

# **FDR's 1932 Pittsburgh Campaign Speech**

My friends of Pennsylvania:

It is fitting that I should choose Pittsburgh to sound a solemn note of warning, addressed not only to the Republican leaders, but also to the rank and file of American voters of all parties. There are some prices too high for the country to pay for the propaganda spread abroad in a Presidential election.

That, my friends, is proved when, as now, the Republican campaign management and people like Henry Ford and General Atterbury of the Pennsylvania Railroad are guilty of spreading the gospel of fear.

That is true when in a desperate, futile, last-minute effort to dam the tide of popular disapproval that is steadily growing against the Administration, they become alarmists and panic breeders.

This policy of seeking to win by fear of ruin is selfish in its motive, brutal in its method and false in its promise. It is a policy that will be resented as such by men and women of all parties in every section of the country on November eighth.

It is an insult to the intelligence of the American voters to think that they can be fooled by shifting the boast of the full dinner pail made in 1928, to the threat of the continued empty dinner pail in 1932.

I assure the badly advised and fear-stricken leaders of the Republican Party that not only Democrats but also the rank and file of their own party, who are properly dissatisfied with that leadership, are still American patriots and that they still cherish in their hearts, as I do, the safety of the country, the welfare of its people and the continuance of its institutions.

What is the normal and sensible thing to do when your neighbor gets all excited and starts calling you and your family bad names over the back fence? I take it that nothing is gained by your calling your neighbor worse names or by losing your own temper. As a matter of fact, the peace of the community is best served by sitting down and quietly discussing the problems without raising one's voice. That is why I decline to answer vituperation merely by more vituperation.

Sometime, somewhere in this campaign, I have to talk about dollars and cents. It is a

terrible thing to ask you people to listen for forty-five minutes to the story of the Federal budget, but I am going to ask you to do it; and I am going to talk to you about "dollars and cents" in terms that I think not only public accountants, but everybody else can understand.

One of these great problems — and a very vital one to my family and your family and to the whole community — is the financial problem of making both ends meet. I want to discuss this problem with you tonight. To do so sincerely I must tell the facts as they are and conceal nothing from you. It is not a pretty picture, but if we know that picture and face it we have nothing to fear. This country is the richest and most resourceful Nation in the world. It can and will meet successfully every problem which it faces; but it can do so only through intelligent leadership working unselfishly for the good of all people. That it has not had such leadership in its financial affairs will become obvious from the facts I am going to relate to you tonight.

We all know that our own family credit depends in large part on the stability of the credit of the United States. And here, at least, is one field in which all business — big business and little business and family business and the individual's business — is at the mercy of our big Government down at Washington, D. C.

What I should like to do is to reduce, in so far as possible, the problem of our national finances to the terms of a family budget.

The credit of the family depends chiefly on whether that family is living within its income. And that is equally true of the Nation. If the Nation is living within its income, its credit is good. If, in some crises, it lives beyond its income for a year or two, it can usually borrow temporarily at reasonable rates. But if, like a spendthrift, it throws discretion to the winds, and is willing to make no sacrifice at all in spending; if it extends its taxing to the limit of the people's power to pay and continues to pile up deficits, then it is on the road to bankruptcy.

For over two years our Federal Government has experienced unprecedented deficits, in spite of increased taxes. We must not forget that there are three separate governmental spending and taxing agencies in the United States the national Government in Washington, the State Government and the local government. Perhaps because the apparent national income seemed to have spiraled upward from about 35 billions a year in 1913, the year before the outbreak of the World War, to about 90 billions in 1928, four years ago, all three of our governmental units became reckless; and, consequently, the total spending in all three classes, national, State and local, rose in the same period from about three billions to nearly thirteen billions, or from 8 1/2 percent of income to 14 1/2 percent of income.

