Friday, February 26, 1926.

Report of the Newspaper Conference.

The reduction of taxes wouldn't make any difference in the amount of money that can be spent for reclamation, because that comes out of a revolving fund that doesn't arise from taxation. It is money that comes in from the sale of lands and the fees and charges that are made for the use of water that goes to the present reclamation projects, - sales of timber, royalties on oil, and several things of that kind. So that it doesn't come out of tax money, and the amount of taxes received makes no difference about it.

I haven't any personal information about Dr. B. A. Lyons, Collector of Internal Revenue for Louisiana. I think something arose in relation to that office a while ago. It isn't quite clear in my mind what it was. I don't know that he has tendered his resignation. It is possible that he has. But nothing has come over here from the Commissioner of Internal Revenue, and I should of course be governed very largely by the recommendation that he might make to the Treasury Department. I don't know of anything that is pending in relation to that office or that officeholder at the present time.

I have received a report from the Tariff Commission relative to the tariff on butter. It came in this morning. I am examining it. I understand that one member of the Commission is going to file an additional report within a few days.

Of course I was very much gratified to see the revenue bill passed. It carries, as I have already indicated, a somewhat larger reduction than I had
thought was wise. I would rather err on the safe side than run a chance of not being able to balance the budget. But as I think I indicated the other day, the amount of revenue that is to be raised is peculiarly a question for the Congress to determine. They decide what taxes they want to lay and then when that is done of course they decide what expenditures they want to make. The President can do something in the way of preventing expenditures, but can't do very much in making them - can do almost nothing, perhaps absolutely nothing, without an appropriation being made by the Congress. Our indicated surplus was first stated to be $290,000,000, and I think further developments indicated that it might be a little more than that, so that I thought about $300,000,000 of tax reduction would be about right. This runs to $380,000,000 odd, which is more than I had desired. But as I say, it is peculiarly a question for the Congress to decide. It does make it necessary, however, for the Congress to use very great care in the amount of appropriations. There won't be any trouble for the present year, because this tax bill only applies to a part - less than half of the present fiscal year. But the best estimates that I can secure from the Treasury indicate that for the fiscal year 1927 a deficit of nearly $100,000,000 will occur, so that we shall have to be thinking of that when the appropriations are made this year, and especially we shall have to keep thinking of it when they are made for the next year. The appropriations made now run from the first of July 1926 to the first of July, 1927. The appropriations that are made next year will finish out the '27 year, and if the whole
of the '27 year ran at the rate of present indicated appropriations and present indicated receipts, we should be facing a deficit of nearly $100,000,000. I have no doubt that the Congress can so make its appropriations as to avoid a deficit, but it would have to be in the exercise of great care. I think I spoke last week, or last Tuesday, about the effort that is being made to increase the cost of national defense. I think the Army and Navy this year get about $60,000,000. There is a bill pending now for an increase of about $30,000,000 each on the Army and Navy which would make an increase of about 10%, or $60,000,000 a year. But those are authorizations. They are not appropriations. But Congress will need to consider very carefully what authorizations it wants to make, because when the authorization is once made of course it is in order on the floor to move that an amendment be put on an appropriation bill, whether it has been recommended by the Bureau of the Budget or the Committee or any one else. If the authorization isn't there, the money isn't in order for an amendment to a bill. This bill and the bill that I signed two years ago together I think carry a reduction in revenue of very close to $700,000,000. That is a saving of nearly $2,000,000 a day to the taxpayers. I was interested in an item that General Lord gave me this afternoon when he came in. He said that the figures for 1921 indicated the general cost of government throughout the country $9 was about $9,500,000,000. That is 1921. The best figures we can get for 1925 show an estimated cost of government of about $11,500,000,000. The first is for 1921, $9,500,000,000 and the second is 1925, $11,500,000,000. And that notwithstanding
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the fact that the Federal Government has reduced its expenses during that time $2,000,000,000. That means that the other government functions have increased their expenditures in the past four years $4,000,000,000, or nearly 50% of the total. About 50% of 9-1/2. Close to that. Which indicates that government expenditures are increasing very fast and that we need to use a great deal of care in the making of appropriations. $11,500,000,000 is nearly 4% on $300,000,000,000, which is close to the total wealth of the country, usually estimated.

I was especially gratified at the way the bill went through Congress. I think the comment has already been made, but perhaps it wont do any harm if I reiterate that up to date this has been the most efficient Congress that we have had for a great many years. It has made its decisions, transacted its business and reached conclusions about the questions before it. I am very much pleased with the cooperation I have received from them. They have considerably more work to do. I mentioned three or four things the other day. Of course if any one wants a complete list of things that I think Congress ought to do, they will find that by referring to the message I sent to Congress on the 1st of December, and what Congress wants to do for the remainder of the session of course is very largely for them to determine. I am willing to advise and cooperate and help in any way I can, but the Congress after all is the legislative body. It is moving so well and so efficiently that I don't think I can help it very much. I have my own idea about the desirability of letting Congress
make its own decisions, so far as it can. There is a certain amount of help
they can derive from the Executive which I try to extend. But the responsibility
for legislation is theirs. They come in contact with a great many sources of
information merely as a result of their large number that do not come to a single
executive. Many questions have to be determined as a result of rather long and
protracted hearings, which of course the executive doesn't have a chance to
participate in, and for that reason the Congress out to be left with a pretty
free hand to make its own determinations and reach its own decisions.

I don't think any further tax reduction will come for some time. Cer-
tainly not next year. And as I have indicated about 1927, I think we shall have to
look very carefully for 1927 and 1928 to come within the present amount of
revenue in making our appropriations. Ultimately we should of course have
further tax reduction, as the debt is reduced, as the business of the country
expands and revenue increases and expenses decrease. But there is
the natural growth of business. I don't know what bills there are pending that
call for additional expenditures. I think I had them checked up one time last
year and found there were proposals seriously made and actively pressed that
would have called for expenditures yearly of about $3,500,000,000 in addition
to that which we already have, practically a doubling of the expenditures of the
nation.