

# Strict Economy Keynote of President Coolidge's Message

## U. S. Adherence to World Court, Move to Stop War Urged in Note to Congress

Enactment of Legislative Remedies for Agricultural Ills Recommended; Executive Declares State of Union "May Be Regarded With Encouragement" by Every American.

## Further Consolidation of Railroads Suggested

Following is the text of the presidential message, read today before both houses of congress at Washington:

The present state of the union, upon which it is customary for the president to report to the congress under the provisions of the constitution, is such that it may be regarded with encouragement and satisfaction by every American. Our country is almost unique in its ability to discharge fully and promptly all its obligations at home and abroad, and provide for all its inhabitants an increase in material resources and intellectual vigor and in moral power. The nation holds a position unsurpassed in all former human experience. This does not mean that we do not have any problems. It is elementary that the increasing breadth of our experience necessarily increases the problems of our national life. But it does mean that if we will but apply ourselves industriously and honestly, we have ample powers with which to meet our problems and provide for their speedy solution. I do not profess that we can secure an era of perfection in human existence, but we can provide an era of peace and prosperity, attended with freedom and justice and made more and more satisfying by the ministrations of the charities and humanities of life.

Our domestic problems are in the most part economic. We have our enormous debt to pay, and we are paying it. We have the high cost of government to diminish, and we are diminishing it. We have a heavy burden of taxation to reduce, and we are reducing it. But while remarkable progress has been made in these directions, the work is yet far from completed. We still owe over \$21,000,000,000 the cost of the national government is still about \$3,500,000,000, and the national taxes still amount to about \$27 for each one of our inhabitants. There yet exists this enormous field for the application of economy.

In my opinion, the government can do more to remedy the economic ills of the people by a system of rigid economy in public expenditure than can be accomplished through any other action. The costs of our national and local governments combined now stand at a sum close to \$190 for each inhabitant of the land. A little less than one-third of this is represented by national expenditure, and a little more than two-thirds by local expenditure. It is an ominous fact that only the national government is reducing its debt. Others are increasing theirs at about \$1,000,000,000 each year. The depression that overtook business, the disaster experienced in agriculture, the lack of employment and the terrific shrinkage in all values which our country has experienced in a most acute form in

### Taxes.

Everyone desires a reduction of taxes, and there is a great preponderance of sentiment in favor of taxation reform. When I approved the present tax law, I stated publicly that I did so in spite of certain provisions which I believed unwise and harmful. One of the most glaring of these was the making public of the amounts assessed against different income tax payers. Although that damage has now been done, I believe its continuation to be detrimental to the public welfare and bound to decrease public revenues, so that it ought to be repealed.

Anybody can reduce taxes, but it is not so easy to stand in the gap and resist the passage of increasing appropriation bills which would make tax reduction impossible. It will be very easy to measure the strength of the attachment to a certain taxation policy by the power with which increased appropriations are resisted. If at the close of the present session the congress has kept within the budget which I propose to present, it will then be possible to have a moderate amount of tax reduction and all the tax reform that the congress may wish for during the next fiscal year.

### Waterways.

Meanwhile our internal development should go on. Provision should be made for flood control of such rivers as the Mississippi and the Colorado, and for the opening up of our inland waterways to commerce. Considerable progress has been made in the project of better navigation from the Great Lakes to the gulf. Every effort is being made to promote an agreement with Canada to build the St. Lawrence waterway. There are pending before the congress bills for further development of the

### Reclamation.

Our country has a well-defined policy. Legislation is pending based on a reclamation established under the report of the Fact Finding commission. This policy, for the proper relief of those who should be continued and made a self-sustaining activity administered in a manner that will meet local requirements and for additional amendments must bring our arid lands into a reformed and reclamation law, profitable state of cultivation as fast as there is a market for their product and should be enacted at once.

### Agriculture.

No more important development has taken place in the last year than the beginning of a restoration of agriculture to a prosperous condition. We

## High Spots in President's Message

There yet exists an enormous field for the application of economy. The more the government spends the more it must require every producer to contribute.

If the present congress stays within the budget proposed taxes may be further reduced.

