THE NEW DEMOCRACY

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TO

A. W. I.

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FOREWORD

IT IS of great importance that the people, realizing the condition of the country, should see with clear eyes the economic and social changes that are being effected under this Administration and the reasons for those changes. America's problems are peculiarly her own. Neither Karl Marx, nor Adam Smith, nor Lenin, nor Hitler, nor Mussolini, can be accepted as our guide. We cannot subscribe to precepts and precedents which, because they may have been found to be applicable to a different set of conditions, are therefore to be accepted as valid for us. The determination of our problems must be related to the problems themselves and to our particular political and social background. We cannot adopt a formula whose claim for success is based upon a different set of problems than we have to solve or upon the needs of a people of a different time or environment. No solution of our perplexities will be a wise or a lasting solution unless it is American in its concept and application.

President Roosevelt has not been content merely to

stand by and hope for the best. His active and sympathetic mind, grasping quickly the desperate situation in which he found the country, has sought in every direction for remedies for our ills. He has been a bold and a resourceful leader. He has not feared to experiment where no applicable precedent was to be found. In this respect, if in no other, he has stood out in sharp and vivid contrast to those timid and resourceless leaders who preceded him and who now criticize him for vigorous action when they lacked the stamina to venture to tilt a lance in behalf of a despairing people. President Roosevelt has grappled with the pressing problems that were piled high on his desk when he took office. He is no more afraid of trying new methods than of changing his plans if he finds they do not work. He has modernized statecraft.

Today, as never before, the success of the Government and the well-being of all of us depend upon the intelligent understanding and whole-hearted co-operation of the people. Despite the silly criticism that is heard in some quarters that we have broken away from our old democratic moorings, this Government is turning to the people and depending upon them for support to an extent that has not been true for generations.

In the belief that an informed and intelligent electorate is essential to a democratic form of government,

I offer this book to explain, in broad outline, how the accomplishments and aims of the present Administration appear to one who has the privilege of being a member of that Administration.

In conclusion may I express my very real obligation to Dr. Clark Foreman, a valued member of the Department of the Interior, for his wise counsel and help to me in writing this book.

Harold L. Ickes.

WASHINGTON, *September* 22, 1934.

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CHAPTER ONE

OUR AMERICAN HERITAGE

TURNING back the pages of the past, we see an interesting and colorful panorama. As the result of economic pressure in the old lands or because our forefathers craved the right to think their thoughts and live their lives according to the dictates of their own consciences, they braved the terrors of a sea that was still little known and came to this land determined to establish here homes for themselves and their children. With few exceptions they refused to be turned back. They were ready to endure every privation, to face boldly every peril. With such motives and such a purpose they could not fail to conquer. And they did conquer. The first real test they faced was one with nature, that nature that can be so implacable and cruel in one mood and so alluring and disarming in another. Landing on the Atlantic coast they began to cut out of the dense forest, land upon which to build their crude cabins and from which to get food and clothing for their needs. They subdued nature, they fought back the Indians and generation after generation their roots sunk more deeply into the soil of the new land.

It was only the courageous or the desperate who left

Europe to found a new empire on these shores. It was only the hardy and the enduring who could survive after these shores had been reached. It required outstanding qualities of both physique and spirit not only to wrest a bare existence from the soil but to build a new and an enduring civilization. These ancestors of ours developed in themselves and transmitted to their children qualities of heart and mind that have left an indelible impress upon every succeeding generation.

It was not an easy life in pioneer days. The graces of living were either an almost forgotten memory or a dim and distant hope. It was a fight for very existence. These early Americans fought nature, they fought the Indians, they fought the French in combination with the Indians, they fought Great Britain on two occasions, they fought the Spaniards, the Mexicans, and they fought each other. As we scan the pages of our history we realize the heroic qualities of our ancestors. We glory in those qualities. We would not have had them different. But as we look deeper we discover that ruthlessness was mixed with heroism, cruelty with kindness, hardness with mercy. Nor was this unnatural. A pioneer race is always a ruthless race. It has to be to survive. And ours has survived.

A race of pioneers to begin with, we continued to breed pioneers for generation after generation. We needed to breed pioneers because there was always a frontier just beyond that had to be explored, adventured upon and finally subdued. Ax in hand and rifle on shoulder, our forefathers continued to push that fron-

tier back, conquering, destroying, exploiting, until at last there was no longer any physical frontier to be bent to their will. With no frontier left to be subdued, with no new lands to exploit, the pioneer spirit which had been bred into us for generations had to discover new worlds to conquer. It could not be bred out all at once.

So from exploiting nature we turned to the exploitation of human beings, to the building up of an industrial and commercial empire. After unsuccessful attempts to bend the proud spirit of the native Indians to our will, we began to kidnap and import a more friendly race from equatorial Africa. Slavery was instituted. It flourished in the South, although this was not because of any superior humanitarianism or civic virtue on the part of those of us who lived in the North. It happened that slavery was not adapted to our northern climate and soil.

The North refused to forego its opportunity to be developed merely because it could not economically use slave labor. It discovered that there was a type of labor which was cheaper for it and more adapted to its purposes than were Negroes imported from Africa and sold at so much a head on the auction block. So the North sent over to Europe and by painting glowing pictures of America as a land of opportunity enticed cheap immigrant labor here by the hundreds of thousands. Eagerly and hopefully came these hordes year in and year out, seeking a hospitable land where they could realize their dim dreams of freedom, equality and

fraternity. Speaking strange languages, possessing strange customs, they in their turn were easy to exploit. Herded into mines, congregated into factories, housed in squalid hovels, they worked for long hours at heavy tasks for inadequate pay.

And all the while the descendants of the conquering pioneers more and more lived lives of ease and comfort, while profits continued to pour in as the result of physical slavery in the South and economic exploitation in the North, endured by millions of fellow human beings.

This exploitation of human beings went hand in hand with the frenzied exploitation of our natural resources. Forest lands were recklessly and improvidently cut over with slashings left to become tinder for the fire of the incendiary or of the careless camper. Land coverage was destroyed so that heavy rains immediately ran off into streams, the beds of which lacked the capacity to carry off so much water all at once. The results were overflowed banks, raging floods, destruction of property, loss of life, an occasion for sensational headlines and exclamatory remarks by those who dwelt safely hundreds or thousands of miles away. Then, in short order, a return of the usual calm unconcern of the average American who, like the sparrow, gives no thought for the morrow.

Do the American people realize that erosion is rapidly building an empire of worn-out land in America? Our land in wide areas is being stripped of its rich covering of soil or gullied beyond the possibility of practical reclamation. The annual cost of erosion

to our farmers has been estimated at $400,000,000. This does not take into account the filling up with silt of reservoirs and the choking of stream channels and irrigation ditches. At least thirty-five million acres of formerly cultivated land, much of it originally good land, have been practically destroyed in this country by erosion, and one hundred million acres of crop land are in serious danger.

In many parts of the country people are seriously disturbed by the decline in underground water levels. We get reports that wells have to be sunk ever deeper and deeper. Irrigation projects that at their inception had an adequate supply of water are now turning to other watersheds for an increased supply to make up for losses. Tunnels are being bored in some sections of the Rocky Mountains to carry water to thirsty lands that formerly could count on plenty from their own watershed. The Government is finding it necessary to spend hundreds of millions of dollars to dredge and channel the beds of such rivers as the Mississippi and the Missouri in order to make the greatest possible use of the shrunken supply of waters that these river beds now contain.

Denuded forests, floods, droughts, a disappearing water table, erosion, a less stable and equable climate, a vanishing wild life—these are some of the notable results of unchecked and ruthless exploitation by men who euphemistically refer to themselves as "rugged individualists." And what they have appropriated to themselves out of our common heritage the great mass of

the people are in the process of repaying with the sweat of their brows. Not satisfied with ravishing our good earth, these greedy men have delved within it in their quest for yet more wealth to be selfishly and wastefully exploited.

Billions of cubic feet of natural gas, spelling comfort and convenience and riches, have been allowed to escape into the air. We have permitted unscientific exploitation and over-production of our petroleum resources, resulting in a too great supply of crude oil and gasoline in storage above ground. We have been guilty of reckless and improvident methods of capture. More oil has been produced than could find a legitimate market, with the result that prices at times have been forced to a point far below the cost of production. This over-supply of oil has gone to inferior uses and has tended to disrupt the market for coal, with resultant disorganization and distress to both of these two great and essential industries. The actuating motive in developing this irreplaceable and indispensable natural resource has not been the welfare of the country or any concern for the future, but the greed of selfish men for a quick profit. In their haste to take as much oil as possible out of the ground before other wells tapping the same pool or producing from other areas could be brought in, they have not cared who was the hindmost for the devil to take. It has been said over the signatures of responsible students of the oil industry that as much as "eighty and ninety per cent of the oil is lost and abandoned in the sands. Natural gas is blown into the air and the function of

gas energy disregarded in the mad scramble for 'more oil now.' "

Still our "rugged individualists" pursued their exploiting career. Our inventors built intricate, almost human, machines at which women and little children could be profitably employed. These two groups were due to be exploited in their turn. Although no less an authority than the Supreme Court of the United States has held that women are not physically adapted to heavy and toilsome tasks for long hours, that so to employ them makes for race deterioration, our "rugged individualists" continued to work women at heavy and toilsome tasks for long hours. And because they were women they were paid substantially less than men would have been paid for an equal or a lesser output. As for the little children, the brutal social dictum was enunciated that it was better for them to work in factories than to be on the streets, our captains of industry cheerfully and not altogether unselfishly assuming that if they were not in factories, they would be on the streets.

The exploiters of our natural resources early sensed the possibility that the economic system they were building might some day tumble about their ears unless they safeguarded it by securing control of Government. So they moved on Government with the same acquisitive determination with which they had in the beginning moved against the Indians and upon the forests, and just as at a later stage they had moved against the Negroes from Africa, the peasants from Europe and the women and the children of their own land. They were de-

termined that a sufficient number of men friendly to their interests should occupy seats of power. And, generally speaking, they succeeded. Here by cajolery, there by threats, yonder by the use of money or of favor, they placed men in city councils, on county boards, in state legislatures and in the halls of Congress, who could be depended upon. They also turned their attention to the executive branches of Government. Here, while their methods were more subtle, they were just as effective, until it came to pass that what the late Senator Dolliver of Iowa said about that President under whom he was serving at the time, namely, "he is entirely surrounded by men who know exactly what they want," became true of all too many of our mayors, our governors and, sometimes, even of our presidents.

Nor did these rugged individualists overlook the courts. As the courts became more and more powerful in our political and economic life as the result of John Marshall's enunciation of the doctrine that they had the right to pass upon the constitutionality of a legislative act, it became increasingly important for those who would control Government, to see to it that friendly judges were placed upon the bench. So it came to pass that often the easiest road to the bench, whether by election or by appointment, lay beneath the feet of those lawyers with highly conservative corporate connections or of those who had represented great aggregations of capital. It is still customary on the part of some naïve citizens of this country to raise their hands in shocked horror if any statement is made implying that

all the judges of all the courts are not free from sinister influences and are not upright and impartial judges. But such naïveté is an occasion for ill-concealed mirth on the part of those who know, and this includes the great masters of finance and industry in these United States.

Shouting the slogan "less business in Government" the rugged individualists finally took complete possession of the Government of our country while a complacent President played with his cronies in a certain little green house in K Street. At this stage of our national degradation the man most revered and looked up to, "the greatest Secretary of the Treasury since Hamilton," bent all of his ability to the task of reducing the taxes upon the very rich while spreading the burden correspondingly upon the shoulders of those less able to pay. Despite his position in the Government, he clung tenaciously to his vast personal interests in monopolistic enterprises. This "greatest Secretary of the Treasury since Hamilton," while laboring hard to reduce the taxes of his own class, found time to devise means of refunding millions of dollars of taxes already assessed against great corporations and wealthy individuals.

The frenzied dance of the dervishes of Wall Street became madder and madder. We were in a new economic era, they said. The program which our leaders in Washington then espoused was one of increased exports in all lines to ever new and bigger markets. The theory seemed to be that foreign markets would endlessly expand to take care of our ever-expanding domestic production. It was no part of the program to encourage

corresponding imports to pay for our exports. On the contrary, our policy was constantly to increase duties and restrictions on imports. Refusing to receive payment in goods and services for our exports, we demanded gold. Foreign countries could not pay in gold because we already possessed most of the world's supply of that precious metal. Government agents sent to all parts of the world to stimulate a desire for American goods, found that most countries needed to borrow gold from the United States in order to pay for our goods. A great program of lending to foreign countries was developed in order to provide them with money with which to buy from us.

This orgy of lending was profitable to the American banks which got fat commissions for their services. It was even more profitable to many of the borrowers who soon found themselves unable to pay either interest or principal. The people who bore the brunt of it all were American citizens who innocently thought that their Government was protecting them. They found out later that the Government had abetted the banks in their schemes to sell worthless foreign "securities."

The bankers in their greed for more usurious commissions negotiated loans which were used for military, police or other non-productive social purposes with no provision for repayment. "In one case, a New York banking house paid a large sum to a group of promoters who arranged for lending money to Peru—a group that included Juan Leguia, son of the President of Peru at the time the deal was consummated, and transferred to

this local politician a sum of $415,000.00 for his 'services' in connection with this undertaking." [1] The rugged exploiters who looked not to the day of reckoning but to the immediate commissions were not deterred even by flagrant corruption. In cases where the transactions were honestly entered into and repayment provided for, the loans were often for developing industries or agriculture that came immediately into competition disastrous to American producers who, according to the topsy-turvy economic theory of the time, were to continue to export in increasing quantities. The accumulating absurdities and contradictions of this bungling policy led finally to the securities crisis and the depression.

Rueful reflections that accompanied the depression convinced the American holders of these worthless foreign bonds of the folly of this kind of lending. They had been induced by their bankers and their Government to scatter their money over the face of the world and they are now realizing that they ne'er will see it more. When unemployment and economic disaster made our people most dependent upon the savings which they had been led to believe they were investing so safely, they found their savings vanished even as their jobs. In their despair they were left to face a Government which told them to believe in the virtues of "rugged individualism."

It has been the habit of many to hark back to the 1920's as a decade of great and universal prosperity, but it is important to realize that even in 1929, at the height of the so-called boom period, "a large number

[1] C. A. Beard, *The Idea of National Interest*, Chapter 12.

of people, willing and able to work, were unable to find jobs." [2] Technological improvements in industry during those years, which should have made the people of the country better off, in fact benefited only a relative few while throwing many out of work. As the result of the depression and the breakdown that followed in many industries the number of unemployed was increased enormously. The wealthiest country in the world was threatened with financial chaos, people were starving and children were wandering homeless throughout the land.

In November of 1932 when the people were given a chance to decide at the polls whether or not they would continue the blessings of the individualism that by this time had become ragged, they repudiated it in the most overwhelming vote ever recorded in a presidential campaign. The following March the whole world looked to Franklin D. Roosevelt to lead America out of the mess which our own blundering had created. On all sides the Government was implored to relieve the hunger and misery of the American people.

The strangest procession to come to Washington after March 4, 1933, was composed of those who had been among the great and the powerful under the old régime. Rugged individualists who had been loudly asserting their own self-sufficiency, their ability to stand on their own feet, to conduct their own affairs without any suggestion from Government, came, a broken and humble crowd. Hats in hand, they begged the strong man in the White House to save them from themselves. Nothing

[2] *World Economic Review*, Dept. of Commerce, 1934.

proud or haughty or overbearing about these men now. They knew that they had failed to meet the test, that the Government which they in large measure controlled had been unable to serve either them or itself. They were as frightened as little children seeing ghosts at night. They had been naughty but they never would be naughty again, if only their past transgressions might be forgiven; if only dear, kind, nice Government would drive away the big, bad wolf that was threatening them.

I had my own interesting experiences. It is known to everyone that one of the most ruthless, arrogant and haughty industries in the United States had been the oil industry. Here was a very giant among the industries, completely manned by rugged individualists. As it happened, this industry furnished a perfect example of the results of unchecked and ruthless exploitation. Within the industry all was confusion worse confounded. State conservation laws were being openly flouted. Illegally produced oil was being bootlegged by the hundreds of thousands of barrels with a resulting depressing effect on prices everywhere. One rugged individualist was stealing the oil of a brother rugged individualist. Price wars raged all over the country, this rugged individualist taking away the market from that rugged individualist by selling below cost. New wells were being brought into production although too much crude oil was already being produced. Oil, wastefully taken from the ground, was being stored at great expense in tanks through fear that some fellow rugged individualist would get away some dark night with oil that was not his. Banks were

not only refusing to lend more money to the oil producers, they were actually calling loans. Credit was being contracted everywhere.

The result of it all was that this industrial behemoth, brought to its knees, came to Washington begging for help. The proposition the oil industry made to the Government was the startling one that the Government, in effect, take over the industry and run it. It was frankly confessed that the situation was beyond control and that only the strong hand of Government could save it. I listened in amazement to the urgent representations of men whose very names had always filled me with awe, that they would sponsor a bill before Congress to give the Secretary of the Interior dictatorial powers in the oil industry. Only the Secretary of the Interior knew how little the Secretary of the Interior knew about oil. The mental state of these great industrialists can be judged from the fact of their willingness to entrust the destinies of a great business enterprise to a government official who was without scientific knowledge with respect to oil as a product, or special acquaintance with oil as a business. A far cry this from "less Government in business."

Following oil, came men speaking for coal, another of the great business enterprises of America, to tell the Secretary of the Interior how sick their business was and how much they hoped that, with the President's permission, he would exercise sovereign powers over the coal business and join his efforts with theirs to keep it from final collapse.

The predicament of these exploiters of our natural resources was also that of practically every major industry in the country. In the same spirit as that of the oil men, the business leaders of the country begged the President to establish order and, in the words of the President of the Chamber of Commerce of the United States, "to suppress business looting and the demoralizing practices fostered by a relentless competition goaded by despair—the unconscionable exploitation of labor, the slashing of prices to loss levels, the resorting to questionable devices of many kinds in the hope of maintaining existence until the tempest had blown itself out." [3]

When President Roosevelt was inaugurated, it was necessary for him to take immediate action to save the banks and the railroads of the country. All the banks had to be closed and subjected to examination in order to restore that public confidence which would allow them to function again. In the President's own words, "if the economic conditions of the winter of 1932-1933 had continued, practically every railroad in the United States would have been in the hands of a receiver within a short space of time." [4]

Similarly our agricultural economy was in chaos. As Secretary of Agriculture Wallace has written, "When the present administration came into power on March 4, 1933, it had been for several years apparent that there is no longer an effective foreign purchasing power

[3] Henry I. Harriman, *The New York Times*, December 3, 1933.
[4] F. D. Roosevelt, *On Our Way*, Chapter 6.

for our customary exportable surplus of cotton, wheat, lard and tobacco at prices high enough to assure social stability in the United States. It was apparent that more than forty million acres of American soil were producing material which could not be consumed within the country, and which could probably not be consumed even were all our industrial payrolls again to blossom magically to the pumped-up boom-time levels of 1929." [5] The agricultural situation was so disturbed that those real individualists, the farmers, insisted that Congress pass a law giving the Administration the power to control the plantable acreage of the country.

This panicky turning to Washington demonstrated that frequently the bigger the man when things are going well, the greater the coward when adversity comes. In their extremity, these boastful, aggressive supermen, these rugged individualists, came fearfully to Washington to beg the President to help them save some little from the disaster that by their arrogance and pride and lack of understanding of economic laws and social forces they had themselves precipitated. At least they were able to recognize strength when they saw it and they saw it in President Roosevelt.