"Come-easy-go-easy" was the rule. It was all very merry while it lasted. We did not greatly worry. We thought we were getting rich. But when the Crash came, we were shocked to find that while income melted away like snow in the spring, governmental expense did not drop at all. It is estimated that in 1932 our total national income will not much exceed 45 billions, or half of what it used to be, while our total cost of Government will likely be considerably in excess of 15 billions. This simply means that the 14 percent that Government cost has risen to has now become 33 1/3 percent of our national income. Take it in terms of human beings: It means that we are paying for the cost of our three kinds of Government \$125 a year for every man, woman and child in the United States, or \$625 a year for the average family of five people. Can we stand that? I do not believe it. That is a perfectly impossible economic condition. Quite apart from every man's own tax assessment, that burden is a brake on any return to normal business activity. Taxes are paid in the sweat of every man who labors because they are a burden on production and are paid through production. If those taxes are excessive, they are reflected in idle factories, in tax-sold farms, and in hordes of hungry people, tramping the streets and seeking jobs in vain. Our workers may never see a tax bill, but they pay. They pay in deductions from wages, in increased cost of what they buy, or — as now — in broad unemployment throughout the land. There is not an unemployed man, there is not a struggling farmer, whose interest in this subject is not direct and vital. It comes home to every one of us!

Let me make it perfectly clear, however, that if men or women or children are starving in the United States — anywhere — I regard it as a positive duty of the Government — of the national Government if local and State Governments have not the cash — to raise by taxes whatever sums may be necessary to keep them from starvation.

What I am talking about are the taxes which go to the ordinary costs of conducting Government year in and year out. That is where the question of extravagance comes in. There can be no extravagance when starvation is in question; but extravagance does apply to the mounting budget of the Federal Government in Washington during these past four years.

The most obvious effect of extravagant Government spending is its burden on farm and industrial activity, and, for that nearly every Government unit in the United States is to blame. But when we come to consider prodigality and extravagance in the Federal Government, as distinguished from State or local government, we are talking about something even more dangerous. For upon the financial stability of the United States Government depends the stability of trade and employment, and of the entire banking, savings and insurance system of the Nation.

To make things clear, to explain the exact nature of the present condition of the Federal

pocketbook, I must go back to 1929. Many people throughout the land — rich and poor — have believed the fairy story which has been painstakingly circulated by this Administration, that the routine spending of our Federal Government has been kept on a fairly even keel during these past five years. It was perhaps easy to give this impression because the total outlay each year up to the emergency appropriations of this year did not increase alarmingly. But the joker in this is that the total outlay includes interest and sinking fund on the public debt; and those charges were going down steadily, right up to this year.

On the plain question of frugality of management, if we want to compare routine Government outlay for 1927 with that for 1931 for example — four years later — we must subtract this so-called "debt service charge" from the total budget in each year. If we do this, we find that the expenditure for the business of Government in 1927 was \$2,187,000,000, and in 1931, \$3,168,000,000.

That represents an increase of actual administrative spending in those four years of approximately one billion dollars, or roughly, 50 percent; and that, I may add, is the most reckless and extravagant past that I have been able to discover in the statistical record of any peacetime Government anywhere, any time.

It is an ultimate fact proved by the record which is the exact reverse of the thing announced as fact by Republican leaders.

Let me repeat those figures so that the whole country can get them clearly in mind. Leaving out "debt service charges" in both instances, the cost of carrying on the usual business of the United States was \$2,187,000,000 in 1927, \$3,168,000,000 in 1931 — an increase in four years of one billion dollars!

That, my friends, is the story on the spending side of the ledger. But you and I know that there are always two sides — or ought to be — to a ledger that is supposed to balance. It is bad enough — that story of the spending side, and a billion dollar increase, that 50 percent increase in four years! But it is less than half of the whole appalling story. And I am telling the Nation that on the income side of our ledger, the record is worse. Unlike other taxing agencies, the Federal Government does not levy a direct tax on property. Therefore, you do not have to be an expert to know that when anything happens that violently contracts sales and incomes and the prices of securities and commodities, there is sure to be a similar violent contraction of Federal income and that a Government charged with maintaining the financial stability not only of the United States itself, but of the whole American Nation under all conditions, is under a very solemn duty, in such an event, to take immediate steps to avoid a deficit.

Although six weeks had elapsed since the worst economic crash in history, the panic of 1929, the Federal budget that was submitted by the President in December, 1929, did not even refer to it. It estimated receipts for the year ending June 30, 1931, at 4.2 billions, actually more than they had been in the preceding year of economic fantasy, a figure which obviously could not possibly be attained without an immediate return to the exaggerated speculations of 1929. The Administration advised no economy. On the contrary, it proposed a reduction of taxes and it blandly and cheerfully remarked — here are its own words: "Our finances are in sound condition. . . . Our estimated expenditures . . . are well within our expected receipts." That was six weeks after the panic had broken!

