MESSAGE OF THE PRESIDENT OF THE UNITED STATES TO CONGRESS, DECEMBER 8, 1925

MEMBERS OF THE CONGRESS: In meeting the constitutional requirement of informing the Congress upon the state of the Union, it is exceedingly gratifying to report that the general condition is one of progress and prosperity. Here and there are comparatively small and apparently temporary difficulties needing adjustment and improved administrative methods, such as are always to be expected, but in the fundamentals of government and business the results demonstrate that we are going in the right direction. The country does not appear to require radical departures from the policies already adopted so much as it needs a further extension of these policies and the improvement of details. The age of perfection is still in the somewhat distant future, but it is more in danger of being retarded by mistaken Government activity than it is from lack of legislation. We are by far the most likely to accomplish permanent good if we proceed with moderation.

In our country the people are sovereign and independent, and must accept the resulting responsibilities. It is their duty to support themselves and support the Government. That is the business of the Nation, whatever the charity of the Nation may require. The functions which the Congress are to discharge are not those of local government but of National Government. The greatest solicitude should be exercised to prevent any encroachment upon the rights of the States or their various political subdivisions. Local self-government is one of our most precious possessions. It is the greatest contributing factor to the stability, strength, liberty, and progress of the Nation. It ought not to be infringed by assault or undermined by purchase. It ought not to abdicate its power through weakness or resign its authority through favor. It does not at all follow that because abuses exist it is the concern of the Federal Government to attempt their reform.

Society is in much more danger from encumbering the National Government beyond its wisdom to comprehend, or its ability to administer, than from leaving the local communities to bear their own burdens and remedy their own evils. Our local habit and custom is so strong, our variety of race and creed is so great, the Federal authority is so tenuous, that the area within which it can function successfully is very limited. The wiser policy is to leave the locali-
ties, so far as we can, possessed of their own sources of revenue and charged with their own obligations.

**Government Economy**

It is a fundamental principle of our country that the people are sovereign. While they recognize the undeniable authority of the state, they have established as its instrument a Government of limited powers. They hold inviolate in their own hands the jurisdiction over their own freedom and the ownership of their own property. Neither of these can be impaired except by due process of law. The wealth of our country is not public wealth, but private wealth. It does not belong to the Government, it belongs to the people. The Government has no justification in taking private property except for a public purpose. It is always necessary to keep these principles in mind in the laying of taxes and in the making of appropriations. No right exists to levy on a dollar, or to order the expenditure of a dollar, of the money of the people, except for a necessary public purpose duly authorized by the Constitution. The power over the purse is the power over liberty.

That is the legal limitation within which the Congress can act. How it will proceed within this limitation is always a question of policy. When the country is prosperous and free from debt, when the rate of taxation is low, opportunity exists for assuming new burdens and undertaking new enterprises. Such a condition now prevails only to a limited extent. All proposals for assuming new obligations ought to be postponed, unless they are reproductive capital investments or are such as are absolutely necessary at this time. We still have an enormous debt of over $20,000,000,000, on which the interest and sinking-fund requirements are $1,820,000,000. Our appropriations for the Pension Office and the Veterans' Bureau are $600,000,000. The War and Navy Departments call for $642,-000,000. Other requirements, exclusive of the Post Office, which is virtually self-sustaining, brought the appropriations for the current year up to almost $3,100,000,000. This shows an expenditure of close to $30 for every inhabitant of our country. For the average family of five it means a tax, directly or indirectly paid, of about $150 for national purposes alone. The local tax adds much more. These enormous expenditures ought not to be increased, but through every possible effort they ought to be reduced.

Only one of these great items can be ultimately extinguished. That is the item of our war debt. Already this has been reduced by about $8,000,000,000, which means an annual saving in interest of close to $250,000,000. The present interest charge is about $820,-000,000 yearly. It would seem to be obvious that the sooner this
debt can be retired the more the taxpayers will save in interest and the easier it will be to secure funds with which to prosecute needed running expenses, constructions, and improvements. This item of $820,000,000 for interest is a heavy charge on all the people of the country, and it seems to me that we might well consider whether it is not greatly worth while to dispense with it as early as possible by retiring the principal debt which it is required to serve.

It has always been our policy to retire our debts. That of the Revolutionary War period, notwithstanding the additions made in 1812, was paid by 1835, and the Civil War debt within 23 years. Of the amount already paid, over $1,000,000,000 is a reduction in cash balances. That source is exhausted. Over one and two-thirds billions of dollars was derived from excess receipts. Tax reduction eliminates that. The sale of surplus war materials has been another element of our income. That is practically finished. With these eliminated, the reduction of the debt has been only about $500,000,000 each year, not an excessive sum on so large a debt.

Proposals have been made to extend the payment over a period of 62 years. If $1,000,000,000 is paid at the end of 20 years, the cost to the taxpayers is the principal and, if the interest is 4¼ per cent, a total of $1,850,000,000. If the same sum is paid at the end of 62 years, the cost is $3,635,000,000, or almost double. Here is another consideration: Compared with its purchasing power in 1913, the dollar we borrowed represented but 52 cents. As the value of our dollar increases, due to the falling prices of commodities, the burden of our debt increases. It has now risen to 63½ cents. The taxpayer will be required to produce nearly twice the amount of commodities to pay his debt if the dollar returns to the 1913 value. The more we pay while prices are high, the easier it will be.

Deflation of government after a war period is slower than deflation of business, where curtailment is either prompt and effective or disaster follows. There is room for further economy in the cost of the Federal Government, but a comparison of current expenditures with pre-war expenditures is not unfavorable to the efficiency with which Government business is now being done. The expenditures of 1916, the last pre-war year, were $742,000,000, and in 1925 over $3,500,000,000, or nearly five times as great. If we subtract expenditures for debt retirements and interest, veterans’ relief, increase of pensions, and other special outlays, consisting of refunds, trust investments, and like charges, we find that the general expenditures of the Government in 1925 were slightly more than twice as large as in 1916.