[5] H. A. Wallace, *America Must Choose.*

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CHAPTER TWO

INDIVIDUALISM VERSUS RUGGED INDIVIDUALISM

In order to avoid misunderstanding, it might be well for me to explain just what I mean by rugged individualism. There is a clear distinction between that desirable and praiseworthy individualism that is the natural result of the self-sufficiency and forthrightness which have been distinguishing traits of the average American, the insistence upon the right to live and to let live, and the acquisitive, exploiting, lawless qualities of a ruthless minority who would achieve wealth and power regardless of the rights of others. The latter qualities are characteristic of rugged individualism.

The most precious heritage that we have derived from our fathers has been the right each to follow the dictates of his own conscience, each to live his life in his own way with the only limitation that of respecting the collective rights of all of us and of according those personal rights to our neighbors that we insist upon for ourselves. It was to free themselves from political, economic and religious oppression that our forefathers sought these shores where they could create a social order for themselves and their children within which,

consistent with the principle of the greatest good for the greatest number, they could give free rein to their own initiatives, develop their own individualities, and live such lives as suited them. Such is the individualism that is dear to the heart of every American and which must be preserved at all costs. It is the very soul of the American system. It is the greatest personal right of all. Regimentation, with its implication of the denial of this supreme right for which we Americans have struggled and which we have cherished from the beginning, will never suit the individual American or fit into the American way of life.

But rugged individualism is something entirely different. Rugged individualism does not mean freedom for the mass of the people, but oppression. It implies exploitation of the many by the few. It means regimentation in mill, mine and factory so that a few may grow rich and powerful at the expense of the many. It is the doctrine of ruthlessness, the imposition by the strong of their will upon the weak. It stands for the denial of social responsibility, the negation of the theory that the individual owes any duty to the mass. Rugged individualism is founded upon the anti-social, unchristian theory of "dog eat dog," "may the devil take the hindmost." Rugged individualists may be compared to a pack of wolves let loose to rend and tear fellow creatures, who, lacking the ability single-handed to defend themselves, nevertheless are as fully entitled as are the wolves to live their own lives, preserve their liberties and seek happiness.

The rugged individualist believes that he has the right, if only he can keep within the law, to aggrandize himself at the expense of his neighbor or of his country. Nor does he particularly care about keeping within the law. If only he has reasonable assurance of being able to escape detection and punishment, he is willing to take chances with the law itself under the guidance of clever and not too scrupulous lawyers. He is without social sense. He believes that the end justifies the means. Disregardful of the rights of others in his taking, he is equally disregardful of the rights of the Government in his holding.

There are many varieties of the genus rugged individualist. The quack doctor and the shyster lawyer come readily to one's mind as representatives of this class of undesirable citizens. Manufacturers and purveyors of deleterious drugs and impure foods as rugged individualists are in a class by themselves. In order to add to their wealth they are even willing to undermine health or destroy lives. Peddlers of dope, kidnapers, bootleggers, grafters, cheaters, chiselers and law breakers of various sorts and degrees form the rank and file of the rugged individualists and share their cynical philosophy. To them the lamb is born in order that the wolf may lick his chops after his cruel meal. The only law that they respect is the law of the jungle. The world is their oyster. They would live while denying any obligation to let live. The golden rule is a fairy story to be told to children.

It is easy to excuse those pioneer forefathers of ours

who, landing on the Atlantic coast and seeing lying before them apparently illimitable natural resources, proceeded to exploit those resources. We cannot hold it against them that they failed to foresee the time when the seemingly inexhaustible, that had been provided by a bountiful nature, would be nearing the point of exhaustion. But the excuses that we can frame for them will not serve as a defense to those rugged individualists who would today continue, as in pioneer days, to lay bare our forests; to destroy the public range; to attempt to grow crops on land the stirring of which by the plow only serves to provide dust for eroding winds to carry away; to exhaust our fisheries; to continue to throw yet more oil upon an already glutted market and in doing it to employ wasteful methods that destroy almost as much wealth as they produce. It was more than a generation ago that Theodore Roosevelt as President of the United States, alarmed at the rapid destruction of our forests as the result of the investigation and report made by his Chief Forester, Gifford Pinchot, sounded a warning against the further reckless exploitation of our natural resources. This warning was even then long overdue. Wanton destruction had already reached a dangerous point and was proceeding so rapidly as to alarm those who paused long enough to take stock of the situation.

Having destroyed the greater part of the forests lying along the Atlantic seaboard, our rugged individualists moved ever westward, hacking, sawing, burning their way. But they destroyed more than the forests. Devastating fires, for which they negligently provided tinder by

leaving their slashings on the ground, destroyed soil fertility and exposed the topsoil to the destructive effects of torrential rains. Lacking the natural coverage which had formerly provided absorptive qualities for the rains, the water, as it fell, immediately ran off. It carried rich topsoil with it and as cracks and gullies developed, more and more soil would be carried down the watercourses to the sea. Great floods periodically devastated wide areas, not only washing away rich farms, but carrying away on cresting torrents farm buildings, great trees and mighty boulders. Such floods have not spared even the towns and cities.

There has resulted great property damage, losses of farm stock and even of human lives. Those who have suffered from the loss of both lives and property, who have been put to an expense that they could ill afford to bear, have customarily regarded these devastations as acts of God. On the contrary, they have been the result of preventable acts of men. Except for widely-separated major catastrophes of earth or sky or sea, nature, if let alone, has usually seen to it that a proper balance has been maintained on the surface of the earth. If nature has grown trees and underbrush to protect the headwaters of the streams and thus obviate devastating floods and irreparable losses of rich soil, nature cannot be blamed if the destructive hand of man has destroyed the natural coverage that, if left undisturbed, would have continued to protect those same headwaters and made impossible those devastating floods.

Our rich farm lands have been as recklessly exploited

as have our forests. From the beginning, until there was no further frontier to conquer, our farmers, too, pursued their sturdy way ever westward. Hewing out of the woods as much land as he could comfortably cultivate with his family, or settling upon the treeless prairies of the great plains, the American farmer for year after year reaped rich harvests. It was virgin land, the fertility of which seemed to be without end. And if it should become infertile, there was always more land to be had for the taking. So the farmer asked the soil to give without ever thinking that he must restore to the soil, at least in some measure, the fertility that his crops were drawing out of it if he were to continue to harvest abundant crops. He was like the man who believes that he can draw money from the bank without ever putting money in against which to draw. So successive farms have been staked out, cultivated, exhausted, and at last abandoned, until we now have in this country hundreds of thousands of farms that will no longer support even a thrifty farmer although only a generation or two ago these same farms provided food and shelter and clothing for a large pioneer family.

No class of our citizens can be singled out and held up as horrible examples of the ruthless and wasteful exploitation that has destroyed in large measure our natural resources and dissipated our natural wealth. We have all been tarred with the same stick. Just as fertile, wealth-producing land has been spread over cities and mountains and carried out to sea by our high winds, or has ridden the devastating flood to a destination where

it will never again be available to a husbandman; just as our forests have been laid low in order to provide great wealth for a handful of lumbermen; just as our farmers have deserted one exhausted farm in search of another to exhaust, so have other forms of destructive exploitation gone on in all parts of the country and within all ranges of human activity and interest.

If our fish life has disappeared with the water that formerly was abundant in so many of our stream beds before the intemperate cutting of the forests caused them to dry up for at least a portion of the year, destruction of this valuable resource has been accelerated by the pollution of our waters. Industrial wastes from factories and mills and sewage from our hamlets and cities have not only destroyed fish life on a wide front throughout the United States, they have made many of our streams so insanitary as to be unsafe for bathing. Not a few of them reek with typhoid germs. Epidemics, taking a tremendous toll of both precious lives and hard-won treasure, have devastated more than one community. Our health officials are still required to keep a vigilant eye not only upon our surface, but upon our underground waters in order to detect the presence of malignant germs.

Our game has been fast vanishing despite the earnest efforts of our conservationists and our sportsmen to preserve it. There is a direct connection between the amount and variety of our game and the preservation in its original form of the natural coverage which provides that game with both food and shelter. The wanton

destruction of this coverage has been the forerunner also of the disappearance of our game. Game in such quantities as to permit of its legitimate hunting is not only highly desirable because it provides healthful recreation and stimulating activity to those thousands of our citizens who love to pursue it, but game of itself is a great economic asset to the country. It would not be exact to assess all, or perhaps even a greater part of the blame for the disappearance of our game against the impetuous and ill-considered impact of our forefathers upon the frontier. That other type of rugged individualist, the game hog, has done more than his share in the destruction, not only of our four-footed game, but of our game birds. This destruction, in spite of laws and game wardens and in spite even of the contempt that the conservationist and the true sportsman have for these game hogs, still goes on in every part of the country until the question has been seriously raised whether certain types of our game birds, such as the wild duck and the wild goose, will not, like the wild pigeon, in due course exist only as stuffed specimens in our museums.

Our rugged individualists in their exploiting career have not stopped even with the destruction of our physical assets. Our æsthetic and spiritual treasures have not escaped impairment or destruction at their prehensile hands. Beautiful scenery that man with all his genius could never hope to duplicate has been destroyed or marred in order that some rugged individualist might be able to buy a Rolls-Royce for his feckless son or finance another fling with his favorite

chorus girl. Intimate toilet appliances and guaranteed cures for constipation scream at the nature lover from many an available boulder that rears its rugged head above the countryside. Grotesque signs on boards, reminiscent of the "rarebit fiend" that was an early forerunner of the comic strips that today lower the tone of so many of our newspapers, line mile upon mile of magnificent highways in all parts of the country. Instead of being able to look at the scenery, except through the interstices between the billboards, we are exhorted to patronize Jerry's garage, told that we can get a room with bath at moderate rates at the Empire Hotel, or commanded to take some nostrum for our liver.

Unkempt buildings occupy commanding sites along our waterways. Railroad approaches to our cities run through slums unfit for human habitation. Factories, many times noisy or ill-smelling, thrust themselves into the choicest residential sections of our metropolitan areas where people have builded their homes so as to have light and air and healthful surroundings for their children. Our cities have responded to every passing whim of the rugged individualists. They have offered choice sites free as inducements to new industries. They have given special privileges to businesses already established. They have even permitted private exploitation of regions possessing great and unique recreational and scenic advantages.

An outstanding example of a rare natural feature destroyed for years by rugged individualists, but now in course of resurrection, is the lake front of Chicago.

Miles of as valuable an asset as was ever possessed by any city in the world were turned over to railroad uses. Smoking, gaseous engines for years shifted clanking, bumping trains on the very edge of the lake in Chicago's beautiful front yard. Very late the city awoke to the realization that this mass of railroad tracks was an affront to its æsthetic sense and deprived its citizens of an access to its lake to which they were entitled. Then, in order to recover its own lake front, the city proceeded to tax its citizens hundreds of millions of dollars so that a new shore line could be built beyond the unsightly railroad tracks.

And what Chicago has done the country as a whole is doing or will do. The taxpayers of the United States will have to make good, so far as that can now be done, the devastation of our natural resources by our rugged individualists. To make up for the fortunes that have accrued to a handful out of the destruction of our forests and the greedy exploitation of our lands, our streams and our mines, the people of the United States in the end will be called upon to pay literally billions of dollars. The men who carved out fortunes for themselves with the same axes with which they cut down our forests did not achieve their fortunes out of the forests; these they have built up at the expense of the taxpayers of the United States. The national Government to a considerable extent, and state and local governments to a lesser degree, are at present undertaking to reforest millions upon millions of acres that now lie naked. Additional millions of acres will have

to be reforested in the years to come. This reforestation is necessary not only to give us a timber crop in order to supply us with lumber for our needs at a fair price, but these devastated forest lands must be replanted with trees as a flood control measure and for the prevention of further erosion. The taxpayers of the United States will also have to dig deep into their pockets to purify the streams that have been polluted. In time we will have to find the money to refertilize our exhausted farms, to hold onto and to rehabilitate the land that is disappearing by erosive processes, to restore the covering on the range that has been stripped bare by the cattle and sheep that are grazed by men who have not only been using, but exhausting one of the most valuable resources of all—grass.

The examples that have been given have surely made sufficiently clear the distinction between that individualism that we all admire in others and claim the privilege of exercising for ourselves, and that rugged individualism, the expression of which brings out the worst and most anti-social qualities in man. It is no impairment of individualism to recognize the rights of others, to submit willingly and cheerfully to regulations made for the common good. An individualist can live his life in his own way and still be a kindly, considerate neighbor and a good citizen. He can be guided by the principle "the greatest good for the greatest number" without yielding one jot or tittle of his individualism or suffering any restriction of his rights and liberties except such restrictions as are reasonable and must be

imposed upon every one in order to assure to all the fullest opportunities for a rich and full life. This is the kind of individualism that the new social order will develop and protect.

Just as there are two different definitions of individualism, so there are many dissimilar meanings of liberty. When the people, through their Government, seek to check the waster of our natural resources or the exploiter of the under-privileged, a great outcry is made that liberty is being infringed and constitutional guarantees trampled under foot. It is interesting to note that those who most flagrantly violate the rights of others are the ones who lift their voices the loudest at the very suggestion that some curb on selfish greed and ruthless power should be applied for the common good. There are men in this country who seem to think that the Constitution was written for their exclusive benefit; that instead of its being the palladium of the liberties of the great mass of the people, it is a special charter to protect the wealthy and the privileged. Such men never invoke the Constitution so long as they are permitted to sail the high political seas with the black flag at the masthead, seeking new victims to satisfy their insatiable greed.

The meaning of the word "liberty" varies with time and circumstance. Liberty in a certain setting may, at one and the same time, mean unrestrained license to one and grinding slavery to another. In the modern state there is not, nor should there be, such a thing as liberty as it is understood by the man in the jungle; civilized society would be an impossibility under such

a definition of liberty. It may be said that the more civilized we become, the greater must be the restrictions imposed upon the liberty of the individual for the common good. The founders of the Republic were not the wise men that we have been brought up to believe them to have been if, when they adopted the Constitution, they did so in the belief that the liberty they intended that instrument to preserve was liberty in the precise terms of the day and year when the Constitution became effective. They must have known that this word had had different implications since the dawn of civilization. They must have realized that their descendants might attach a somewhat different meaning to this blessed expression. In affirming the inalienable right of citizens to liberty, they must have meant what each succeeding generation would regard as liberty. They were not building a straitjacket to restrain the growth and shackle the spirits of their descendants for all time to come; they were devising a political instrumentality, which, while firm, was nevertheless to be flexible enough to serve the varying social needs of changing generations.

The Constitution is a declaration of fundamental political and social principles. It is subject to interpretation. As time goes on, it expands here and contracts there. If it were incapable of growth it would, long ago, have become a dead and lifeless thing. It would have been discarded long since by an expanding society of free-born, liberty-loving Americans if they had not been able to adjust it to their changing needs. It is a tribute to the political genius of the American people that they

are still able satisfactorily to live under a Constitution adopted nearly 150 years ago by a frontier people who never even remotely imagined such a state of society as exists today—a society of contrasts; of great wealth on the one hand and of dire poverty on the other; a society consisting of many racial, social and linguistic groups; a society that, while it still depends in large measure upon agriculture and commerce, is distinctively a machine-age society. Least of all could these forefathers of ours have foreseen the railroad, the steamship, the telephone or the telegraph, to say nothing of the airplane hurling itself through the air at hundreds of miles per hour, or the disembodied voice instantaneously picked up thousands of miles from its source by the apparently simple instrument known as the radio.

With all due reverence and respect for those wise men who drafted the Constitution of the United States, it may be said that too little credit has been accorded their descendants who, with moderation and wisdom, have modified this fundamental document, by interpretation throughout the years, just enough to maintain it as at once the anchor and the beacon of our liberties.

This is not the only time in our history that the reactionary who would selfishly block any social progress has shrieked that our liberties are being destroyed. It is highly significant that to date there are only two classes, and those exceedingly small ones, who even pretend to see anything disturbing in the efforts of President Roosevelt and his Administration to feed the hungry, to clothe the naked, and to lead us out of the

economic morass into which the "liberty leaguers" so heedlessly plunged us. One of these classes consists of disgruntled politicians who would again feebly grasp the power that the people so wisely and in such a decisive manner transferred into firmer and more purposeful hands in November of 1932. The other group of "liberty-losts" consists of the ruthless exploiters; those who enjoyed special privilege; those who have acquired, by fair means or by foul, a disproportionate share of wealth and prestige and power. Attached to these two groups are, of course, the usual retinue of camp followers, little brothers of the rich, and "great constitutional lawyers."

If the great mass of the people are conscious that their fundamental rights are being taken away from them by a government whose apparent concern is to enhance the happiness and assure the well-being of the average man, there is no evidence of it. On the contrary, the overwhelming majority of the people have implicit confidence in the disinterestedness and the high purposes of the President. From the day when, with mixed feelings, they flocked to his banner, they have sensed how fundamentally humanitarian he is. They know that his concern is not for the privileged class—for those who have taken ruthlessly, without regard to right or justice—but for the average man and woman, who constitute the real heart and the soul of America.

The people have their own notions about the meaning of liberty. To them it means the right of every man

who is willing to work to have a job at wages adequate to support in decency and comfort his family, to educate his children, and to give him a modest surplus besides for legitimate pleasures and recreation. Liberty means to him protection by the State of the individual from exploitation. It means the abolition of child labor; the end of sweat shops; healthful and sanitary living conditions; the clearance of slum areas; adequate school facilities. The average man knows that liberty is only a hollow word if privileges are accorded to some that are denied to others; if the rich and the powerful have a different standing in a court of law from that of the poor and the helpless; if food and the other necessities of life bulge granaries and fill warehouses while people go hungry and cold. He knows that real political liberty means the greatest good for the greatest number.

It is not at all likely that the people who are being fed and clothed and for whom the Government is striving to provide decent jobs at living wages, in marked contrast to an Administration that sat uneasily in the seat of power, making no move, venturing nothing, satisfied merely to indulge in the pious hope that that prosperity, which was lurking around some mythical corner, would in good time appear and provide a chicken for every pot and an extra automobile for every garage, will demand the "liberty" of starvation and continued joblessness. It is not to be believed that any intelligent person who remembers the experience of the past six years will again fall in step with the leader so justly and decisively discarded, or will join any

"liberty" league organized, officered and financed by those industrialists, constitutional lawyers and captains of finance who drove our good ship onto the rocks in 1929.

Consider that rare species, the "great constitutional lawyer." It is interesting that those who are acclaimed as such are employed by the interests to oppose in the courts any legislative or executive act that seeks, for the benefit of the many, to curb the power of the few. "Great constitutional lawyers" are great obstructionists; they regard the Constitution as something negative, as an instrument with which to block, if possible, but in any event to obstruct, any social advance; they are professional "viewers with alarm"; they suffer all their lives from the "misery"; they are never so happy as when they are unhappy and they are never so unhappy as when someone attempts to do something for the benefit of mankind.

