

HOOVER WARNS CONGRESS TO ECONOMIZE OR BE FACED BY TAX RISE OF 40 PER CENT

PENDING BILLS ARE CITED

President Tells Leaders
Demands Listed Mean
\$1,735,000,000 More.

\$50,000,000 IS HELD LIMIT

Mellon Attends White House
Breakfast With Party Chiefs
of Both Houses.

CAPITOL CITES CUTS MADE

Increases Laid to Executive's
Public Works Plans—Demo-
crats Criticize Warning.

By RICHARD V. OULAHAN.

Special to The New York Times.

WASHINGTON, Feb. 24.—A warning to Congress by President Hoover against increasing expenditures was the net outcome of a breakfast conference at the White House this morning at which the President's guests were Republican leaders of the Senate and House and officers of the Treasury Department, including Secretary Mellon.

In a statement issued by Walter H. Newton, one of the President's secretaries, who attended the conference, it was asserted that if "demands" for additional public appropriations were acceded to by Congress the budget for the next fiscal year would be increased by \$1,735,000,000, and, with the Federal income about \$4,000,000,000, "such a program would imply an increase in taxes of 40 per cent."

The President is understood to have informed his guests that increases in the budget estimates of expenditures could not exceed \$50,000,000 without bringing the treasury face to face with a deficit. A difficulty of the situation is the inability to estimate what losses in revenue will be caused by reductions in incomes due to the stock market decline, and the uncertainty over the tariff legislation which prevents any approximation of revenue to be obtained from customs duties.

Point to Cuts by Congress.

The estimates for the fiscal year beginning July 1, sent to Congress by President Hoover in December, call for appropriations aggregating \$3,830,445,231. This was a decrease of \$145,696,419 from the appropriations made by Congress to cover expenditures in the current fiscal year.

In annual supply measures already passed by the House, the budget figures of the administration have been cut about \$25,000,000, a fact to which members of the Senate and the House pointed today as evidence that Congress was fully aware of the danger of overappropriation and was following a policy of economy.

In view of that attitude of Congress, some of its leading members were inclined to view the White House statement merely in the light of a routine warning to keep Congress from being carried away by the so-called "demands" for heavy appropriations covering a variety of projects, including increases in compensation for veterans, additional river and harbor improvements, public road building, education and increased pay for government workers.

Bills pending to increase compensation for World War veterans aggregate \$400,000,000, according to the Director of the Budget, and there are other proposed appropriations amounting to \$100,000,000 in each case.

In contending that if these proposals were authorized it would be necessary to increase Federal taxes 40 per cent, Secretary Newton said that other projects which were being urged, but were not regarded as imminent, would impose an additional expenditure of \$1,500,000,000.

Criticism at the Capitol.

Although, outwardly, the President got concrete results from his conference, in that the Congressional leaders present gave assurances that they would see that appropriations were kept within budgetary estimates, it was apparent after the conference that a disposition existed at the Capitol to indulge in some criticism at the President's expense, on the ground that the suggestion of the danger of Congressional extravagance, born of the conference, was not justified, and gave an erroneous impression of the attitude of the

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WARNS CONGRESS OF A BIG TAX RISE

By RICHARD V. OULAHAN.

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Senate and the House toward public expenditures.

Pointing out that in the seven appropriation bills already passed by the House there had been a decrease of \$25,000,000 for the Executive's estimates, some members, Republicans as well as Democrats, declared that proposed budgetary increases were due in part to the President's desire for additional appropriations for public works in order to carry out his program of checking unemployment.

Possibly it was with the idea of meeting this reaction in Congress that, after Secretary Newton's formal statement had been issued, it was said informally at the White House late in the afternoon that the demands for additional appropriations came not so much from Congress as from different groups in different parts of the country.

To this the statement was added that it was apparent from the discussion around the White House breakfast table that the resources of the government would permit only a very small increase in the budgetary proposals without a substantial increase in taxation.

Rivers and Harbors Increase Cited.