Against those estimated receipts, placed at 4.2 billions by the Secretary of the Treasury, the sad fact is that the actual revenue turned out to be 3.3 billions, or nearly a billion short of the estimate.

I recite that 1929 Federal incident to clarify what happened at Washington in the next two years, in 1930 and 1931. In December of 1930 a new budget appeared. Vast declines in every form of business activity were at that time deadly certain. In fact, the national income was in a nosedive, or perhaps it was in a tailspin. It was therefore certain that Federal income was on the verge of a catastrophe. Yet, that new budget of December, 1930, recommended neither increased taxes nor decreased expenditures, although upon its recommendations depended the credit standing of the United States.

The Budget Message of the President asserted that the deficit for 1931 would be only \$180,000,000; and it contained the statements : "Nor do I look with great concern upon this moderate deficit," and, again, "Our Government finances are in a sound condition." He actually estimated a surplus for the year 1932.

At this time the President and his Secretary of the Treasury had had plenty of experience with falling tax receipts just as you and I had had with falling income.

The astonishing and inescapable fact is that no such results as those estimated could have been achieved without an immediate and complete business recovery from the practical paralysis then existing. That 1930 budget cannot fairly be called an estimate at all. It was an extreme hazard on the hope of an economic miracle, a gamble, if you please, a gamble with your money and mine —and a hidden one at that.

There is something much more than mere error in that kind of thing. Our people and the world are entitled to reasonable accuracy and reasonable prudence; and above all they are entitled to complete frankness. They have a right and a duty to place in retirement those who conceal realities, those who abuse confidence.

I am going to talk about more figures — but figures talk.

We remember these simple facts: On December 3, 1930, the President estimated that the following summer there would be a deficit of 100,000,000, but that in the summer of 1932 there would be a profit of \$30,000,000, or a total estimated deficit for the two years of \$150,000,000.

Now, I am going to give you good people a real shock. Instead of the Government running into the red for those two years to the tune of \$150,000,000, the deficit on June 30, 1932, was, for the two fiscal years, three and three-quarters billion dollars.

No, I fear we cannot call this budget an estimate — or even a fair gamble. I do not know what to call that kind of representation or that kind of fact, but the name for it certainly is not candor.

Nineteen hundred and thirty-one proved to be the worst year experienced in the depression up to that time. For my distinguished opponent, 1931 was the year in which all his distinctive 1928 economic heresies seemed to come home to roost, all at the same time.

Let us call the roll of those economic heresies:

1. Those famous loans to "backward and crippled countries," which he said would provide uninterrupted employment and uninterrupted industrial activity by expanding our export trade, no longer could be made.
2. Retaliation against his monstrous Grundy tariff — and you people in Pennsylvania ought to know something about that — against which the best economic and industrial thought in the country had stood in almost unanimous protest, and against which it once more protested within the past week, and which was to cure our agriculture and maintain our industry, had already begun to strangle the world trade of all Nations, including our own.
3. Debtor Nations, no longer sustained by our improvident loans and no longer able to export goods, were drained of gold for debts and, one by one, were forced to abandon specie payments.
4. Finally, as a direct result of all these influences, our export markets dried up, our commodity prices slumped and our own domestic business itself declined at a more rapid rate than business in some of the backward and crippled countries.

Unemployment began to rise here in even greater proportions than in Europe. To top this ruin of all these seductive 1928 theories — which were to bring the millennium of abolished poverty and the chicken, or maybe it was two of them, in every pot — came the complete collapse of the 1929 and 1930 Administration fiscal policy.

The truth about the shattering effect of all these homing heresies began to leak out as the summer of 1931 advanced; and it is my opinion that in the conduct of national finances, as in the conduct of corporation finances or family budgets, if things are not going as well as one had hoped, it is far better to face the truth than to try to hide it. That is why, when history comes to be written, it will be shown that it was far more harmful to the Nation last autumn — in 1931 — and all through this year of 1932, to have the facts leak out, than it would have been to have had them boldly and frankly disclosed to us when they were actually taking place.

