A PROGRAM
for
A DYNAMIC AMERICA

A Statement of Republican Principles

"The public good, the real welfare of the great body of the people, is the supreme object to be pursued, and no form of government whatever has any other value than as it may be fitted for the attainment of this object."

—*The Federalist*



REPORT OF
REPUBLICAN PROGRAM COMMITTEE
Submitted to
REPUBLICAN NATIONAL COMMITTEE
16 February 1940

TABLE OF CONTENTS

PAGE

Letter of Transmittal . . . . . .

FOREWORD 1

EUROPEAN WAR AND AMERICAN POLICY 3

AFTER SEVEN YEARS OF NEW DEAL CONTROL 6

THE NEW DEAL MISUNDERSTANDS ECONOMIC AMERICA . 10

THE REPUBLICAN POSITION 17

TOWARDS A *Foreign Relations* PROGRAM 26

TOWARDS A *Labor* PROGRAM 31

TOWARDS A *Farm* PROGRAM 44

TOWARDS A *Business* PROGRAM 59

TOWARDS A *Fiscal* PROGRAM 74

TOWARDS A *Social* PROGRAM 87

CONCLUSION 109

CLUES TO THE ARGUMENT

PAGE

FOREWORD 1

THE FOUR-YEAR TURN IN THE ROAD—A LONG RANGE LOOK AT THE WELL-BEING OF THE PEOPLE—VESTED INTEREST IN IMPROVISED POLICIES—THE DIFFICULTY OF BEING OBJECTIVE—THE DUTY OF THE OPPOSITION—THE FOUNDATIONS OF NATIONAL POLICY

EUROPEAN WAR AND AMERICAN POLICY . . 3

A CALL TO CALM JUDGMENT—WHEN WE ENTERED THE WORLD WAR—THE DECISION IS GRAVER NOW—IF WE ENTERED THIS WAR—WHEN WAR IS OVER—A PEACEFUL NATION PREPARED FOR PEACE

AFTER SEVEN YEARS OF NEW DEAL CONTROL 6

WE WERE READY TO RISE—THE NEW DEAL PROSPECTUS—A LOOK AT THE BALANCE SHEET—SIX YEARS BEFORE THE NEW DEAL AND SIX YEARS OF THE NEW DEAL—WE TRAILED THE WORLD IN RECOVERY—SEVEN YEARS OF TEMPORARY UPSWINGS—WHY DID WE TRAIL THE WORLD?

THE NEW DEAL MISUNDERSTANDS AMERICA . 10

THE REASON WHY THE NEW DEAL HAS BEEN AN ECONOMIC FAILURE—IT TRIED TO PROMOTE SOCIAL LIBERALISM WITH ECONOMIC REACTION—AS BIG GOVERNMENT IT COPIED THE LEAST ENLIGHTENED POLICIES OF THE OLD BIG BUSINESS—IT BECAME OBSESSED WITH ITS THEORIES OF STABILITY—IT NEGLECTED TO FOSTER GROWTH—IT BELIEVED ECONOMIC AMERICA WAS RUNNING DOWN—IT TURNED ITS BACK ON THE EXPANSION OF ENTERPRISE—IT BEGAN TO REDISTRIBUTE THE FRUITS OF EXISTING ENTERPRISE—ITS ECONOMIC PHILOSOPHY HAS BEEN DEFEATIST—ITS ECONOMIC POLICIES HAVE BEEN REACTIONARY

PAGE

THE REPUBLICAN POSITION 17

NEW DEAL DEFEATISM IS OLD—IT HAS ALWAYS PROVED FALSE BEFORE—WE HAVE MORE FRUITFUL FRONTIERS THAN EVER—A SLOWER POPULATION GROWTH DOES NOT MEAN STAGNATION—THE NATION'S PLANT IS UNDERBUILT—NEW ENTERPRISE IS IN SIGHT—EXPANSION IS POSSIBLE IF WE DO NOT BLOCK IT—THERE ARE AMPLE INVESTMENT OPPORTUNITIES—THE WORLD DID NOT BEGIN OR END IN 1929—WE DO NOT NEED A NEW SYSTEM—WE NEED TO REVITALIZE THE UNIQUE CREATIVE POWER OF POLITICAL LIBERTY AND PRIVATE ENTERPRISE IN COMBINATION—OUR PRIVATE ECONOMY HAS NOT COME TO A DEAD END

TOWARDS A FOREIGN RELATIONS PROGRAM . 26

REALISM AND FLEXIBILITY IN FOREIGN POLICY—POLITICAL AND MILITARY WORLD TRENDS—KEEPING OUT OF WAR—THE DEFENSE OF THE WESTERN HEMISPHERE—KEEPING THE RECORD CLEAR—ECONOMIC WORLD TRENDS—AN AMERICAN POLICY THAT WILL PROTECT AMERICA AND STAND READY TO CO-OPERATE IN FACILITATING WORLD TRADE

TOWARDS A LABOR PROGRAM 31

THE EXPANSION OF ENTERPRISE AS THE WORKER'S HOPE—FOUR GOALS OF AMERICAN WORKERS—LABOR POLICY AS PART OF NATIONAL POLICY—THE RIGHT TO ORGANIZE AND TO BARGAIN COLLECTIVELY—THE NATIONAL LABOR RELATIONS ACT AND BOARD—AMENDING THE NATIONAL LABOR RELATIONS ACT—THE DETERMINATION OF WAGES AND HOURS—REAL WAGES FOR LABOR—CUSHIONING THE EFFECT OF RAPID TECHNICAL CHANGE—TRAINING SKILLED WORKERS—OPEN DIPLOMACY BETWEEN MANAGEMENT AND LABOR—STAMPING OUT LABOR RACKETS—A FREE LABOR MOVEMENT—THE WORKER'S STAKE IN THE NATIONAL ECONOMY