It is noteworthy that no man who seeks, even well within Constitutional limitations, to expand our liberties, to work out by some means a pattern of life that will mean a happier and more worth-while experience for the common man, to devise ways of improving the social order, is ever regarded as a great constitutional lawyer. It is the man who raises objections, who, parrot-like, shrills "unconstitutional," "unconstitutional" to every new idea, who argues on the floor of Congress and before the courts that a thing cannot be done because it never has been done, that is the great constitutional lawyer. It seems even that any man who can object often

enough and loudly enough to endeavors for the common good, can, in course of time, come not only to regard himself, but to be acclaimed by others, as a great constitutionalist. In the final analysis the constitutionalist is that man who believes the Constitution means what he wants it to mean; and he wants it to mean negation. To him it is merely a veto power that may not be overridden even by the people whose instrument it is. It is not a human, living instrumentality for social growth.

Jefferson himself provided a key for the proper interpretation of the Constitution. Writing to Albert Gallatin, then Secretary of the Treasury, he explained his theory as follows: "Although the power to regulate commerce does not give a power to build piers, wharves, open ports, clear the beds of rivers, dig canals . . . yet a power to provide and maintain a navy is a power to provide receptacles for it, and the places to cover and preserve it." [1] Jefferson also wrote the following about lighthouses in the same letter: "I well remember the opposition . . . to the first act for building a lighthouse. The utility of the thing has sanctioned the infraction." Jefferson goes on to point out that if similar "infractions" were continued, the powers of the Constitution may be made to "comprehend every power of the government." When he stated that the utility of the first lighthouse act had sanctioned the infraction, he gave a complete justification for all future "constructive" inter-

[1] Quoted in *American Leviathan*, by Charles A. and William Beard, page 377.

pretations of the Constitution. If at the very beginning of our national life it was necessary for a President to sanction what he frankly referred to as an infraction of the Constitution, now, after nearly 150 years of growth in directions which were unforeseeable in Jefferson's day, growth which has changed our country from a small nation of farmers into a great industrial empire, how absurd are those who would sacrifice the lives and welfare of our people in order to preserve a strict construction of the Constitution, a construction which has been out of mode since Jefferson's time. Would the most conservative die-hard of the liberty league criticize Jefferson for deciding that lighthouses should be built by the Federal Government, despite the fact that there was no specific grant of power in the Constitution for such a national enterprise? Would our wealthy reactionaries be willing to sacrifice the long chain of lighthouses, the improvements on rivers and harbors, the iceberg patrols in the North Atlantic, and even the Panama Canal, in order to limit our Federal Government within the exact words of the Constitution? The fact is that our strict interpretationists are lacking in intellectual honesty. While willing to enjoy benefits which have accrued to themselves and their class from a liberal interpretation of the Constitution, they insist upon a strict interpretation when the Government proposes to improve the economic and social condition of the masses of the people.

It would be interesting to consider what would be the state of our constitutional law today if, when that great

and most forceful of all the chief justices in our history, John Marshall, was presiding over the Supreme Court, he had not been the bitter political foe of President Thomas Jefferson. It is all very well for the strict constructionists to pretend that the Constitution is a fixed and rigid instrument, but the plain facts controvert such a claim. How can it be regarded as a fixed and rigid instrument when case after case involving constitutional principles brought before the Supreme Court are decided by a five to four vote? On one historic occasion a member of the court went to bed one night convinced that the first income tax law passed by Congress was constitutional. The next morning he awoke with a changed mind and the principle of the income tax, by a five to four vote, bore the brand of "unconstitutionality" until a generation or more later a constitutional amendment was passed legalizing it.

If doubts as to what is constitutional in particular instances exist in the minds of the members of this august tribunal, may not ordinary men and women be permitted to differ among themselves as to what the Constitution may mean, and even to take issue with such eminent constitutional lawyers as adhere to the liberty league and go about the country arguing from partisan political platforms the unconstitutionality of certain acts of this Administration? According to these pundits, the preceding Administration was doing all that it should have done and was at least keeping well within the limits of the Constitution when it moved no hand to find jobs for the men and women out of work, when

it inveighed against the so-called "dole," and when it permitted men, women and children to go hungry and cold, to the accompaniment of a statement by a former Secretary of the Interior that "our children are apt to profit, rather than suffer, from what is going on." [2] The jobless, the cold and the hungry could at any rate refresh their souls with the patriotic reflection that if they were to die of hunger and privation, they would at least die by strictly Constitutional methods!

As against such a defeatist interpretation of a great charter of human liberty, the opinion may be ventured that the policy of President Roosevelt in assuring the country that no citizen would be permitted to starve, a declaration that he has faithfully lived up to by actual works, is not only in keeping with the real spirit of our American Constitution, but is in consonance with the principles of humanitarianism and Christianity.

In any event, whether the President is doing an unconstitutional act in trying to pull the country out of the economic mess into which those who now most vehemently oppose his beneficent policies are chiefly responsible for plunging us, will, in due course, be decided by the Supreme Court of the United States which alone has the final word on questions of constitutionality. The cynical-minded may see some connection between the launching of an apparently well-organized propaganda, led by certain professional constitutional lawyers and out-of-job politicians, and the rapidly ap-

[2] Proceedings of the National Conference of Social Work, Philadelphia, Pa., 1932, 59th Annual Meeting, pp. 25-32.

proaching time when the Supreme Court will pass upon the constitutionality of important legislation enacted under this Administration. Some may suspect that these frantic cries of "unconstitutionality" are uttered in the hope that they may penetrate to that inner council chamber where nine wise men will, in course of time, meet to consider gravely whether the executive and legislative branches of the Government have exceeded their constitutional powers in their fight against unemployment and misery and want.

It is the duty of the Supreme Court to pass upon the constitutionality of legislative acts, and that court is alert to protect the Constitution in its essential integrity. It is absurd to argue that this country is in the slightest danger of having imposed upon it a series of unconstitutional laws so long as the Supreme Court continues to function. To argue thus is to question the wisdom or impugn the motives of the distinguished men who constitute that tribunal.

It should not be forgotten that while the legislative and executive branches of the Government were swept by the overwhelming votes of the people into new hands in November of 1932, there has been no change in the personnel of the Supreme Court. That body as it stands consists of the nine men who composed it before the coming into power of this Administration. Six of the nine were, and presumably still are, members of the Republican party. One, and perhaps two others, are Democrats.

Regardless of the party affiliations of these nine

jurists, it is a matter of record that seven of them were appointed by Republican Presidents, and the two who were nominated by a Democratic President had that honor conferred upon them by President Wilson. A mere statement of these facts is sufficient to meet the charge that we are in the slightest danger of breaking away from the Constitution.

To those who utter anguished cries of "unconstitutionality" as their last defense against the humanitarian measures with which President Roosevelt, with distinguished success, has so far carried his assault upon the citadel of privilege, I commend the reading of an address by Dean Henry M. Bates of the University of Michigan Law School on "Constitutional Interpretations in an Emergency Period," which was published in the Ohio State Bar Association Report for February 12, 1934. A calm perusal of this well-reasoned argument by one of the outstanding lawyers of the nation, who has worked on the subject that he discusses in the cloistered quiet of one of the great universities of the country, far removed from the arena of political strivings, will go far to convince any fair-minded person that this Administration, instead of going contrary to the Constitution in its legislative program, has worked in close and sympathetic understanding of the spirit of that great instrument. In concluding this notable address Dean Bates says:

> "In a period of great stress like that now prevailing, meticulous rules of interpretation, never of much value, are particularly inappropriate and likely to produce in-

jurious results. While there are indications of some economic improvement, the country is very far from complete recovery from the disastrous collapse of the inflated business boom; and until we are sure we are on firm ground again, rules of thumb, legalistic conceptions, partisan views and private personal interests, should not be allowed to sway the Bench or the Bar in passing judgment upon the important program of recovery. These measures may be wise or unwise, beneficial or injurious in their consequences. That is the concern of the electorate and the legislature, but not of the courts." [3]

[3] Ohio State Bar Association Report, Vol. VI, No. 46.

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CHAPTER THREE

THE GREATEST GOOD OF THE GREATEST NUMBER

PRESIDENT ROOSEVELT has announced it to be the aim of his Administration to bring about such a social order as is comprehended in the old phrase, "the greatest good of the greatest number." Ever since this expression came into current use, at the beginning of the nineteenth century, it has had a remarkable appeal for all fair-minded people. Associated as it was with nascent democracy and the idealism of the day, it has had an important place in human progress.

The social philosophers of England who brought the term into general use, thought that their desired goal could be accomplished only by the system of laissez faire and for a century the phrase has been connected with that school of economic thought. Now the laissez-faire school is in general disrepute and government after government is turning from the idea that unrestricted inter-play of human forces will bring society to the desired goal. Great Britain herself found early in the nineteenth century that some restriction on individual enterprise was required. In the 1830's, just as the laissez-faire school was becoming dominant, the gov-

ernment, realizing that it was necessary to have some state supervision of manufacturing, passed the first factory acts which in effect, to a certain extent, modified the laissez-faire theory.

Thus, whereas the theory of "the greatest good for the greatest number" originally contemplated unrestricted action for the individual, as time went on it became more and more necessary to curb the selfish interests of the individual in order to preserve the rights of the greatest number of citizens.

In America there is still a feeling in some quarters that the Government should not interfere in business. This theory is frequently expounded, particularly in the journals of the industrialists who do not want their power curbed. "Keep the Government out of business" was a stock phrase of the administrations that controlled the country during the 1920's. This was not only their theory but, in so far as possible, it was a principle that guided their actions. If the laissez-faire theory is sound and can be relied upon by one country regardless of what may happen in the rest of the world, one would expect to find the United States in a glorious condition instead of in the economic morass from which we are struggling to extricate ourselves. The fact is that after more than a hundred years during which laissez faire has been the dominant economic theory of America, we still find the richest country in the world in far from an ideal situation.

The value of the phrase about the greatest good for the greatest number is that it states an ideal in human terms

—an ideal that is both understandable and inspiriting. It will be of value at this point to glance at the present condition of our citizenry to see how closely our social order has approached the goal our idealists have set for it.

We might begin with that primary requisite of civilization, rule by law. According to the findings of the Committee on Recent Social Trends, "The index numbers of arrests of adult population (after the subtraction of those for traffic, automobile law offenses, and drunkenness) in seven selected cities were 80 in 1900, 96 in 1910, 100 in 1920, 139 in 1925 and 110 in 1930." These figures, however, do not explain the degree or quality of anti-social action behind the crimes for which the arrests were made. For instance, lynchings in some parts of the country have been shown to be measures for the oppression of a racial minority that is helpless because of political impotence. Crime has lately become an intimidating force for the rich as well as for the poor or helpless. The extraordinary development of kidnaping has brought terror to the hearts of wealthy people and caused some to go into hiding with their children or take them to other countries.

Although America was one of the first countries to accept universal education as a duty of the State, many thousands of our children have never yet been provided with schools; during the depression millions were added to this group as schools throughout the land were forced to close; additional millions have never had a chance

at the education which their special handicaps or abilities required. Lately even the beginnings of these special provisions have been abolished or attacked as luxuries. Many communities, despite our prodigalities in some directions, have never yet had buildings enough, or equipment enough, or teachers enough to care adequately for their children, and yet recent years have seen further decreases in school facilities in such communities. In 1933 it was estimated by the Federal Office of Education that more than one-fourth of all of our teachers are employed at a rate of less than $750.00 a year. The priceless human resources of youth, with its ability and time for study, with its eagerness to be prepared for service and its confidence in the wise provisions made for it by a generous Government which it hopes to serve, are being dissipated or allowed to remain undeveloped.

After a hundred and fifty years of development in this country there are still communities which are far too poor even as a unit to afford the cost of adequate medical care.[1] It has been estimated that "two persons in each five not only receive no medical care for illness, but that they receive no care for the maintenance of health or for the prevention of disease, they receive no periodic examination to discover incipient or concealed pathologic conditions and no professional counsel for the correction of physical defects or of unhygienic habits of living." [2] It is apparent that even a minimum

[1] L. S. Reed, *The Ability to Pay for Medical Care*, Chi., 1933, p. 92.
[2] Falk, Rorem and Ring, *The Costs of Medical Care*, Chi., 1933, p. 69.

good, such as health protection, is by no means universal.

If we turn now to the opportunity of the American people to earn a decent living we find appalling conditions even at the peak of our so-called prosperity. There are countless communities with a standard of living as low as anything to be found in Europe. Miss Anne O'Hare McCormick in a series of articles in *The New York Times* in 1930 described conditions which she found in the South and said that in many places the standard of living was lower than that of the Balkan States.

In the 1920's we thought we were prosperous but the farmers were having a harder and harder time to make a living. Farms were being deserted and people who before had been independent and relatively well off moved to the cities, there to take minor and badly-paid jobs. According to a good authority, "despite an increase in consumption of farm products of about 18 per cent, in the decade of 1920 to 1930, the value of farm land suffered a heavy, continuous and almost universal decline." [3]

In the cities unemployment on a large scale existed even in 1929. Technological improvements were constantly throwing more people out of work, and no effort was made either to have society in general benefit from these improvements or to take care of the 2,000,000 people who, according to estimates, thus lost their jobs. During the years of the depression unemployment grew

[3] *Recent Social Trends*, p. 91.

steadily and enormously. In October of 1933, when a count was taken, there were 12,685,664 persons on the relief rolls. This means that more than ten per cent of the entire population was depending upon others for support.

We have learned the bitter lesson since 1929 that we are mutually dependent on each other. We know now that if one considerable section of our population lacks sufficient food and clothing and proper shelter, our whole social structure is impaired and weakened. With the disappearance of the frontier as the result of the eager exploitation of our national domain, with its rich treasures of mines and oil wells and fertile fields and water power and lumber; with our enlarging population, filling every nook and cranny of our vast continental expanse that could be made to yield a fair living; with the crowding of people together in our great cities, the time came, as a matter of course, when it was necessary to modify or even to discard certain social, economic and political concepts appropriate to a pioneer people and boldly face a future which, while it will be and ought to be a continuation and development of our past, will nevertheless, in many vital and essential particulars, be different.

Our Government is no longer a laissez-faire Government, exercising traditional and more or less impersonal powers. There exists in Washington a sense of responsibility for the health, safety and well-being of the people. One of President Roosevelt's first announcements was that the Government would not permit its

citizens to starve. And he has kept the faith. The Federal Government has not only poured out its treasures to provide food, clothing and shelter for the unemployed, it has sought in every way possible to restore the morale of the people and to re-establish our social order upon a sounder and more durable foundation.

I believe that we are at the dawn of a day when the average man, woman and child in the United States will have an opportunity for a happier and a richer life. And it is just and desirable that this should be so. After all, we are not in this world to work like galley slaves for long hours at toilsome tasks, in order to accumulate in the hands of a negligible percentage of the population an overwhelming percentage of the wealth of the country. We are not here merely to endure a purgatorial existence in anticipation of a beatific eternity after the grave closes on us. We are here with hopes and aspirations and legitimate desires that we are entitled to have satisfied to at least a reasonable degree. Nor will such a social program as we are discussing cause a strain on our economic system. The contrary, rather. To satisfy legitimate wants, to encourage greater consumption of goods, means more orders for factories, increased travel, a stimulation of commercial life. Fortunately, a higher standard of living fits perfectly into the offensive being waged against depression.

I have said that the President has announced that to bring about the greatest good for the greatest number is the ambition of this Administration. But let us consider here the minimum good which the Government of the

United States might set out to accomplish for all of its citizens. Thomas Jefferson in writing the Declaration of Independence announced as the American ideal, "life, liberty, and the pursuit of happiness." It is probable that no one has coined an apter phrase, although our understanding of this combination of words may not be exactly what Jefferson's was.

What would a wealthy government set its hand to, that undertook to assure the "life" of its citizens? First of all it seems clear that it would busy itself to protect the people from diseases of various kinds. Insanitary conditions, disease-carrying insects and animals, tainted foods and impure medicines and all the correctible dangers to life would certainly have to be eliminated by such a government. We have made fair progress in this direction in this country, but there are still large cities with sections which have inadequate sanitary facilities, there are still communities where raw sewage is permitted to contaminate the water supply, and it is still possible generally to sell under false pretenses harmful drugs and poisonous foods.

It would seem just as obvious that facilities for medical care and hospitalization should be available to all of the population. It is almost unbelievable that a country that has made so much progress in medical science and has given so much thought to the control of plant diseases and the care of cattle and sheep, should still be in the social stage where great numbers of human beings receive no medical care whatsoever.

Proper living conditions are an important element in

the life of every individual and the Government would also have to concern itself with housing if it would properly protect its citizens. For the more gregarious portions of our population or for those whose conditions of employment require that they live in the more crowded areas we must provide decent and livable apartments at rents within the reach of all. For those who more fortunately, as it seems to me, can use and enjoy a separate dwelling with a little plot of ground we must, where we can, provide homes adapted to their desires and to their ability to pay.

The need for proper low-cost housing is not confined to the cities or even to the crowded areas of the cities. When we hear of slums our minds naturally turn to New York or Chicago. But there are slums everywhere. They are a universal by-product of a laissez-faire social order. There are country slums as well as city slums. There are slums in our villages, in our towns and in our suburban communities. People are living in such insanitary and squalid conditions in many parts of the countryside that the dweller in a disgraceful city tenement would feel that his own surroundings were attractive and fortunate in comparison. If he does not have sunlight and air in sufficient quantities at least he has running water, plumbing of a sort, and electric light.

It should be the duty of a responsible government not only to protect the health of its citizens at all times but to assure them adequate food and shelter during periods of involuntary unemployment and when advancing age makes it impossible for them longer to work.

People should not have to depend upon charity when, as often has happened, they have lost both their jobs and their life's savings in a financial collapse for which they were not responsible. Jobs on public works projects and old age pensions are a guarantee of self-respect throughout life which is valuable to people in their younger years as well as later on when they are facing the setting sun. Thus the responsibility of a government, which accepts the spirit of Jefferson's phrase, is one that guards each citizen from birth to death with varying degrees and measures of care.

When we come to "liberty" we find a word that has always been subject to many different interpretations. Some reactionaries would have the meaning one that would satisfy a Dillinger, a Capone or an Insull. In demanding complete freedom of action, without any sort of restriction by government, the reactionaries meet the anarchists on common ground. Both are equally dangerous to an orderly society.

In order that the mass of people shall enjoy some liberties, it has always been necessary to curb the liberties of those few who would exploit the masses. Since liberty can only be had by restricting liberty, we must again look for a ruling principle. If the Government is such a responsible one as I have been discussing, the ruling principle must needs be the greatest liberty for the greatest number of people. We must curb only those liberties that are harmful to others. We must not allow a license to one man that would cause the slavery of thousands. No man has a right to enrich himself by the

exploitation of those not able to defend themselves. No man has a right to live in soft luxury through the employment of women or children of tender years at toilsome, backbreaking tasks beyond their strength, for wages insufficient to support themselves in decency. No man has a right to acquire wealth through the waste or willful destruction of essential natural resources, especially if such destruction means the loss of property and life to others. No man has a right to make $5,000,000 by destroying the forests at the headwaters of a river if such destruction causes floods that wipe out property worth $50,000,000 downstream.

Those who are inclined to be frightened by the reactionaries, who are shouting that the Government is infringing on the freedom and liberty of the American people, will do well to consider what "liberty" these gentlemen are hoping to retain. There have grown up in many parts of America towns and villages whose economic life is dependent on a single wealthy and influential employer or a small group of such employers. Regardless of the idealism which inspired the development of these towns, the fact remains that whenever the policy of the Government conflicts with the will of the employers, the latter are able to affect the local economic life in order to thwart the purposes of the established Government. So dependent are the employees and the local government officials on the will of such employers that they are forced by economic reasons (fearing as they must the starvation which would threaten their community if employment ceased) to side with the em-

ployers against the Government, even though the Government's policy is one which is intended to benefit the employees and one which they desire.