As prices in 1925 were approximately 40 per cent higher than in 1916, the cost of the same Government must also have increased.
But the Government is not the same. It is more expensive to collect the much greater revenue necessary and to administer our great debt. We have given enlarged and improved services to agriculture and commerce. Above all, America has grown in population and wealth. Government expenditures must always share in this growth. Taking into account the factors I have mentioned, I believe that present Federal expenses are not far out of line with pre-war expenses. We have nearly accomplished the deflation.

This does not mean that further economies will not come. As we reduce our debt our interest charges decline. There are many details yet to correct. The real improvement, however, must come not from additional curtailment of expenses, but by a more intelligent, more ordered spending. Our economy must be constructive. While we should avoid as far as possible increases in permanent current expenditures, oftentimes a capital outlay like internal improvements will result in actual constructive saving. That is economy in its best sense. It is an avoidance of waste that there may be the means for an outlay to-day which will bring larger returns to-morrow. We should constantly engage in scientific studies of our future requirements and adopt an orderly program for their service. Economy is the method by which we prepare to-day to afford the improvements of to-morrow.

**Budget**

A mere policy of economy without any instrumentalities for putting it into operation would be very ineffective. The Congress has wisely set up the Bureau of the Budget to investigate and inform the President what recommendations he ought to make for current appropriations. This gives a centralized authority where a general and comprehensive understanding can be reached of the sources of income and the most equitable distribution of expenditures. How well it has worked is indicated by the fact that the departmental estimates for 1922, before the budget law, were $4,068,000,000 while the Budget estimates for 1927 are $3,156,000,000. This latter figure shows the reductions in departmental estimates for the coming year made possible by the operation of the Budget system that the Congress has provided.

But it is evidently not enough to have care in making appropriations without any restraint upon expenditure. The Congress has provided that check by establishing the office of Comptroller General.

The purpose of maintaining the Budget Director and the Comptroller General is to secure economy and efficiency in Government expenditure. No better method has been devised for the accomplishment of that end. These offices can not be administered in all the various details without making some errors both of fact and of
judgment. But the important consideration remains that these are the instrumentalities of the Congress and that no other plan has ever been adopted which was so successful in promoting economy and efficiency. The Congress has absolute authority over the appropriations and is free to exercise its judgment, as the evidence may warrant, in increasing or decreasing budget recommendations. But it ought to resist every effort to weaken or break down this most beneficial system of supervising appropriations and expenditures. Without it all the claim of economy would be a mere pretense.

**Taxation**

The purpose of reducing expenditures is to secure a reduction in taxes. That purpose is about to be realized. With commendable promptness the Ways and Means Committee of the House has undertaken in advance of the meeting of the Congress to frame a revenue act. As the bill has proceeded through the committee it has taken on a nonpartisan character, and both Republicans and Democrats have joined in a measure which embodies many sound principles of tax reform. The bill will correct substantially the economic defects injected into the revenue act of 1924, as well as many which have remained as war-time legacies. In its present form it should provide sufficient revenue for the Government.

The excessive surtaxes have been reduced, estate tax rates are restored to more reasonable figures, with every prospect of withdrawing from the field when the States have had the opportunity to correct the abuses in their own inheritance tax laws, the gift tax and publicity section are to be repealed, many miscellaneous taxes are lowered or abandoned, and the Board of Tax Appeals and the administrative features of the law are improved and strengthened. I approve of the bill in principle. In so far as income-tax exemptions are concerned, it seems to me the committee has gone as far as it is safe to go and more further than I should have gone. Any further extension along these lines would, in my opinion, impair the integrity of our income-tax system.

I am advised that the bill will be through the House by Christmas. For this prompt action the country can thank the good sense of the Ways and Means Committee in framing an economic measure upon economic considerations. If this attitude continues to be reflected through the Congress, the taxpayer will have his relief by the time his March 15th installment of income taxes is due. Nonpartisan effort means certain, quick action. Determination of a revenue law definitely, promptly and solely as a revenue law, is one of the greatest gifts a legislature can bestow upon its constituents. I commend the example of the Ways and Means Committee. If followed, it
will place sound legislation upon the books in time to give the taxpayers the full benefit of tax reduction next year. This means that the bill should reach me prior to March 15.

All these economic results are being sought not to benefit the rich, but to benefit the people. They are for the purpose of encouraging industry in order that employment may be plentiful. They seek to make business good in order that wages may be good. They encourage prosperity in order that poverty may be banished from the home. They seek to lay the foundation which, through increased production, may give the people a more bountiful supply of the necessaries of life, afford more leisure for the improvement of the mind, the appreciation of the arts of music and literature, sculpture and painting, and the beneficial enjoyment of outdoor sports and recreation, enlarge the resources which minister to charity and by all these means attempting to strengthen the spiritual life of the Nation.

**FOREIGN RELATIONS**

The policy of our foreign relations, casting aside any suggestion of force, rests solely on the foundation of peace, good will, and good works. We have sought, in our intercourse with other nations, better understandings through conference and exchange of views as befits beings endowed with reason. The results have been the gradual elimination of disputes, the settlement of controversies, and the establishment of a firmer friendship between America and the rest of the world than has ever existed at any previous time.

The example of this attitude has not been without its influence upon other countries. Acting upon it, an adjustment was made of the difficult problem of reparations. This was the second step toward peace in Europe. It paved the way for the agreements which were drawn up at the Locarno Conference. When ratified, these will represent the third step toward peace. While they do not of themselves provide an economic rehabilitation, which is necessary for the progress of Europe, by strengthening the guaranties of peace they diminish the need for great armaments. If the energy which now goes into military effort is transferred to productive endeavor, it will greatly assist economic progress.