TOWARDS A FARM PROGRAM 44

DEFINING THE FARM PROBLEM—SEED-BEDS OF THE FARMER'S DIFFICULTIES—THE PROBLEM OF PARITY—WE HAVE TRIED MANY POLICIES—POLICIES THAT ARE UNSOUND FOR THE LONG-HAUL—A LOOK AT THE RECORD—EXPANDING THE MARKET VERSUS REDUCING THE OUTPUT—TARIFFS AND THE FARMER'S DOMESTIC MARKET—INDUSTRIAL USE OF FARM PRODUCTS AND THE FARMER'S MARKET—BETTER MARKETING ORGANIZATION AND THE FARMER'S MARKET—TRANSPORTATION COSTS AND THE FARMER'S MARKET—MARGINAL LANDS AND THE FARMER'S MARKET—SOIL CONSERVATION—RECLAMATION AND THE SURPLUS PROBLEM—CROP LOANS AND ORDERLY MARKETING—FARM LOANS AND TENANCY—ACREAGE CONTROL—UNTIL BASIC POLICIES BEGIN TO REGISTER THEIR EFFECT

PAGE

TOWARDS A BUSINESS PROGRAM 59

TWO LEADERSHIPS OVER-SIMPLIFY THE RELATION BETWEEN GOVERNMENT AND BUSINESS—WHAT KIND OF BUSINESS SYSTEM DO WE REALLY WANT?—THIS IS FREE ENTERPRISE—OBSTRUCTIONS TO FREE ENTERPRISE—GOVERNMENT INTERVENTION IN BUSINESS—THE GOAL OF BUSINESS REFORM—GOOD AND BAD REGULATION—NEW ENTERPRISE MUST NOT BE THROTTLED—WATCH THE SECONDARY RESULTS OF REGULATION—IF REGULATION IS TO STIMULATE RATHER THAN REPRESS—GOVERNMENT COMPETITION—GOVERNMENT SHOULD WATCH THE BURDEN BEARING CAPACITY OF BUSINESS—GOVERNMENT AND THE MORALE OF ENTERPRISE

TOWARDS A FISCAL PROGRAM 74

THE BUDGET OF GOVERNMENT IS THE SERVANT OF THE BUSINESS OF GOVERNMENT—EXPENDITURES AND SPENDING—SPENDING FOR RECOVERY—NATIONAL CREDIT AND THE BUDGET—THE TAX MUDDLE—FEDERAL TAX ADMINISTRATION—NEW DEAL TAXES — RECOMMENDATIONS — MONEY AND BANKING — THE THREAT OF INFLATION—BANKING AND FINANCE

TOWARDS A SOCIAL PROGRAM 87

WHY THE SOCIAL PROGRAM IS AT THE END OF THIS REPORT—THE FORGOTTEN MAN AND THE FORGOTTEN FACTOR—SOCIAL OBJECTIVES BEYOND PARTISANSHIP—RELIEF AS A RESPONSIBILITY OF GOVERNMENT—RELIEF UNDER THE NEW DEAL—THE DANGER IN OVER-CENTRALIZED RELIEF—DISCRIMINATION BETWEEN GROUPS OF CITIZENS—NEW DEAL RELIEF COSTS—A REPUBLICAN ALTERNATIVE—IN FAIRNESS TO THE AGED—UNEMPLOYMENT COMPENSATION—HOUSING AND HUMAN LIVING—THE MAGNITUDE OF THE HOUSING PROBLEM—THE ROLE OF GOVERNMENT IN HOUSING—TOWARDS ACTION IN HOUSING—FOR A HEALTHIER AMERICA—THE PEOPLE'S GOVERNMENT AND THE PEOPLE'S HEALTH—THE FACT OF NEED—HOW SHALL THESE NEEDS BE MET?—LINES OF POSITIVE ACTION—BEYOND A HEALTH PROGRAM—THE SOCIAL SERVICES AND THE FEDERAL BUDGET—STATE ACTION AND SOCIAL ACTION

CONCLUSION 109

THE OBJECTIVE OF THIS REPORT—THREE SOURCES OF NATIONAL RENEWAL—CRISIS GOVERNMENT—YOUTH AND RECAPTURED OPPORTUNITY—SAFEGUARDS TO FEDERAL POWER—GOVERNMENT REORGANIZATION—THE SOIL OF THE CIVIL LIBERTIES—TOWARDS NATIONAL UNITY—THE NEW DEAL AND THE PRESSURE GROUPS—PRINCIPLES WE DARE NOT FLOUT

LETTER OF TRANSMITTAL

1 February 1940

The Honorable John Hamilton,
Chairman of the Republican National Committee,
Washington, D. C.

My dear Mr. Hamilton,

I hand you herewith the report of the Republican Program Committee.

The Program Committee was created by action of the Republican National Committee on November 5, 1937. The method of selecting the membership of this Committee and the nature of the commission given it were defined in the following paragraphs from the resolution of the National Committee creating it.

> "The membership of said Committee on Program shall be chosen, after consulting with Republican members of the Congress and other leading Republicans, by the Executive Committee of the Republican National Committee, which shall also designate the Chairman of said Committee on Program.
>
> "In the preparation of its report the Committee on Program shall ascertain as fully as possible the various views held by the rank and file of the Republican Party, its national and local leaders, including auxiliaries of men, women, and youth, upon such questions as may properly come before it for consideration. In order that adequate representation may be given to all elements of substantial

importance, said Committee on Program is hereby granted the power and authority to augment its membership from time to time as it may deem wise and necessary."

The Executive Committee, in a four day session, December 13-16 of that year, appointed to membership on the Program Committee, from a list of some 1,600 recommendations, some 200 Republicans representative of the varied regions, occupations, and interests of the nation.