A concrete instance of how such a situation may develop is the case of Harriman, Tennessee. When the Federal Government, faced with an overwhelming danger of economic collapse, decided that certain measures were necessary to insure the continuation of our social order, the owner of the Harriman Mills took the position that these measures infringed upon his liberty as an employer and therefore when the Government sought to enforce them, he closed his mills. Here "liberty" of the employer meant something more than liberty to decide whether or not he would co-operate with the Government for the common good; it meant the liberty to dislocate suddenly and without warning the whole economic life of a community. He arbitrarily snatched away from his employees the liberty to choose whether they would continue to work. Without fault on their part he thrust upon them the liberty of going hungry.

It should not be understood that I believe that a majority has a right to restrict the liberties of a minority if the liberties of the minority do not interfere with the greatest good of the greatest number. With this limitation, laws must be in harmony with the will of the great mass of the people. But if our laws are to be effective, we must avoid restricting the rights of anyone who is not using those rights to the detriment of others. Arbitrary restrictions do not increase but curtail liberty

and therefore infringe upon the principle of the greatest liberty for the greatest number.

If we turn now to Jefferson's third ideal, that of the "pursuit of happiness," we can see that the implications of this phrase in the twentieth century go beyond that of Jefferson's day, advanced and far-seeing as he undoubtedly was. That education is the essential prerequisite to the "pursuit of happiness," was just as evident to Jefferson as it is to us today. So intimately is the general education of the people related not only to their own happiness and well-being but to the prosperity and security of the country that the importance of maintaining and developing our educational system ought not to require argument. It is by means of an educated people that material wealth is increased. The natural resources of our country are no greater today than they were a hundred years ago. As a matter of fact, they are much less. Quantities of our gold, silver, coal and iron have been mined, and to a considerable extent our oil has been exploited and our forests cut down. Probably our native ability as a people is little, if any, greater than it was a hundred years ago. Yet none will deny that the value of the people to the nation is vastly greater than it was a century ago. This increased value is due to the fact that they have become more universally intelligent as the result of education. Of the three factors in the production of material wealth, namely, natural resources, native ability and education, education is the only one that varies to any considerable extent. And it should be borne in mind that education can vary in

either direction. If our production and accumulation of material wealth is greater in the degree that our education is more universal and of higher quality, it goes without saying that with a falling off in education our material prosperity would diminish correspondingly.

I believe that universal education is an absolute *sine qua non* to intelligent self-government. The ability to read and to scrawl a signature at the end of a badly written letter may take one out of the illiteracy class, but it is a far cry from being educated. Every person in this country should be educated to his fullest possible capacity. If we undertake to build a factory we insist on having the best equipment that the genius of the inventors is able to supply. If a youth could run one hundred yards in less than ten seconds, a conscientious trainer will not think he is doing his duty if he teaches him how to run it in eleven seconds. If we are sending a squad of woodsmen into the forests to cut trees we do not withhold from them highly tempered axes with sharp edges and give to them instead rusty and dull implements.

Of how much greater worth than factories and athletic skill and workmen's tools are human minds? The waste in human ability really to live, resulting from our carelessness and indifference with respect to education, is amazing. Customarily we have regarded a child as educated if he has passed the eighth grade or if he has a high school diploma, or has graduated from a college, depending more or less upon the social background of the child. We show more interest in developing our

horses than in building up the minds and bodies of our children. Just as every race horse should be trained to the utmost of his capacity, so should every child be given an education to the point of his highest possible development. I do not mean by this that every child should have a college course and perhaps go on for a higher degree. I mean just what I say—that every child should be given every possible opportunity in the schools to unfold to his utmost intellectual and spiritual capacity, regardless of where along the long road of education this means that any particular child should stop.

Nor should education be confined to the children. The light to the intelligence that comes through education must not be denied to the adult who seeks for it. There never was a time in our history as a nation when we needed as we need today understanding, well-balanced and trained minds. Whatever may have been the contributing causes to the economic and social difficulties in which we find ourselves, one thing is certain; and that is that the remedy for our present ills and the best assurance against their recurrence is education—education of the adult as well as of the child; education regardless of sex; education of the foreign as well as of the native born; education of the Negro no less than education of the white. But a formalized education sufficient for the needs of another day and generation will not suffice us. We require an education that is adapted to a changing society, to a revised social and political and economic order.

In addition to its obligation to educate all of its youth the Government should reasonably be expected to provide ways whereby the talent of this youth may be devoted to the greater good of society. The task of finding work for everyone is as important for the country as it is for the individual. In America work has always been regarded as ennobling. The conviction that everyone should be employed at some task and the suspicion that has met an idler even though he might be independently wealthy have been characteristic of our American civilization. This feeling was the natural result of our pioneer conditions; of the hard lessons of years of scarcity and privation.

Since the war things have changed. Now millions seek employment in vain. Formerly it was considered the foregone privilege of every youth upon leaving school to enter gaily and confidently into a prosperous and happy world, assured that with an average amount of diligence he would soon make for himself a place in business or the professions where, after due effort, he would find it possible to live comfortably, provide security for his old age and give his own children in their turn opportunities at least equal to the ones he had enjoyed, while at the same time creating for himself a position of honor and prominence. Now even our college graduate faces quite a different situation. He looks in vain for work that he feels himself qualified to do. He begins to wonder whether the talk he has always heard about the value of an education is really true.

The world that now confronts the graduate is different

from that which existed before the war, although the educational process is much the same. Our schools and colleges are still functioning as if for a pioneer country abounding in opportunities for everyone without Government aid or regulation. As there appears to be no likelihood of our returning to our pre-war status, it would seem as though in our collective capacity we should set about at once to provide some outlet into life for the eager youth that continues to stream from our schools and colleges.

It hardly needs to be said that life became more complex as commerce and industry developed rapidly and contested with agriculture for economic supremacy. As a result of this industrial and commercial development, social, political and economic problems became more numerous and difficult of solution, so that in course of time it became manifest that if our civilization was to survive on the plane to which we had raised it, Government could no longer be permitted to be held in the hollow of the hand of special interests. Industry and agriculture could no longer be left to toss on uncharted seas. But with the regulation and guidance given to our industrial and agricultural life we must assume responsibility for the training and employment of our youth. We must strive continually to build an America where adults who are able and willing to work, will have, every one of them, an opportunity to earn, within the limits of a reasonable working day, enough to support himself and his family in decent comfort, to educate his children and have a sufficient surplus to

secure his old age and make it possible for him to enjoy in wholesome fashion the increased leisure that will be one of the by-products of the new social order that we have entered upon.

We should realize clearly that the right kind of a social order demands an equal opportunity for each person to develop himself through employment, regardless of whether he was born in the United States or whether he is red, white, black, brown or yellow. One of America's greatest assets is its varied racial stock, and it is extremely unfortunate that as a means of economic exploitation one group of our citizens should be set against another and prejudice, hate and discrimination fomented. The color of a man's skin, his religion and the place of his birth do not weigh in the scales as against friendly understanding, mutual forbearance and co-operation in solving the problems of life.

Once the Government has established the essentials for the pursuit of happiness, it might well consider a more general application of the phrase and undertake to provide opportunities for the recreation and the employment of the leisure of the people. Great progress in the direction of creating parks and recreation grounds has already been made and greater developments along these lines are being planned.

National parks are a distinctively American institution. No other country has set aside in perpetuity such areas of great natural beauty, of archæological or historical interest. Always man has reverenced the beautiful in nature. He has stood in superstitious awe of the un-

usual. In the middle ages the ruling classes appropriated to themselves great groves of trees and wide expanses of sylvan glade. One of the reasons for the strong stand of the English barons when they forced King John to sign Magna Charta was because the King had disregarded one of their most cherished prerogatives—that of establishing great forests in order to enjoy the pleasures of the chase. In the old times kings or nobles or churchmen might set apart for their own enjoyment areas of natural beauty. It was left to the United States to consecrate to the use and enjoyment of the people thousands of acres of the most beautiful and awe-inspiring scenery that, in the aggregate, can be found anywhere in the world.

It is difficult to understand how a Government that has done so much for the physical recreation of its citizens should have neglected so completely the intellectual refreshment which almost every other government in the world has long considered a governmental responsibility. With the exception of a few splendid museums, the United States Government prior to the present Administration did practically nothing to foster the fine arts. Music, the theatre, painting and sculpture have been left to philanthropy to nurture with the result that in only a relatively few cities have the people been given the opportunity to enjoy these enrichments of the spirit.

It would seem that a rich Government with many idle musicians and thousands of people anxious to hear good music, might well interpret the "pursuit of happiness" to include an opportunity to become familiar with musi-

cal culture. A national orchestra, and a national opera company may some day be an integral part of our life. They could by means of tours and the radio be made to serve the country even more completely than does our national park system today. The responsibility of our Government along these cultural lines is late in being recognized, perhaps because of philanthropic efforts which in some cities have provided the opportunities which in Europe have been at the expense of the State. The uncertainty of continued philanthropic interest will no doubt result in a Government undertaking when the Government's responsibility for cultural recreation is more generally realized.

With a proper understanding of the implications of the phrase "life, liberty and the pursuit of happiness" we could really tackle seriously the job of bringing about the "greatest good of the greatest number." The breakdown of the old economy has forced us to consider as never before the responsibility of the Government. We know now that we must build a new social order. We must set up higher social ideals. Society is no happier or stronger than its most miserable and weakest group. The terrible period through which we are passing, if it has taught us nothing else, has made us realize our interdependence on each other. If we are to build a happier future for our children and our children's children, we must build it together. Each woman, no less than each man, must and will do her appointed task. We must learn to understand each other. We must cultivate tolerance. We must let live if we would ourselves live, and, above

all else, we must adhere to the policy of protecting the weak against the strong; of curbing over-reaching and ruthless power; of assuring to all, both weak and strong, that equality of opportunity that is the cornerstone of our American civilization.

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CHAPTER FOUR

THE NEED FOR PLANNING

SKEPTICAL READERS may wonder how it is possible to achieve a standard of living such as I have described in the preceding chapter when after hundreds of years of trying we are still so far from it. The answer is that the method we have used in the past has brought us far but has now broken down, and that if we would go further we must devise means more suitable to the times.

In our attempt to say where we, as a nation, are now headed, it may be well to consider briefly where we were headed before we changed our direction on March 4, 1933. For almost four years before that day we had been drifting, going nowhere at all. Caught in the worst economic jam the country had ever known, we found ourselves milling around in a confusion that grew steadily worse. Throughout the eight years before that, ending in the fatal autumn of 1929, we had been wandering in a fool's paradise of false prosperity. We were unprepared for the catastrophe toward which we were headed.

We have learned in these recent hard years that laissez faire, the plan of letting the strong alone to do as they will, in the hope that somehow good will result for

all of us, is a pernicious doctrine in such an age as ours when the individual's potentialities for doing social harm are immensely multiplied. We have learned that "the pursuit of self-interest is not an assurance of national prosperity."

To the far sighted it has long been obvious that the only way out is for the Government to take control and develop a better system for the people. Franklin D. Roosevelt when he was Governor of New York said in addressing the Conference of Governors in 1931: "At a time when our country, in common with most of the rest of the world, is suffering from a severe dislocation of economic progress, all of the people are naturally and properly asking questions about state and national navigation. It seems strange to them that, with capacities for production developed to the highest degree the world has ever seen, there should come this severe depression, when many who are anxious to work can not find food for their families while at the same time there is such a surplus of food supplies and other necessities that those who are growing crops or manufacturing can find no markets.

"This situation has suggested to many that some new factor is needed in our economic life and this new factor must come from utilizing our experience and our ingenuity to draft and to organize concerted plans for the better use of our resources and the better planning of our social and economic life in general."

Thus did our President forecast the procedure which he was later able to put into practice. In a recent

pamphlet the Secretary of Agriculture, Mr. Henry A. Wallace, has ably shown that whatever our adopted economic course, we will have to plan carefully if we are to save our people from poverty and starvation.[1] International trade no less than a policy of national self-sufficiency will require supervision by the Government, and any middle course that attempts to provide for the welfare of our citizens will also have to be planned. In the future the government that neglects planning will be in the position of cruelly abandoning its people to the law of the jungle.

What the country has suffered through the policy of governmental neglect and domination by the vested interests has been already described in the first chapter. I have already mentioned the fate of Chicago's waterfront in the hands of the rugged individualists, but I would like here to use the same city as a further instance of the eventual cost, both material and spiritual, to a community when a weak government fails to regulate powerful interests or to preserve the common heritage of all the people.

The pioneer settlers of Chicago generously handed over to the railroads miles of the wonderful shore line of Lake Michigan. To show their appreciation of this generosity, the railroads proceeded to annex hundreds of additional acres of land without so much as asking "by your leave." For a generation or two now, the people of Chicago have been taxing themselves for millions upon millions of dollars to recapture their shore

[1] *America Must Choose.*

line. The total cost to Chicago of its misplaced generosity, without taking into account those æsthetic values which cannot be measured in money, has already run into the hundreds of millions of dollars, with many additional millions to come before the shore line can be completely reclaimed. North of Chicago, at Waukegan, a lovely lake beach at the foot of a bluff was given over to factory development, while the homes of the people were shoved inland. Farther south the hideous, sooty stacks of a steel company reach toward the sky from ugly buildings occupying further hundreds of acres of shore line. Two senses of the dwellers in this section of the city are constantly assailed. Toward the east they see the sun rise through dense smoke belching from the chimneys that I have described, and from the west, if the wind blows thence, are wafted noxious odors from glue factories, rendering-plants and stockyards which pour their offensive wastes into a branch of the Chicago River, the thick and offensive scum on the surface of which has earned it the name of Bubbly Creek.

Nor is Chicago the only example of the sort that could be cited. I am referring in such intimate, if unromantic, terms to this city that I love because I know it best. As we come and go about the land we see in all sections similar examples of a want of foresight and of obtuseness to æsthetic and social values. Be it said to the credit of Chicago that it was one of the first, if not the very first, of our great cities to realize the early mistakes that had been made. It must have been all of twenty-five or thirty years ago that a group of citizens organized the Chicago

Planning Commission and began to study what ought to be done and could be done to make Chicago a more orderly, socially desirable and æsthetically satisfying place to live in. Tremendous strides have been made in carrying out the new Chicago plan. Streets have been widened and cut through blockading buildings at an enormous cost. Insanitary, festering South Water Street has been made over into Wacker Drive, with a broad boulevard, modern buildings and an esplanade featuring the Chicago River, which theretofore had been little better than an open sewer. Parks and playgrounds have been developed in all parts of the city. It is worth a trip to Chicago to drive along one of the magnificent new boulevards running north and south in the extension of Grant Park, which has been created by filling in the lake beyond the railroad, just to see the millions of lights shining from the windows in the towering buildings that line noble Michigan Avenue. The same impulsive energy that made Chicago almost over night the second largest city on the continent, is now creating out of this uncouth, over-grown adolescent a realization of a lovely concept of city planners, architects and landscape men. If Chicago can still be cited as a horrible example of mistakes and lack of vision in the past, it can also serve to inspire men of courage and vision for the future.

Chicago has been a pioneer in the matter of city planning. No one now would think of characterizing city planning as "regimentation" or as a denial of the right of liberty guaranteed by the Constitution.

We must now take a further step forward in the mat-

ter of planning. If city planning has been worth while, why not plan nationally? Why not, for instance, plan so that the ample resources which we have, may be made to go around? If such planning causes losses to a few people who are more selfishly interested in their own soft living than in the welfare of the country, such losses shrink to insignificance as compared with the huge gains for the great mass of the people and for the country as a whole.

There are few people who would deny that it is the Government's duty to see to it that all its citizens have access to adequate supplies of pure and uncontaminated water. Although there are some sections in the country where the water service is still in the hands of private companies, generally speaking it is government owned. So much so that we are likely to think of water as we do of air,—something that we are entitled to as a natural right. It may be interesting to many to know that water can be squandered and recklessly exploited just as oil, coal and other natural resources.

I will cite one instance in North Dakota where the people who settled around Devil's Lake thought they could depend permanently on an adequate water supply. From 1867 to 1932 the level of this lake fell 29 feet and the area of the lake diminished correspondingly. Forty or fifty years ago fish were caught in one of the arms of the lake just outside of a town. That town is now nearly three miles from the shore of the lake. The level of the lake fell ten feet between 1883 and 1890. Since that date it has declined steadily sixteen additional

feet. According to the Geological Survey the decline of this lake may be attributed to reduced precipitation and the modification of surface conditions resulting from man's activities. Now the people who are dependent upon the waters of the lake are demanding that its old level be restored by diverting into it flood waters from the Upper Missouri at an enormous cost of many millions of dollars.

In many parts of the country people have settled in communities in reliance upon the use of artesian wells for water. In some instances the valuable water supply of such wells has been rapidly depleted. Individuals have been reckless with this valuable resource, driving too many wells into it, allowing pipes to be left uncapped and permitting a continuous flow of water, most of which is wasted. The result is hardship and extra expense to all the water-users. They must constantly drive their wells deeper and deeper, and eventually, if the same methods are continued, they will be without water entirely.

In some localities the available water, even when carefully conserved, is not enough to meet the needs of the people who could otherwise live there happily. As an instance of a serious situation which is confronting one important section of the country, I may cite a recent meeting of representatives of Wyoming, Colorado, Utah and New Mexico to discuss how and where the surplus water of the Upper Colorado River should be used. There is a serious shortage of water for irrigation in the central and southern valleys of California. There are conflicting

and increasing uses for the water there for the domestic needs of the cities and towns and for manufacturing purposes. Similar conditions exist in other regions and it is obvious that the only way that waste and future suffering can be prevented is by a carefully planned use of available waters.

Contributing to these scarcity conditions, we have in some places so completely cleared and so persistently cultivated the land, that erosion has taken place on an enormous scale. This affects the future rainfall as well as the productivity of the land. Thus two of our greatest and most important natural resources, water and topsoil, are endangered. The extent of our reckless destruction of the soil is revealed by estimates of the Division of Soil Erosion Control which show that three billions of tons of good earth are washed out of the fields, pastures and temporarily idle lands every year. Nor is this huge loss of soil the end of the story. Soil erosion and rain run-off work together in a vicious circle. Once the natural coverage is gone, erosion planes off the rich, humus-charged topsoil, leaving in its place unproductive sand, stiff clay or rock. The hidden conduits of the soil, the veins made by earthworms, insects and plant roots are destroyed. In the last ten years, about thirty-five million acres of American farmland have been abandoned because of erosion. If an enemy army with big guns and trenches had laid waste these once fertile farms we would be filled with horror and dismay. But since it was the result of our carelessness in letting rainwater run wild,

for some strange reason it strikes us as nothing to worry about.

Closely related to erosion, to surface run-off, to forestry, is flood-control, the most dramatic problem of the Mississippi Valley. The flood menace is dramatized in the broken levees and overflowed lands of the lower Mississippi, but the real flood occurs a thousand miles north, where the water runs off the fields of Illinois and Iowa. We have tried to "control" the flood waters of the Mississippi by having our army engineers at vast expense build the levees higher and still higher in the effort to restrain our wasted waters. But the levees have reached their limit as an engineering possibility. We must reverse our practice and prevent floods, not merely try to control them. Water supplies on every farm from the Canadian border have simply poured themselves into the Mississippi and its tributaries. These waters must be dammed and held where they are needed. Thus the precious water will not be wasted and floods will be prevented.

