

# Text of Coolidge Speech at Budget Meeting

Special to The New York Times.  
WASHINGTON, June 21.—Following is the text of the address of President Coolidge at the eleventh regular meeting of the business organization of the Government at Memorial Continental Hall:

The more these business meetings of the United States Government increase in number the more I am impressed with their surpassing importance. They are held for the purpose of discussing the financial affairs of one of the greatest business institutions in the world. Primarily we consider the corporate welfare of the Federal Government, but that is not the ultimate object. The real purpose for which we are assembled is to discuss plans and adopt policies which will affect in their actual daily life the welfare, progress and prosperity of 117,000,000 people. What we do here reaches into every home in the land. It determines whether the tax gatherer is going to require more money from the head of the household to meet the cost of maintaining the Government, or whether the tax gatherer is going to leave more money with the head of the household to meet the cost of maintaining the family. Our efforts here are translated into benefits for the head of the household and his family. This does not mean that the Government should refuse to make outlays which are for the development of the country and the benefit of the people, but, taking all these elements into consideration, it does mean a strict adherence to the principle of constructive economy.

It is not then, for the purpose of discontinuing any of those public functions which are really for the benefit of the people that we have been working under a budget system for the past five years. It is rather to secure a wiser use of our national resources and a more satisfactory result at less cost. More work and better work for a smaller outlay of the money of the taxpayer is the real test of a progressive administration.

In the performance of your daily work you are naturally concerned with the immediate task which confronts you. You know the immediate result of your labor. You may not know its effect on the operations of the entire Federal Government. But it is the sum total of these daily tasks that measures our public efficiency. No task is so small that the effort of its performer loses its influence on the product of the whole. Individual effort brings collective results.

## Effort to Eliminate Waste.

The effort has been to improve the public service by elimination of waste and lost motion and by constructive conservation of our resources. The effort has not been to reduce the expenses of the Government at the expense of the public welfare. It has been to reduce expenses for the benefit of the public welfare. It has been an effort for constructive economy. So long as the Government remains this work will not end. That you may know the result of your collective effort, it has been our custom to hold these meetings twice each year.

It was but nine years ago that the Federal Government was obliged to draft not only the persons but the property of the people to meet the requirements of the World War. It was less than eight years ago that this nation faced the host of problems arising from military demobilization of persons and industry. The intervening period has been one of restoration and rehabilitation. It is to these ends that our efforts have been directed. Much has been accomplished, but much remains to be accomplished. The orderly management of our affairs is a perpetual test of our ability. You have demonstrated what can be done, and I am confident you will continue unabated the effort for even greater accomplishment.

We cannot anticipate further appreciable reduction in the total annual expenditure for the business of the Government. Our main chance comes in debt reduction. It was estimated in the last budget that we would spend this year \$89,000,000 more than we spent last year. That estimate, as shown by the returns to date, will prove to be substantially correct. But this effort to perfect our governmental business, to round out the accomplishment of the task on which such a notable beginning has been made, offers unlimited opportunity for economical administration. Your best efforts and the continued support and cooperation of Congress will be required to hold our expenditures for Government business at approximately their present level.

We are not striving to save the dollar simply to save it. We are not striving to save the dollar at the expense of the public service. Rather do we approach it from the other side and save the dollar for the good that it will bring to the people whom we serve. We can make the dollar purchase more by purchasing more wisely. We can eventually save money by a justified expenditure today which will reduce future annual unproductive expenditures. This is constructive economy. Congress has most wisely provided a program of constructive economy in the two public building laws, one for domestic use and one for our foreign legations. These measures will eliminate annual cost for rentals which bring us no future returns.

## Funding of the Public Debt.

The recent act providing for construction at military posts and stations is also a measure of constructive economy. The funding of our public debt at lower rates of interest has been another notable achievement in constructive economy. Every dollar that has been applied to the reduction of the debt has saved the people of this nation and the generations to come at least 4 cents per year in interest. Keep this in mind in your administration of public funds. Every dollar that you save swells the surplus which goes to the further reduction of our debt. Thus

every saved dollar saves at least 4 cents per year in interest to the taxpayer. In considering immediate projects or requirements you should have in mind their future benefit so that the element of possible constructive economy in contemplated expenditures may not be overlooked.