The organization of the Program Committee was completed on March 1, 1938.

The fact that the Committee was so large and so widely distributed geographically made frequent meetings of its entire membership impracticable. And the emphasis which the National Committee placed upon the importance of consultation with the rank and file of the Party meant that much of the work of the Committee had to be done "back home" in the states.

In keeping with the nature of the Committee and the nature of its commission, its membership was organized into nine regional groupings, with a chairman and assisting officers in each region. At one time or another, during the first year, some fifty regional sub-committees were set at work on major problems. These sub-committees not only dealt with the data relevant to these problems, but conferred widely with the rank and file of Republicans and with leaders of labor, agricultural, business, professional, and social groups in their respective regions.

The results of these preliminary explorations were reported to a meeting of the whole Committee at a five-day session in August, 1938. At this session, specially equipped persons, representing a wide range of views, addressed and participated in the discussions of a series of round-tables, in which the Committee considered varied points of view respecting national policy.

After further work by the regional organizations and their sub-committees in group discussion and the sounding of opinion, regional drafting committees were appointed to prepare

tentative drafts of a total program which would reflect what the several regional groups thought would constitute an intellectually honest, economically sound, and politically effective basis of Party action.

As each drafting committee completed its work, its draft was submitted to the membership of the region. With such revisions as the reactions of regional memberships produced, the completed drafts were transmitted to the headquarters of the Committee, where they were analyzed, correlated, and the net result of the combined conclusions reported to the Executive Committee of the Committee as a whole.

Thereafter the results of all the work of the regional subcommittees and the recommendations of the several regional drafts, supplemented by the data assembled and studies made in the Committee headquarters, were utilized in the formulation of the report herewith submitted.

This report has been submitted by mail to all the members of the Program Committee. Each member was asked to register general approval or disapproval of the report and was invited to submit, in the case of general approval, any individual difference of judgment on special aspects of the report. All the letters and telegrams expressing approval or disapproval of the report, together with their expressions of individual judgments on various parts of the report, are to-day submitted to you, in supplement of this report, as giving further and more detailed insight into Republican opinion throughout the nation.

In so widespread an inquiry on so wide a range of issues, it is not to be expected that complete unanimity of opinion will prevail in a large and diversified group. The degree of unanimity on the greater part of the major issues affecting the country which is reflected in the judgments expressed in the letters and telegrams submitted to you, however, is heartening and impressive.

The report comes to you with the clear majority approval of the Program Committee as indicated by the accompanying letters and telegrams.

In the judgment of the Chairman and Executive Committee, the report faithfully reflects that consensus of rank-and-file Republican opinion which the Republican National Committee directed the Program Committee to secure and record.

Respectfully submitted,

GLENN FRANK,

Chairman.

FOREWORD

At four year intervals we pass judgment upon the administration of our national affairs and broadly determine policies for the future. The next formal exercise of this right will take place in less than a year. It is time, therefore, to begin appraisal of our current position so that we may soundly decide whether we should continue in the direction in which we have been moving for the last seven years.

Any responsible answer to this question must be based upon a long-range consideration of the well-being of the American people as affected by public policies of government, private policies of business, and trends of policy and action elsewhere in the world.

It is never easy, even in normal times, to focus wide attention on long-range considerations of national policy. We tend to wait until a crisis is upon us and then hastily devise some expedient for dealing with it. The party in power soon feels a vested interest in the emergency policies it thus formulates. Its prestige becomes dependent upon maintaining them even after their futility may have been demonstrated. All the arts of politics are employed to identify the improvised expedients with the welfare of the people or the national destiny. Any questioning of their soundness is officially assailed as against the common good.

This makes it difficult, even for the opposition, to deal objectively with the problems involved, but, under our two-party system, it is the duty of the opposition to appraise the policies of the party in power and, where basic disagreement exists, to restate the principles upon which, in its judgment, effective national policies must be based. As part of this process of

appraisal and restatement, the Program Committee, in fulfillment of the commission given it by the Republican National Committee, submits this report.

The Committee does not attempt to write a platform. That responsibility rests upon the National Convention. Extensive detailed materials covering all the issues and policy suggestions indicated in this document will be submitted separately for the use of the Resolutions Committee charged with the drafting of the platform. In this document, the Program Committee undertakes to reflect its analysis of the philosophy, policies, and actual results of the present administration and to throw into contrast thereto what, in its judgment, should be the guiding principles of national policy for dealing with the problem of getting our national economy into sustained high gear so that we can realize full employment of our men, our money, and our materials, a progressive rise in our living standards, and an increased security for our people.

Long-range consideration of national policy is made doubly difficult today by the drastic dislocations in Europe and the Far East and by the conflicting political and economic trends which are paralyzing so much of the world's life. Unless by sheer act of will we prevent it, this abnormal world situation is likely to distort our judgment and divert our attention from those basic issues of domestic policy which finally will make or break us as a people.

Despite this difficulty, the Program Committee has here undertaken to give objective consideration to the foundations of the domestic and foreign policy of the United States.

EUROPEAN WAR AND AMERICAN POLICY

It is imperative that nothing be permitted to unsteady the judgment of the American people or their leaders in dealing with the delicate issues raised by the European conflict.

Under existing circumstances, there are compelling reasons why Americans, regardless of party, should support every effort, consistent with our national security and the safeguarding of our liberty and welfare as a people, to keep the United States out of this war.

A Graver Decision Than in 1917

We are still suffering the after-effects of our involvement in the World War. Our plunging into this war would far more seriously affect our future as a nation. The decision that now confronts us is graver in its implications than the decision that confronted us in 1917, because our own internal situation is radically different.