The Locarno agreements were made by the European countries directly interested without any formal intervention of America, although on July 3 I publicly advocated such agreements in an address made in Massachusetts. We have consistently refrained from intervening except when our help has been sought and we have felt it could be effectively given, as in the settlement of reparations and the London Conference. These recent Locarno agreements represent the success of this policy which we have been insisting ought to be adopted,
of having European countries settle their own political problems without involving this country. This beginning seems to demonstrate that this policy is sound. It is exceedingly gratifying to observe this progress, which both in its method and in its result promises so much that is beneficial to the world.

When these agreements are finally adopted, they will provide guaranties of peace that make the present prime reliance upon force in some parts of Europe very much less necessary. The natural corollary to these treaties should be further international contracts for the limitation of armaments. This work was successfully begun at the Washington Conference. Nothing was done at that time concerning land forces because of European objection. Our standing army has been reduced to around 118,000, about the necessary police force for 115,000,000 people. We are not proposing to increase it, nor is it supposable that any foreign country looks with the slightest misapprehension upon our land forces. They do not menace anybody. They are rather a protection to everybody.

The question of disarming upon land is so peculiarly European in its practical aspects that our country would look with particular gratitude upon any action which those countries might take to reduce their own military forces. This is in accordance with our policy of not intervening unless the European powers are unable to agree and make request for our assistance. Whenever they are able to agree of their own accord it is especially gratifying to us, and such agreements may be sure of our sympathetic support.

It seems clear that it is the reduction of armies rather than of navies that is of the first importance to the world at the present time. We shall look with great satisfaction upon that effort and give it our approbation and encouragement. If that can be settled, we may more easily consider further reduction and limitation of naval armaments. For that purpose our country has constantly through its Executive, and through repeated acts of Congress, indicated its willingness to call such a conference. Under congressional sanction it would seem to be wise to participate in any conference of the great powers for naval limitation of armament proposed upon such conditions that it would hold a fair promise of being effective. The general policy of our country is for disarmament, and it ought not to hesitate to adopt any practical plan that might reasonably be expected to succeed. But it would not care to attend a conference which from its location or constituency would in all probability prove futile.

In the further pursuit of strengthening the bonds of peace and good will we have joined with other nations in an international conference held at Geneva and signed an agreement which will be laid before the Senate for ratification providing suitable measures
for control and for publicity in international trade in arms, ammunition, and implements of war, and also executed a protocol providing for a prohibition of the use of poison gas in war, in accordance with the principals of Article 5 of the treaty relating thereto signed at the Washington Conference. We are supporting the Pan American efforts that are being made toward the codification of international law, and looking with sympathy on the investigations being conducted under philanthropic auspices of the proposal to make agreements outlawing war. In accordance with promises made at the Washington Conference, we have urged the calling of and are now represented at the Chinese Customs Conference and on the Commission on Extraterritoriality, where it will be our policy so far as possible to meet the aspirations of China in all ways consistent with the interests of the countries involved.

** COURT OF INTERNATIONAL JUSTICE**

Pending before the Senate for nearly three years is the proposal to adhere to the protocol establishing the Permanent Court of International Justice. A well-established line of precedents mark America’s effort to effect the establishment of a court of this nature. We took a leading part in laying the foundation on which it rests in the establishment of The Hague Court of Arbitration. It is that tribunal which nominates the judges who are elected by the Council and Assembly of the League of Nations.

The proposal submitted to the Senate was made dependent upon four conditions, the first of which is that by supporting the court we do not assume any obligations under the league; second, that we may participate upon an equality with other States in the election of judges; third, that the Congress shall determine what part of the expenses we shall bear; fourth, that the statute creating the court shall not be amended without our consent; and to these I have proposed an additional condition to the effect that we are not to be bound by advisory opinions rendered without our consent.

The court appears to be independent of the league. It is true the judges are elected by the Assembly and Council, but they are nominated by the Court of Arbitration, which we assisted to create and of which we are a part. The court was created by a statute, so-called, which is really a treaty made among some forty-eight different countries, that might properly be called a constitution of the court. This statute provides a method by which the judges are chosen, so that when the Court of Arbitration nominates them and the Assembly and Council of the League elect them, they are not acting as instruments of the Court of Arbitration or instruments of the league, but as instruments of the statute.
This will be even more apparent if our representatives sit with the members of the council and assembly in electing the judges. It is true they are paid through the league though not by the league, but by the countries which are members of the league and by our country if we accept the protocol. The judges are paid by the league only in the same sense that it could be said United States judges are paid by the Congress. The court derives all its authority from the statute and is so completely independent of the league that it could go on functioning if the league were disbanded, at least until the terms of the judges expired.

The most careful provisions are made in the statute as to the qualifications of judges. Those who make the nominations are recommended to consult with their highest court of justice, their law schools and academies. The judges must be persons of high moral character, qualified to hold the highest judicial offices in that country, or be jurisconsults of recognized competence in international law. It must be assumed that these requirements will continue to be carefully met, and with America joining the countries already concerned it is difficult to comprehend how human ingenuity could better provide for the establishment of a court which would maintain its independence. It has to be recognized that independence is to a considerable extent a matter of ability, character, and personality. Some effort was made in the early beginnings to interfere with the independence of our Supreme Court. It did not succeed because of the quality of the men who made up that tribunal.

It does not seem that the authority to give advisory opinions interferes with the independence of the court. Advisory opinions in and of themselves are not harmful, but may be used in such a way as to be very beneficial because they undertake to prevent injury rather than merely afford a remedy after the injury has been done. As a principle that only implies that the court shall function when proper application is made to it. Deciding the question involved upon issues submitted for an advisory opinion does not differ materially from deciding the question involved upon issues submitted by contending parties. Up to the present time the court has given an advisory opinion when it judged it had jurisdiction, and refused to give one when it judged it did not have jurisdiction. Nothing in the work of the court has yet been an indication that this is an impairment of its independence or that its practice differs materially from the giving of like opinions under the authority of the constitutions of several of our States.