Let us hope that the catch-as-catch-can method of meeting problems that ignores the necessity of national planning is a thing of the past. We believe that at last we realize the importance of looking at problems in their entirety. Formerly, if one community of the Mississippi Valley was flooded year after year, no one thought of doing more than trying to protect that one particular section, with little regard for the results upon other communities either up or down the stream. Committed to the policy of a particular river development,

we have built, let us say, two or three dams out of the fifteen or twenty necessary, leaving it to some future administration to build a few more until, after the passing of a generation or so, the project will be completed, the "improvement" meanwhile being useless for any purpose. Now we propose not to begin any undertaking unless we can finish it. We recognize that it is wasteful to expend a little dab of money here and a little there without finishing anything.

Consistent with this new point of view the President has appointed a National Resources Board to take stock of our natural resources, to study our land conditions, and to consider all problems affecting our waters with a view to presenting to him a cohesive and comprehensive plan of development along national lines and in the best interests of the greatest possible number of our people. He would do away with the pork-barrel method of building public works that has prevailed in the past and substitute for it an orderly, well-considered and expertly planned program of integrated projects.

Although water has been dealt with somewhat in detail here, planning is no less necessary with respect to oil, coal, water power and our other natural resources.

If it is advisable to plan for the proper use of water, the basis of all life, let us consider the case of its elemental companion—bread. Mr. Chester C. Davis writes (February, 1934) in a report of the Department of Agriculture called "Agricultural Adjustment," "If every person in the United States had had all the wheat he could possibly eat, there would still have been a surplus

as long as production continued at the same rate as the last few years. With no one to buy this surplus and with foreign markets sharply limited, the supplies of wheat piled up in elevators and storehouses, and the carry-over attained huge and unprecedented totals. Prices fell to the lowest levels in history. Consumers, who could or would eat only a certain amount of wheat, were but slightly helped by this surplus, in the form of lower prices for bread. Millers and bakers obtained their wheat at a much lower figure than before, but since flour is only a minor part of the cost of bread, the retail price was little affected. Over against this small temporary benefit felt by consumers was the serious injury done to them ultimately through the maladjustment of the whole price structure and the eventual breakdown of the whole system of exchange."

Quoting again from the same publication by Mr. Davis, "When too much cotton and wheat and pork are forced into trade channels, prices received by farmers dwindle to levels so low that they themselves cannot buy the goods which city workers manufacture. The result is that factories close down and employees are thrown out of work. They in turn are unable to buy the products of other city workers, who also lose their jobs. Additional factors tending to slow up business activity enter in, and the whole vicious cycle of deflation, with unemployment, falling prices, bank failures, bankruptcy, hunger, and suffering, results. Millions of people, unable to support themselves, are compelled to depend on public support. The nation's economic ma-

chine, gorged with an excess of farm and other products, breaks down just as surely as a human stomach gets acute indigestion if too much food is forced into it. . . ."

"Thus it will be seen," Mr. Davis writes further on, "that the surpluses of farm products, in a very real sense, have actually contributed to the length of the breadline. It is because of a series of maladjustments brought about by the surplus of farm products that the government has undertaken to control their production, bringing supplies into line with demand at a price which will afford the farmers a return commensurate with their income during the five pre-war years."

Mr. Davis paints a vivid picture of over-supply, under-demand, ruthless competition, glutted-markets, disrupted trade channels, and men out of work. A bread line in a land with bulging granaries! It was obvious that some agency would have to assume control. The only agency strong enough or possessing the qualities necessary to exercise control was the Federal Government. The Government not only had to control in the present; it had to plan for the future. It had to plan not only for wheat but for all the major agricultural products.

The country was in as serious a plight industrially as it was agriculturally. Let us look, for example, at the cotton textile industry which supplies us with a large part of our clothing. In this industry the competition was as ruthless as it was on the farms. The underpaid employees were suffering physically while the employers were facing bankruptcy.

In March, 1933, the number of workers employed in the textile mills was 314,000. This represented a decline of 111,000 (26 per cent) from the 1929 figure of 425,000. At the same time the wage pay roll had dropped from $381,000,000 in 1927 to $164,000,000 in 1932, a decline of $217,000,000 or 57 per cent. Behind these revealing figures we can envisage the hard labor of the women and children employed in this industry. It is estimated that during these years about half the total number of workers were women and additional large numbers were children. The average hours worked by the employees during this period were about fifty per week, which of course means that in many instances the number was much larger.

The overproduction in the cotton industry and the frantic fight for markets drove the index price of finished cotton goods at the beginning of 1933 to half of what it had been in 1929. Retail merchants could not dispose of the goods on their shelves. The factories saw their surplus stocks increasing while the price of raw cotton went so low as to make it unprofitable in some instances to go to the expense of gathering it.

It might be thought that there must be some mistake in saying almost in the same breath that there has been too much food and other agricultural goods and at the same time and in the same country too much cotton goods and other manufactured articles. One might reasonably wonder why in such a case some exchange of these products has not taken place, inasmuch as there has been much hunger and poverty during this period.

Isolated attempts to return to primitive barter have occurred in this country but it is a difficult process as the people cover such a wide area and there are scant means of finding out about each other's surpluses.

If one should ask a classical economist why we have want and misery at a time when there is a surplus of the things people need, the chances are he will say that it is because of events in Europe, South America or some other part of the world, over which we have no control. He will insist that, according to the laissez-faire system, these things will work themselves out eventually if let alone; if he is pressed, he will probably admit that according to that system matters will work themselves out through the starvation of thousands, through bankruptcy on a large scale and through a general decline in the standard of living. It may reasonably be questioned if our people, with more goods than they need, should starve because of conditions somewhere else, just because that is the defeatist conclusion of some theoretical system. Is it not possible that we can find some better system that will allow our hungry citizens to eat the wheat that has been raised by our farmers and wear the cotton that has been woven by our factories? It is that challenge which the Roosevelt Administration has taken up. The President has declared that such conditions shall not persist and to assure this he has undertaken an orderly and lawful readjustment of our economic system. If facilities are needed whereby the exchange of surpluses may be effected, and if those facilities are not provided by private initiative, then the Government will

have to assume the responsibility of supplying them. We will not permit our people to be destroyed by blind and stupid adherence to an outworn dogma.

There are people who are trying for selfish or political reasons to convince the country that any such assumption of responsibility by the Government is dangerous radicalism. Some say it is communism and some call it fascism. These terms are used interchangeably by people who do not know whether they mean the same thing or, if they have different meanings, what the difference consists of. The calm citizen, however, observes in this policy of the Government only the logical extension of precedents already long established in this country. From the very beginning we have recognized the principle that when private initiative breaks down or where the greatest good of the greatest number requires it, the Government will step in and regulate or even control.

The Post Office is the classical example of a business enterprise operated by the Federal Government. And none will deny that it is run both efficiently and in the interest of the people. Transportation, as typified by the railroads, has from the very first asked for government support and required government regulation. In the beginning, it is true, the Government gave more aid than it exercised control. Terrible abuses by some of the railroad companies, as revealed in the famous Credit Mobilier case, caused the American public to demand government control. As early as the 1870's the Granger Movement voiced a vigorous protest against the ruthless exploitation and lawless practices of the big

railroads until finally, in 1887, the Congress passed the Interstate Commerce Act regulating interstate common carriers. It is noteworthy that thus early in our history the Congress decided that it was necessary to control one of the most important of our industries in the public interest.

In 1906 and again in 1910 the Congress granted the Interstate Commerce Commission greater powers so as further to safeguard the public. In 1918, recognizing the necessity of co-ordinating all railroad facilities more effectively in order to win the war, all the railroads were taken over for management by the Government and administered from Washington. Private railroad administration had broken down. As the representative of all the people, the Government could not afford to run the risk of a defeat in the war that was taxing all of its resources. After the Government's object had been attained the railroads were returned to the original owners in 1920 and provision was made to reimburse for any damages suffered during government operation. At the same time, however, once more the powers of the Interstate Commerce Commission were increased.

When President Roosevelt took office he found that most, if not all, of the major railroads were faced with bankruptcy. They were not only suffering from reduced business as the result of the depression but they were also called upon to meet additional competition from trucks, autobuses and airplanes. Once more they were appealing for government assistance. This time it was intelligent planning that they needed, and a co-ordinated

system of transportation for the country. So Congress in 1933 established a Federal Co-ordinator of Transportation.

That, if the occasion demanded it, the Federal Government could and would establish and operate transportation facilities is amply demonstrated by the creation of the Inland Waterways Corporation in 1924. This corporation functions as a business enterprise, charges regular freight rates and maintains such terminals as are necessary over more than 30,000 miles of waterways. All the stock of this corporation is owned by the Federal Government. Established by an Administration that clung to the principles of laissez faire, the Inland Waterways Corporation has nevertheless been an important and useful link in the transportation system of the country. There has hardly been a protest against it. The people have willingly accepted this assumption of government responsibility in a field that needed it badly. In my opinion they are prepared to go much further in the same direction, if and when the situation requires it. Inept, incompetent and wasteful operation of a utility, necessary to the prosperity and happiness of all of us, will not be indefinitely tolerated.

As in the field of transportation, so banking has long been recognized as an enterprise over which the Federal Government must and should exercise control. As early in our history as 1791 the first United States Bank was organized. One-fifth of its stock was owned by the Federal Government. This bank expired when its charter was not renewed in 1811, but very soon it was found

advisable for the Government to establish another bank. This it did in 1816. In the second United States Bank, the Government not only owned one-fifth of the stock but the President appointed one-fifth of the directors. This bank also went out of business at the end of twenty years and for a time the country had no banking regulation. A result of this was the irresponsible issuance of paper currency by State banks which brought on great financial difficulties. It has been estimated that at one time there were "7,000 kinds and denominations of notes and fully 4,000 spurious or altered varieties." [2] This confusion led to the National Bank Act of 1863 which regulated and controlled the issue of currency.

A result of this act of 1863, and that of 1900 establishing the gold standard, was the concentration of financial control in New York. This caused a great and continuing protest from other sections of the country until finally, in 1913, the Federal Reserve Banking Act was passed, one of the principal provisions of which was the decentralization of banking power.

That the Government realized its responsibility for proper banking conditions was shown again in 1916 when, through the Farm Loan Act, it again went directly into the banking business by establishing Federal Land Grant Banks in order to lower the interest rates for farmers. In 1910 a precedent had already been set for this further advance by setting up a postal savings system

[2] A. B. Hepburn, quoted by H. U. Faulkner in *American Economic History*, p. 495.

which in effect made the Government a banker for many thousands of people.

When, therefore, President Roosevelt, upon entering office, found the banking system of the country on the point of a complete collapse as the result of the policies of the "crazy decade," it is not surprising that he made use of the wide powers that, to save the country from a major disaster, had been granted to the Chief Executive during the World War. He took immediate steps to reorganize our banking system so that the people would not again lose their hard-earned savings because of the crookedness or incompetence of any banker.

Another and less well-known event which took place under the administrations professing to base their operations on the laissez-faire philosophy was the control asserted by the Government in 1927 of the chief source of helium gas in the world. It was important for strategic purposes to own this valuable helium-bearing gas field. During seven years of government operation this plant has produced about one-half of all the helium that has ever been produced in the world. When orthodox economists in other parts of the world protested this control of a valuable resource by the United States Government, and went so far as to attribute their own accidents with dirigibles to our practical monopoly of this non-inflammable gas, our people refused to be impressed.

If the Government thought it necessary for our security to control helium gas, our people were satisfied to disregard any theories of outraged economists that interfered with this beneficent action. And they were

right. A hard-headed instinct of self-protection is more valuable in a government than meek acquiescence in other people's self-serving theories. The founders of our country in that wonderful series of articles that constitute the Federalist warned us that the safe course was one of realism; that a government could not afford to be philanthropic at the expense of its citizens.

But planning for war and even planning in war has not solved the pressing domestic problems of the American people. The inherent right of the Government to organize and control business, industry and finance in time of war has long been unquestioned. The principle of the greatest good of the greatest number is recognized when, in serried ranks, we are facing a foreign foe.

During the World War it was found necessary to go much further toward integrating and co-ordinating the industries of the country than had ever before been attempted. If it is sound policy to stand shoulder to shoulder under the leadership of the Federal Government when danger threatens from without, why isn't it reasonable to pool our resources for the common welfare during periods of economic stress and strain?

The many efforts at government control of isolated industries for particular purposes have not brought the benefit to the people which they were intended to bring. This is largely because they have been both isolated and defensive. What the Government has done along this line in the past has always been done secretly or apologetically. Generally speaking, such planned control as we have had in the past has represented only a tem-

porary emergency war policy. With few exceptions, in times of peace ours has heretofore been purely a "catch-as-catch-can" method. America has "just growed." It has followed no matured plan because no one until recently ever thought that a plan was necessary or, if he thought so, he was too busy to do anything about it. With the vanishing of the physical frontier the necessity of a rational national plan has become more and more apparent. It was left to the Administration of President Roosevelt to adopt for the first time as a national policy the theory that the country as a whole, including commerce, industry and finance, ought to be developed and used for the greatest good of the greatest number, and that we cannot develop and use it in that manner unless we have thoroughly and intelligently studied the entire country; unless we know its valleys, its streams, its mountains and its plains and what is the best use they can be put to; unless we understand the problems of navigation, flood control, power and sewage disposal; unless we have a knowledge of our mineral resources, our soil possibilities, our ranges of climate and the adaptability of our crops to soil and climate. We must study also our people and their needs and we must plan for the fulfillment of those needs in terms of our resources.

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CHAPTER FIVE

THE FIRST STEPS

ADMITTING THE necessity for broad-scale planning if we are interested in developing a social order that will give greater opportunities to every man, woman and child to develop a happier and more worth-while life, it is in order to inquire what the Roosevelt Administration has done and proposes to do in this direction. There must always be a policy behind any intelligent planning and it is pertinent to inquire what this policy is.

In its simplest terms the policy of this Administration may be said to be, first, the rescue of the country from the catastrophic consequences of the financial debacle of 1929, and, second, so to organize our economic and social life as to prevent the recurrence of any such disaster in the future. With this double-barrelled policy constantly before it, the Administration is concerned to plan wisely both for the present and for the future. It will be interesting to recount briefly some of the efforts the Administration has thus far made to establish and assure the welfare of the country.

Consonant with President Roosevelt's statement that "No one shall be allowed to starve" the present Administration has taken a position which is of tremendous

significance in the history of governments, although it must strike reasonable people as the only just and rational course to adopt. The Administration has in fact guaranteed the minimum needs of its citizenry. In our country there is no reason why people should die of hunger and cold, and at last we have a Government with courage and humanity enough to announce that it will assume the responsibility of seeing to it that people do not thus die, in so far as the Government is able to prevent it. Through the Federal Emergency Relief Administration an effort has been made to care for all the people of the country who are in actual need. Through the Civil Works Administration and the Emergency Works program this attempt has been extended to relief through various types of employment.

According to a report of Mr. Donald R. Richberg to the President, the number of persons receiving relief averaged about 14,250,000 a month in the fiscal year ending June 30, 1934. This means that during the year more than eleven per cent of the American population was dependent on relief funds. The number varied from a low of 11,104,174 in January, when the Civil Works Administration was at its peak, to a high of 16,991,455 in May.

In November of 1933 about 2,000,000 people were transferred from the relief rolls to Civil Works projects and an equal number of unemployed persons were later given jobs under Civil Works programs. For the week ending January 18, 1934, "over 4,100,000 persons were employed with the payroll for the week aggregat-

ing $62,024,854. Thereafter both employment and payrolls were curtailed." [1] The Civil Works program was practically closed out on March 21, 1934, and was finally ended in July. To take the place of the Civil Works Administration, a work program was instituted by organizing Emergency Work Divisions under the direction of State emergency relief administrations.

These tremendous and costly activities were carried out in accordance with the expressed determination of the President to care for the people to the best of the Government's ability. There have been those who have criticized these efforts but few who have had the courage to advocate the alternative that the people be allowed to starve.

On October 22, 1933, President Roosevelt in a radio address said "If there is any family in the United States about to lose its home or about to lose its chattels, that family should telegraph at once either to the Farm Credit Administration or the Home Owners' Loan Corporation in Washington requesting their help." Thus the principle of protecting the people from the consequences of a crisis over which they had had no control was carried a step further.

Since June 13, 1933, the Home Owners' Loan Corporation has set up 265 offices with 19,317 salaried employees. Up to August 3, 1934, this force handled 1,587,000 applications from home owners and completed 432,000 loans aggregating $1,299,445,000. This was an average of $3,010 per loan. Approximately

[1] Donald R. Richberg's report to the President.

400,000 additional loans are in process of being worked out, 432,000 American families have already been saved from foreclosure and 400,000 additional families will receive similar relief. President Roosevelt is determined that the Government shall save as well as serve the people.

At the same time that the President through the Emergency Relief Administration was saving millions of despairing people, he was by means of the Surplus Relief Corporation relieving the plight of farmers and manufacturers by buying up surplus goods which were in turn distributed to the needy. Thus has he been able to make a beginning in working out the anomalous and ridiculous situation of starvation amidst plenty.

In order to meet the situation of millions of people out of work through no fault of their own, the Administration has undertaken through the Civilian Conservation Corps to save young men from the moral as well as the economic strain of idleness. Approximately 300,000 men have been put to work at important tasks in connection with the conservation of the country's natural resources. Here, as in much of the work of the Civil Works Administration, planning for the future has been part and parcel of the measures taken to meet a pressing emergency.

Similarly the Public Works Administration not only has provided many extra jobs and put new life into waning industries, it has also been responsible for much construction that will fit admirably into the pattern that is being made for the future. The road will be long but

the first steps have been taken. By loans and grants for a wide variety of projects throughout the country the Public Works Administration has contributed substantially to our industrial recovery. By August 18, 1934, over 17,000 projects had been granted allocations from PWA. Ninety-nine per cent of all the counties in the entire country have at least one such project, and many besides have gone to Alaska, Hawaii, Puerto Rico, the Virgin Islands and the Canal Zone.

This tremendous enterprise has given work to a constantly increasing number of people. Beginning with 4,699 employed directly in August, 1933, on projects partly or wholly financed by Public Works funds, the number has steadily increased until on August 1, 1934, it stood at 675,000. It is usually estimated that the number of people employed in the preparation and delivery of material roughly equals twice the number employed at the site. The ultimate effect of this expenditure on employment is, however, reckoned to be several times as great. So the Public Works Administration is not only aiding recovery by employing directly almost three-quarters of a million people, it is aiding it even more by giving employment to a much greater number back of the line.

Of the $3,700,000,000 entrusted to the Public Works Administration, the following approximate apportionment had been made up to August 1, 1934: Federal projects, $1,527,030,517; statutory, executive and special, $1,167,725,666; and non-Federal, $975,615,-921. Allotments have been made for 9,150 street and

highway projects amounting to $539,722,154 and including 517 non-Federal and 8,633 Federal projects. For utilities, including power plants and sewage and water systems, there have been 2,013 allotments amounting to $301,624,570. This category includes 1,639 non-Federal and 374 Federal projects. Allotments for buildings of all characters, including schools, hospitals, municipal and Federal buildings, numbering altogether 3,580, total $362,208,108. This sum also includes approximately $148,000,000 for slum clearance projects, a number of which have not yet been started. Of this total sum, $201,584,277 were for non-Federal projects and $160,623,831 for Federal projects.