When We Entered the World War

We entered the World War in 1917 with our domestic affairs in good condition. The income of the people was not unduly burdened by taxation. The national debt was negligible. The federal credit was not under strain. There was no reason then to question the survival either of our economic system of free enterprise or of our political system of representative self-government. And the Wilson leadership under which we entered that war was so unqualifiedly committed to the principles of democratic self-government and free enterprise that there was no reason to fear giving it the fullest war powers and

no reason to doubt that it would willingly relinquish its emergency controls over American life and enterprise at the end of the war.

This is not the situation to-day!

If We Entered This War

We are still economically crippled from our venture as belligerent and creditor in the World War and from the depleting years of depression that have followed. Our domestic affairs are far from a state of health. Our economic system has been under the oxygen tent of government spending and made work for seven years. The people are burdened with a back breaking load of taxes. The national debt is at an all-time high. The federal credit is in no condition to have added to its already unprecedented obligations the colossal costs of participation in a European war.

When War is Over

Under these circumstances, it is highly questionable whether either our economic system of free enterprise or our political system of representative self-government would survive participation in a European war. The post-war economic chaos that would follow our participation in this war would make the case for iron-fisted control from the center highly plausible to a war-weary people. And if we participated in this war under a leadership which, in peace time, seeks to centralize virtually all power over the enterprise of the nation in the federal government and its executive, it is reasonable to assume that, at the end of the war, such leadership would be reluctant to surrender the powers war had lodged in its hands. For to its normal belief in the beneficence of centralized authority would be added the belief that the retention of its war powers would be necessary to bring stability to a shaky post-war situation.

A Peaceful Nation Prepared for Peace

It is important to the rest of the world, as well as to ourselves, that the United States stand, at the end of this war, as an economically stable, self-governing democracy that has provided its people with a widely distributed well-being and visibly demonstrated how a continent-wide civilization can survive without resort to organized intolerance, class conflict, the liquidation of oppositions, slavery to the state, or war, a peaceful nation prepared for peace and equipped to cooperate effectively in the reconstruction of the post-war economy.

If we are to do this, it is important not only that we keep out of war but that we proceed promptly to put our own domestic house in order.

AFTER SEVEN YEARS OF NEW DEAL CONTROL

The American depression struck bottom in 1932. The United States could reasonably have been expected to accompany the other major nations of the world into a steady recovery if a drastic political overturn had not then subjected American enterprise to an unpredictable politics and an unworkable economics.

The New Deal Prospectus

The New Deal leadership took over the government with an air of certainty regarding what our troubles were and what to do about them which, at the moment, raised the hopes and expectations of the people.

The New Deal leadership said we had been drifting. It would give us a planned direction. We were in the grip of depression. It would give us a planned recovery. We were unstable. It would give us a planned stability. We were haunted by widespread unemployment. It would give us a planned re-employment. The living standards of part of our population were indefensibly low. It would give us a planned abundance.

In the light of this prospectus issued to the American people in 1932, the Program Committee has conscientiously audited the actual "state of the nation" after nearly seven years of New Deal control and before the abnormal stimulus of war demands began to blur the evidence of the basic soundness or unsoundness of the administration's domestic policies.

A Look at the Balance Sheet

Here are typical items in the balance sheet of actual results as they stood in the late Summer of 1939, when conditions

reflected the effect of New Deal policies instead of the war-induced upswing.

(1) More than 10,000,000 American unemployed.

(2) A lower standard of living than a decade ago.

(3) The creation of new enterprises virtually at a standstill, the modernization and expansion of existing enterprises deferred.

(4) Labor involved in extensive and costly disputes, with its organized ranks torn by civil war, and its annual income lower despite higher hourly wage rates.

(5) Farm prices neither stable nor satisfactory, and the basic problems of agriculture no nearer solution than before the administration's exercise of sweeping controls over farms and farmers.

(6) The doors of economic opportunity barricaded to youth by the sluggish condition of American enterprise.

(7) Government expenditures, excluding postal receipts and debt retirement, of $9,210,091,000 in 1939 against $3,863,544,000 in 1933.

(8) The heaviest tax burden in the nation's history.

(9) A national debt doubled by the end of 1939—increased from less than 21 billions at the beginning of the New Deal administration to approximately 42 billion dollars, not including nearly 6 billion dollars of obligations guaranteed by the federal government.

Six Years Before the New Deal and Six Years of the New Deal

The six years preceding the New Deal and the first six years of the New Deal afford a suggestive comparison. Of the six

years before the New Deal three were years of prosperity and three were years of depression, and of the first six years of the New Deal there have been four of "rise" and two of "recession." The record is revealing.

(1) The average annual pay roll in all industries for the six years preceding the New Deal was $38,760,000,000; for the first six years of the New Deal $30,446,000,000. (National Industrial Conference Board.)

(2) The average number of strikes annually for the six years preceding the New Deal was 753, the average number of workers involved was 296,954, and man-days idle 10,819,019; for the first six years of the New Deal the average number of strikes annually was 2,541, the average number of workers involved 1,181,637, and man-days idle 17,232,583. (Bureau of Labor Statistics.)

(3) The average index of farm prices of all agricultural products for the six years preceding the New Deal was 118.7; for the first six years of the New Deal 99.7. (Bureau of Agricultural Economics.)

(4) The average index of department store sales for the six years preceding the New Deal was 98.16; for the first six years of the New Deal 81. (Federal Reserve—Division of Research and Statistics.)

(5) The average annual value of construction for the six years preceding the New Deal was $4,608,000,000; for the first six years of the New Deal $2,239,200,000. (F. W. Dodge Corporation Reports.)

(6) The average annual volume of new domestic corporate issues for the six years preceding the New Deal was $4,060,000,000; for the first six years of the New Deal $672,000,000. (The Commercial and Financial Chronicle.)