The result of such a combination of disquieting revelations was inevitable. The very basis of confidence in our economic and financial structure both here and abroad was impaired. A fresh wave of liquidation ensued. Foreigners took \$1,000,000,000 of their gold back in that black year of 1931.

I emphasize this history because our opponents have now become almost frantic in their insistence that this entire sequence of events originated abroad. I do not know where; they have never located "abroad," but I think it is somewhere near Abyssinia. They insist that no American policy was in the least to blame, and that to say otherwise is what they call "hideous misrepresentation." The "foreign cause" alibi is just like ascribing measles on our little boy to the spots on his chest, instead of to the contagious germ that he has picked up somewhere.

No, we need not look abroad for scapegoats. We had ventured into the economic stratosphere — which is a long way up — on the wings of President Hoover's novel, radical and unorthodox economic theories of 1928, the complete collapse of which brought the real crash in 1931. The Grundy tariff accelerated the drop. As hard reality rushed up to meet our fall, this Administration did not see fit to adapt its fiscal policies to this inevitable consequence. It is a responsibility which no campaign alibi can avert, and less than three weeks off, the day of reckoning will come. The Administration's recent strategy in this campaign is a direct appeal to public sympathy for its agony of spirit in the dark hours of last year and this year, when retribution for our chasing after strange economic gods overtook us. It protests against any assessment of just blame. But it protests in vain.

I want to say, with all sincerity, that I recite this record with reluctance. No man with a spark of decency or humanity can fail to sympathize with our responsible leaders in hours

of crisis. Politics or no politics, I pay my tribute to the devotion of the President of the United States. It is not true to say that he has not been unremitting in his efforts, and I for one have never heard it said.

But I do indict his Administration for wrong action, for delayed action, for lack of frankness and for lack of courage. Before the Administration partisans complain of this arraignment, they must remember that the American people are now about to exercise their democratic right of self-determination of their own fate and their own future. They must make a choice. That appeal for sympathy is not based on any frank acknowledgment of the failure of the policies so clearly portrayed by these tragic events. On the contrary, it is a denial that these principles have failed. It persists in the same course and even presumes to ask admiration for the stubborn ruggedness of that persistence.

Under those circumstances I should fail utterly in my duty to the American people, if I did not fearlessly portray these errors and link them directly to the havoc which they have brought and which they threaten to continue.

The autumn of 1931 witnessed the complete wreckage of the Administration program to that date, the collapse of its entire economic philosophy. The convening of the 72nd Congress last December started the last phase. The President appeared with his December, 1931 Budget Message. It was a fateful moment. That was the time — last December — for an honest demonstration to the world that might have set the whole world trend of economic events in an upward direction or at least checked the decline. All that it was necessary to do was finally to end once and for all the two years of vacillation and secretiveness, to tell the truth to the Congress of the United States, and to rely on that Congress to balance the budget and establish American credit in the eyes of all the world.

In a way the Administration did acknowledge the necessity for that. It started off by saying that it was going to balance the budget. Fine! Then it said it was balancing the budget. Fine! And finally, it said it had balanced the budget. Better yet! And now, months later, it insists that because it has balanced the budget, it has saved the Gibraltar of world stability and prevented the overthrow of our form of Government.

If all that is true, the Administration has done well. If it is not true, then the Administration stands convicted of a new and fatal trifling with the welfare of our people and the credit of our country.

Let me not waste words. I now quote from the daily Treasury statement, made three weeks ago, on the result of the first three months of operation under the new budget this year, the statement covering the months of July, August and September, the first quarter of the fiscal year. Here is what it says:



"Excess of expenditures over receipts, \$402,043,002." There you are!

For the corresponding quarter of last year the deficit was only \$380,495,584, but at the end of the year it was \$2,885,000,000. There is, therefore, strong indication that we are in for another staggering deficit. If the present rate on that budget continues, the true deficit as of June 30th next year will be over \$1,600,000,000 — a deficit so great that it makes us catch our breath.

I regret to say that the appeal of this Administration for applause for its soundness and courage last winter is simply not based on facts. The budget is not balanced and the whole job must be done over again in the next session of Congress.

I have shown how unreliable these constant assurances are. It is not seemly to conjecture motives, but I think it is fair to say the whole record of Administration policy in the last four years reveals that it has been afraid to trust the people of the United States with the true facts about their affairs. That is a fundamental error which shows unfamiliarity with the true basis of American character.

