

8th Annual Message

given on December 7, 1920

GENTLEMEN OF THE CONGRESS:

When I addressed myself to performing the duty laid upon the President by the Constitution to present to you an annual report on the state of the Union, I found my thought dominated by an immortal sentence of Abraham Lincoln's-
"Let us have faith that right makes might, and in that faith let us dare to do our duty as we understand it" -a sentence
5 immortal because it embodies in a form of utter simplicity and purity the essential faith of the nation, the faith in which it was conceived, and the faith in which it has grown to glory and power. With that faith and the birth of a nation founded upon it came the hope into the world that a new order would prevail throughout the affairs of mankind, an order in which reason and right would take precedence over covetousness and force; and I believe that I express the wish and purpose of every thoughtful American when I say that this sentence marks for us in the plainest manner the
10 part we should play alike in the arrangement of our domestic affairs and in our exercise of influence upon the affairs of the world.

By this faith, and by this faith alone, can the world be lifted out of its present confusion and despair. It was this faith which prevailed over the wicked force of Germany. You will remember that the beginning of the end of the war came when the German people found themselves face to face with the conscience of the world and realized that right was
15 everywhere arrayed against the wrong that their government was attempting to perpetrate. I think, therefore, that it is true to say that this was the faith which won the war. Certainly this is the faith with which our gallant men went into the field and out upon the seas to make sure of victory.

This is the mission upon which Democracy came into the world. Democracy is an assertion of the right of the individual to live and to be treated justly as against any attempt on the part of any combination of individuals to make
20 laws which will overburden him or which will destroy his equality among his fellows in the matter of right or privilege; and I think we all realize that the day has come when Democracy is being put upon its final test. The Old World is just now suffering from a wanton rejection of the principle of democracy and a substitution of the principle of autocracy as asserted in the name, but without the authority and sanction, of the multitude. This is the time of all others when Democracy should prove its purity and its spiritual power to prevail. It is surely the manifest destiny of
25 the United States to lead in the attempt to make this spirit prevail.

There are two ways in which the United States can assist to accomplish this great object. First, by offering the example within her own borders of the will and power of Democracy to make and enforce laws which are unquestionably just and which are equal in their administration-laws which secure its full right to Labor and yet at the same time safeguard the integrity of property, and particularly of that property which is devoted to the development of
30 industry and the increase of the necessary wealth of the world. Second, by standing for right and justice as toward individual nations. The law of Democracy is for the protection of the weak, and the influence of every democracy in the world should be for the protection of the weak nation, the nation which is struggling toward its right and toward its proper recognition and privilege in the family of nations.

The United States cannot refuse this role of champion without putting the stigma of rejection upon the great and
35 devoted men who brought its government into existence and established it in the face of almost universal opposition and intrigue, even in the face of wanton force, as, for example, against the Orders in Council of Great Britain and the arbitrary Napoleonic decrees which involved us in what we know as the War of 1812.

I urge you to consider that the display of an immediate disposition on the part of the Congress to remedy any injustices or evils that may have shown themselves in our own national life will afford the most effectual offset to the
40 forces of chaos and tyranny which are playing so disastrous a part in the fortunes of the free peoples of more than one part of the world. The United States is of necessity the sample democracy of the world, and the triumph of Democracy depends upon its success.

Recovery from the disturbing and sometimes disastrous effects of the late war has been exceedingly slow on the other side of the water, and has given promise, I venture to say, of early completion only in our own fortunate country; but
45 even with us the recovery halts and is impeded at times, and there are immediately serviceable acts of legislation which it seems to me we ought to attempt, to assist that recovery and prove the indestructible recuperative force of a great government of the people. One of these is to prove that a great democracy can keep house as successfully and in as business-like a fashion as any other government. It seems to me that the first step toward providing this is to supply

ourselves with a systematic method of handling our estimates and expenditures and bringing them to the point where they will not be an unnecessary strain upon our income or necessitate unreasonable taxation; in other words, a workable budget system. And I respectfully suggest that two elements are essential to such a system—namely, not only that the proposal of appropriations should be in the hands of a single body, such as a single appropriations committee in each house of the Congress, but also that this body should be brought into such cooperation with the Departments of the Government and with the Treasury of the United States as would enable it to act upon a complete conspectus of the needs of the Government and the resources from which it must draw its income.