Business must be freed from excess profits taxes.

Business must have a system of surtaxes designed not to punish but to produce a greater revenue.

The people must know that the government is not placing any unnecessary burden upon them.

An unprecedented prosperity is before us if we will act on this principle.

Develop internal waterways.

Develop irrigation as fast as there is a market for the new farm production that will come as a result of extended acreage.

Agricultural prices have placed the farmer almost on a price level with the rest of the nation.

The agricultural commission expects to be ready to report in time for action by the present congress.

Muscle Shoals should be leased or sold and developed by private initiative. Its primary purpose is to produce fertilizer.

Railroads should be consolidated into fewer but larger systems.

Present plans for establishing valuation of the railroad should be continued.

Railroad labor board might be improved but should be further tried out.

Emergency Fleet corporation should be given more adequate powers.

Give supreme court power to reorganize its method of handling cases.

Investigate criminal code and procedure that reforms may be brought about in enforcement of criminal laws.

Stop the crime of lynching.

There must be no competition in building land or sea armaments. "I shall resist any attempt to resort to the old methods and old standards."

If the nation is to remain free the individual rights guaranteed under the constitution must be protected.

opportunities and with a fair prospect of economic equality. The government cannot successfully insure prosperity or fix prices by legislative fiat. Every business has its risk and its times of depression. It is well known that in the long run there will be a more even prosperity and a more satisfactory range of prices under the natural working out of economic laws than when the government undertakes the artificial support of markets and industries. Still we can so order our affairs, so protect our people from foreign competition, so arrange our national finances, so administer our monetary system, so provide for the extension of credits, so improve methods of distribution, as to provide a better working machinery for the transaction of the business of the nation with the least possible friction and loss. The government has been constantly increasing its efforts in these directions for the relief and permanent establishment of agriculture on a sound and equal basis with other business.

It is estimated that the value of the crops for this harvest year may reach \$12,000,000,000, which is an increase of over \$3,000,000,000 in three years. In 1912, and if we make deduction from the figures of 1924 for the comparatively decreased value of the dollar, the yield this year still exceeds 1912 in purchasing power by over \$1,000,000,000, and in this interval there has been no increase in the number of farmers. Most by his own effort the farmer has decreased the cost of production. A marked increase in the price of his products and some decrease in the price of his supplies has brought him about to a parity with the rest of the nation. The crop area of this season is estimated at 270,000,000 acres, which is a decline of 2,000,000 acres from last year, and 6,000,000 acres from 1919. This has been a normal and natural application of economic laws, which has placed agriculture on a foundation which is undeniably sound and beginning to be satisfactory.

A decrease in the world supply of wheat has resulted in a very large increase in the price of that commodity. The position of all agricultural products indicates a better balanced supply, but we can not yet conclude that agriculture is recovered from the effects of the war period or that it is permanently on a prosperous basis. The cattle industry has not yet recovered and in some sections has been suffering from dry weather. Every effort must be made, both by government activity and by private agencies, to restore and maintain agriculture to a complete normal relationship with other industries.

### Muscle Shoals

The production of nitrogen for plant food in peace and explosives in war is more and more important. It is one of the chief sustaining elements of life. It is estimated that soil exhaustion each year is represented by about 9,000,000 tons and replenishment by 5,500,000 tons. The deficit of 3,500,000 tons is reported to represent the impairment of 18,000,000 acres of farm lands each year.

To meet these necessities the government has been developing a water power project at Muscle Shoals to be equipped to produce nitrogen for explosives and fertilizer. It is my opinion that the support of agriculture is the chief problem to consider in connection with this property. It could by no means supply the present needs for nitrogen, but it would help and its development would encourage bringing other water powers into like use.

Several offers have been made for the purchase of this property. Probably none of them represent final

### Railways.

The railways during the last year have made still further progress in recuperation from the war, with large gains in efficiency and ability to handle the traffic of the country. We have now passed through several periods of peak traffic without the car shortages which so frequently in the past have brought havoc to our agriculture and industries. The condition of many of our great freight terminals is still one of difficulty and results in imposing large costs on the public for inward-bound freight, and on the railways for outward-bound freight. Owing to the growth of our large cities and the great increase in the volume of traffic, particularly in perishables, the problem is not only difficult of solution, but in some cases not wholly solvable by railway action alone.