Among these undertakings are included 200 reclamation and flood control projects, 51 of them being non-Federal and 149 Federal, at a total cost of $254,454,819. Three hundred and seventy-six Federal and 11 non-Federal allotments have been made to aid water navigation, including navigation dams and canals, dredging and filling, sea walls, lighthouses, etc. These allotments total $169,579,560. One hundred and forty-one allotments were for the construction of vessels costing $261,924,467. This classification includes the $238,000,000 naval construction program and the money allotted the Treasury Department for Coast Guard vessels. For structures, including bridges and viaducts, drydocks, wharves, piers and docks, tunnels and subways, 142 non-Federal and 95 Federal projects have been approved, the total allotment being $172,562,962. Of this amount, $152,517,301 was for non-Federal and $20,045,661 for Federal

projects. Twenty-six railroads have received allotments totaling $199,607,800. Allotments amounting to $27,963,698 have been made for aircraft, improvements to landing fields and other air navigation aids. The allotments for recreational projects amounted to $3,579,053. These included loans and grants for swimming pools and for park developments. For projects not readily classified allotments amounted to $104,091,216. These undertakings included plant-pest and disease control, surveying and mapping, ordnance, machine tools for navy yards and arsenals, and game and fish protection.

The Public Works Administration was, however, only one part of the national recovery program. Another tremendously important step in the direction of stimulating recovery and developing new theories of business administration for the best interests of the people was the National Recovery Administration. The belief of the Administration is that business and industry will serve their own best interests, as well as the best interests of the country, by organizing what, in effect, are great co-operative movements, each confined to a particular industry. Wages and hours of labor, methods of competition, and, in some instances, regulations concerning prices, are all covered by these codes. The theory underlying the codes is that each particular industry and business will best govern itself if it has the friendly and disinterested assistance of the Federal Government. Unfair methods of competition are outlawed.

A code may be self-imposed by a majority of an industry despite a recalcitrant minority. A limited code may be imposed notwithstanding the opposition of a majority. The Government, in effect, says to business and industry "You must conduct your business for the greatest good of the greatest number." A far cry this from "rugged individualism."

As of August 1, 1934, the National Recovery Administration reports that 495 Codes of Fair Competition and 136 supplementary codes had been approved, covering about 95 per cent of all industrial employees. Preceding the adoption of individual codes over 2,300,000 agreements with the President became effective, covering approximately 16,300,000 employees.

According to the best figures available 40,180,000 persons were employed in the United States in June, 1934, an increase of 4,120,000 over the low figure of March, 1933, and an increase of 2,320,000 over June, 1933. The latter increase was due principally to the shortening of hours under NRA codes and to new employment under the PWA program. Re-employment under the codes increased and declined in separate trades and industries throughout the year, on account of seasonal and other causes, so that the gross volume of re-employment far exceeded the net increase referred to. The increase in employment of 1,800,000 before the NRA swung into action can be attributed partly to the revival of business brought about by other Federal activities and partly to anticipation of increased labor costs under the NRA program.

The Codes of Fair Competition established minimum wages and maximum hours and provided varying safeguards to assure the return in sales of such increased costs. The effect of these provisions is shown in the estimated increase in labor's share in the national income from 58.3 per cent in June, 1933, to 62.5 per cent in June of 1934. It is estimated that total wages in manufacturing industries increased from $96,000,000 per week in June, 1933, to $132,000,000 a week in June, 1934, or 37.5 per cent. When this increase of 37.5 per cent is compared with an increased living cost of 9.6 per cent, there remains, despite such higher cost of living, a net increase of 25 per cent in the total purchasing power of wage earners in manufacturing establishments. The total wages in manufacturing industries have been distributed to a much larger number of employees and therefore individual wage earners did not obtain a corresponding increase, the average per capita weekly earnings in manufacturing industries rising only 8.5 per cent. Therefore, the average factory worker's purchasing power remained practically unchanged. But by shortening his hours he "shared his work" with new employees without a loss in "real wages."

Under the codes, labor standards have been improved in many ways. Child labor has been eliminated; working hours reduced; wage rates increased; sweat shop employment restricted; health and safety standards advanced; and the rights of labor organizations provided for. The work week has been reduced, from June, 1933, to June, 1934, approximately six hours on the average for all in-

dustry. There has been a much greater decline in industries of high activity and a lower decline in those operating at low levels. There has been an increase of about 26 per cent in average hourly earnings, while wage differentials have been materially decreased. Average hours in June, 1934, were 37 per week and average wages 55.2 cents per hour. It can be fairly claimed that the advance in wage rates is directly due to NRA codes since after previous depressions wage rates have advanced very little in the early stages of recovery.

As the result of the codes the number of trade associations has more than doubled, with a large increase in total membership, producing that self-organization of trade and industry which is essential to the proper administration of Codes of Fair Competition. Labor organization has shown a corresponding growth, more than 2,000,000 members having been added to the American Federation of Labor with large increases also in the numbers of and memberships in labor organizations not affiliated with the Federation. The increase in numbers and memberships of company unions, although these are not regarded by the national unions as adequate labor organizations, marks at least an increase in the mechanisms of labor association available for the collective bargaining contemplated in the Act.

In view of the fact that industrial recovery and unemployment relief are closely related to volume of production, it is interesting to note that the index of production of all manufacturing establishments rose from a low of 47.4 in March, 1933, to a high of 85.1 in

July, 1933. Then, after a dip to 59.4 in November, 1933, it went up again to 72.1 in May, 1934, since which time there has been another recession.

Considering this production from the point of view of durable products and non-durable products, durable products rose from 22.1 in March, 1933, to a maximum of 58.9 in June, 1934. On the other hand, non-durable products rose from 68.4 in March, 1933, to a high of 101 in July, 1933, and then receded to 80.4 in June, 1934. These indices of production may well be compared with the employment index rise from 56.2 in March, 1933, to 77.4 in June, 1934, and the pay roll rise from 33.9 in March, 1933, to 59.5 in June, 1934. As a final comparison it may be noted that wholesale prices rose from the index figure 60.2 in March, 1933, to 74.6 in June, 1934. According to NRA computation the cost of living index rose from 66.1 in March, 1933, to 73.8 in June, 1934.

The figures of business failures, which, from February to May, 1934, were more than 40 per cent lower than in 1929, are significant. This index particularly shows the effect of the NRA codes in the protection of small enterprises which furnish the greatest number of business casualties.

The rise in the index of corporation profits from the minus figure 6.9 in the first quarter of 1933 to the plus figure of 33.2 in the second quarter of 1934 is also noteworthy. It may be noted that, according to the Standard Statistics Company, net profits of 506 companies of all types rose from $157,579,000 in the first half of 1933,

to $408,572,000 in the first half of 1934, an increase of over 200 per cent. According to the same authority net profits of 402 industrial companies rose from $47,380,000 in the first half of 1933 to $335,870,000 in the first half of 1934, an increase of over 600 per cent.

It is difficult to appraise exactly the contribution of NRA to this industrial recovery. However, the coincidence of business improvement with NRA codification and the obvious, direct effects of NRA in preventing destructive price-cutting, in stabilizing business operations, in improving the total purchasing power by providing increased employment without reducing wages, and in the increase of prices from loss levels to profit levels demonstrate the contribution of NRA to this industrial advance. When specific industries such as bituminous coal, automobiles and oil are considered, the effects of the recovery program are clearly apparent. In the bituminous coal industry the establishment of fair prices steadied disorganized markets and put an end to cut-throat prices. Although under difficult circumstances, starvation wages were forced upwards at an estimated average of about $1.00 per day for approximately 300,000 miners. The extraordinary advance in the production and sale of automobiles would have been impossible without the greater assurance of employment and the expansion of total purchasing power under NRA which brought into the market thousands of purchasers of new and used cars.

Prior to the promulgation of the Petroleum Code, on account of surplus production and destructive competi-

tive practices, the price structure for crude petroleum had collapsed until crude was selling for as low as 10 cents per barrel in the East Texas field. The entire industry faced disaster. Under the Government program the price of oil has been restored to approximately $1.00 a barrel. Notwithstanding this improvement in the price of crude oil, retail prices have not advanced materially. In the first six months of 1934 retail prices in fifty representative cities throughout the United States averaged 13.90 cents per gallon as compared with 12.76 cents per gallon for 1933, which was the period of lowest retail prices during the past ten years. From 1924 to 1930 retail prices averaged in excess of 16.33 cents.

Under the code the policy was adopted of balancing production of crude oil with consumer demand for petroleum products. At frequent intervals it is estimated how much crude oil the market will absorb at prices that will yield a fair profit and the Administrator of the Petroleum Code then allocates this estimated amount equitably among the oil-producing States. The States in their turn allocate the amount each may produce among the different fields and wells. Federal allocations for the first six months of 1934 called for an average daily output of 2,318,000 barrels. The actual output has averaged 162,000 barrels daily in excess of the proper amount. Practically all of this excess is "hot oil" from the East Texas field where a group of lawless men are stealing their neighbors' oil and bootlegging it into regular channels of trade.

The problem of preventing destructive price wars and

stabilizing the markets for petroleum products is exceedingly complicated and beset with legal difficulties. Instead of resorting to direct price-fixing, a national purchasing agreement and a national marketing agreement were worked out to stabilize refinery and retail prices, and to assure protection to the non-integral small refiner and the various types of distributors. Owing to insuperable difficulties in adjusting legal issues, those agreements did not become effective. Recently three-party contracts for the control of excess gasoline in the East Texas field have been worked out in co-operation with the Department of Justice, and as a result the Administrator reports that the largest outlet for overproduction in the country is being dried up.

The movement which we have been considering is pregnant with tremendous social, economic and political possibilities. Take one instance that has already been referred to. For years an effort was made in this country to abolish child labor. The Congress submitted a Constitutional Amendment but the States failed to ratify it. The situation seemed to be hopeless. Then on July 9, 1933, President Roosevelt, in affixing his signature to the Textile Code, the first of these new industrial charters to be signed, by a simple stroke of the pen abolished child labor in the United States. This blot on our civilization has been wiped out and other social injustices and abuses will also, if not under the codes, then as the result of future legislation. The sweatshop will be outlawed. Noisome slums will be cleared. Shorter hours and minimum wages for labor have already been writ-

ten into the codes. Old age pensions in their turn will give a feeling of security to those nearing the time when their ability to work effectively will be gone.

That President Roosevelt is determined to carry on the work of improving the welfare of the people is shown by his creation of a Committee on Economic Security composed of several members of his Cabinet and other officials. The Secretary of Labor, Miss Frances Perkins, the Chairman of this Committee, has outlined its purposes as follows:

> "As the President stated, 'It is our plain duty to provide for that security upon which welfare depends.' This is the purpose of the organization of the Committee on Economic Security. As I vision its task, it is to study the entire problem in all its relations and to suggest a comprehensive program which will afford protection to the individual in all hazards likely to involve him in distress and dependency. Again to quote the President, 'The various types of social insurance are interrelated; and I think it difficult to attempt to solve them piecemeal.' Nor is social insurance all there is to economic security. Manifestly, any program proposed must take into account the present situation. To the unemployed man, work is something much better even than any insurance payment, and at this time vocational training is a large part of the problem of readjustment and rehabilitation, particularly for the young men who have never had any job in industry and who constitute a disproportionately large part of the total number of unemployed."

To improve the distressing conditions of our farmers, the Government has not only bought up some of their surplus products, it has gone further and undertaken to

help them plan for the future so that they will not again be weighed down by hapless overproduction. Through the Agricultural Adjustment Administration the Government has offered to the farmer the opportunity to fit his individual production into a carefully considered production schedule for the whole country. It offers him a chance to adjust his output to demand as other business men do and thus to obtain his fair share of the national income.

From August, 1933, to June, 1934, there were paid to farmers by the Government $311,000,000 in rental and benefit payments. According to estimates this increased farm income 32 per cent over that of the corresponding period next preceding.

According to the Agricultural Adjustment Administration the total farm income from grains, cotton, fruits and vegetables, meat animals, dairy products, and poultry, including rental and benefit payments for 1933-34, was $5,083,000,000, as compared with $3,881,000,000 for 1932-33 when there was no benefit payment or adjustment program.

Twenty-one marketing agreements for fruits and vegetables have been effected. Farmers in 25 States shared in the benefits brought about by these agreements, which increased the growers' income by $38,000,000. Marketing agreements have also proved of benefit to the farmer in the distribution of fluid milk. At present there are 41 fluid milk sales areas in 15 States, handling about 15 per cent of the consumption of our non-farm population. These areas are under license, and the average in-

crease in prices paid to producers as the result of this program is about 52 cents per hundred pounds.

Surpluses had piled up in unsalable quantities when the adjustment program was initiated in 1933. As the result of this program and the unprecedented drought, supplies of staple farm commodities have been reduced to nearly normal proportions or even less. In the case of cotton, a 13 million bale carry-over in 1932 has been reduced to less than 11 million bales at present. This will be further reduced to between 6 and 7 million bales at the end of the 1934-35 crop year. Wheat stocks of nearly 400 million bushels in 1932 are now approximately 290 million bushels and by next summer will probably be 125 to 140 million bushels, or nearly normal. Corn which aggregated 527 million bushels in the summer of 1932 was reduced this summer to about 470 million bushels and next summer will probably shrink to less than 100 million bushels. Tobacco stocks of 2.4 billion pounds in 1932 have been reduced to 2.2 billion pounds in 1933 with burley tobacco constituting the bulk of the existing surplus. The 1934 program is aimed at further adjustment in this grade. Excessive numbers of all kinds of livestock on farms at the beginning of this year are now being reduced to something like normal proportions by the drought relief purchases made necessary by the great curtailment of feed and forage crops. The drought would furnish the occasion for new surpluses if the mechanism of adjustment should be abandoned in the belief that the drought has brought about a perfect and permanent adjustment between sup-

ply and demand. Because of the increase in prices of some commodities due to scarcity, it is quite certain that, in the absence of any stabilizing control, farmers would again produce more than the markets could absorb at a fair price during the succeeding year.

The AAA insists that above all it should be remembered that the drought has not eliminated the more than 40,000,000 acres that have been producing surplus farm commodities since the war. Furthermore, to restore fully the price relationship that existed during the pre-war period and to give agriculture a greater share of the national income, it is essential that there be more of a revival in industrial production as well as more extensive re-employment. About half of the total farm income depends upon the level of domestic purchasing power, and in the case of the commodities of which this is true, progress cannot be made faster than the advance of the general recovery program.

It has been assumed in some quarters that in controlling production the Government must reduce production, but this is by no means always the case. Some agricultural production will from time to time need to be increased, but all will have to be controlled on the basis of reasonable future prospects if such catastrophes as the one through which we are fighting our way are to be avoided. Under a system of control the Government will be able to make allowances for such disasters as the drought of last summer without, however, permitting the increased production that is necessary as the result of such a situation to assume such propor-

tions that it will be harmful rather than helpful to the farmers. Flexibility and adaptability to conditions is essential in wise planning.

An experimental attempt to meet the problems of stranded populations, which through the breakdown of the uncharted national development of the past are now idle and helpless, led to the establishment of the Division of Subsistence Homesteads of the Department of the Interior. With an appropriation from Congress of $25,000,000, this Division has undertaken to establish in various parts of the country self-sustaining communities that will be able to live largely on produce raised on their own lands, but where, at the same time, an opportunity will be offered to earn enough money for their cash needs through various industrial pursuits.

Faced with the almost complete collapse of the national banking system, the Administration has had to put the banks back on their feet in such a way as to build up public confidence that another panic like the dreadful one at the end of the Hoover Administration will not again occur. It was necessary first to take the drastic step of closing every bank that was still open on March 4, 1933. By preventing any of the closed banks from opening until the situation could be cleared up, by organizing the Federal Deposit Insurance Corporation, by extending and strengthening the powers of the Federal Reserve System, the Government has prevented a total collapse of the country's banking system and has demonstrated to the people that it is determined that in the future the banks shall be safe depositaries for their savings.

Inheriting the Reconstruction Finance Corporation from the preceding Administration, President Roosevelt has adapted it to meet the needs of the day. Lending to banks has been continued but a more liberal and at the same time a better planned policy has been adopted. When control of the internal financial structure had been secured and the banking panic allayed, the Government left the gold standard and took control through the Reconstruction Finance Corporation of the rate of foreign exchange. Later it was decided that the best interests of the American economic system could be served by the adoption of the principle of a flexible gold content for the dollar. This step re-emphasized the President's determination to use the country's resources for the greatest good of all rather than allow them to be used as a football under rules of a discredited economic and social system.

The protection of the people was carried further by the enactment of the Securities and the Stock Exchange Acts which announced clearly to the speculators that they must deal fairly with the public or suffer the consequences. By making the seller of securities responsible for false statements these acts established a significant precedent and brought about a long-demanded reform of practices that had become scandalous.

The establishment of the Export-Import Banks was a significant step in the direction of controlling our foreign financial transactions. Foreign trade has been shown to be profitable only when payment for the exported goods is received. We have learned by bitter experience

that it is folly to sell to countries that cannot pay for the goods. The preceding Administration adopted the curious expedient of encouraging the lending to foreign countries of money with which to buy our goods. This money was supplied by American investors who with their savings bought foreign securities with the tacit approval of the American Government. Most of these securities later went to default, leaving us in the ridiculous position of having supplied our goods to foreign customers who paid for them with money borrowed from American investors who in many instances will never have any return either in principal or interest. This particular racket was finally so thoroughly exposed by Senator Hiram W. Johnson that the money we have left is at least being kept at home. The toll of repudiated debts has struck deeper into the pockets of this country than many people realize. This costly venture has made us realize that the planning of our internal economy must logically be supplemented by the planning of our foreign trade. Through the Export-Import Banks and bi-lateral tariff agreements this is being initiated.

The Tennessee Valley Authority is a magnificent experiment in regional planning. By utilizing the Muscle Shoals Dam which was built during the war and also by improving and developing the other power resources of this region, the Tennessee Valley Authority is rapidly becoming what the President has declared that it should be, a "yardstick" with which to measure the power industry.

In the towns where power is already being sold by the Authority, the prices to the consumer average about fifty per cent lower than the prices in effect in 1933. Other and larger cities will be given a similar service when legal obstacles that have been interposed by the power interests have been overcome.

It is significant that prices for electric current in this whole area have been greatly reduced since the inauguration of the Authority's program. Not only in the towns actually served but in those which might be served by the Authority, the private companies have made big reductions in their rates, resulting in great benefits to consumers. The reduction in prices has been followed by greatly increased use of electric power in this area.

The Co-ordinator of Transportation has been studying a plan for the highest utilization of the transportation facilities of the country. He has made two reports to the President, one discussing remedies for present railroad ills and the other recommending a co-ordinated Federal regulation of railroads and of motor and water carriers under the Interstate Commerce Commission.

It is of tremendous significance that the Government has given official recognition to the interests of the consumer. To a large extent the position of the Administration on behalf of the consumer has been overlooked, but its importance will no doubt become more apparent in the future. The Agricultural Adjustment Administration has a Consumers' Counsel. Similarly the National Recovery Administration has a Consumers' Advisory Board

which has taken steps to protect the rights of consumers in the formulation of the codes.

