

Tuesday, January 12, 1926.

Report of the Newspaper Conference.

There are no developments in the matter of the application for a commutation of sentence of Warren T. McCray, former Governor of Indiana. The report of the Department of Justice is before me. The District Attorney of Indiana makes a very strong objection to executive clemency. I am making some investigation about the health of the prisoner.

There isn't much that I can say about tax reduction that I didn't cover quite fully in my message and in my budget message. I saw that there was a proposal to reduce taxes some \$500,000,000. I think the reports that came to me indicated we would have a surplus of about \$290,000,000. The tax bill that came out of the House goes \$40,000,000 beyond that and makes a reduction of as near as we can show, \$<sup>3</sup>230,000,000. The Bureau of the Budget estimates that the surplus for the coming year would only be \$22,000,000 with a reduction of \$330,000,000. That means a very narrow margin on which to go and come, with a business transaction of some \$3,500,000,000, to take care of discrepancies that may arise in an expenditure of \$3,500,000,000. So I thought that \$330,000,000 was as far as we could go. I understand it would be expected that this increase would be taken care of by a reduction of the money that we now appropriate for the sinking fund. I referred to that in my message. Of course the matter of paying off the debt is a matter of judgment about the financial capacity of the country. If the financial capacity were equal to it, I should like to pay the debt tomorrow in order not to have to pay any more interest on it. But that

would disarrange the economic condition of the country, and therefore we can't do it. I think we are paying about \$400,000,000 into the sinking fund, which is about 2% of the debt which is at present \$20,000,000,000. Of course as the interest decreases, why the sinking fund will increase. I don't know just how it figures, but I had understood that under present expectations the debt would be retired in about 25 years. So that I didn't look with approval on undertaking to reduce taxes further by decreasing the amount that we are going to pay off on the debt. Of course, that is equivalent, really, to borrowing money to pay your running expenses. If you have a debt and don't pay it, it amounts to the same thing. Every dollar that you take out of the sinking fund at the end of the year has increased your debt by so much, so that the net result is the same as borrowing money to pay running expenses.

I have one or two inquires here about the Court and tax bill. The World Court proposal has been before the Senate now for almost three years. It almost seems as though everybody there would have had a chance to make up their mind about what they wanted to do in relation to it, and that they might have a speedy determination to bring it to a vote and let it be decided. Today is the 12th. I think it has been up for discussion - of course there was a recess since the middle of December, so that there has been quite adequate opportunity for discussion and there will be some more opportunity. What I should like very much would be to dispose of the World Court in time to take up the tax bill when the Committee reports on it. I don't know whether that is feasible. I think it

is thought by the managers in the Senate that it isn't feasible. They have to assume the responsibility for the conduct of the business of the Senate, and I shouldn't want to interfere in their decision. I should very much like to have the Court disposed of soon enough so that there wouldn't be any delay in taking up the tax bill. If that isn't possible, the Senate will have to consider what plan it does want to work out. That is one of the reasons why I regreted that there was a proposal for tax reduction made on the part of the opposition party. The bill that came in was the result of cooperation between both parties in the House. The Ways and Means Committee sat down together, instead of as is sometimes done, <sup>of</sup> excluding the opposition party and the party in power taking the matter up and making their own determination of it. In this case they sat down together and every member of the Ways and Means Committee, of whatever party he belonged to, had a chance to make known his desires. I think the bill was reported out of the Ways and Means Committee with practically unanimity. It went through the House 390 to 25 - practically unanimity there. I hoped the Senate might proceed in the same way. I don't know that they will not. I noticed that there was a party division apparently in the Senate committee. It may be possible that different Senators thought they would present their views to the Committee and have them discussed, and when the time comes to report out the bill there may be a substantial unanimity on the part of the Senate committee. That would be very desirable, because it would obviate a long discussion in the Senate of this bill, and I am sure it would be very helpful to the country if they could have

the reassurance that a business proposal of this nature was taken up in the Senate as it was in the House, in a strictly business way, and disposed of without the party discord that sometimes attends discussions of this kind. So I hope that the Ways and Means Committee will reach a substantially unanimous agreement, report out the bill, and make such recommendations for amendment as they think are required, take it on the floor and have a speedy decision on it, and bring it to a vote if possible.

There isn't any basis for the report that this Government has asked Uruguay to intervene in the Tacna-Arica controversy.

No selection has been made about the personnel of the American delegation to the Geneva Conference. I scarcely expect to make any until the bill passes the House. Of course, in the meantime the question is being studied at the State Department and at the War and Navy Departments, in order to prepare the necessary data on which to make the instructions to our delegates.

No successor to General Pershing has been finally decided on. A number of names, as I reported at the last conference, have been under consideration.

I have already spoken about the World Court and the tax bill, and want to reiterate that that is for the Senate to decide. My hope was that the Court could be disposed of and the tax bill taken up.

Here is an inquiry about the purchase of commodities on the installment plan. I don't know as I can very well discuss that in a newspaper conference in a way that might not be misunderstood on one side or the other. The basis of installment buying is, I think, entirely sound. It is a provision of credit for

those that otherwise wouldn't be able to secure credit. So far as the installment buying goes, I think it is a little better than the old way that was customary around my neighborhood when I was young - of going to the store, getting a bill and having no plan or purpose as to when it was to be paid. When a commodity is bought on installments, it means that there is then laid out a plan on which it is to be paid, and installment buying is really a plan of financing and extending credit to people who otherwise wouldn't be able to secure credit for the purposes to which it is extended. I recognize that it might be over done ~~and~~ like any kind of credit, but I think it is a step in advance of the old kind of credit that was given without any plan of repayment. So far as I can ascertain, it has not been overdone at the present time. If we should run into an era of depression where employment was not so abundant as it is now, some difficulties might arise. But the financial corporations that have been organized, and the whole credit system that has been organized for the purpose of extending credit on the installment plan, have those things in mind and are pretty well fortified to take care of any situation that might arise. So I really come back to the conclusion that while this might be extended too far, like any other credit, it doesn't seem that it has been done at the present, and I think on the whole it is a step in advance and a very helpful step to people that otherwise wouldn't get credit or wouldn't make a plan at the same time it is extended for its repayment.

Everything that has developed in relation to Mexico has already been given to the press. We have to have a great deal of patience with that country.

The Government there has its difficulties and the people in this country ought to realize that Mexico is a different country from ours. The people have a different outlook on things. They haven't had the advantages that we have up here, and ~~it~~ <sup>there</sup> ought to be a general public expectation that we would in every way that we can be helpful to that country, and instead of trying to oppress them in any way or anything of that kind, that such actions as we take are taken with a view to being helpful. We do wish that they should keep their agreements when they make a treaty with us and that the terms of the treaty should be observed, and as I stated at another conference, I am sure the Government of Mexico recognizes that as a sound policy and expects to abide by the terms of its treaties. We have to recognize that they have a perfect right to pass laws affecting their internal affairs, their domestic affairs, whether it is in relation to property or in relation to persons. The question comes up of course when they attempt to pass a law that is retroactive and affects rights that have already been granted to Americans. It is under those conditions that we have interests that we have to protect and I haven't any doubt that the Government of Mexico wishes to protect them and cooperate with us in their adequate protection.