No provision of the statute seems to me to give this court any authority to be a political rather than a judicial court. We have brought cases in this country before our courts which, when they have been adjudged to be political, have been thereby dismissed.
It is not probable that political questions will be submitted to this court, but again up to the present time the court has refused to pass on political questions and our support would undoubtedly have a tendency to strengthen it in that refusal.

We are not proposing to subject ourselves to any compulsory jurisdiction. If we support the court, we can never be obliged to submit any case which involves our interests for its decision. Our appearance before it would always be voluntary, for the purpose of presenting a case which we had agreed might be presented. There is no more danger that others might bring cases before the court involving our interests which we did not wish to have brought, after we have adhered, and probably not so much, than there would be of bringing such cases if we do not adhere. I think that we would have the same legal or moral right to disregard such a finding in the one case that we would in the other.

If we are going to support any court, it will not be one that we have set up alone or which reflects only our ideals. Other nations have their customs and their institutions, their thoughts and their methods of life. If a court is going to be international, its composition will have to yield to what is good in all these various elements. Neither will it be possible to support a court which is exactly perfect, or under which we assume absolutely no obligations. If we are seeking that opportunity, we might as well declare that we are opposed to supporting any court. If any agreement is made, it will be because it undertakes to set up a tribunal which can do some of the things that other nations wish to have done. We shall not find ourselves bearing a disproportionate share of the world’s burdens by our adherence, and we may as well remember that there is absolutely no escape for our country from bearing its share of the world’s burdens in any case. We shall do far better service to ourselves and to others if we admit this and discharge our duties voluntarily, than if we deny it and are forced to meet the same obligations unwillingly.

It is difficult to imagine anything that would be more helpful to the world than stability, tranquillity and international justice. We may say that we are contributing to these factors independently, but others less fortunately located do not and can not make a like contribution except through mutual cooperation. The old balance of power, mutual alliances, and great military forces were not brought about by any mutual dislike for independence, but resulted from the domination of circumstances. Ultimately they were forced on us. Like all others engaged in the war whatever we said as a matter of fact we joined an alliance, we became a military power, we impaired our independence. We have more at stake than any one else in
avoiding a repetition of that calamity. Wars do not spring into existence. They arise from small incidents and trifling irritations which can be adjusted by an international court. We can contribute greatly to the advancement of our ideals by joining with other nations in maintaining such a tribunal.

**FOREIGN DEBTS**

Gradually, settlements have been made which provide for the liquidation of debts due to our Government from foreign governments. Those made with Great Britain, Finland, Hungary, Lithuania, and Poland have already been approved by the Congress. Since the adjournment, further agreements have been entered into with Belgium, Czechoslovakia, Latvia, Estonia, Italy, and Rumania. These 11 nations, which have already made settlements, represent $6,419,528,641 of the original principal of the loans. The principal sums without interest, still pending, are the debt of France, of $3,340,000,000; Greece, $15,000,000; Yugoslavia, $51,000,000; Liberia, $26,000; Russia, $192,000,000, which those at present in control have undertaken openly to repudiate; Nicaragua, $84,000, which is being paid currently; and Austria, $24,000,000, on which by act of Congress a moratorium of 20 years has been granted. The only remaining sum is $12,000,000, due from Armenia, which has now ceased to exist as an independent nation.

In accordance with the settlements made, the amount of principal and interest which is to be paid to the United States under these agreements aggregates $15,200,688.253.93. It is obvious that the remaining settlements, which will undoubtedly be made, will bring this sum up to an amount which will more than equal the principal due on our present national debt. While these settlements are very large in the aggregate, it has been felt that the terms granted were in all cases very generous. They impose no undue burden and are mutually beneficial in the observance of international faith and the improvement of international credit.

Every reasonable effort will be made to secure agreements for liquidation with the remaining countries, whenever they are in such condition that they can be made. Those which have already been negotiated under the bipartisan commission established by the Congress have been made only after the most thoroughgoing and painstaking investigation, continued for a long time before meeting with the representatives of the countries concerned. It is believed that they represent in each instance the best that can be done and the wisest settlement that can be secured. One very important result is the stabilization of foreign currency, making exchange assist rather than embarrass our trade. Wherever sacrifices have been
made of money, it will be more than amply returned in better understanding and friendship, while in so far as these adjustments will contribute to the financial stability of the debtor countries, to their good order, prosperity, and progress, they represent hope of improved trade relations and mutual contributions to the civilization of the world.

**Alien Property**

Negotiations are progressing among the interested parties in relation to the final distribution of the assets in the hands of the Alien Property Custodian. Our Government and people are interested as creditors; the German Government and people are interested as debtors and owners of the seized property. Pending the outcome of these negotiations, I do not recommend any affirmative legislation. For the present we should continue in possession of this property which we hold as security for the settlement of claims due to our people and our Government.

**Immigration**

While not enough time has elapsed to afford a conclusive demonstration, such results as have been secured indicate that our immigration law is on the whole beneficial. It is undoubtedly a protection to the wage earners of this country. The situation should, however, be carefully surveyed, in order to ascertain whether it is working a needless hardship upon our own inhabitants. If it deprives them of the comfort and society of those bound to them by close family ties, such modifications should be adopted as will afford relief, always in accordance with the principle that our Government owes its first duty to our own people and that no alien, inhabitant of another country, has any legal rights whatever under our Constitution and laws. It is only through treaty, or through residence here, that such rights accrue. But we should not, however, be forgetful of the obligations of a common humanity.

While our country numbers among its best citizens many of those of foreign birth, yet those who now enter in violation of our laws by that very act thereby place themselves in a class of undesirables. If investigation reveals that any considerable number are coming here in defiance of our immigration restrictions, it will undoubtedly create the necessity for the registration of all aliens. We ought to have no prejudice against an alien because he is an alien. The standard which we apply to our inhabitants is that of manhood, not place of birth. Restrictive immigration is to a large degree for economic purposes. It is applied in order that we may not have a larger annual increment of good people within our borders than we
can weave into our economic fabric in such a way as to supply their needs without undue injury to ourselves.