The budget system prescribed by Congress in 1921 coordinated our financial requirements. It paved the way for the coordination which now exists in the Government's routine business. We are transacting our business in a coordinated and business way. If we have duplications or overlapping of departmental authority we are minimizing the possibility of waste in effort or expenditure by coordination of policy and action. The improvement in the public service is apparent and expressive. It is apparent in the manner in which its business is being transacted. It is expressive in the lessening requirement of funds for administration. The budget system is not the system of any one agency in the Federal service. Each of you in the public service is an integral and important part of this system. Your allegiance to it is inseparable from your allegiance to the Federal Government. And this includes the accounting elements of the budget system vested in the General Accounting Office. The task of the Controller General is a difficult one, but his functions are vital to the operation of the budget system. Your cooperation with the Controller General is essential.

As a natural sequence to the law adjusting the compensation of civilian officers and employees of the Government, the Congress has recently enacted a law adjusting their travel allowances. This law provides adequate rates of reimbursement for expenses of travel. It does justice to both the traveler and the Government. The new law takes effect July 1, 1926. I wish to direct your attention particularly to the provision that any increases deemed necessary to be made in the rates of actual expenses or per diem allowance under the authority of the new law shall not be authorized by the heads of departments and establishments to the extent of incurring a deficiency in appropriations during the fiscal year 1927.

## Debt Now Totals \$19,680,000,000.

At this eleventh meeting of the business organization of the Government it is proper to recount briefly the accomplishments of these last five years in which your efforts have played such a material part. It is for this purpose and to define plans for the immediate future that we hold these conferences.

On June 30, 1921, the public debt amounted to \$23,977,000,000, carrying an annual interest charge of \$1,018,000,000. At the close of this year the debt will stand at approximately \$19,680,000,000, with an interest charge of \$806,000,000. This shows since 1921 a reduction of nearly four and one-quarter billions of dollars in the principal of the debt and nearly \$212,000,000 in annual interest. Our expenditure, which for the fiscal year 1921 amounted to \$5,533,000,000, will approximate for the current year \$3,620,000,000, a reduction of nearly two billions of dollars. Taxation has been reduced from \$54.14 per capita to \$27.28. This does not take into consideration the revenue act of last March.

While the figures speak for themselves their real import lies in the influence which these reductions have had on the welfare and prosperity of the people. This influence goes far beyond the material reductions I have mentioned. It reaches into every phase of the daily lives of the people. There are more of the necessities, conveniences and luxuries in the homes of the people, in the city and in the open country, because the Government has let the people have more of the money they earn for themselves instead of taking so much from them in taxes.

Since the commencement of the fiscal year 1921 there have been three substantial reductions in taxes. The benefit of this joint executive and legislative effort to reduce Federal expenditures has therefore gone directly to the people. At our meeting one year ago it was my privilege to state that the financial condition of the Government warranted further tax reduction. That forecast has been realized in the Revenue act of 1926. The large tax receipts of March 15 last show clearly that the country anticipated a reduction in tax rates. Individuals who had undistributed profits in securities and investments took their profit under the expected reduction of the surtax rate. It was this same anticipation of tax reduction that prompted investment in productive business of capital which would otherwise have gone into tax-exempt securities. The great increase in revenue was due in large measure to the unusual prosperity in the year 1925, but the confident expectation of a reduction in rates was an important factor in this revenue increase.

## Reductions to Individual Payers.

The 1926 act relieved some 2,000,000 people from paying any direct tax and reduced the tax burden of all other taxpayers. General prosperity is the aggregate of the individual prosperity of our citizens. To permit the people to retain more of their own earnings is to increase their savings and purchasing capacity, which assures prosperity. In 1921 the income tax of a married person with no dependents and a total net income of \$3,000 from salary was \$60; in 1923 it was \$7.50; in 1926 it is nothing. For a single person with an income of \$3,000 from salary in 1921 the income tax was \$120; in 1923 it was \$22.50; while in 1926 it is only \$16.88. Miscellaneous war taxes were also materially reduced. These taxes were levied under more than fifty categories, which are now reduced to five. This removes in large measure the so-called nuisance taxes which have been found so irritating to everyone. The revenue from these taxes is reduced by about \$275,000,000, and there are no compensating increases as in the case of the income and profits taxes.

