

Friday, April 23, 1926.

Report of the Newspaper Conference.

I have just parted with Captain Andrews, who has been my Naval Aide and Commander of the Mayflower ever since I have been President. I regret very much to have him go. He is a very charming gentleman, a good sailor, and most helpful in the social affairs at the White House, and anything of that nature that he has to do. But of course I recognize that his profession is that of being an officer of the Navy, and I thought it wasn't fair to him to keep him here merely to command the Mayflower, although that is a naval vessel used for training men like any other naval vessel. I thought he ought to have an opportunity to return to the naval service. Of course an energetic man like the Captain will have the same feeling too. I know that he has regretted leaving me. He is, as you know, to be one of the naval advisers on the staff of the naval advisers at the Preliminary Arms Conference that is to be held in Geneva beginning on the 15th. I merely give this out as my estimate of the man and my appreciation of the services that he has performed for me personally, now that he is leaving.

I don't want to dwell on the financial condition of the Government to the extent of tiring out the members of the press conference or the publishers and editors, of the reading public, but there is a very great pressure being put on members of Congress for more legislation that would put permanent charges of a very large amount on the Government. It is always to be borne in mind that this pressure originates outside of Congress. If the members of Congress weren't subject to it they wouldn't have any very great difficulty in arranging the

finances of the Government in an exceedingly proper way. This pressure was put on in the first instance in the matter of tax reduction. Certain organizations were formed and brought in here that insisted on reductions that might be of value and use to the various trade and industrial activities that were represented by such organizations and they kept biting off and biting off. While I thought \$300,000,000 was about all we ought to reduce, and said so, they got more than that through the House and they they had quite a large increase in the Senate. The Committee in conference reduced it some, but it was still a larger tax reduction by some \$70,000,000 than I thought was wise for the Government to entertain at that time. Fortunately we have had a very good year of business last year, and as a result of that we got an encouraging return from the taxes that came in in March. I have explained that already to the conference. In its essence of course it was the great business of last year. There is one particular item of taxation that came in by reason of everybody, or a large number of people, anticipating their entire payments and instead of dividing them over the year in four payments they paid them in all at once. That made the amount somewhat larger. Then there was the taking of profits. It was known before the first of the year that there would be a tax reduction. Nobody knew exactly what it would be, but it was known there would be one, and profits which had accrued were taken on the theory that whatever the tax reduction would be it would be something and there wouldn't be anything more for several years and nobody knew when. So they thought they might just as well take their profits now, unless they wanted to hold them for a very long and indefinite time. Now, that resulted

in a great amount of income which was taxable. Of course the business of last year included in one of its elements a very large rise in the stock market. We got the advantage of that. This year we have had a recession in the stock market that will mean, instead of credits, tax losses to be deducted from business incomes, so that we need to be very careful about predicating too much on the amount of income that we received in March of this year in making any estimates of what expenditures can be made next year in the next budget without inviting a deficit. Now, we can make authorizations that, when the budget comes up, we can use our judgment about making appropriations to carry out. In that will come the Public Buildings and things of that kind. But when we go into the realm of pension legislation and whatever may be contemplated in retirement legislation, we put a fixed charge that has to be met whether we want to meet it or not. We don't have any discretion about it. When the budget is made up the obligation is incurred and the Government has to meet it. Now, notwithstanding those favorable returns, it still appears that taking everything into consideration so far as we can judge now there will be a slight deficit in the budget next year. All the additional expenditures that we put on of course are increasing that deficit. That is why I am disturbed at the pressure that is being put on the Congress to have more permanent additions put on to the expenditures of the Government. I have conferred with some members of the Congress about it. I have made an effort when the Spanish War Veterans bill for pensions was pending to have it reduced. My first understanding was that it only called for about

\$8,000,000. That was the amount of the bill that was put in two years ago, after I had vetoed one bill, but on investigation I found that this called for about \$19,000,000. I told them it ought to be cut down or that they ought to make some arrangement with some other expenditure like the good roads, where a slight diminution could be made. We are now spending \$75,000,000 a year on the 50-50 division with the states and \$10,000,000 a year for forest roads. I thought they could make some reduction there and use that on the pensions. But I wasn't able to make any impression on the Congress in relation to that kind of suggestion. Then I suggested to the Senate that they make some reduction. I understood from Senator Norbeck that they had made a reduction that probably amounted to \$3,000,000 or \$4,000,000, but the figures I get from the Department of Interior show that the estimates there are \$2,000,000 or \$3,000,000 more than the estimates that they made on the House bill. So I haven't been able to save anything there. Now there is a pension bill pending for the Grand Army, I think \$72,000,000 a year. There are bills of between \$30,000,000 and \$40,000,000 for the Veterans of the World War, of one kind or another. Now, items of that kind are going to make it exceedingly difficult for me in the next budget. I direct attention to them. I am very solicitous for the Congress, which as you know I think has been in its actions the best Congress with which I have had any experience and I think the best Congress of which I happen to have any knowledge.

Press: Did you get the actuary figures from General Lord about retirement that you were seeking?

President: Yes, they came in this morning. I haven't had a chance to look them over. The figures didn't come in. I thought I would get them this afternoon. He made some suggestion of a plan which I think we can work out to take care of the retirement bill. Congress has proceeded in a way that is exceedingly gratifying to me and I should regret very much if I had to differ with it about the expenditure of money. I still think that we can work out some plan that will take care of the budget requirements next year. I have given you this somewhat at length in order to indicate to you the difficulties that I am under at the present time.

I had some inquiry about the French debt. There isn't anything that I know of in relation to that, that I could give out. Perhaps I haven't phrased that so it exactly conveys what I mean. I don't know what offer has been made or whether any proposals have been made by the Debt Commission, what offer has been made by the French or what proposals have been made by our Commission. I am sure they were in negotiation and met this morning. I understood quite incidentally because I haven't had a chance to confer with any one about it that some proposal had been made and that it is being taken under consideration. I think if you want to get any information about that you ought to apply to Mr. Kellogg or Mr. Mellon, I have forgotten which one is Chairman of the Commission, and get your information from them. I very much hope that the French debt can be settled because I think it would be of especial advantage to the financial stability of the world if that could be done. We would know what we could

expect and the French Government and people would know what they had to meet and plans could be made accordingly. That is the last large debt that remains unadjusted. I was exceedingly gratified at the very large margin of votes in the Senate in favor of ratifying the Italian debt settlement. It was even larger than I had expected. It is another one of the things that have occurred which have made me very gratified with the action of the present Congress. If we could get the French debt out of the way it would be a very long step, I think, towards stabilising the business of the world.