We Trailed the World in Recovery

The December 1939 Bulletin of Statistics of the League of Nations shows the United States as seventeenth among the nations of the world in the degree of its industrial recovery, as indicated by the index of industrial production. Even allowing for the abnormal factor of war preparations in so many European nations, this is still a startling comparison. It is even more significant that in 1935, before the democratic nations began seriously to rearm, only France was behind the United States in degree of recovery—and France was then experimenting with her own New Deal.

Seven Years of Temporary Upswings

There have been in the past seven years some short-lived spurts of productive activity, especially in the consumer goods industries, followed promptly by recession. They were artificially stimulated by such factors as government spending, monetary manipulation or by the desire to build up inventory before further price raising measures could take effect. In recent months business has improved rapidly under the stimulus of war in Europe, but a rise in the recovery curve so induced is undependable.

The New Deal leadership confidently promised to "produce" recovery by planned political action. It went into power with a nationwide support which stayed by it certainly into 1937. Its expenditures have been lavish. It has had sweeping authority for swift and large-scale action. And yet, after seven years of this leadership, we have doubt, confusion, and uncertainty, instead of confident, clear, and assured understanding of where we are headed.

THE NEW DEAL MISUNDERSTANDS ECONOMIC AMERICA

There are many reasons why the New Deal has failed to stimulate, if it has not actually prevented, a sustained revival and healthy expansion of American enterprise. Immaturity of judgment in the timing and drafting of legislation. Inexperienced and inept administration. The use by the executive department of persons, with apparently decisive influence on policy, who clearly, even if honestly, disbelieve in the political system of balanced powers and the economic system of regulated free enterprise. An intolerant and vindictive temper on the part of the New Deal leadership that has depressed the morale of the productive forces of the nation's enterprise. But, important as these factors have been, they are relatively secondary.

The primary reason for the economic failure of the New Deal goes beyond detailed errors in legislation, administration, and the selection of federal personnel. It lies in the fact that, despite the ideals it has expressed for Social America, the New Deal leadership has almost completely misunderstood Economic America.

It Tried to Promote Social Liberalism with Economic Reaction

It has sought to advance its social liberalism through economic policies which, historically and in their current effect on American enterprise, are profoundly reactionary. In defining certain central policies of the New Deal as reactionary, this Committee is neither juggling words nor attempting to coin an artificial campaign slogan. The record speaks for itself.

Liberalism's Double Goal

The first objective of liberalism was to free men and their enterprises from domination by unduly centralized political power. A later objective of liberalism was to free men and their enterprises from domination by unduly concentrated economic power. The American Revolution of 1776 was supposed to have won the first half of liberalism's battle as far as Americans were concerned. Undue political domination of Americans and their enterprises was checked. In the early years of this century, American liberalism attacked trusts, monopolies, and varied devices through which it contended unduly concentrated economic power was dictating wages, hours, prices, economic output, and human opportunity. Liberalism then insisted that an unduly concentrated economic power was hamstringing our national economy of free enterprise, making it cautious where it should be courageously riskful, rigid where it should be flexible, and monopolistic where it should be competitive. And liberalism contended that, unless price fixing and restriction of output to maintain or raise prices could be eliminated from our economic life, competitive free enterprise, in all but name, would disappear and the American people would face a tyranny of unduly concentrated economic power.

The New Deal Copied the Old Big Business

The economic program of the New Deal, despite sporadic reversals of policy, has rested essentially on the control of production, the creation of scarcity, and the boosting of prices. At the turn of the century, this was the precise program of the least enlightened leadership of Big Business. Liberalism fought this program then. But, by some strange twist of thinking, these policies which were attacked as reactionary and as a threat to the well-being of the people, when followed by Big Business then, are defined by the New Deal leadership as liberal and as essential instruments of social progress, when followed by Big

Government now. We are, as a result, again faced with the problem of unduly centralized political power.

It Applied the Brakes to Production

These policies, whether they are labeled liberal or reactionary, have not resulted in a full employment of our man-power, our technical skill, and our economic resources, as the record of the last seven years indicates. And the reason these policies have not worked, and will not work, is that they violate the nature of the productive system we have built up in the United States. This productive system is built for large quantity production. It cannot be run in low gear. It is a system that must be operated for large-volume production, wide distribution, and mass consumption. When either industrial management or government imposes upon it a scarcity policy of fewer goods at higher prices, the pressure upon the producer to cut production costs is lightened, high production costs are protected, monopolistic or near-monopolistic administration of prices is encouraged, consumption slumps, and the whole machine stalls. Despite its protests to the contrary, the New Deal leadership has tried to operate this productive system, designed to produce plenty, with the scarcity philosophy of fewer goods at higher prices.

The New Deal philosophy of restricting production and raising prices is bound to operate as a brake on the revival and expansion of enterprise under a high-powered system. This should have been obvious from the beginning. Now the New Deal record puts it beyond dispute.

Why did the New Deal leadership adopt these essentially reactionary economic policies alongside its persistent emphasis upon social liberalism? Again the record is clear. The New Deal leadership began with the assumption that, as far as the private enterprises of its people are concerned, the once expanding dynamic enterprise of America is maturing towards a static economy. If an administration really believes this, it will nat-

urally adopt, as this administration has adopted, policies directed more towards dividing up the fruits of existing enterprise than towards expanding the nation's enterprise in the interest of a "more abundant life" for the people as a whole. It will become obsessed with theories of stability and will neglect to foster growth. This is what has happened during the last seven years.

It Thought America Was Running Down

When it took over the government in 1933, the New Deal leadership assumed that we were suffering from more than the effect of a cyclical depression from which we would in due time recover. It held, on the contrary, that the underlying factors of growth, which had resulted in a sustained expansion of American enterprise from the colonial period down to 1929, had, by that time, ceased to operate with their old force, that, by 1929, the possibility of sustained expansion of the private enterprise of the United States had come to an end.