While the President claims that he did finally recommend new taxes, I fear this courage came two years too late and in far too scanty measure. Perhaps it explains the underlying thought of the phrase "prosperity is just around the corner." Perhaps it explains two complete concealments of deficits and the insufficiency of the action taken last winter. It is an error of weakness and an error which I assure you I will not make.

Our Federal extravagance and improvidence bear a double evil; first, our people and our business cannot carry these excessive burdens of taxation; second, our credit structure is impaired by the unorthodox Federal financing made necessary by the unprecedented magnitude of these deficits.

Instead of financing the billion-dollar deficit of 1931 in the regular way, the Government simply absorbed that much of the lending capacity of the banks and by so much impaired the credit available for business. In that year the amount of Government obligations held by our banks increased by a little more than one billion dollars.

You and I know that this Administration's claims that it has provided credit for industry and agriculture by pouring credit into banks are not wholly frank. Commercial credit has continuously contracted and is contracting now. The truth is that our banks are financing these great deficits and that the burden is absorbing their resources. All this is highly undesirable and wholly unnecessary. It arises from one cause only, and that is the unbalanced budget and the continued failure of this Administration to take effective steps to balance it. If that budget had been fully and honestly balanced in 1930, some of the

1931 troubles would have been avoided. Even if it had been balanced in 1931, much of the extreme dip in 1932 would have been obviated. Every financial man in the country knows why this is true. He knows the unnecessary muddle that has accumulated and is still accumulating in Washington. Now, how can we continue to countenance such a condition? That is a practical question. In all conscience, can an Administration which has so frequently failed in a matter so directly touching its own responsibilities ask for your support and trifle with your common sense by these campaign alibis about mysterious foreign forces and by this specious talk about sound fiscal policies? Would it not be infinitely better to clear this whole subject of obscurity, to present the facts squarely to the Congress and the people of the United States, and to secure the one sound foundation of permanent economic recovery — a complete and honest balancing of the Federal budget? In all earnestness I leave the answer to your common sense and judgment.

The other bad effect of this fiscal mismanagement is not the least bit technical. It is the burden of high cost on the backs of all our people. I can state the condition best by quoting one paragraph from a document published a week ago and signed by both Calvin Coolidge and Alfred E. Smith. They say:

"All the costs of local, State and national Government must be reduced without fear and without favor. Unless the people, through unified action, arise and take charge of their Government, they will find that their Government has taken charge of them."

Every word of that warning is true; and the first and most important and necessitous step in balancing our Federal budget is to reduce expense.

The air is now surcharged with Republican death-bed repentance on the subject of economy, but it is too late. We must look deeper than these eleventh-hour pronouncements. You cannot go very far with any real Federal economy, without a complete change of concept of what are the proper functions and limits of the Federal Government itself.

Perhaps we can get some glimpse of the President's underlying philosophy about the Federal Government by going back and opening the volume of his 1928 speeches. He proposed, you remember, as he said, "a new thing in Government." He says that he "reorganized the Department of Commerce on a greater scale than has ever been attempted or achieved by any Government in the world." In his book, called *The New Day*, he says this: "A Nation which is spending ninety billions a year can well afford a few hundred million for a workable program."

I could go on quoting for a good many minutes, but perhaps the point could be made

clearer by recalling that the Department of Commerce went through even the heavy war strain, back in the days of the World War, on about 13 millions a year. When Secretary Hoover left it, it was spending 39 millions a year; and this year it is estimated that it will be spending 43 millions a year. And the Department of Commerce is now housed in that great marble building which is facetiously called in Washington the "Temple of Fact Finding," which cost the people considerably more than the Capitol of the United States.

That little example, my friends, may explain the 50 percent increase in Government overhead in four years, 1927-1931, and I am sure that the whole group of quotations reveal why you can never expect any important economy from this Administration. It is committed to the idea that we ought to center control of everything in Washington as rapidly as possible Federal control. That was the idea that increased the cost of Government by a billion dollars in four years. Ever since the days of Thomas Jefferson, that has been the exact reverse of the democratic concept, which is to permit Washington to take from the States nothing more than is necessary to keep abreast of the march of our changing economic situation.