**NATIONAL DEFENSE**

Never before in time of peace has our country maintained so large and effective a military force as it now has. The Army, Navy, Marine Corps, National Guard, and Organized Reserves represent a strength of about 558,400 men. These forces are well trained, well equipped, and high in morale.

A sound selective service act giving broad authority for the mobilization in time of peril of all the resources of the country, both persons and materials, is needed to perfect our defensive policy in accordance with our ideals of equality. The provision for more suitable housing to be paid for out of funds derived from the sale of excess lands, pending before the last Congress, ought to be brought forward and passed. Reasonable replacements ought to be made to maintain a sufficient ammunition reserve.

The Navy has the full treaty tonnage of capital ships. Work is going forward in modernizing the older ones, building aircraft carriers, additional fleet submarines, and fast scout cruisers, but we are carefully avoiding anything that might be construed as a competition in armaments with other nations. The joint Army and Navy maneuvers at Hawaii, followed by the cruise of a full Battle Fleet to Australia and New Zealand, were successfully carried out. These demonstrations revealed a most satisfactory condition of the ships and the men engaged.

Last year at my suggestion the General Board of the Navy made an investigation and report on the relation of aircraft to warships. As a result authorizations and appropriations were made for more scout cruisers and fleet submarines and for completing aircraft carriers and equipping them with necessary planes. Additional training in aviation was begun at the Military and Naval Academies. A method of coordination and cooperation of the Army and Navy and the principal aircraft builders is being perfected. At the suggestion of the Secretaries of War and Navy I appointed a special board to make a further study of the problem of aircraft.

The report of the Air Board ought to be reassuring to the country, gratifying to the service and satisfactory to the Congress. It is thoroughly complete and represents the mature thought of the best talent in the country. No radical change in organization of the service seems necessary. The Departments of War, Navy, and Commerce should each be provided with an additional assistant secretary, not necessarily with statutory duties but who would be available under the direction of the Secretary to give especial atten-
tion to air navigation. We must have an air strength worthy of America. Provision should be made for two additional brigadier generals for the Army Air Service. Temporary rank corresponding to their duties should be awarded to active flying officers in both Army and Navy.

Aviation is of great importance both for national defense and commercial development. We ought to proceed in its improvement by the necessary experiment and investigation. Our country is not behind in this art. It has made records for speed and for the excellence of its planes. It ought to go on maintaining its manufacturing plants capable of rapid production, giving national assistance to the laying out of airways, equipping itself with a moderate number of planes, and keeping an air force trained to the highest efficiency.

While I am a thorough believer in national defense and entirely committed to the policy of adequate preparation, I am just as thoroughly opposed to instigating or participating in a policy of competitive armaments. Nor does preparation mean a policy of militarizing. Our people and industries are solicitous for the cause of our country, and have great respect for the Army and Navy and for the uniform worn by the men who stand ready at all times for our protection to encounter the dangers and perils necessary to military service, but all of these activities are to be taken not in behalf of aggression but in behalf of peace. They are the instruments by which we undertake to do our part to promote good will and support stability among all peoples.

VETERANS

If any one desires to estimate the esteem in which the veterans of America are held by their fellow citizens, it is but necessary to remember that the current budget calls for an expenditure of about $650,000,000 in their behalf. This is nearly the amount of the total cost of the National Government, exclusive of the post office, before we entered the last war.

At the two previous sessions of Congress legislation affecting veterans' relief was enacted and the law liberalized. This legislation brought into being a number of new provisions tending more nearly to meet the needs of our veterans, as well as afford the necessary authority to perfect the administration of these laws.

Experience with the new legislation so far has clearly demonstrated its constructive nature. It has increased the benefits received by many and has made eligible for benefits many others. Direct disbursements to the veteran or his dependents exceeding $21,000,000 have resulted, which otherwise would not have been made. The degree of utilization of our hospitals has increased through making
facilities available to the incapacitated veteran regardless of service origin of the disability. This new legislation also has brought about a marked improvement of service to the veteran.

The organizations of ex-service men have proposed additional legislative changes which you will consider, but until the new law and the modifications made at the last session of Congress are given a more thorough test further changes in the basic law should be few and made only after careful though sympathetic consideration.

The principal work now before the Veterans' Bureau is the perfection of its organization and further improvements in service. Some minor legislative changes are deemed necessary to enable the bureau to retain that high grade of professional talent essential in handling the problems of the bureau. Such changes as tend toward the improvement of service and the carrying forward to completion of the hospital construction program are recommended for the consideration of the proper committees of Congress.

With the enormous outlay that is now being made in behalf of the veterans and their dependents, with a tremendous war debt still requiring great annual expenditure, with the still high rate of taxation, while every provision should be made for the relief of the disabled and the necessary care of dependents, the Congress may well consider whether the financial condition of the Government is not such that further bounty through the enlargement of general pensions and other emoluments ought not to be postponed.

Agriculture

No doubt the position of agriculture as a whole has very much improved since the depression of three and four years ago. But there are many localities and many groups of individuals, apparently through no fault of their own, sometimes due to climatic conditions and sometimes to the prevailing price of a certain crop, still in a distressing condition. This is probably temporary, but it is none the less acute. National Government agencies, the Departments of Agriculture and Commerce, the Farm Loan Board, the intermediate credit banks, and the Federal Reserve Board are all cooperating to be of assistance and relief. On the other hand, there are localities and individuals who have had one of their most prosperous years. The general price level is fair, but here again there are exceptions both ways, some items being poor while others are excellent. In spite of a lessened production the farm income for this year will be about the same as last year and much above the three preceding years.