I reluctantly vetoed the budget bill passed by the last session of the Congress because of a constitutional objection. The House of Representatives subsequently modified the bill in order to meet this objection. In the revised form, I believe that the bill, coupled with action already taken by the Congress to revise its rules and procedure, furnishes the foundation for an effective national budget system. I earnestly hope, therefore, that one of the first steps to be taken by the present session of the Congress will be to pass the budget bill.

The nation's finances have shown marked improvement during the last year. The total ordinary receipts of \$6,694,000,000 for the fiscal year 1920 exceeded those for 1919 by \$1,542,000,000, while the total net ordinary expenditures decreased from \$18,514,000,000 to \$6,403,000,000. The gross public debt, which reached its highest point on August 31, 1919, when it was \$26,596,000,000, had dropped on November 30, 1920, to \$24,175,000,000.

There has also been a marked decrease in holdings of government war securities by the banking institutions of the country, as well as in the amount of bills held by the Federal Reserve Banks secured by government war obligations. This fortunate result has relieved the banks and left them freer to finance the needs of Agriculture, Industry, and Commerce. It has been due in large part to the reduction of the public debt, especially of the floating debt, but more particularly to the improved distribution of government securities among permanent investors. The cessation of the Government's borrowings, except through short-term certificates of indebtedness, has been a matter of great consequence to the people of the country at large, as well as to the holders of Liberty Bonds and Victory Notes, and has had an important bearing on the matter of effective credit control.

The year has been characterized by the progressive withdrawal of the Treasury from the domestic credit market and from a position of dominant influence in that market. The future course will necessarily depend upon the extent to which economies are practiced and upon the burdens placed upon the Treasury, as well as upon industrial developments and the maintenance of tax receipts at a sufficiently high level. The fundamental fact which at present dominates the Government's financial situation is that seven and a half billions of its war indebtedness mature within the next two and a half years. Of this amount, two and a half billions are floating debt and five billions, Victory Notes and War Savings Certificates. The fiscal program of the Government must be determined with reference to these maturities. Sound policy demands that Government expenditures be reduced to the lowest amount which will permit the various services to operate efficiently and that Government receipts from taxes and salvage be maintained sufficiently high to provide for current requirements, including interest and sinking fund charges on the public debt, and at the same time retire the floating debt and part of the Victory Loan before maturity.

With rigid economy, vigorous salvage operations, and adequate revenues from taxation, a surplus of current receipts over current expenditures can be realized and should be applied to the floating debt. All branches of the Government should cooperate to see that this program is realized. I cannot overemphasize the necessity of economy in Government appropriations and expenditures and the avoidance by the Congress of practices which take money from the Treasury by indefinite or revolving fund appropriations. The estimates for the present year show that over a billion dollars of expenditures were authorized by the last Congress in addition to the amounts shown in the usual compiled statements of appropriations. This strikingly illustrates the importance of making direct and specific appropriations. The relation between the current receipts and current expenditures of the Government during the present fiscal year, as well as during the last half of the last fiscal year, has been disturbed by the extraordinary burdens thrown upon the Treasury by the Transportation Act, in connection with the return of the railroads to private control. Over \$600,000,000 has already been paid to the railroads under this act—\$350,000,000 during the present fiscal year; and it is estimated that further payments aggregating possibly \$650,000,000 must still be made to the railroads during the current year. It is obvious that these large payments have already seriously limited the Government's progress in retiring the floating debt.

