national government cannot be cut much below seven billion dollars a year without destroying essential functions or letting people starve. That sum can be raised and will be cheerfully provided by the American people, if we can increase the Nation's income to a point well beyond the present level.

This does not mean that as the Nation's income goes up the Federal expenditures should rise in proportion. On the contrary, the Congress and the Executive should use every effort to hold the normal Federal expenditures to approximately the present level, thus making it possible, with an increase

in the Nation's income and the resulting increase in tax receipts, not only to balance future budgets but to reduce the debt.

In line with this policy fall my former recommendations for the reorganization and improvement of the administrative structure of the government, both for immediate Executive needs and for the planning of future national needs. I renew those recommendations.

In relation to tax changes, ^{several} ~~three~~ things should be kept in mind. First, the total sum to be derived by the Federal Treasury must not be decreased as a result of any changes in schedules. Second, abuses by individuals or corporations designed to escape tax-paying by using various methods of doing business, corporate and otherwise -- abuses which we have sought, with great success, to end -- must not be restored. Third, we should rightly change certain provisions where they are proven to work definite hardship, especially on the small business men of the Nation. But, speculative income should not be favored over earned income.

It is human nature to argue that this or that tax is responsible for every ill. It is human nature on the part of those who pay graduated taxes to attack all taxes based on the principle of ability to pay. These are the same complainants who for a generation blocked the imposition of a graduated income tax. They are the same complainants who would impose the type of flat sales tax which ^{places} ~~imposes~~ the burden of government more on those least able to pay and less on those most able to pay. *Therefore* Our conclusion, ~~therefore~~ must be that while proven hardships should be corrected, they should not be corrected in such a way as to restore abuses already terminated or to shift a greater burden to the less fortunate.

This subject leads naturally into the wider field of the public attitude toward business. The objective of increasing the purchasing power of the farming third, the industrial third and the service third of our population presupposes the cooperation of what we call capital and labor.

Capital is essential; reasonable earnings on capital are essential; but misuse of the powers of capital or selfish suspension of the employment of capital must be ended, or the capitalistic system will destroy itself through its own abuses.

The overwhelming majority of business men and bankers intend to be good citizens. Only a small minority have displayed poor citizenship by engaging in practices which are dishonest or definitely harmful to society. This statement is straightforward and true. No person in any responsible place in the Government of the United States today has ever taken any position contrary to it.

But, unfortunately for the country, when attention is called to, or attack is made on specific misuses of capital, there has been a deliberate purpose on the part of the condemned minority to distort the criticism ^{Some people, including} ~~into~~ ^{to make it appear} an attack on all capital. That is wilful deception but it does not long deceive.

If attention is called to, or attack made on, certain wrongful business practices, there are those who are eager to call it "an attack on all business." That too is wilful deception that will not long deceive.

Let us consider certain facts:

There are practices which most people believe should be ended. They include tax avoidance through corporate and other methods, which I have previously mentioned; excessive capitalization, investment write-ups and security manipulations; price rigging and collusive bidding in defiance of the spirit of the anti-trust laws by methods which baffle prosecution under the present statutes. They include high pressure salesmanship which creates cycles of overproduction within given industries and consequent recessions in production until such time as the surplus is consumed; the use of patent laws to enable larger corporations to maintain high prices and withhold from the public the advantages of the progress of science; unfair competition which drives the smaller producer out of business locally, regionally

or even on a national scale; intimidation of local or state government to prevent the enactment of laws for the protection of labor by threatening to move elsewhere; the shifting of actual production ^{by one corporation} from one locality or region to another in pursuit of the cheapest wage scale.

The enumeration of these abuses does not mean that business as a whole is guilty of them. Again, it is deception that will not long deceive to tell the country that an attack on these abuses is an attack on business.

Another group of problems affecting business, which cannot be termed specific abuses, gives us food for grave thought about the future. Generically such problems arise out of the concentration of economic control to the detriment of the body politic -- control of other people's money, other people's labor, other people's lives. In many instances such concentrations cannot be justified on the ground of operating efficiency, but have been created for the sake of ~~security~~ profits, financial control, the suppression of competition and the ambition for power over others. In some lines of

industry a very small numerical group is in such a position of influence that its actions are of necessity followed by the other units operating in the same field.

That such influences operate to control banking and finance is equally true, in spite of the many efforts, through Federal legislation, to take such control out of the hands of a small group. We have but to talk with hundreds of small bankers throughout the United States to realize that irrespective of local conditions, they are compelled in practice to accept the policies laid down by a small number of the larger banks in the Nation. The work undertaken by Andrew Jackson and Woodrow Wilson is not finished yet.