Incorporated business has been

benefitted directly as well as indirectly by the repeal of that tax based upon the value of the capital stock of the corporation. Many concerns with not one dollar of profit were obliged to pay a large tax. This was unfair, as the ability of a corporation to pay depends upon its profits. Fully 40 per cent. of the corporations making income-tax returns have no profits or taxable incomes, but under the old law they were obliged to pay.

What the complete result of the 1926 tax law will be is still a matter of estimate. The correctness of the theory that reduction of tax rates economically applied will stimulate business, and thereby increase taxable revenue, is being demonstrated. To what point further reduction may be carried can not be stated until the new tax law has had sufficient opportunity to become fully effective, and experience has shown what revenue it will produce.

The question is on the lips of many as to whether there is prospect of another tax reduction in the near future. I think the answer to this question should be delayed until we know definitely the revenue-producing ability of the present revenue act. The estimate today is that we will close the current fiscal year with a surplus of about \$390,000,000. This can not be safely considered as an indication of what revenue the present law will give. Our revenue this year from income and profits tax includes about \$350,000,000 of back taxes, most of which accrued in years prior to 1920. We do not anticipate such accrual of back taxes in the future. Rather will they materially diminish and reach an estimated total of only about \$100,000,000 in 1928.

It would be unfortunate to raise hopes of further tax relief until we are sure that the state of our finances justifies it. There is no such surety today. Business was quick to anticipate the last tax reduction. It was justified in so doing. To raise such hopes at this time might be to encourage business to anticipate again, as it did in 1925, further tax reduction. This might have a detrimental effect upon the stabilization of the country under the present tax law.

## Margin of \$185,000,000 Indicated.

You have your appropriations for the next fiscal year. I have previously stated our effort must be not to increase expenditures over what they will be for the current year. Rather do the latest estimates for next year indicate that it may be possible to spend less than in 1926. The survey which has been made of our requirements indicates the possibility of reaching a minimum of \$3,600,000,000 in our expenditures next year. This will be our objective. For the coming fiscal year the estimates indicate that we will have a margin of \$185,000,000 of revenues over expenditures if the latter do not exceed the figure I have stated. A surplus of only \$185,000,000 in a business involving an annual expenditure in excess of three and one-half billions of dollars is far from being a safe margin.

This margin could be easily dissipated by a falling off of our anticipated income. The revenue estimate is necessarily based on the present prosperous condition of the country. Any change unfavorable to this condition would be reflected in lessened income. But I look to you to see that the margin is not threatened by any increase in our estimated expenditures. Further expansion of the business of Government which would add to our costs should await a better estimate of our future income.

We are approaching the time for consideration of the estimates of appropriations for the fiscal year 1928. I have expressed to the Director of the Bureau of the Budget the hope that these estimates can be kept within a limit of \$3,200,000,000 exclusive of the Postal Service and tax refunds. It may become imperative before the budget is finally completed substantially to reduce that figure. This will depend entirely upon our revenue outlook for 1928, concerning which we will have better information a few months hence. I say to you frankly that the outlook today is not encouraging. We know our public debt and other fixed charges for that year.

A preliminary but very exhaustive estimate of our other requirements compared with an estimate of the expected revenue for that year indicates a surplus of only \$20,000,000, which is negligible and may easily be converted into a deficit. This is the dark side of the picture, but it lends weight to the views I have previously expressed with regard to further tax reduction. It also emphasizes the need for the utmost care in the scrutiny of your 1928 requirements. If I have occasionally had to give warning as to the possibility of a deficit, it has served to our advantage. When we face the future too sanguine as to available funds, we court disaster if the prophecy be erroneous. We face no such disaster if we err on the other side and view with conservative eye our financial outlook.

## Further Reduction of Personnel.

I have spoken to you often on the subject of personnel. Our salary and wage expenditure is the most costly single item of the budget. While the Post Office Department has necessarily had to increase its personnel with its growth of business we have been decreasing personnel elsewhere. It is very easy to have too many people on the payroll. The reductions which have been made in personnel show no detrimental effect upon our results. Rather has it seemed to improve the efficiency of the service. I am encouraged in the thought that we can have further reduction of personnel without discharging a single person, by the simple device of not filling all the vacancies that occur. This would not operate in the summary separation of any one from the Federal service. General Lord will outline to you a plan to carry this into effect, which has my approval.