In addition the National Emergency Council has undertaken to organize some 200 County Consumer Councils throughout the country. These Councils are nuclei of organized consumer consciousness and as such are important steps in the development of a more rational distribution system in the country. They are administered by the Director of the Consumers' Division of the National Emergency Council.

The agency that may be the co-ordinating force in these efforts to plan for the welfare of the people of the country is the National Resources Board. In the Executive Order establishing the Board, President Roosevelt wrote, "The functions of the Board shall be to prepare and present to the President a program and plan of procedure dealing with the physical, social, governmental and economic aspects of public policies for the development and use of land, water, and other national resources, and such related subjects as may from time to time be referred to it by the President."

With this authority behind it, there is no important feature affecting American life that may not be studied in order that plans for its best realization may be formulated. Our mineral resources and our human resources will be considered as well as numerous other aspects of our national life. Questions of transportation and of distribution and cost of electric current will come within its purview as having an important bearing upon community life. Redistribution of population, the neces-

sity and practicability of reclamation projects, harbor improvements, public buildings, the prevention of soil erosion, all can be studied by this Board to the profit of the nation. In fact, it is difficult to think of any general domestic interest or activity in which the Federal Government is concerned which might not first be submitted to the careful scrutiny of the National Resources Board.

The work of the Board has already been organized under an Advisory Committee by the setting up of six sections, each dealing with a particular subject matter. These sections are as follows: Land, Water, Minerals, Power, Transportation and Industrial. The very names are pregnant with tremendous significance. Other sections dealing with other problems may be added later. In every case these sections are working with other agencies of the Government which have particular knowledge on particular problems. Co-operation and co-ordination characterize this whole effort to bring about a more intelligent and prudent use of our national resources, both natural and human.

Wise and comprehensive planning on a national scale fits into the social vision of the future. If, as I believe, we are now definitely committed to the testing of new social values; if we have turned our backs for all time on the dreadful implications in the expression "rugged individualism"; if we have firmly set our feet to tread a new and more desirable social path; if we have not given over the care and custody of ourselves and our

children to the tender mercies of an outworn and ruthless social order; if it is our purpose to make industrialism serve humanity instead of laying ourselves as victims on the cruel altar of industrialism, then national planning will become a major governmental activity.

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CHAPTER SIX

PROFIT AND COST

IN ORDER to take the important steps which have just been outlined, it has of course been necessary for the Government to spend money. Although as strict economy as has been possible in the circumstances has been practised, President Roosevelt has definitely called for large expenditures in the effort to reinvigorate American industry. There are those who, largely from political motives, attack the Government on the score of these expenditures. It is therefore the intention in this chapter to discuss the actual cost of the new measures in relation to their value to the country.

Any proper discussion of the cost of recovery must have some relationship to the cost of the depression from which we are recovering. The moral cost of increased poverty, unemployment and bankruptcies cannot of course be estimated, but we know that it was tremendous. We know, moreover, that, for several years, the moral cost was getting greater and not less each year until the present Administration came into power. We know that a great many of our industrial and business leaders feared that the economic crash that came in 1929 might lead to such general and acute discontent that an attempt

might be made to overthrow the Government. National security as well as individual property was in jeopardy, but we will here consider only the pecuniary cost to the country of the breakdown of our industrial and financial structure.

Let us start by looking at the condition of business. Those who talk of the cost of the New Deal will surely be able to understand the importance of commercial bankruptcies. We may look to them as a highly informative index of business conditions generally. The cost of each bankruptcy in terms of despair and moral suffering will not be considered. We will merely take account of the terrible financial loss that goes with the collapse of an enterprise that has perhaps been built up over a lifetime and represents the savings and good will of a large number of people.

In 1929, under a Government controlled by the people who are now complaining most loudly against the costs of Government, the great crash on the Stock Exchange and in the commodity markets took place. According to sources quoted in the Survey of Current Business of the Department of Commerce, there were in 1929 approximately 23,000 commercial failures. According to the same authority, this figure increased each year as follows: 26,000 in 1930, 28,000 in 1931 and 32,000 in 1932. Thus we see that the mounting total of failures was becoming so great as to be a most serious money cost to the country each year, besides carrying within itself the possibility of financial chaos.

One immediate social cost of this increasing number

of commercial failures was the unemployment that went with it, *pari passu*. According to the figures of the American Federation of Labor there was, even in 1930, a monthly average of 3,947,000 unemployed. With each year of the depression this number became greater. In 1931 the monthly average was 7,431,000; in 1932, 11,489,000; and in the first two months of 1933 before the present Administration assumed power, it reached its peak with the astonishing total of 13,361,000 unemployed.

In addition to the problems of unemployment, there were other troubles due to reduced earnings of wage earners. In 1929 the total earnings of factory wage earners were 109.1 per cent of the average of the three prosperous years, 1923-1925, but each year it decreased markedly until, in 1932, it was less than half of that amount, or 46.1 of the 1923-25 average. The reduced purchasing power of millions of our population who were still employed caused more commercial failures and they in turn caused more unemployment. A vicious circle was created. The whole situation was cumulative and disastrously expensive to the country. If our Government had continued to evade this situation in the timid spirit of the preceding Administration there is no doubt but that greater chaos and calamity would soon have been our harvest.

I am aware that some economists and political leaders hold that the only cure for this economic illness was to sit hopefully but idly by, in the spirit of the early Christian martyrs, and suffer meekly all this heartrending fail-

ure and poverty, but I have never had any patience with such a theory. Nor in fact was the preceding Administration, static though it was, able to follow this policy. Half-heartedly, it did attempt various kinds of ineffective relief. To the degree that it was half-hearted and ineffective, this relief was expensive. It was not until 1932 that the Government considered it necessary to make an appropriation to reduce unemployment. In that year the Reconstruction Finance Corporation was authorized to advance $500,000,000 to the States for unemployment relief.

The expense of carrying a large unemployed population had to be met by the people of the country whether or not the Federal Government felt any responsibility for it. When we talk of the cost of the New Deal we must not forget the costs since assumed by the Federal Government that were borne by local and state governments and private charitable organizations during the years of depression before this Administration came into power. According to the estimate of the Children's Bureau of the Department of Labor, in 1929 the money that was spent by local governments and private agencies in 120 urban areas was $42,892,248. This figure for the same areas was increased in 1930 to $70,512,188. In 1931 it again went up, this time to $171,935,168, and in 1932 it reached the astounding total of $306,243,991. During these years the percentage of public funds to private funds increased from 75.8 in 1929 to 91.6 in 1932.

It must be remembered that these figures apply to

only 120 urban areas and not to the country as a whole. Previous Administrations did not consider it worth while to gather such statistics nationally. Figures for the country as a whole began with the present Administration in 1933. So although political critics can tell how much this Government is now spending to relieve the situation it found the country in, the neglect of the preceding Administration leaves us without any comparable figure. What is apparent, however, is that a great deal of money had to be spent for relief by practically all local communities prior to 1933, but as private charitable and philanthropic sources dried up the public agencies had to contribute a larger and larger proportion.

The huge sums spent by these private and public agencies to mitigate the evils of the depression did very little to stop the decline of business and the rise of unemployment. They did not have enough money to handle such a job and besides they were without a plan. We know that many cities, faced with a steady decrease in revenues from taxes and saddled with a constantly rising burden of unemployment relief, were unable to pay their own employees. They were unable, because of their financial condition, to obtain loans from the banks and so they were compelled to make their unwilling contribution to the rising tide of the unemployed.

In preceding chapters I have mentioned some of the problems of the farmers, but it is necessary to refer again to their difficulties in counting the cost of the depression if we are to have a proper reckoning of the cost of recovery. From 1929 to 1932 the gross income of the farmers

of the country, according to the Department of Agriculture, decreased by 57 per cent. The foreclosures on farm mortgages increased to such an extent that armed resistance to the actions of public officials, even including actual threatening of the courts, was not an uncommon occurrence.

The Federal Farm Board, which was set up by President Hoover to do something about the agricultural situation, spent $500,000,000 in buying up surplus agricultural produce. These purchases were made in the hope of bolstering farm prices. As no effective attempt was made to control production and supplies, however, the $500,000,000 was spent in vain and was virtually wasted. Some of the critics of the New Deal have too short a memory, perhaps, to recall these futile and unplanned expenditures of the preceding Administration.

If we now turn to the banking system, that keystone of our whole business system, we can get another slant on the cost of the depression to the people of the country. Throughout the land it had been the custom to urge people to put their money in the banks. State and Federal agencies had assumed the responsibility of inspecting the banks that came under their respective jurisdictions. We had been taught to believe that if we wanted to be sure of our money, we should put it in a bank.

In 1929, when we were at the peak of our false prosperity, 659 banks suspended operations. In 1930 the total had jumped to more than double that of 1929 and was 1,352. In 1931 the total again was practically

doubled and numbered 2,294. There were 1,456 more that suspended operations in 1932. Thus, in the four years preceding the New Deal, 6,761 banks became insolvent with total deposits of approximately three and a half billion dollars.[1] This was an extremely costly item of the depression. It is true that all of this money was not lost. But all of it was tied up for varying periods of time and a very large proportion of the hard-earned savings of the depositors disappeared forever.

In fact the situation was so bad that when President Roosevelt took office, "practically every bank was closed either because of voluntary action, depositors' runs or Governors' proclamations." A good many of these banks have been reopened through the efforts of this Administration but others were in such bad condition that they will probably never again be allowed to operate. The bank depositors have borne the brunt of this financial collapse, and they are the very backbone of our economic security.

By now it must be quite clear that the people of the country were paying a heavy price for the depression before this Administration came into power, but the political critics will perhaps prefer to train their guns upon the actual condition of the Government itself. In order to understand in what a situation the past rulers of the country had left the finances of the Government, let me quote President Roosevelt's second message to Congress in March, 1933:

[1] Annual Report of the Federal Reserve Board.

"For three long years the Federal Government has been on the road to bankruptcy.

"For the fiscal year 1931 the deficit was $462,000,000.

"For the fiscal year 1932 it was $2,472,000,000.

"For the fiscal year 1933 it will probably exceed $1,200,000,000.

So the "extravagances" of our Government did not start with the Recovery Program. The preceding Administration spent lavishly, but, as compared with this Administration, it spent ineffectually. Although the present Administration has spent much money it has achieved notable and lasting results. The former Administration, for the money it freely spent, succeeded only in getting the country into a worse situation each year.

Expenditure of money cannot honestly be said to be extravagant unless we know the income on which it is based and what the money is spent for. In the Administration preceding the present one expenditures were on the upgrade while income was steadily declining. Surely that is the way of the prodigal. For the fiscal year ending June, 1930, the total Treasury receipts amounted to $4,177,941,702. By June of 1931 they had fallen to $3,317,233,494. In the next year they continued to decline and by June of 1932 they had reached the low figure of $2,121,228,006.

During the fiscal year ending in June, 1933, the decrease in taxable incomes continued, but the total Treasury receipts amounted to $2,238,356,180, a slight increase. Even this increase was mainly due to the tax rate increase of 1932 and the encouragement to business

resulting from the vigorous policies of President Roosevelt during the last few months of that fiscal year. As the policies of this Administration got under way, they began to have a favorable effect not only upon the people of low incomes but also, through the increase in business, on the great majority of the rich.

Now that we have considered in brief outline the cost of the depression, it might be well to turn to the cost of the program that has been set up to bring the country back to normal economic conditions. In order to take the most unfavorable possible view of the situation, let us consider the statements made by a leader of that party which was in power for the eight years previous to the depression and for more than three years after the ship struck the rocks.

Ordinarily one would feel, in the light of the chaos and suffering that has resulted from the failure of past Administrations to govern conservatively and wisely, that the leaders responsible for our economic collapse would cultivate a chastened spirit and regard approvingly any attempt to heal the wounds which they inflicted and left open. Those people who have sympathized and suffered with the unemployed and with bankrupt business men and stranded farmers are justified in believing that every loyal citizen should take a serious view of the condition of the country and, at the very least, refrain from statements that are misleading or untrue.

I shall quote from a speech made in Jackson, Michigan, on July 7, 1934, by Mr. Henry P. Fletcher, the Chairman of the Republican National Committee:

"... The New Deal has cost to date seven billion dollars. Congress has authorized the expenditure of at least twenty billions more...." By this misleading statement this leader of the opposition puts the stamp of insincerity upon the propaganda that has been unleashed against the Administration. Such characteristic recklessness of statement may help to explain why the country was in such a bad condition in the beginning of 1933 and why there is no reason to hope that the leaders of the reactionary forces have learned anything from the sad experiences of the immediate past for which they are responsible.

The total outlay of the Federal Government for the fiscal year which ended June 30, 1934, was $7,105,050,-084.95, but this included $3,100,914,534.14 of ordinary expenses. That is to say, over three of the seven billions which Mr. Fletcher said the New Deal has cost, were spent for such usual and customary things as the upkeep of the Army and Navy, interest payments on the national debt and the maintenance of the regular government establishments. The impression that Mr. Fletcher gave, apparently deliberately, was that this maintenance of the Government was some new extravagance, whereas the fact is that the present Administration is actually paying less for the ordinary services of the Government than the preceding Administration did. It was plainly misleading to include these particular expenditures in the cost of the New Deal.

If we subtract these three billions, which cannot logically or fairly be called costs of the New Deal, we have

left $4,004,135,550.81. It is only fair to assume, on the basis of the record of the preceding Administration, that without any intelligent plan, without any carefully considered philosophy of administration for the greatest good of the greatest number, which is essentially what the New Deal is, a large amount would necessarily have had to be spent on stop-gap, planless public works and relief such as had been the case during the preceding Administration. Nevertheless let us err on the unfavorable side and put the cost of the New Deal for the first fiscal year at four and a half billions, in round numbers. But before analyzing this cost and balancing it with the profits which have been attained, let us look again at what Mr. Fletcher said.

He made the reckless and foolish statement that Congress has authorized the expenditure of at least twenty billions more. This figure is so far from the facts that the most charitable thing to believe is that the naïve Mr. Fletcher had something put over on him. The total appropriation above the seven billions, instead of the twenty billions, so loudly proclaimed by this opposition leader, was less than twelve billions. From these twelve billions must be deducted the money necessary for ordinary expenses, a subject that has already been discussed in connection with the expenses of the first year. In addition this sum includes two billion dollars for the stabilization fund, which is by no means an expenditure. Thus it will be seen that Mr. Fletcher's figures are more than one hundred per cent wrong.

Analyzing these figures we find that, according to the

Treasury, of the 4,004 million dollars of emergency expenditures of the Government in the fiscal year that ended June 30, 1934, 732 millions were loans. By far the greatest number of these loans was made by the Reconstruction Finance Corporation, but there were others made by the Public Works Administration, the Export-Import Banks, Subsistence Homesteads, The Commodity Credit Corporation and other such Government organizations.

In addition, approximately 831 millions represented capital stock subscriptions to such organizations as the Production Credit Corporations, Federal Land Banks and the Home Owners' Loan Corporation. These subscriptions, while highly important in the recovery program of the present Administration, are not expenditures in the usual sense. They are investments, the total of which, except for a small percentage, will be self-liquidating.

The Public Works Administration has not only made loans and grants to non-Federal public bodies but it has also granted money for construction on projects which will be federally owned. Where loans were made they were made carefully and there is every reason to believe that they will be repaid. They are not therefore rightfully included in the costs of the New Deal. In the fiscal year between July 1, 1933, and June 30, 1934, 497 million dollars were spent for capital investments on Federal construction projects. These expenditures, including, as they do, the Tennessee Valley Authority, public highways, necessary public buildings, flood and erosion control,

navigation and harbor improvements, are important and necessary undertakings which will be real assets to the country for a long time. They add to the capital wealth of the country. The value of some of these enterprises is almost as great indirectly as it is directly. The service of such an undertaking as that under the direction of the Tennessee Valley Authority cannot be measured in terms of its money profits. If it accomplishes its purpose it will favorably affect the economy of the whole country, by stimulating greatly the use of electricity and bringing the prices of electric current within the reach of millions who heretofore have not been able to buy it.

If, then, we deduct the amounts used for loans, subscriptions and permanent construction on federally-owned projects, we find that the unreimbursable emergency expenditures for the fiscal year ending June 30, 1934, amounted to 1,944 million dollars in round numbers. The seven billions upon which Mr. Fletcher built his frightening speech turn out to be less than two billions. In fact, the actual emergency expenditures for grants and administration come to less than the "profit" the Government made by its refunding operations when it went off the gold standard.

Of the 1,944 million dollars spent for grants and administration, by far the greatest part went for relief. Approximately 1,472 million dollars were spent for the work of the Federal Emergency Relief Administration and the Civil Works Administration. An additional 332 millions were spent for Emergency Conservation Work, leaving slightly over a hundred millions for grants and

administration costs of the other emergency agencies.

For the first time in its history the Government has followed sound business practice and clearly distinguished its current expenses from its emergency outlay. The Government has functioned with rigid economy and has carefully eliminated duplication and wasteful costs. For the first time since 1919 the Post Office Department has come through the year without a deficit. Postmaster General Farley has actually reported a profit of about five million dollars.

The costs of relief and the grants for public works have been made to relieve the misery inherited from the preceding Administration and to stimulate re-employment. These expenditures have sufficient justification by reason of their mere humaneness, but they have also been important in increasing the purchasing power of the country and starting business on the upgrade. The partisan accusation that the Government has wasted this money obviously overlooks the principle that a good Government is a responsible Government.

Although the preceding Administration spent more and more in the face of a diminishing income, this Administration has increased income as well as expenditures. Total Federal receipts for the fiscal year ending June, 1934, were nearly three times as great as for the previous year, or 6,089 million dollars. This increase was made possible, not only by an increase in tax receipts, but also very largely by the profit to the Government resulting from the devaluation of the currency. This action was in complete harmony with the general

political theory of the present Administration and this financial gain may properly be set over against the cost of relief, and the grants made for public works.

The history of budget deficits in 1931, 1932, and 1933 shows that sound government finance is impossible when industry and agriculture are languishing. Tax receipts can come from no source other than the national productive machine. Therefore it is clear that when that machine is functioning badly, government income begins to fall. Nor is it always possible to remedy such a situation by increasing tax rates. The law of diminishing returns is as valid for the tax collector as for the farmer. The present Administration early realized that the Government's financial position could not, in such exceptional conditions as those of 1933, be corrected simply by straining every nerve to wring higher taxes from a stricken people.

The great objective of President Roosevelt and his Administration was to bring into fruitful use the latent credit and confidence of the American people, and to use this credit and confidence to set the wheels of industry again to turning. By this means the President has been able to insure that goods would be produced and that the national income would begin to increase. This meant increasing Federal expenditures but it also meant that Federal receipts would necessarily rise. Heroic measures were necessary if the national life, for which the Roosevelt Administration assumed responsibility, was not to be allowed to sink ever lower in the morass of inaction and hopeless waiting for the tide to turn.

There is already evidence that these measures are bearing the expected fruit. When we compare the collections from the tobacco tax and the income tax during the last two years we see clearly the change in the trend. Tax collections, instead of becoming less as they had in the preceding years, went decidedly up.

The collections from the tobacco tax increased from $402,739,059 in the fiscal year ending June 30, 1933, to $425,162,129 in the fiscal year ending June 30, 1934. The rate of the tax was the same for both years.