In connection with criticism of the President among Congressmen, attention was called to his action this afternoon in approving a supplemental estimate of \$12,000,000 for the maintenance and improvement of existing river and harbor works for the current fiscal year, with a view to the inclusion of this item in the pending annual deficiency appropriation bill.

The estimate was submitted by Major Gen. Lytle Brown, chief of army engineers, and was approved by Secretary of War Hurley. It is in addition to about \$55,000,000 for rivers and harbors contained in one of the regular annual appropriation bills now pending.

Secretary Hurley issued a statement on the reasons underlying the proposal of an increased appropriation. In it he said:

"The engineering department has made special effort to advance the prosecution of work on river and harbor projects throughout the country to carry out the present administration program for inland waterways, and to expedite work during the critical economic period ensuing after the stock market crash in November. As a result, the expenditures during the first half of the fiscal year 1930 have averaged over \$6,050,000 per month.

"This present rate of annual expenditures on river and harbor works is materially in excess of annual appropriations. The accumulated balance from former years when work was not pushed so energetically has made these extra expenditures possible.

"The demands for expediting work on river and harbor projects and the delay in passage of annual appropriation bills, have, however, so reduced funds that unless a supplemental appropriation is made there must be a slackening of the present rate of operations and work urgently needed in the interests of navigation on various projects must be delayed. This in turn would result in a certain measure of unemployment."

Democrats Are Caustic.

Democrats in Congress were particularly caustic in commenting on the warning of the President.

"The whole thing is bunk, and they know it is bunk," said Senator Glass of Virginia, while Senator Harrison of Mississippi gave play to his usual sarcasm as follows:

"In his new rôle of the autocrat of the breakfast table, President Hoover has confused the situation worse than ever. A while ago he was urging increased public works in order to avoid unemployment and business depression. Now, apparently, he has shifted his position again."

Senator Watson of Indiana, floor leader of the Senate, who was one of the President's breakfast guests, said at the Capitol that one of the difficulties of the government's fis-

cal situation was due to the falling off in customs receipts consequent upon the delay and uncertainty in tariff legislation.

Today's official statement giving the condition of the treasury as of Feb. 20 shows that up to that date receipts for the month from customs were \$24,525,575, or a reduction of more than \$10,000,000 from receipts for the same number of days in February last year. For the current fiscal year, that is from July 1, 1929, to Feb. 20 this year, customs receipts were \$368,017,319, as compared with \$382,270,725 for the corresponding period of the previous fiscal year.

Discuss Tariff Bill's Status.

The tariff bill situation in the Senate came into the discussion around the White House breakfast table, and the President was informed that prospects for early action on it have brightened in the last few days.

One of the features of this morning's conference was the concern displayed by the President that the delay of the Senate in passing the tariff measure might prevent the enactment of some of the annual appropriation bills, which are necessary to carry on the government in the next fiscal year. He was assured that there was a favorable outlook for getting these bills on the statute books by the time the fiscal year begins.

In addition to the President, Secretary Mellon, Senator Watson and Secretary Newton, those present at the conference, were Senator McNary, assistant floor leader; Senator Jones, chairman of the Appropriations Committee; Senator Smoot, chairman of the Finance Committee; Representative Tilson, House floor leader; Representative Hawley, chairman of the Committee on Ways and Means; Representative Snell, chairman of the Rules Committee; Ogden Mills, Under-Secretary of the Treasury, and Colonel J. Clawson Roop, Director of the Budget.

Speaker Longworth and Representative Wood, chairman of the Appropriations Committee, were unable to attend the breakfast. Speaker Longworth returned to Washington later in the forenoon and had luncheon with the President. They went over the same ground covered at the earlier conference.

Secretary Newton's Statement.

The statement issued by Secretary Newton reads as follows:

"The Director of the Budget, under instruction of the President, has prepared a survey of the various projects which have been presented to Congress and the Administration which will involve additional expenditure beyond the present authorizations and beyond the present budget.