Agriculture is a very complex industry. It does not consist of one problem, but of several. They can not be solved at one stroke. They have to be met in different ways, and small gains are not to be despised.
It has appeared from all the investigations that I have been able to make that the farmers as a whole are determined to maintain the independence of their business. They do not wish to have meddling on the part of the Government or to be placed under the inevitable restrictions involved in any system of direct or indirect price-fixing, which would result from permitting the Government to operate in the agricultural markets. They are showing a very commendable skill in organizing themselves to transact their own business through cooperative marketing, which will this year turn over about $2,500,000,000, or nearly one-fifth of the total agricultural business. In this they are receiving help from the Government. The Department of Agriculture should be strengthened in this facility, in order to be able to respond when these marketing associations want help. While it ought not to undertake undue regulation, it should be equipped to give prompt information on crop prospects, supply, demand, current receipts, imports, exports, and prices.

A bill embodying these principles, which has been drafted under the advice and with the approval of substantially all the leaders and managers in the cooperative movement, will be presented to the Congress for its enactment. Legislation should also be considered to provide for leasing the unappropriated public domain for grazing purposes and adopting a uniform policy relative to grazing on the public lands and in the national forests.

A more intimate relation should be established between agriculture and the other business activities of the Nation. They are mutually dependent and can each advance their own prosperity most by advancing the prosperity of the other. Meantime the Government will continue those activities which have resulted in an unprecedented amount of legislation and the pouring out of great sums of money during the last five years. The work for good roads, better land and water transportation, increased support for agricultural education, extension of credit facilities through the Farm Loan Boards and the intermediate credit banks, the encouragement of orderly marketing and a repression of wasteful speculation, will all be continued.

Following every other depression, after a short period the price of farm produce has taken and maintained the lead in the advance. This advance had reached a climax before the war. Everyone will recall the discussion that went on for four or five years prior to 1914 concerning the high cost of living. This history is apparently beginning to repeat itself. While wholesale prices of other commodities have been declining, farm prices have been increasing. There is every reason to suppose that a new era in agricultural prosperity lies just before us, which will probably be unprecedented.
MESSAGE OF THE PRESIDENT

MUSCLE SHOALS

The problem of Muscle Shoals seems to me to have assumed a place all out of proportion with its real importance. It probably does not represent in market value much more than a first-class battleship, yet it has been discussed in the Congress over a period of years and for months at a time. It ought to be developed for the production of nitrates primarily, and incidentally for power purposes. This would serve defensive, agricultural, and industrial purposes. I am in favor of disposing of this property to meet these purposes. The findings of the special commission will be transmitted to the Congress for their information. I am convinced that the best possible disposition can be made by direct authorization of the Congress. As a means of negotiation I recommend the immediate appointment of a small joint special committee chosen from the appropriate general standing committees of the House and Senate to receive bids, which when made should be reported with recommendations as to acceptance, upon which a law should be enacted, effecting a sale to the highest bidder who will agree to carry out these purposes.

If anything were needed to demonstrate the almost utter incapacity of the National Government to deal directly with an industrial and commercial problem, it has been provided by our experience with this property. We have expended vast fortunes, we have taxed everybody, but we are unable to secure results which benefit anybody. This property ought to be transferred to private management under conditions which will dedicate it to the public purpose for which it was conceived.

RECLAMATION

The National Government is committed to a policy of reclamation and irrigation which it desires to establish on a sound basis and continue in the interest of the localities concerned. Exhaustive studies have recently been made of Federal reclamation, which have resulted in improving the projects and adjusting many difficulties. About one third of the projects is in good financial condition, another third can probably be made profitable, while the other third is under unfavorable conditions. The Congress has already provided for a survey which will soon be embodied in a report. That ought to suggest a method of relief which will make unnecessary further appeals to the Congress. Unless this can be done, Federal reclamation will be considerably retarded. With the greatly increased cost of construction and operation, it has become necessary to plan in advance, by community organization and selective agriculture, methods sufficient to repay these increasing outlays.
The human and economic interests of the farmer citizens suggest that the States should be required to exert some effort and assume some responsibility, especially in the intimate, detailed, and difficult work of securing settlers and developing farms which directly profit them, but only indirectly and remotely can reimburse the Nation. It is believed that the Federal Government should continue to be the agency for planning and constructing the great undertakings needed to regulate and bring into use the rivers of the West, many of which are interstate in character, but the detailed work of creating agricultural communities and a rural civilization on the land made ready for reclamation ought to be either transferred to the State in its entirety or made a cooperative effort of the State and Federal Government.

Shipping

The maintenance of a merchant marine is of the utmost importance for national defense and the service of our commerce. We have a large number of ships engaged in that service. We also have a surplus supply, costly to care for, which ought to be sold. All the investigations that have been made under my direction, and those which have been prosecuted independently, have reached the conclusion that the fleet should be under the direct control of a single executive head, while the Shipping Board should exercise its judicial and regulatory functions in accordance with its original conception. The report of Henry G. Dalton, a business man of broad experience, with a knowledge of shipping, made to me after careful investigation, will be transmitted for the information of the Congress, the studies pursued under the direction of the United States Chamber of Commerce will also be accessible, and added to these will be the report of the special committee of the House.

I do not advocate the elimination of regional considerations, but it has become apparent that without centralized executive action the management of this great business, like the management of any other great business, will flounder in incapacity and languish under a division of council. A plain and unmistakable reassertion of this principle of unified control, which I have always been advised was the intention of the Congress to apply, is necessary to increase the efficiency of our merchant fleet.

Coal

The perennial conflict in the coal industry is still going on to the great detriment of the wage earners, the owners, and especially to the public. With deposits of coal in this country capable of supplying its needs for hundreds of years, inability to manage and
control this great resource for the benefit of all concerned is very close to a national economic failure. It has been the subject of repeated investigation and reiterated recommendation. Yet the industry seems never to have accepted modern methods of adjusting differences between employers and employees. The industry could serve the public much better and become subject to a much more effective method of control if regional consolidations and more freedom in the formation of marketing associations, under the supervision of the Department of Commerce, were permitted.