No doubt what has been accom-

plished by the Federal Government has served as an inspiration to some local political units in reducing their governmental costs, but it is not disclosed by the aggregate for all of them. From 1921 to 1925 the Federal Government reduced expenditures more than two billions of dollars. The same period showed an increase of more than four billions of dollars in State, county, municipal, and other governmental expenditures. In 1921 when the cost of all government in this country was approximately nine and one-half billions of dollars, Federal expenditure constituted nearly 60 per cent. of the total. In 1925 the cost of all government increased to more than eleven and a half billions, of which only 27 per cent. is represented by Federal expenditure.

The answer to this reduction of 33 per cent. in the Federal share of all governmental costs is not that we are performing less service for the people or neglecting our physical plant. The real answer is that we have so far put our house in order as to decrease our demands upon the people and to give them more efficient government at less cost. The local governments, like the Federal Government, have no moneys which they do not take from the people. To meet an increase of more than one billion dollars a year for four years in the expenditures by the States and their political subdivisions there must have been a corresponding increase in levies upon the people or in bonded indebtedness.

## Cause for Grave Concern.

There is cause for concern in this situation. It is fraught with grave consequences to the public welfare. The Federal Government has decreased its costs by practicing the homely virtue of thrift. This has not been an easy task. It has required cooperative effort and sacrifice in every direction. If the interests of the people demanded this action on the part of the Federal Government, surely they would seem to demand similar action with regard to the increase in these other local governmental costs.

This suggestion is not meant as a criticism of the officers of our local governments. It is rather a statement of fact. It shows how hard it is in these times to reduce the costs, taxes and debts of governments. But it can be done if the people will cooperate. Unless they do, however, special interests will continue to overwhelm the legislative bodies for more expenses and more taxes. The limit is close at hand when further expansion in the costs of government will bring the danger of stagnation and financial depression.

We are testing out in this country the success of self-government. We require no property qualification for voters. Students of history have claimed that under such a system it has too often been found that democratic institutions tend to confiscate property to such an extent that economic progress becomes impossible. That has not been our experience, in part because the Constitution protects us from legislation of that nature. But this is the test which America must meet, and meet constantly, and unless it is met successfully the strength, progress and prosperity of our country will cease. You will readily see, therefore, the vast and far-reaching importance of your efforts and cooperation in the policy of constructive economy.

## Higher Purpose Than Mere Saving.

All of this effort would not be worth while unless it had an ultimate purpose above and beyond the mere saving of money. We ought to use money as we use any other utility—to advance the welfare of the human race. Money is not endowed with any sacred quality. Man was not made for money, but money was made for man. It has become absolutely necessary in these days of dense population, and under an advancing system of cooperation by society, for what was once a purely private function to take on more and more the character of a public function. It must, then, be carried on out of the public treasury. For that purpose money must be provided. Its expenditure is required. But we must have a wise expenditure, well balanced and within the means of the people.

That is constructive economy. It does not partake of a mean and selfish did nature; it is not narrow and selfish, but rather broad, generous, and ennobling, undertaking to deal justly with the whole situation by raising such revenues as the people can fairly bear to meet, such expenditures as are fairly required. The results are systems to provide transportation and communication, improved sanitation, public order, the administration of justice, necessary legislation, advancing educational facilities, and the development of the artistic and spiritual side of life. These provide an evenly balanced basis for the support of an enlightened civilization. The result is America. Into the making of that result and its continued success your patriotic service and devotion is a contributing factor of enormous importance.

The office of Director of the Budget has been established in order to provide an advisory staff to the President, the Congress, and the various departments in their efforts to meet these requirements. At its head is General Lord. The law has clothed him with some authority, but far greater authority is derived from the character of the man. His ability and integrity inspire confidence. He has laid out plans for constructive economy.

When I say that his plans have not only been carried out but actually improved upon in the Congress under the leadership of Representative Madden and Senator Warren, I mean to extend very high praise to those two seasoned legislators. These three men are representative of the spirit which has made our budget system a success. In order that we may further profit by his counsel and encouragement, I present to you again the Director of the Bureau of the Budget, General Lord.