The ownership of vast properties or the organization of thousands of workers ~~into an industrial machine~~ creates a heavy obligation of public service. The power should not be sought or sanctioned unless the responsibility is accepted as well. The man who seeks freedom from such responsibility in the name of individual liberty is either fooling himself or trying to cheat his fellow men. He wants to eat the fruits of orderly society without paying for them.

As a Nation we have rejected any radical revolutionary program. For a permanent correction of grave weaknesses in our economic system we have relied on new applications of old democratic processes. It is not necessary to recount what has been accomplished in preserving the homes and livelihood of millions of workers on farms and in cities, in reconstructing a sound banking and credit system, in reviving trade and industry, in reestablishing security of life and property. All we need today is to look upon the fundamental, sound economic conditions to know that this business recession causes more perplexity than fear on the part of most people and to contrast our prevailing mental attitude with the terror and despair of five years ago.

Furthermore, we have a new moral climate in America. That means that we ask business and finance to recognize that fact, to cure such inequalities as they can cure without legislation but to join their government in the enactment of legislation where the ending of abuses and the steady functioning of our economic system calls for government assistance.

The Nation has no obligation to make America safe for incompetent ^{either} business men or for business men who fail to note the trend of the times and continue the use of machinery of economics and practices of finance as outworn as the cotton spindle of 1870.

Government can be expected to cooperate in every way with the business of the Nation provided the component parts of business abandon practices which do not belong to this day and age, and adopt price and production policies appropriate to the times.

In regard to the relationship of government to certain processes of business, to which I have referred, it seems clear to me that existing laws require reconstruction. I expect, therefore, to address the Congress in a special message on this subject, and I hope to have the help of business in the efforts of government to help business.

I have spoken of labor as another essential in the three great groups of the population in raising the Nation's income. Definite strides in collective bargaining have been made and the right of labor to organize has been nationally

recognized. Nevertheless in the evolution of the process difficult situations have arisen in localities and among groups. Unfortunate divisions relating to jurisdiction among the workers themselves have retarded production within given industries and have, therefore, affected related industries. The construction of homes and other buildings has been hindered in some localities not only by unnecessarily high prices for materials but also by certain hourly wage scales.

For economic and social reasons our principle interest for the near future lies along two lines: first, the immediate desirability of increasing the wages of the lowest paid groups in all industry: and, second, in thinking in terms of ^{yearly} regularizing the work of the individual worker more greatly through the year -- in other words, in thinking more in terms of the worker's total pay for a period of a whole year rather than in terms of his remuneration by the hour or by the day.

In the case of labor as in the case of capital, misrepresentation of the policy of the government of the United States is deception which will not long deceive. In both cases

we seek cooperation. In every case power and responsibility must go hand in hand.

I have spoken of economic causes which throw the Nation's income out of balance; I have spoken of practices and abuses which demand correction through the cooperation of capital and labor with the government. But no government can help the destinies of people who insist on putting sectional and class-consciousness ahead of general weal. There must be proof that sectional and class interests are prepared more greatly than *they are* today to be national in outlook. ~~that is not sufficiently clear~~
~~xxxxx~~

A government can punish specific acts of spoliation; but no government can conscript cooperation. We have improved some matters by way of remedial legislation. But where in some particulars that legislation has failed we cannot be sure whether it fails because some of its details are unwise, or because it is being sabotaged. At any rate, we hold our objectives and our principles to be sound. We will never go back on them.

Government has a final responsibility for the well-being of its citizenship. If private cooperative endeavor fails to provide work for willing hands and relief for the unfortunate, those suffering hardship from no fault of their own have a right to call upon the government for aid; and a government worthy of its name must make fitting response.

It is the opportunity and the duty of all those who have faith in democratic methods as applied in industry, in agriculture and in business, as well as in the field of politics, -- to do their utmost to cooperate with government, without regard to political affiliation, special interests or economic prejudices-- in whatever program may be sanctioned by the chosen representatives of the people.

That presupposes on the part of the representatives of the people, a program, its enactment and its administration.

Not because of the pledges of party programs alone, not because of the clear policies of the past five years, but chiefly because of the need of national unity in ending mistakes of the past and meeting the necessities of today, we must carry on.

I do not propose to let the people down.

I am sure the Congress of the United States will
not let the people down.

Franklin D. Roosevelt

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