"These demands are being made upon Congress and the Administration from different sections of the country and from different interested groups. The amounts below are a summary of these projects, and are given in the amount of additional expenditure that would be imposed upon the Federal budget during the first year of their operations. These are not the totals projected, which are very much larger, but simply the annual addition to the budget. Many of the items would be permanent and increasing annually.

Public roads	\$350,000,000
Rivers and harbors	35,000,000
Compensation to property owners for rights of way in flood control	100,000,000
Loans to levee districts	100,000,000
Protection to forests	10,000,000
Eradication of pests	20,000,000
Expansion of agricultural serv..	20,000,000
Scientific research	5,000,000
Development of Columbia River.	45,000,000
Reclamation service	100,000,000
National parks and memorials..	50,000,000
Indian service	5,000,000
Naval construction	50,000,000
Military aviation	25,000,000
Increased army and navy pay..	80,000,000
Army-navy hospitals, barracks and posts	15,000,000
Employment services	5,000,000
Disaster relief	15,000,000
Increase in Spanish War veterans service	45,000,000
Increase in Civil War veterans service	40,000,000
Increase in World War veterans service	400,000,000
Increase civil service pensions..	20,000,000
Increase civil service pay.....	100,000,000
Education	100,000,000
Total	\$1,735,000,000

"The present Federal income is approximately \$4,000,000,000 per annum and such a program would imply an increase in taxes of 40 per cent.

"In addition to the above list, other projects are being urged but are not regarded as imminent, which would impose a further expenditure of fully \$1,500,000,000 per annum."

To Scan Outlay Carefully.

When he returned to the House of Representatives, Mr. Tilson said

that every proposed appropriation would be scanned carefully, and that the House would adhere to the rule of economy. In this statement he was joined by Senator Watson. Chairman Smoot of the Senate Finance Committee stressed the Presidential warning that unless appropriations were kept within the estimates an increase in taxes would be inevitable.

The House already has passed seven of the annual supply bills necessary for the support of the government in the fiscal year to begin July 1. The Senate has not passed a single one of them. Four of these bills have been reported favorably from the Appropriations Committee, and are on the Senate calendar, but the tariff blockade has prevented any action.

Three more regular appropriation bills await action by the House, and it is probable that there will be a deficiency measure to provide expenditures not covered in any of the regular supply measures.

In the estimate for an additional \$12,000,000 for river and harbor improvement work, approved by President Hoover today, one item calls for providing a ten-foot channel for the Passaic River. All the other projects are in the West, South and Hawaii.

House Democrats Critical.

WASHINGTON, Feb. 24 (AP).—Representative Black, Democrat, of New York, today accused the Republican leadership in the House and President Hoover of responsibility for the delay in the passage of the tariff bill because of what he termed "lobbying activities" before the Ways and Means Committee.

The New Yorker said President Hoover's views on the tariff were "like a railroad time-table—subject to change without notice."

Referring to the White House breakfast today, Mr. Black said that when President Coolidge was there "he served them flapjacks, but now I am afraid that President Hoover is serving them filipflops."

Mr. Black asserted that Representative Tilson of Connecticut, Chairman Hawley of the Ways and Means Committee, and Chairman Snell of the Rules Committee, had been afraid for the House members to try to prepare a tariff bill, and declared that it was done in secrecy before only the Republican members of the Ways and Means Committee.

Representative Garner of Texas, the House Democratic leader, said the White House breakfast confer-

ence today was "a move to divert the attention of the public."

"While the breakfast at the White House was called for the purported purpose of discussing suggested expenditures," the Texan said, "it was in reality for the purpose of diverting the public mind from the chaotic economic and unemployment conditions brought about by the want of leadership in the President and his party.

"The very fact that the President urged the expenditure of all appropriations available for this fiscal year, and the deficiency appropriations already requested, as well as the reduction of taxes by \$160,000,000 for this calendar year, shows the hypocrisy and inconsistency of the pretended purpose of the conference."