In the latter philosophy, and not in the philosophy of Mr. Hoover — which I think is responsible for so much of our trouble — I shall approach the problem of carrying out the plain precept of our Party, which is to reduce the cost of current Federal Government operations by 25 percent.

Of course that means a complete realignment of the unprecedented bureaucracy that has assembled in Washington in the past four years. I am no stranger to Washington. I knew it at firsthand during the administrations of President Roosevelt and President Taft. I served in Washington for seven and a half years under President Wilson. I have some familiarity with the national Government. In addition to that, for more than four years I have been conducting the Administration and the policies of a State that has thirteen million inhabitants.

Now, I am going to disclose to you a definite personal conclusion which I reached the day after I was nominated in Chicago. Here it is: Before any man enters my Cabinet he must give me a two-fold pledge:

1. Absolute loyalty to the Democratic platform and especially to its economy plank.
2. Complete cooperation with me, looking to economy and reorganization in his Department.

I regard reduction in Federal spending as one of the most important issues of this campaign. In my opinion it is the most direct and effective contribution that Government

can make to business.

In accordance with this fundamental policy it is equally necessary to eliminate from Federal budget-making during this emergency all new items except such as relate to direct relief of unemployment.

As a part of that phase of the budget problem, I take note that former President Coolidge is reported as having said in a speech in New York City:

"An early and timely word from the Democratic candidate for President that he would reject the proposal to increase the national debt by \$2,300,000,000 to pay a bonus would have been a great encouragement to business, reduced unemployment, and guaranteed the integrity of the national credit. While he remained silent economic recovery was measurably impeded."

That charge is baseless and absurd for the very good reason that last April my views on the subject were widely published and have been subsequently frequently quoted. I said this:

"I do not see how, as a matter of practical sense, a Government running behind two billion dollars annually can consider the anticipation of bonus payment until it has a balanced budget, not only on paper, but with a surplus of cash in the treasury." No one, for political purposes or otherwise, has the right in the absence of explicit statement from me to assume that my views have changed. They have not. So much for another effort by Republican leaders to preach an unwarranted gospel of fear and panic to the American electorate.

I have sought to make two things clear: First, that we can make savings by reorganization of existing departments, by eliminating functions, by abolishing many of those innumerable boards and those commissions which, over a long period of years, have grown up as a fungus growth on American Government. These savings can properly be made to total many hundreds and thousands of dollars a year.

Second, I hope that it will not be necessary to increase the present scale of taxes, and I call definite attention to the fact that just as soon as the Democratic platform pledge is enacted into legislation modifying the Volstead Act, a source of new revenue amounting to several hundred millions of dollars a year will be made available toward the balancing of the budget. I refer specifically to a Federal tax on beer, which would be raised through the sale of beer in those States and those States only which by State law allow the sale of beer. At the same time I reiterate the simple language of the Democratic platform which in good faith opposes the return of the old-time saloon:

"We urge the enactment of such measures by the several States as will actually promote temperance, effectively prevent the return of the saloon and bring the liquor traffic into the open under complete supervision and control by the State."

The above two categorical statements are aimed at a definite balancing of the budget. At the same time, let me repeat from now to election day so that every man, woman and child in the United States will know what I mean: If starvation and dire need on the part of any of our citizens make necessary the appropriation of additional funds which would keep the budget out of balance, I shall not hesitate to tell the American people the full truth and ask them to authorize the expenditure of that additional amount. These have been unhealthy years for prophets, and I hasten to disclaim such a role. But one thing I know: A powerful cause contributing to economic disaster has been this inexcusable fiscal policy and the obscurity and uncertainty that have attended and grown out of it. There it remains for all to see — a veritable cancer in the body politic and economic. Is it prophecy to assure you that if we remove that destructive growth we shall move on to better health and better life?

To my mind, that is so plain and persuasive as scarcely to be open to argument. As I said in the beginning, this is the one field in which business is wholly in the grip of Government. It is a field where Government can make a great contribution to recovery.

To that contribution I here pledge the utmost of my faith and my ability. I am as certain as mortal man can be certain of anything in the future, that from the moment that you and I set our hands openly and frankly and courageously to that problem, we shall have reached the end of our long, hard, downward road. We shall have started on the upward trail. We shall have built for economic recovery a firm footing, on a path that is broad, true and straight. Join me, and "let's go!"

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