In my message last year I emphasized the necessity for further legislation with a view to expediting the consolidation of our railways into larger systems. The principle of government control of rates and profits, now thoroughly imbedded in our governmental attitude toward natural

as to reduce the importance of section 15A, at which criticism, often misapplied, has been directed. A smaller number of units would offer less difficulties in labor adjustments and would contribute much to the solution of terminal difficulties. The consolidations need to be carried out with due regard to public interest and to the rights and established life of various communities in our country. It does not seem to me necessary that we endeavor to anticipate any final plan or adhere to any artificial and unchangeable project which shall stipulate a fixed number of systems. But rather we ought to approach the problem with such a latitude of action that it can be worked out step by step in accordance with a comprehensive consideration of public interest. Whether the number of units seems to me can only be determined by time and actual experience in the development of such consolidations and more direct local responsibility of employees and managers. But such legislation will not meet the requirements of the situation unless it recognizes the principle that the public has a right to the uninterrupted service of transportation, and therefore a right to be heard when there is danger that the nation may suffer great injury through the interruption of operations because of labor disputes. If these elements are not comprehended in proposed legislation, it would be better to gain further experience with the present organization for dealing with these questions before undertaking a change.

Another matter before the congress is legislation affecting the labor sections of the transportation act. Much criticism has been directed at the workings of this section and experience has shown that some useful amendment could be made to these provisions. It would be helpful if a plan could be adopted which, while retaining the practice of systematic collective bargaining with conciliation and voluntary arbitration of labor differences, could also provide simplicity in relations and more direct local responsibility of employees and managers. But such legislation will not meet the requirements of the situation unless it recognizes the principle that the public has a right to the uninterrupted service of transportation, and therefore a right to be heard when there is danger that the nation may suffer great injury through the interruption of operations because of labor disputes. If these elements are not comprehended in proposed legislation, it would be better to gain further experience with the present organization for dealing with these questions before undertaking a change.

There are other proposals before congress for amending the transportation acts. One of these contemplates a revision of the method of valuation for rate making purposes

to be followed by a renewed valuation of the railways. The valuations instituted by the Interstate Commerce commission 10 years ago have not yet been completed. They have cost the government an enormous sum, and they have imposed great expenditures upon the railways, most of which have in effect come out of the public in increased rates. This work should not be abandoned or supplanted until its results are known and can be considered.

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### Shipping Board

The form of the organization of the Shipping Board was based originally on its functions as a semijudicial body in regulation of rates. During the war it was loaded with enormous administrative duties. It has been demonstrated time and again that this form of organization results in indecision, division of opinion and administrative functions, which make the conduct of a great business enterprise. The first principle in securing the objective set out by congress in building up the American merchant marine upon the great trade routes and subsequently disposing of it into private operation can not proceed with effectiveness until the entire functions of the board are reorganized. The immediate requirement is to transfer into the Emergency Fleet corporation the whole responsibility of operation of the fleet and other property, leaving to the Shipping Board solely the duty of determining certain major policies which require deliberate action.

The procedure under section 28 of the merchant marine act has created great difficulty and threatened interruption during the last 12 months. Its attempted application developed not only great opposition from exporters, particularly as to burdens that may be imposed upon agricultural products, but also great anxiety in the different seaports as to the effect upon their relative structures. This trouble will certainly recur if it is attempted under this section. It is uncertain in some of its terms and of great difficulty in interpretation. It is my belief that action under this section should be suspended until the congress can reconsider the entire question in the light of the experience that has been developed since its enactment.

Nothing is so fundamental to the integrity of a republican form of government as honesty in all that relates to the conduct of elections. I am of the opinion that the national laws governing the choice of members of the congress should be extended to include appropriate representation of the respective parties at the ballot box and equality of representation on the various registration boards, wherever they exist.