It based this assumption on four grounds: (1) that the frontier, with its free lands, was gone, (2) that the rate of our population growth was slowing down, (3) that the economic plant of the nation was built if not overbuilt, and (4) that there were no new industries in sight of enough potential size to provide the basis for a new phase of prosperity.

This assumption was stated frankly by Mr. Roosevelt, in his Commonwealth Club speech, in San Francisco, on September 23, 1932.

> "Our industrial plant is built," he said. "The problem just now is whether under existing conditions it is not overbuilt. Our last frontier has long since been reached and there is practically no more free land. . . . A mere builder of more industrial plants, a creator of more railroad systems, an organizer of more corporations, is as likely to be a danger as a help. . . . Our task now is not

> discovery or exploitation of natural resources or necessarily producing more goods. It is the soberer less dramatic business of administering resources and plants already in hand . . . "

This conception of the economic outlook for America was stated again, with clarity and completeness, by representatives of the administration at early hearings of the Temporary National Economic Committee. That it has stood in the background of New Deal thinking from the beginning is not arguable, although it by no means reflects the judgment of the rank and file of Democratic leaders outside the controlling White House circle.

It Turned Its Back on the Expansion of Enterprise

From this major assumption of a more slowly growing and, perhaps, shrinking economic life, the New Deal leadership moved on to a major conclusion which has been the tap-root of its major economic policies. This conclusion was that, since the private economy of the nation had struck the slower pace of maturity, that, from 1929 on, we could not hope for full and effective employment of our human and material resources unless the federal government frankly assumed responsibility for maintaining the national enterprise and the national income at the requisite level. The conclusion rested on the belief of the New Deal leadership that the private enterprises of the people would never again provide enough investment opportunities to absorb the savings the country tends to pile up, that, in consequence, there would always be, in the future, a large fund of "excess savings" which would remain as stagnant pools of capital unless, through taxing and borrowing and spending, the federal government diverts these "excess savings" into channels of "public investment" to make up for the shrinkage in "private investment" which the New Deal leadership assumes will be permanent.

In short, the New Deal leadership, assuming that our private economy was slowing down towards a static economy, concluded that the public enterprise of the state must be expanded to take up the slack in the private enterprise of the people. The New Deal, in consequence, has not made the revival and expansion of the private enterprise of the people its major concern. It has, on the contrary, made the expansion of the public activities of the state its major concern. Its leadership has apparently not asked itself how a shrinking private economy could be expected to foot the bills for an expanding public economy. For, despite its theory of productive "public investment," every New Deal expansion of the public enterprise of the state has meant heavier and heavier burdens on the private enterprise of the people.

Defeatism and Reaction in the New Deal

The New Deal leadership has persistently defined its program as one of hope and liberalism. And its propagandizing of its program as hopeful and liberal was sweepingly effective until the actual results of its control of the nation began to be so plainly visible. Now, however, the record shows that, whatever may be said of its ventures in social fields, in the economic field, it has been defeatist in its philosophy and reactionary in its policies. No leadership can produce a movement of hope if it begins with the assumption that the clock of the national economy is running down, that its mechanism has become so faulty that it can be kept going only if continuously run by hand—the hand of the federal government. And no leadership believing this could be expected to do other than the New Deal leadership has done, namely, to turn its attention to redistributing the fruits of existing enterprise rather than to ways and means of expanding the nation's enterprise. Under such philosophy and such policies, each economic group—business, labor,, agriculture, and so on—must, in self-defense, go after a larger and larger share of less and less. This cannot but mean, in the end,

a progressive stagnation of the nation's enterprise and diminished well-being for all these groups of producing Americans.

If this analysis of the New Deal as essentially defeatist in its economic philosophy and reactionary in its economic policies is accurate, what is the answer to its defeatism and reaction? Has the Republican Party, as the party of opposition, a different conception of the future of American enterprise and, if so, upon what facts is it based? Does the Republican Party draw from its conception of the economic future of the country any major conclusion that will be the tap-root of its policies when it returns to power? And by what yardsticks will the Republican Party measure the soundness or unsoundness of policy in the fields of foreign relations, labor, agriculture, business, social security and welfare, public finance, and the all-pervasive field of administration?

In the sections following, the Program Committee respectfully submits what, in its judgment, the answers to these questions should be.

THE REPUBLICAN POSITION

The New Deal conception of a limited and lessening outlook for American enterprise and the reactionary policies of economic restriction with which it has sought to implement this conception should be decisively rejected.

Its own economic inquiries and the results of responsible research available to it have convinced the Program Committee that there are no defensible grounds for the New Deal assumption that our private economy has struck a permanent decline in the volume of investment and employment, a decline from which nothing can save us unless the federal government takes the private enterprise of the country increasingly under its direction and indulges in a permanent large-scale program of government spending as the only means of giving work and buying power to a large army of Americans who would otherwise be permanently unemployed.

The Committee is convinced, not by wishful thinking or blind optimism but by the facts it has assembled and analyzed, that American enterprise can expand more, offer more investment opportunities for savings, provide more jobs for workers in factories and on farms, and create more profitable outlets for the energies of the people generally in the next twenty-five years than it did in the twenty-five years before 1929, if too many hurdles are not thrown in its path by either the public policies of government or the private policies of business.

This would be wishful thinking if the New Deal assumption that our private economy is inevitably slowing down rested on defensible grounds. It becomes important, therefore, that an opposition challenging this assumption examine carefully the grounds upon which it rests.