Closely connected with this, it seems to me, is the necessity for an immediate consideration of the revision of our tax laws. Simplification of the income and profits taxes has become an immediate necessity. These taxes performed an indispensable service during the war. The need for their simplification, however, is very great, in order to save the taxpayer inconvenience and expense and in order to make his liability more certain and definite. Other and more detailed recommendations with regard to taxes will no doubt be laid before you by the Secretary of the Treasury and

the Commissioner of Internal Revenue.

It is my privilege to draw to the attention of Congress for very sympathetic consideration the problem of providing
adequate facilities for the care and treatment of former members of the military and naval forces who are sick and
disabled as the result of their participation in the war. These heroic men can never be paid in money for the service
they patriotically rendered the nation. Their reward will lie rather in realization of the fact that they vindicated the
rights of their country and aided in safeguarding civilization. The nation's gratitude must be effectively revealed to
them by the most ample provision for their medical care and treatment as well as for their vocational training and
placement. The time has come when a more complete program can be formulated and more satisfactorily administered
for their treatment and training, and I earnestly urge that the Congress give the matter its early consideration. The
Secretary of the Treasury and the Board for Vocational Education will outline in their annual reports proposals
covering medical care and rehabilitation which I am sure will engage your earnest study and commend your most
generous support.

Permit me to emphasize once more the need for action upon certain matters upon which I dwelt at some length in my
message to the second session of the Sixty-sixth Congress. The necessity, for example, of encouraging the
manufacture of dyestuffs and related chemicals; the importance of doing everything possible to promote agricultural
production along economic lines, to improve agricultural marketing, and to make rural life more attractive and
healthful; the need for a law regulating cold storage in such a way as to limit the time during which goods may be kept
in storage, prescribing the method of disposing of them if kept beyond the permitted period, and requiring goods
released from storage in all cases to bear the date of their receipt. It would also be most serviceable if it were provided
that all goods released from cold storage for interstate shipment should have plainly marked upon each package the
selling or market price at which they went into storage, in order that the purchaser might be able to learn what profits
stood between him and the producer or the wholesale dealer. Indeed, It would be very serviceable to the public if all
goods destined for interstate commerce were made to carry upon every packing case whose form made it possible a
plain statement of the price at which they left the hands of the producer. I respectfully call your attention also to the
recommendations of the message referred to with regard to a federal license for all corporations engaged in interstate
commerce.

In brief, the immediate legislative need of the time is the removal of all obstacles to the realization of the best
ambitions of our people in their several classes of employment and the strengthening of all instrumentalities by which
difficulties are to be met and removed and justice dealt out, whether by law or by some form of mediation and
conciliation. I do not feel it to be my privilege at present to, suggest the detailed and particular methods by which
these objects may be attained, but I have faith that the inquiries of your several committees will discover the way and
the method.

In response to what I believe to be the impulse of sympathy and opinion throughout the United States, I earnestly
suggest that the Congress authorize the Treasury of the United States to make to the struggling government of
Armenia such a loan as was made to several of the Allied governments during the war, and I would also suggest that it
would be desirable to provide in the legislation itself that the expenditure of the money thus loaned should be under
the supervision of a commission, or at least a commissioner, from the United States in order that revolutionary
tendencies within Armenia itself might not be afforded by the loan a further tempting opportunity.

Allow me to call your attention to the fact that the people of the Philippine Islands have succeeded in maintaining a
stable government since the last action of the Congress in their behalf, and have thus fulfilled the condition set by the
Congress as precedent to a consideration of granting independence to the Islands. I respectfully submit that this
condition precedent having been fulfilled, it is now our liberty and our duty to keep our promise to the people of those
islands by granting them the independence which they so honorably covet.

I have not so much laid before you a series of recommendations, gentlemen, as sought to utter a confession of faith, of
the faith in which I was bred and which it is my solemn purpose to stand by until my last fighting day. I believe this to
be the faith of America, the faith of the future, and of all the victories which await national action in the days to come,
whether in America or elsewhere.

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