At the present time the National Government has little or no authority to deal with this vital necessity of the life of the country. It has permitted itself to remain so powerless that its only attitude must be humble supplication. Authority should be lodged with the President and the Departments of Commerce and Labor; giving them power to deal with an emergency. They should be able to appoint temporary boards with authority to call for witnesses and documents, conciliate differences, encourage arbitration, and in case of threatened scarcity exercise control over distribution. Making the facts public under these circumstances through a statement from an authoritative source would be of great public benefit. The report of the last coal commission should be brought forward, reconsidered, and acted upon.

Prohibition

Under the orderly processes of our fundamental institutions the Constitution was lately amended providing for national prohibition. The Congress passed an act for its enforcement, and similar acts have been provided by most of the States. It is the law of the land. It is the duty of all who come under its jurisdiction to observe the spirit of that law, and it is the duty of the Department of Justice and the Treasury Department to enforce it. Action to prevent smuggling, illegal transportation in interstate commerce, abuse in the use of permits, and existence of sources of supply for illegal traffic is almost entirely imposed upon the Federal Government.

Through treaties with foreign governments and increased activities of the Coast Guard, revenue agents, district attorneys, and enforcement agents effort is being made to prevent these violations. But the Constitution also puts a concurrent duty on the States. We need their active and energetic cooperation, the vigilant action of their police, and the jurisdiction of their courts to assist in enforcement. I request of the people observance, of the public officers continuing efforts for enforcement, and of the Congress favorable action on the budget recommendation for the prosecution of this work.
Waterway Development

For many years our country has been employed in plans and operations for the development of our intracoastal and inland waterways. This work along our coast is an important adjunct to our commerce. It will be carried on, together with the further opening up of our harbors, as our resources permit. The Government made an agreement during the war to take over the Cape Cod Canal, under which the owners made valuable concessions. This pledged faith of the Government ought to be redeemed.

Two other main fields are under consideration. One is the Great Lakes and St. Lawrence, including the Erie Canal. This includes stabilizing the lake level, and is both a waterway and power project. A joint commission of the United States and Canada is working on plans and surveys which will not be completed until next April. No final determination can be made, apparently, except under treaty as to the participation of both countries. The other is the Mississippi River system. This is almost entirely devoted to navigation. Work on the Ohio River will be completed in about three years. A modern channel connecting Chicago, New Orleans, Kansas City, and Pittsburgh should be laid out and work on the tributaries prosecuted. Some work is being done of a preparatory nature along the Missouri, and large expenditures are being made yearly in the lower reaches of the Mississippi and its tributaries which contribute both to flood control and navigation. Preliminary measures are being taken on the Colorado River project, which is exceedingly important for flood control, irrigation, power development, and water supply to the area concerned. It would seem to be very doubtful, however, whether it is practical to secure affirmative action of the Congress, except under a joint agreement of the several States.

The Government has already expended large sums upon scientific research and engineering investigation in promotion of this Colorado River project. The actual progress has been retarded for many years by differences among the seven States in the basin over their relative water rights and among different groups as to methods. In an attempt to settle the primary difficulty of the water rights, Congress authorized the Colorado River Commission which agreed on November 24, 1922, upon an interstate compact to settle these rights, subject to the ratification of the State legislatures and Congress. All seven States except Arizona at one time ratified, the Arizona Legislature making certain reservations which failed to meet the approval of the governor. Subsequently an attempt was made to establish the compact upon a six-State basis, but in this case California imposed reservations. There appears to be no division of opinion upon the major principles of the compact, but difficulty in separating contentions as
to methods of development from the discussion of it. It is imperative that flood control be undertaken for California and Arizona, preparation made for irrigation, for power, and for domestic water. Some or all of these questions are combined in every proposed development. The Federal Government is interested in some of these phases, State governments and municipalities and irrigation districts in others, and private corporations in still others. Because of all this difference of view it is most desirable that Congress should consider the creation of some agency that will be able to determine methods of improvement solely upon economic and engineering facts, that would be authorized to negotiate and settle, subject to the approval of Congress, the participation, rights, and obligations of each group in any particular works. Only by some such method can early construction be secured.

**Water Power**

Along with the development of navigation should go every possible encouragement for the development of our water power. While steam still plays a dominant part, this is more and more becoming an era of electricity. Once installed, the cost is moderate, has not tended greatly to increase, and is entirely free from the unavoidable dirt and disagreeable features attendant upon the burning of coal. Every facility should be extended for the connection of the various units into a superpower plant, capable at all times of a current increasing uniformity over the entire system.

**Railroads**

The railroads throughout the country are in a fair state of prosperity. Their service is good and their supply of cars is abundant. Their condition would be improved and the public better served by a system of consolidations. I recommend that the Congress authorize such consolidations under the supervision of the Interstate Commerce Commission, with power to approve or disapprove when proposed parts are excluded or new parts added. I am informed that the railroad managers and their employees have reached a substantial agreement as to what legislation is necessary to regulate and improve their relationship. Whenever they bring forward such proposals, which seem sufficient also to protect the interests of the public, they should be enacted into law.

It is gratifying to report that both the railroad managers and railroad employees are providing boards for the mutual adjustment of differences in harmony with the principles of conference, conciliation, and arbitration. The solution of their problems ought to be an
example to all other industries. Those who ask the protections of civilization should be ready to use the methods of civilization.

A strike in modern industry has many of the aspects of war in the modern world. It injures labor and it injures capital. If the industry involved is a basic one, it reduces the necessary economic surplus and, increasing the cost of living, it injures the economic welfare and general comfort of the whole people. It also involves a deeper cost. It tends to embitter and divide the community into warring classes and thus weakens the unity and power of our national life.

Labor can make no permanent gains at the cost of the general welfare. All the victories won by organized labor in the past generation have been won through the support of public opinion. The manifest inclination of the managers and employees of the railroads to adopt a policy of action in harmony with these principles marks a new epoch in our industrial life.