### The Judiciary

The docket of the supreme court is becoming congested. At the opening term last year it had 592 cases, while this year it had 687 cases. Justice long delayed is justice refused. The court be given power to preliminary and summary consideration to determine the importance of cases, and by disposing of those which are not of public moment reserve its time for the more extended consideration of the remainder, the congestion of the docket is likely to increase. It is also desirable that the supreme court should have power to improve and reform procedure in suits at law in the federal courts through the adoption of appropriate rules. The judiciary committee of the senate has reported favorably upon two bills providing for these reforms which should have the immediate favorable consideration of the congress.

I further recommend that provision be made for the appointment of a commission, to consist of three members of the federal judiciary and as many members of the bar, to examine the present criminal code of procedure and recommend to the congress measures which may reform and expedite court procedure in the administration and enforcement of our criminal laws.

### Prison Reform.

Pending before the congress is a bill which has already passed one house providing for a reformatory to which could be committed first offenders and young men for the purpose of segregating them from contact with hardened criminals and providing them with special training, in order to re-establish in them the power to pursue a law-abiding existence in the social and economic life of the nation. This is a matter of so much importance as to warrant the early attention of the present session. Further provision should also be made, for a like reason, for a separate reformatory for women.

### National Police Bureau

Representatives of the International Police conference will bring to the attention of the congress a proposal for the establishment of a national police bureau. Such action would provide a central point for gathering, compiling, and later distributing to local police authorities much information which would be helpful in the prevention and detection of crime. I believe this bureau is needed, and I recommend favorable consideration of this proposal.

### District of Columbia Welfare.

The welfare work of the District of Columbia is administered by several different boards dealing with charities and various correctional efforts. It would be an improvement if this work were consolidated and placed under the direction of a single commission.

### French Spoliation Claims.

During the last session of the congress legislation was introduced looking to the payment of the remaining claims generally referred to as the French spoliation claims. The congress has provided for the payment of many similar claims. Those that remain unpaid have been long pending. The beneficiaries thereunder have every reason to expect payment. Those claims have been examined by the court of claims and their validity and amount determined. The United States ought to pay its debts. I recommend action by the congress which will permit of the payment of these remaining claims.

### The Wage Earner.

Two very important policies have been adopted by this country which, while extending their benefits also in other directions, have been of the utmost importance to the wage earner. One of these is the protective tariff, which enables our people to live according to a better standard and receive a better rate of compensation than any people, any time, anywhere on earth, ever enjoyed. This saves the American market for the products of the American workmen. The other is a policy of more recent origin and seeks to shield our wage earners from the disastrous competition of a great influx of foreign goods. This has been done by the restrictive immigration law. This saves

necessaries but of the conveniences of life that we are by a natural evolution solving our problems of economic and social justice.

### The Negro.

These developments have brought about a very remarkable improvement in the condition of the negro race. Gradually, but surely, with the almost universal sympathy of those among whom they live, the colored people are working out their own destiny. I firmly believe that it is better for all concerned that they should be cheerfully accorded their full constitutional rights, that they should be protected from all of those impositions to which, from their position, they naturally fall a prey, especially from the crime of lynching, and that they should receive every encouragement to become full participants in all the blessings of our common American citizenship.

### Civil Service.

The merit system has long been recognized as the correct basis for employment in our civil service. I believe that first, second, and third class postmasters, and without covering in the present membership the field force of prohibition enforcement, should be brought within the classification service by statute law. Otherwise the executive order of one administration is changed by the executive order of another administration and little real progress is made. What ever its defects, the merit system is certainly to be preferred to the spoils system.

### Department Reorganization.

One way to save public money would be to pass the pending bill for the reorganization of the various departments. This project has been pending for some time, and has had the most careful consideration of experts and the thorough study of a special congressional committee. This legislation is vital as a companion piece to the budget law. Legal authority for a thorough reorganization of the federal structure with some latitude of action to the executive in the rearrangement of secondary functions would make for continuing economy in the shift of government activities which must follow every change in a developing country. Beyond this many of the independent agencies of the government must be placed under responsible cabinet officials, if we are to have safeguards of efficiency, economy, and probity.