The effect of the Recovery Program is again illustrated by a comparison of the figures for income tax collections in the two years. As tax collections largely apply to incomes made in the previous calendar year, it is necessary to compare the collections of the first six months of each year. The figures for corporation and individual income tax collections during the first six months of the calendar years 1933 and 1934 were as follows:

	1933	*1934*	*Increase*	*% Inc.*
Corporation	$180,931,460	$233,272,958	$52,341,498	28.9
Individual	222,692,485	266,917,668	44,225,183	19.9

The large increase in both categories of income tax collections is particularly significant when it is realized that President Roosevelt's program was started only in March, 1933. The figures given for 1934 above cover tax collections from incomes made in 1933, whereas the figures given for 1933 refer to tax collections from incomes made in 1932.

Encouraging figures showing increased revenue need

not be restricted to the Federal Government. Reports from municipalities all over the country indicate the same trend. An article by the Associated Press in *The New York Times* of August 13, 1934, describes the change which has come over the finances of the various municipalities. The article carries numerous specific examples of this improvement, but only the first few paragraphs will be quoted here:

> "The books of the nation's municipalities are being written in black ink once more. From all sections of the country today came reports of the brightest outlook for city financial affairs in the last few years.
>
> "The new state of affairs reveals generally lowered interest rates on both renewed and new bond issues, with some even selling at premiums; lowered outstanding indebtedness, repayment of back salaries and in numerous cases restoration of salary cuts.
>
> "Back of the intensive struggle to effect the transfer on the municipal books from red into black stand in bold relief balanced budgets, strict economies rigidly enforced, and more recently increased tax collections."

The expenditures of the Government should therefore not be thought of as scattered doles, but as a definite part of a broad policy to revive industry. It is much like priming an old-fashioned pump. In cold weather you can work the handle up and down until you are tired and still not a drop of water will come. But if you will pour warm water down that pump then you can get all the water you want. The Federal public works program, we believe, will have this same effect. By pour-

ing money down the pump to prime it we will start the returning flow which will mean better times and greater prosperity.

We have seen how, once a depression gets under way, one factor reacts on another to make it become cumulatively worse. When such a situation develops the best known way to prevent a drastic and long-continued decline is for the Government to put money into circulation and thus improve the purchasing power of the people who have been stripped to the hide by the crushing economic collapse.

Once money is put back into circulation, provided the Government is bold enough and plans its expenditures intelligently, this depressive process is reversed and things become cumulatively better instead of worse. This is the real justification for the expenditures under the New Deal, along with the human justification of relieving present misery. By spending now we not only give immediate relief, we clear the cobwebs out of our factories, make our banks solvent and give the people of the country jobs whereby they may once more earn decent livings.

Those who sneer at such a program and encourage the people to discontent or worse by a distortion of the facts, should remember that all they have been able to propose as an alternative is a planless and defeatist return to costly chaos. Present expenditures are large and they must be repaid, but considering the relief they are paying for today and the construction which they are providing for the future, the cost is not excessive and is fully justified. The money changers would like again to

enter the temple. They seek to do so by attempting to persuade the people that dollars are more valuable than life today or happiness tomorrow. Fortunately we Americans prefer an orderly evolution under President Roosevelt to reaction and then perhaps revolution under a group of selfish men who never think of liberty until their special privileges are in danger.

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CHAPTER SEVEN

THE NEW DEMOCRACY

IN ALL the planning and co-ordinating that the Government is doing and may do, it should be understood that the interests of no one group are being considered above those of others. Planning will be in behalf of the so-called working classes and of the industrialists, in the interest of the farmers and of the financiers, but for none to the exclusion of the others. So far the United States has largely escaped the rigid classification according to economic interests which has occurred in other parts of the world. There are schools of thought which would superimpose upon us the various doctrines and dogmas of class warfare and economic dictatorship which have arisen elsewhere. These would-be imitators of exotic political systems are of such narrow vision that they cannot see the true American facts because of their enslavement to European theories.

In America we have always prided ourselves on being workers. We have no leisure class to speak of, and no sharp lines of economic demarcation between various groups. We have had sectional and racial conflicts but to a very small extent have our troubles been due to class differences. Theoretically, and to a remarkable

degree in actual practice, we have insisted upon equal opportunities, with the result that the best equipped, regardless of origin or wealth, has won the preference. Unfortunately, the laissez-faire theory has impeded the free working out of the truly American system. But with the present realization of the social responsibility of government, fundamental American ideals should be more and more realized and whatever conflicts of class now exist should in time disappear.

Government planning must be for all the people, that is for the greatest good of the greatest number. To put it into economic language, planning should be for the consumer. The major part of the activity of all of us is that of consuming. It is as consumers that we all have a common interest, regardless of what productive work we may be engaged in. In the pioneer stages of our development it was only natural that the emphasis should have been upon our productive activity rather than upon our interests as consumers. In those times we produced what we could and consumed what we had. But in a day when there is plenty, when production in some directions is being curtailed rather than expanded, we are in a position to live lives of greater comfort and leisure.

With the development of technological improvements, the time necessary for men to labor in order to produce what they need is shortened. But industry has rarely, if ever, voluntarily granted to workmen shorter hours and better working conditions. Believing that men should work to live rather than that they should live to work, employees have waged long and frequent bat-

tles to win the right to fuller and richer lives. The result has been that not only have hours per day decreased, but now it is not uncommon for workers to be free on Saturday afternoons or even the whole of that day. A still further limitation of working hours is in prospect.

It takes longer now for a youth to prepare for his work than it did a generation or two ago. More children go through high school and college than ever before. More are given a foundation for a fuller life rather than merely a preparation for a certain trade. The present tendency is in the direction of greater emphasis on the consumption of wealth, on happiness in this life.

Not only at the beginning of life but at the end of it has the earning span been shortened. Often this latter circumstance has been a disadvantage to the individual worker who, past middle age, finds himself cast out and supplanted by a younger man. A system of old-age pensions will more equitably distribute the benefits resulting from technological improvements, and will allow the great mass of the people to enjoy their old age in decency and security.

It is the desire of most of us to enjoy a happy and a fruitful life. We strive not for the sake of the striving but in order to obtain the benefits of civilization for ourselves and our children. We work in order to earn so that we may consume. We are willing to work and produce, but most of us would like to spend less time in drudgery and more in the development of ourselves and the enjoyment of our fellows. We know now that

this is possible if our society is so organized as to permit it. The political goal of all of those who yearn for a better life should be a responsible government devoted to the planning of our common welfare.

Strangely enough, there are men who will fight, as there have ever been men who have fought, to prevent a desirable social advance and a broad economic improvement that will raise the general average of life. These men would not avow it, at least publicly, but they believe in wealth and political power concentrated in the hands of a powerful oligarchy, so long as they can be members of that oligarchy. They sneer at democracy and do not hesitate to corrupt it to serve their own ends. They proclaim that leisure will only be misused by the generality of men; that therefore it is better to keep men, women and children with their noses to the grindstone. Education should be reserved only for their own class and for sycophants who can be counted upon to serve that class. Least of all should brains be called to the service of the Government. Human beings, like mines and factories and oil wells, should be made to yield to their exploiters the greatest possible profit for the least possible outlay of money. Even the church they regard as an instrument for their own personal aggrandizement. God, to their way of thinking, is on the side of the largest contributors, and they are willing to invest in an institution that is content to confine its efforts to persuading men here meekly to endure economic injustice and social submergence through fear of everlasting punishment or hope of eternal happiness beyond the

grave. These men are strongly entrenched. While they constitute only a small minority, they are no mean foe. Possessed of great wealth, able to muster powerful political support, buttressed by special privilege, and boasting social prestige, they are prepared to fight to the last to retain the advantages that they have unjustly seized for themselves.

In order that the Government may adequately plan and efficiently administer a program that will be devoted to the common good, it will be necessary for it to employ the very best brains available. Our colleges and technical schools will be taxed as they have never been before to produce able men who can think into the future and who are endowed with a social conscience that will make them eager workers for the better development of our great country.

Some people are highly critical of the present Administration for its use of the best talent it can find. These critics remind one of incorrigible little school boys who make up for their own intellectual deficiencies by sticking out their tongues at those who out-grade them. The attempt to make the expression "brain trust" one of opprobrium and reproach is significant in another respect. It demonstrates what a low estimation is placed upon the intelligence of the American people in certain quarters. I wonder if in any other country in the world that considers itself civilized, especially if it happens to be a democracy whose very existence must depend in the final analysis upon an educated electorate,

such an issue could for even an hour survive the laughter that would greet its enunciation.

Bear in mind that the attacks upon "brain trusters" are written by highly trained and highly paid experts who have sold their intelligence in the market place in order to prove what a handicap intelligence is. When a man of brains tells you to beware of the "brain trust" do not argue with him, search him. You may find the reason for his views in his pocket.

There could not be a worse time to denounce the use of intelligence, without which our democracy cannot survive. What could give greater aid and comfort to our enemies than the adoption of the policy that America would henceforth discontinue the use of brains in its affairs?

It is difficult to believe that it is honestly proposed by critics of the use of trained intelligences in government that we should turn over our affairs at this crisis to those who regard statesmanship as the art of covering up a little knowledge by the use of big words and abundant quotations from famous men. Is it seriously suggested that the grave social and economic questions now pressing for solution can be solved wisely only by men who are lacking in expert knowledge or special training on political and social issues? Would one call in even the most efficient locksmith to draft a will; or insist that a major operation would result fatally if performed by anyone except a lawyer? Merely to state such a proposition is to demonstrate its absurdity.

The "brain trust" issue is deeper than it seems or than

those who attack brains in government will admit or perhaps even realize. There are many in our day, just as there have always been, who do not like democracy, who mistrust it, who do not wish it to succeed. When they see the mass of the people using intelligence or following intelligent leadership in the common interest, these enemies of democracy cry out in pain. They are not afraid of a corrupt or an ignorant government for experience proves that they can bribe or checkmate such a government. But an intelligent democracy, equipped with the best brains available—that is indeed something to be feared. To quote a former President of the United States Chamber of Commerce: "The best public servant is the worst one. A thoroughly first-rate man in public service is corrosive." [1]

Perhaps it is on this theory that some people think it is justifiable to work off their weak-minded relatives on the Government. There are politicians who feel that it is an inherent part of their privilege to find soft spots in the public service for their sisters and their cousins and their aunts. There are some who do not hesitate to try to promote their own local popularity by loading onto the Government some ne'er-do-well relative of an influential person back home. Until the people of the country rise up and support the Administration in its fight against such practices, we shall always be retarded by inefficiency. In the light of the above-quoted opinion of the former President of the United States Chamber of Com-

[1] "A Plea for Inefficiency for Government," *The Nation's Business*, Vol. 16, p. 20.

merce, there may be more than mere nepotism and political jobbery in the continuous effort to dump duds and defectives onto the Government.

After all, I suspect that what those who decry the use of brains in government fear is not brains as such, but brains that are used for the benefit of the masses of our people instead of for the privileged few. They want brains without heart, brains without soul, brains without conscience, brains without any sense of social responsibility. They want brains that, if they cannot be bought or bullied, are content to lead a quiet existence remote from the practical affairs of life. Those who are using the term "brain trust" as an opprobrious epithet are apprehensive that brains will discover some means of putting an end to that unfair privilege which has resulted in the aggrandizement of the few at the expense of the many. They resent brains that are intent upon forging an improved social order that will mean real equality of opportunity for every man, woman and child in the United States. They are fearful of brains that have undertaken to redress the social and economic abuses which we have too long endured and thus bring about the dawn of a better day, of a happier life for us and for our children.

Business has always used the best brains available and the bigger the business, the greater its reliance upon brains and the greater the reward it is willing to offer for first-rate brains. Business has never insisted that only fools should conduct its affairs. Business employs the keenest brains available, nor does it worry about what

institution those brains come from. Great business enterprises maintain laboratories for which the boast is made that they outrank comparable laboratories in the greatest universities in the land. Realizing the benefit of brains to their businesses, they outbid the colleges and universities for outstanding men. Brains are employed by banks, by railways, even by Wall Street—as good brains as America can produce. Business hires our lawyers, our doctors, our geologists, our physicists, our chemists, our economists, our business experts. Business has no objection to brains so long as brains will help to fatten profits. A "brain trust" that will jump to the service of business when a button is pressed is a praiseworthy institution. But when the United States Government uses brains to protect the people against special privilege, intelligence all at once becomes a thing that is suspect. It is quite all right for a big trust to trust brains, but if the people trust brains, that constitutes a "brain trust," something to be anathematized and feared.

The same interests that tried in vain to throw the public into a panic over the "danger" of employing trained minds in public affairs are now attempting to make an issue of "bureaucracy" without, apparently, realizing that their two issues are self-contradictory. Surely bureaucracy is an object of greater concern when the officials manning it are stupid than when they are trained and capable. It may be that these confused critics are thinking of the difficulties which a responsible and planning government would be in if it were run

by such men as it has been the custom of previous Administrations to employ. The introduction of a few highly educated people into the service would not be so conspicuous as it is if the standards had not been so low prior to 1933.

One of the strangest arguments against an intelligent government service and its program that calls for the mature consideration of all of the people is that fundamental rights are being interfered with and democracy destroyed. No criticism could be more false or hypocritical. The very people who would curry public favor by shouting "liberty" and "democracy" are the ones who have been busy undermining our institutions and insidiously destroying our liberties.

What these people want is democracy in name but control by the same sixty-nine industrialists who exerted such influence under the preceding Administration. While admitting that everyone has just one vote, would anyone suppose that the voice of a tenant-farmer has carried the same weight in public affairs as that of a Wall Street financier? A true democracy is one that gives every person an equal voice in deciding political issues.

Pure democracy in its original form meant the actual calling together of all the people so that they might decide some political issue. For instance, in the Swiss canton, democracy actually functioned in such a way. In the early history of our Republic, when most of our forefathers were farmers with common interests, citizenship meant comparative equality. Government was, to be sure, less democratic than in the Swiss canton but

it was, nevertheless, a nearer approach to democracy than any other country of comparative size had ever expressed before.

With the growth of wealth that followed the machine age and the development of industrialism, the semblance even of equality has passed away until the greatest extremes exist. A subsidized and controlled section of the press demands "freedom" to persuade the people to buy injurious products, and to accept the leadership of exploiting profiteers against the better interests of the country. What is meant by "freedom," under such conditions, is the freedom of all the people to vote the way the powerful interests dictate. But such a system works only so long as people as a general proposition are prosperous. When times turn bad the voters follow their convictions rather than defer to their employers and to self-seeking leaders.

This trend of our political system bears an interesting analogy to corporate development. Just as democracies started in a simple and intimate way so did our corporations. In a manner comparable to the voting of a Swiss canton the shareholders of a New England whaling expedition would meet and discuss the policies to be pursued. Ownership of stock in the company meant the right to vote on the policies as well as to share in the profits. It was a clear, simple arrangement in which every interest could easily participate.

But with the increase in size of corporations during the last fifty or sixty years the simplicity of the old arrangement became lost. As Berle and Means show in

their brilliant book, *Modern Corporation and Private Property*, owning shares no longer means a participation in control in the same sense that it once did. Control now is all too frequently in the hands of the directors who in the aggregate may not even own a majority of the stock and who may or may not use their power for the best interests of the shareholders. This situation has been made possible by the size and great complexity of the large corporations. People in all parts of the country own stock in a single corporation. There are, in one instance, 567,694 shareholders in one corporation. It is obvious that a personal meeting of this group to decide upon policies would be impossible. Yet the alternative, where stockholders have not lost their voting power, is still the simple system of signing proxies which permit the control to be exercised by a small group who select officers and directors and dictate policies. So while the forms have been preserved, the actual process has been completely changed. People still own stock as they used to, they still receive dividends, sometimes, but, generally speaking, they have lost the control of their own properties.

Berle and Means have described this condition as a division into active and passive control. That is to say, the real control is in the hands of the small group of directors and officers while the shareholders usually are content merely to receive quietly whatever dividends they are lucky enough to get. In fact as stockholders they act very much as they do as voters. So long as dividends are fairly regular and satisfactory, they sign

whatever proxies are sent to them and follow the corporate lead. But if dividends stop entirely or if the value of their shares begins seriously to decline, then there is a real chance that the shareholders will become aroused, disregard the admonitions of the directorate, organize their own proxy representation and change the active control. The voters go through much the same process. If times are prosperous they will follow stupid or even venal leadership. High taxes will be paid uncomplainingly. Incompetency or graft or corruption they will not permit themselves to bother about. They are even remiss about voting. But in times of crisis, such as we are working through, they take a keen interest in government. High taxes enrage them. They demand economy and efficiency in the conduct of their affairs. They flock to the polls to destroy incompetent or venal officials. They act, not always judiciously, but with desperate power.

A weak and badly manned government becomes more and more dominated by powerful corporations. The only alternative to this condition has often been declared to be control of Government by the workers. But I do not agree with this contention. To exchange control by one element of our producers for control by another does not seem to me to offer any way out. What we must have is a strong government that represents all of the people and so is free to work in the interest of all.

Sectional and class differences must give way for the good of the people as a whole. Now that we realize the importance of co-operation and the interdependence of

all the people, it is urgent that we supplant diverse interests with an integrated nation. As consumers we all have a common goal. In the achievement of that goal there should be no bitterness or hatred to divide us, except so far as those people who are dealing unfairly with the rest of the population are concerned. Such people are a small minority, but they are to be found in every class and in every section of the country. They must be stamped out regardless of their origin or status.

Gangsters, racketeers, profiteers and chiselers cannot be allowed to hamper or prevent the proper organization of the modern state. The intricate workings of an economic system such as ours are too delicate and fine to be exposed either to the unscrupulous or to the stupid. Control over these desperadoes, of all types and classes, of both high and low degree, must lie in the Government and that control must be firm and unrelenting in the interest of the people as a whole.

As the welfare of the people becomes more and more dependent upon the proper working of Government, as it undeniably does as our economic system becomes more and more involved, it becomes increasingly important for the Government to have in its service the best talent available and to contrive with that talent for the best use of the country's resources. That best use must always have as its aim the greatest good of the greatest number of citizens.

There is no danger in a strong government so long as it works unselfishly and disinterestedly for the whole people. The people should be careful to elect competent

and patriotic officials. They should keep a firm hand on the broad policies of government so as to safeguard their liberties and make sure that affairs are being conducted in their own interest, leaving the details of management to the Administration.

It has long been a trick with many politicians to befuddle the voters with false and silly issues, so as to becloud the important underlying economic problems. Thus in the past we have had sectional hatreds, race hatreds, religious hatreds, and, to a certain extent, class hatreds, fomented for political purposes. Public officials, no matter how conscientiously and effectively they may be serving the people, are besmirched and vilified. Usually such issues are not in themselves real or important. They are raised merely as a smoke screen to shield the sinister purposes of some group which wishes to gain power for selfish reasons.

Now we are confronted with the sardonic spectacle of the very people who have most abused the democratic system complaining that democratic principles are being violated. Individuals who heretofore have sneered at democracy and in private have uttered the blasphemy "the public be damned," now profess to see in the Government's attempt to secure comfort and prosperity for all the people an "attack on the Constitution."

As we seek to perfect a system that works for all the people and evolve an improved democracy for the common good, the special interests will become more and more violent in their attacks. We may expect it; more, we should welcome it as conclusive evidence that at last the

Government is doing its job in the spirit of Jefferson and Lincoln. And the job in question is the management of the affairs of the United States for the greatest good of the greatest number of its people.