Outlying Possessions

The time has come for careful investigation of the expenditures and success of the laws by which we have undertaken to administer our outlying possessions. A very large amount of money is being expended for administration in Alaska. It appears so far out of proportion to the number of inhabitants and the amount of production as to indicate cause for thorough investigation. Likewise consideration should be given to the experience under the law which governs the Philippines. From such reports as reach me there are indications that more authority should be given to the Governor General, so that he will not be so dependent upon the local legislative body to render effective our efforts to set an example of the sound administration and good government, which is so necessary for the preparation of the Philippine people for self-government under ultimate independence. If they are to be trained in these arts, it is our duty to provide for them the best that there is.

Retirement of Judges

The act of March 3, 1911, ought to be amended so that the term of years of service of judges of any court of the United States requisite for retirement with pay shall be computed to include not only continuous but aggregate service.

Mothers' Aid

The Government ought always to be alert on the side of the humanities. It ought to encourage provisions for economic justice for the defenseless. It ought to extend its relief through its national
and local agencies, as may be appropriate in each case, to the suffering and the needy. It ought to be charitable.

Although more than 40 of our States have enacted measures in aid of motherhood, the District of Columbia is still without such a law. A carefully considered bill will be presented, which ought to have most thoughtful consideration in order that the Congress may adopt a measure which will be hereafter a model for all parts of the Union.

CIVIL SERVICE

In 1883 the Congress passed the civil service act, which from a modest beginning of 14,000 employees has grown until there are now 425,000 in the classified service. This has removed the clerical force of the Nation from the wasteful effects of the spoils system and made it more stable and efficient. The time has come to consider classifying all postmasters, collectors of customs, collectors of internal revenue, and prohibition agents, by an act covering in those at present in office, except when otherwise provided by Executive order.

The necessary statistics are now being gathered to form the basis of a valuation of the civil service retirement fund based on current conditions of the service. It is confidently expected that this valuation will be completed in time to be made available to the Congress during the present session. It will afford definite knowledge of existing and future liabilities under the present law and determination of liabilities under any proposed change in the present law. We should have this information before creating further obligations for retirement annuities which will become liabilities to be met in the future from the money of the taxpayer.

The classification act of 1923, with the subsequent legislative action providing for adjustment of the compensation of field service positions, has operated materially to improve employment conditions in the Federal service. The administration of the act is in the hands of an impartial board, functioning without the necessity of a direct appropriation. It would be inadvisable at this time to place in other hands the administration of this act.

FEDERAL TRADE COMMISSION

The proper function of the Federal Trade Commission is to supervise and correct those practices in commerce which are detrimental to fair competition. In this it performs a useful function and should be continued and supported. It was designed also to be a help to honest business. In my message to the Sixty-eighth Congress I recommended that changes in the procedure then existing be made. Since then the commission by its own action has reformed its rules,
giving greater speed and economy in the disposal of its cases and full
opportunity for those accused to be heard. These changes are im-
provements and, if necessary, provision should be made for their
permanency.

REORGANIZATION

No final action has yet been taken on the measure providing for
the reorganization of the various departments. I therefore suggest
that this measure, which will be of great benefit to the efficient and
economical administration of the business of the Government, be
brought forward and passed.

THE NEGRO

Nearly one-tenth of our population consists of the Negro race. The
progress which they have made in all the arts of civilization in the
last 60 years is almost beyond belief. Our country has no more loyal
citizens. But they do still need sympathy, kindness, and helpfulness.
They need reassurance that the requirements of the Government and
society to deal out to them even-handed justice will be met. They
should be protected from all violence and supported in the peaceable
enjoyment of the fruits of their labor. Those who do violence to them
should be punished for their crimes. No other course of action is
worthy of the American people.

Our country has many elements in its population, many different
modes of thinking and living, all of which are striving in their own
way to be loyal to the high ideals worthy of the crown of American
citizenship. It is fundamental of our institutions that they seek to
guarantee to all our inhabitants the right to live their own lives under
the protection of the public law. This does not include any license
to injure others materially, physically, morally, to incite revolution,
or to violate the established customs which have long had the sanction
of enlightened society.

But it does mean the full right to liberty and equality before the
law without distinction of race or creed. This condition can not be
granted to others, or enjoyed by ourselves, except by the application
of the principle of broadest tolerance. Bigotry is only another name
for slavery. It reduces to serfdom not only those against whom it is
directed, but also those who seek to apply it. An enlarged freedom
can only be secured by the application of the golden rule. No other
utterance ever presented such a practical rule of life.

CONCLUSION

It is apparent that we are reaching into an era of great general
prosperity. It will continue only so long as we shall use it properly.
After all, there is but a fixed quantity of wealth in this country at any fixed time. The only way that we can all secure more of it is to create more. The element of time enters into production. If the people have sufficient moderation and contentment to be willing to improve their condition by the process of enlarging production, eliminating waste, and distributing equitably, a prosperity almost without limit lies before us. If the people are to be dominated by selfishness, seeking immediate riches by nonproductive speculation and by wasteful quarreling over the returns from industry, they will be confronted by the inevitable results of depression and privation. If they will continue industrious and thrifty, contented with fair wages and moderate profits, and the returns which accrue from the development of our natural resources, our prosperity will extend itself indefinitely.

In all your deliberations you should remember that the purpose of legislation is to translate principles into action. It is an effort to have our country be better by doing better. Because the thoughts and ways of people are firmly fixed and not easily changed, the field within which immediate improvement can be secured is very narrow. Legislation can provide opportunity. Whether it is taken advantage of or not depends upon the people themselves. The Government of the United States has been created by the people. It is solely responsible to them. It will be most successful if it is conducted solely for their benefit. All its efforts would be of little avail unless they brought more justice, more enlightenment, more happiness and prosperity into the home. This means an opportunity to observe religion, secure education, and earn a living under a reign of law and order. It is the growth and improvement of the material and spiritual life of the Nation. We shall not be able to gain these ends merely by our own action. If they come at all, it will be because we have been willing to work in harmony with the abiding purpose of a Divine Providence.

CALVIN COOLIDGE