### Army and Navy.

Little has developed in relation to our national defense which needs special attention. Progress is constantly being made in air navigation and results in encouragements and development. Army aviators have made a successful trip around the world, for which I recommend suitable recognition through provisions for promotion, compensation, and retirement. Under the direction of the navy a new Zepplin has been successfully brought from Europe across the Atlantic to our own country. Under the efficient supervision of the secretary of war, the army of the United States has been organized with a small body of regulars and a moderate national guard and reserve. The defense test of September 12 demonstrated the efficiency of the operating plans. These methods and operations are well worthy of congressional support.

Under the limitation of armaments treaty a large saving in outlay and a considerable decrease in maintenance of the navy has been accomplished. We should maintain the policy of constantly working toward the full treaty strength of the navy. Careful investigation is being made in this department of the relative importance of aircraft, surface and submarine vessels, in order that we may not fail to take advantage of all modern improvements for our national defense. A special commission also is investigating the problem of petroleum oil for the navy, considering the best policy to insure the fuel supply of fuel oil and prevent the threatened drainage of naval oil reserves. Legislative action is required to carry on experiments in oil shale reduction, as large deposits of this type have been set aside for the use of the navy.

### Veterans.

With the authorization for general hospitalization of the veterans of all wars provided during the present year, the care and treatment of those who have served their country in time of peril and the attitude of the government toward them is not now such a much one of needed legislation as one of careful, generous and humane administration. It will ever be recognized that their welfare is of the first concern and always entitled to the most solicitous consideration on the part of their fellow citizens. They are organized in various associations, of which the chief and most representative is the American Legion. Through its officers the legion will present to the congress numerous suggestions for legislation. They cover such a wide variety of subjects that it is impossible to discuss them within the scope of this message. With many of the proposals I join in hearty approval and commend them all to the sympathetic investigation and consideration of the congress.

### Foreign Relations.

At no period in the last 12 years have our foreign relations been in such a satisfactory condition as they are at the present time. Our actions in the recent months have greatly strengthened the American policy of permanent peace with independence. The attitude which our government took and maintained toward an adjustment of European reparations, by pointing out that it was not a political but a business problem, has demonstrated its wisdom by its actual results. We desire to see Europe restored that it may resume its productivity in the increase of industry and its support in the advance of civilization. We look with great gratification at the hopeful prospect of recuperation in Europe through the Dawes plan. Such assistance can be given through the action of the public authorities and of our private citizens, through friendly counsel and cooperation, and through economic and financial support, not for any warlike effort but to increase productive enterprise, not to provide means for unsound government financing but to establish sound business administrations, should be unhesitatingly provided.

Ultimately nations, like individuals, can not depend upon each other but must depend upon themselves. Each one must work out its own salvation. We have every desire to help. But with all our resources we are powerless to save unless our efforts meet with a constructive response. The situation in our own country and all over the world is one that can be improved only by hard work and self-denial. It is necessary to reduce expenditures, increase savings and liquidate debts. It is in this direction that there lies the greatest hope of domestic tranquility and international peace. Our own country ought to furnish the leading example in this effort. Our past adherence to this policy, our constant refusal to maintain a military establishment that could be thought to menace the security of others, our honorable dealings with other nations whether great or small, has left us in the almost constant enjoyment of peace. It is not necessary to stress the general desire of all the people of this country for the promotion of peace. It is the leading principle of all our foreign relations. We have on every occasion tried to cooperate to this end in all ways that were consistent with our proper independence and our traditional policies. It will continue to be our constant effort to maintain these principles, and to induce them by all appropriate agreements and treaties. While we desire always to cooperate and to help, we are equally determined to be independent and free. Right and truth and justice and humanitarian efforts will have the moral support of this country all over the world. But we do not become involved in the political controversies of others. We are the country disposed to become a member of the league of nations or to assume the obligations imposed by its covenant.

### International Court.

America has been one of the foremost nations in advocating tribunals for the settlement of international disputes of a justiciable character. Our representatives took a leading part in those conferences which resulted in the establishment of The Hague tribunal, and later in providing for a permanent court of international justice. (Turn to Page Sixteen, Column One.)