New Deal Defeatism is Old

To begin with, the assumption that we have passed the time when a progressively expanding economy is possible, that we are maturing towards a static economy, is a generalization that has appeared, in one form or another, in virtually every serious depression period in American history. Heretofore this doctrine of decline has been preached by isolated individuals, only to have succeeding periods of expansion disprove their prophecy. It remained for the New Deal to make the defeatism of this assumption the basis of national policy. This assumption, in the judgment of this Committee, is an over-simplification that ignores a multitude of variables, fails accurately to interpret either the present or potential state of our economy, and is supported neither by the facts of history nor by the facts of the present situation.

It is true that, as a country matures, the nature of its problem changes. Its development naturally becomes *less extensive* in character in that its main job is no longer the opening up of new lands, virgin forests, and undeveloped mines. Its development becomes *more intensive* in that its main job becomes the invention, perfection, large-scale production, and wide distribution of the facilities and tools for more effective working and more satisfactory living. But this shift from extensive to intensive development does not, as the New Deal leadership seems to assume, mean an inevitable shrinkage in the scale of the nation's enterprise and employment. On the contrary, it can mean a marked *expansion* in investment opportunities, employment, payrolls, and the productive output of goods and services by which alone the living standards of the people as a whole can be lifted.

None of the four reasons back of the New Deal contention that our private economy has matured past the possibility of a sustained and adequate expansion stands up under critical examination.

Better Frontiers Than Ever

In the first instance, it is not true that the passing of our western frontier means an inevitable shrinkage of our enterprise. For more than half a century our economic frontiers have been more fruitful than our geographical frontier in providing investment opportunities for savings, jobs for workers, markets for the products of our farms, and outlets for the energies and genius of the people generally. The fact that the frontier, in the literal sense, was gone did not prevent the amazing progress in prosperity and general well-being up to 1929. And there are still millions of acres in the United States that could support from twice to ten times the number of people now settled upon them if and when the need for their more intensive use arises. We still have this frontier. The passing of the frontier is a much over-worked factor in a much over-simplified political thinking.

Slower Population Growth Does Not Mean Stagnation

In the second instance, it is not true that a slowing down in our rate of population growth means an inevitable shrinkage of our enterprise. The rate of our population growth *is* slowing down, but it has slowed down before in periods that have been followed by striking expansion in our enterprise. But, through all the rise and fall of *rate* of population growth, an actual *growth* of population has taken place. Restriction of immigration has, of course, reduced the rate at which the American population will grow. But the National Resources Committee of the present administration estimates that from 1930 to 1940 we have realized a 7.5 per cent increase in population. This is an increase of 9,218,000. Whatever may be happening to the rate of population growth, here are over nine million more human beings American enterprise must service than we had ten years ago.

Through our period of greatest economic expansion, the American economic system was doing two things: (1) it was producing to meet the elementary needs of a new population that was coming on year by year, and (2) it was producing to meet the demand of an existing population for a larger volume, wider variety, and improved quality of goods and services. As far as a spur to economic expansion is concerned, the unsatisfied wants of an existing population are just as real as the elementary needs of a new population being born. This is our situation to-day.

Our present slower growth of population means that the *character* of our productive output will doubtless change, but there is no reason, inherent in the population trend, why the *scale* of our productive enterprise should shrink until the human wants of our population are fully served.

To assume that a slow growing population heads the national economy towards stagnation has no justification in fact. It is significant that the most impressive housing developments of recent years have taken place in nations with slow growing or almost static population—notably Great Britain and Holland. This is significant for us because housing can mean to American economic life, in the next twenty-five years, what the automobile industry meant to the last twenty-five years. And better housing is but one of a long array of unsatisfied wants that we can take steps to meet if we can only unfreeze the fountains of investment and enterprise.

The Nation's Plant is Underbuilt

In the third instance, it is not true that the nation's industrial plant is to-day or has ever been overbuilt if considered in relation to the conservatively calculated needs of our population. It is true that at the depth of the depression a material part of our then existing plant was not in productive use. But, even when operating at its highest level of production, our industrial

plant was not producing enough goods and services to provide a uniformly high standard of living for 130,000,000 Americans.

In addition to this fact of need for larger rather than lesser productive facilities if we are to raise the general level of our living, there is extensive need of replacement and modernization, calling for large capital investment and heavy industries production. A large part of our industrial plant is to-day obsolete as a result of the rapid technological advance since 1929. We have not made the normal replacements to offset ordinary wear and tear. We have more than 9,000,000 more people for whom goods and services must be produced than we had in 1929. There is already stored up and waiting to be applied a mass of technological improvements which call for the wholesale construction of new buildings and manufacture of new machines. The fact is that our industrial plant is actually *underbuilt* for the expansion of productive activity which alone can bring us full employment of our man-power, our technical skill, and our economic resources.

If, furthermore, we consider not merely our plant for working but our plant for living, we have in the building and equipping of more than 4,000,000 modern homes in the next five years a field of new enterprise fully equivalent in its possibilities to any which has ever been offered as a challenge to the energy of the American people.

New Enterprise is In Sight

In the fourth instance, it is not true that no new industries, on the basis of which we can expect any marked expansion of our enterprise, are in process of development. It may be that no single great new industry, comparable to the automotive industry, is in sight at the moment. But, except in the minds of their creators, great new industries, great enough to write a new chapter in a nation's economic life, are never in sight until their development is well under way. In, say, 1905, the auto-

mobile industry was not "in sight" in the sense that political leaders were consciously counting on it as a major factor in the next big industrial expansion.

But, whether there is any such single great new industry in sight or not, there is a large banked-up fund of scientific and technological results lying unexploited in the research files of the nation. These results are, in effect, the plans and specifications of enough marketable products, large and small, which taken together, provide the base for a very great expansion of American enterprise in the next ten years, if only our policies —public and private—can be so adjusted as to create that atmosphere of confidence in the future that will lead men to take the risks of new enterprise. These scientific and technological results, now awaiting translation into production and distribution, are found in the fields of foods, clothing, plastics, motion pictures, agriculture, chemicals, rubber, transportation, communication, automobiles, airplanes, fuels, housing, lighting, metals, and so on.

On all four counts just examined, the conception which the New Deal leadership has of a limited and lessening future for the enterprises of the American people is defeatist and in defiance of the facts. If this conception of the American future is permitted to go on dominating our national policy, a sense of frustration and futility will increasingly dull the venturesomeness of millions of Americans who are normally courageous and eager to take the risks of pioneering economic developments.

There Are Ample Investment Opportunities

The Committee finds no support in fact to the contention that our private economy will never again offer enough investment opportunities to absorb the savings the country tends to pile up. Since 1929, the number of would-be-gain-fully-employed workers in the United States has increased by some 5,000,000. In the ten years since 1929, we have done little to

provide these 5,000,000 new workers with tools, that is to say, with the plants and facilities for productive work. We have not been making the investment that would make work possible for them. These 5,000,000 about equal the total gainfully employed of Canada. We have before us, therefore, the imperative job of equipping with the tools of work through capital investment in plants and facilities the equivalent of the gainfully employed of a whole country like Canada by simply equipping for work the increase in our working population since 1929.

From 1880 to 1930, the amount of capital invested per worker in the United States trebled. That trebling was, in large part, induced by technological advance. To-day we are spending more than seven times as much on research as we were spending in 1920. Careful economists have forecast that the advance of technology, growing out of this research, can increase the amount of capital we shall need to employ per worker by 1.5 per cent per year. It would strain us, as a people, to save only enough for the investment this represents.

Expansion is Possible If We Do Not Block It

The central issue confronting national leadership to-day is that of securing full employment of the man-power, technical skill, and economic resources of the nation. The Program Committee's soundings of party opinion indicate that Republicans believe such full employment can be accomplished only through the sustained expansion of the normal enterprise of the American people. And Republicans are convinced that a sustained expansion of our enterprise is not only possible but inevitable if public policy does not throw too many obstacles in the way. There are no assignable limits to the possibilities of American enterprise except the limitations we create by our own lack of intelligence and will, or by falling into a fatalism of outlook as the New Deal leadership has done through its misunderstanding of Economic America.

In 1929 we had a national income somewhat in excess of 80 billion dollars. This income, which we once had, is now a goal of which the New Deal talks. But, for 130,000,000 people, a national income of 80 billion dollars is only a little better than $600 per capita. That, in the judgment of the Committee, is no place to stop. Clearly there is room for expansion of our enterprise.

Revitalizing the American Tradition of Political Liberty and Private Enterprise

The inadequacy of the per capita income of our people is only one aspect of the central problem of a sustained expansion of productive enterprise. The Committee's soundings of party opinion further reveal that Republicans believe that the imperative pre-requisite of such expansion lies in revitalizing the American combination of political liberty and private enterprise which has produced and distributed more material benefits for more people in a shorter time than any other system in history. In this revitalizing, national leadership must direct its reforms towards removing every obstacle that has prevented the full contribution of this system to the sustained well-being of the people, whether such obstacles have been created by the public policies of government or the private policies of business.

The well-being of the American people, in the judgment of this Committee, depends upon the government's remaining unreservedly loyal to a political system of representative self-government, safeguarded alike against insidious minorities and intolerant majorities by a balance of powers, and an economic system of free enterprise under regulation adequate to safeguard the common interest against its betrayal by special interests. The Committee is aware that this system of political liberty and economic freedom is regarded, in some quarters as obsolete and incapable of mastering the tangled circum-

stances and swiftly moving forces of the modern economic world. But the record, historic and current, convinces the Committee that this system, created on this continent, has a survival value that will not be displayed by any of the "strong" governments and planned economies which have come to dominate so much of mankind since the World War.

This two-fold system of political liberty and free enterprise has this survival value because it releases the initiative, ingenuity, and productive genius of men, individually and in corporate action, as no other devised. And, in so doing, it provides a broader base for the well-being of the people than any other system has yet provided.

Our Private Economy is Not at a Dead-End

The starting point of sound economic policy for the nation at this particular juncture is, therefore, a fact-based realization that the private economy of America has not come to a dead-end, has not been stricken with creeping paralysis, but is crowded with possibilities of fruitful growth and profitable expansion, and that these possibilities will be more surely and quickly realized under a regime that accords to men the largest measure of freedom in their enterprises consistent with the safeguarding and serving of the common interest.

The persistent emphasis of this Committee on the necessity for a free, creative, and expanding life rests upon the conviction that it is the only kind of economic system under which a people has a decent chance to realize a sustained high standard of living. Our economy of free enterprise may not always have distributed justly the relative abundance it has created, but the politically dominated economies have created no abundance to distribute.

The Committee undertakes, in the sections to follow, to chart the course of policy in varied fields of national life in terms of this basic position.

TOWARDS A FOREIGN RELATIONS PROGRAM

The foreign policy of the United States must be determined by a realistic consideration of the political, economic, and military situation that now obtains throughout the world. We must not allow our emotions to unfit us for rational analysis of what will best safeguard our own national institutions, ideals, and interests and best enable us to play a constructive role in our relations with the rest of the world. There is no conflict between these two objectives. The first concern of our foreign policy must be to protect the security and welfare of the American people. This security and welfare, however, will be served by every advance that is made towards a more peaceful and more rationally ordered world. Our political and economic foreign policy, therefore, should be flexible enough that, in a rapidly changing international situation, we can adopt the measures that will, at any given time, most effectively serve both these purposes.

Political and Military World Trends

Europe is at war and armed conflict persists over a wide area of the Asiatic continent. The scene is marked by a growing dependence upon military power as a major instrument of national policy, an increasing disregard of treaty obligations, an intensification of balance-of-power maneuvers, and a brutality of aggressive attack which gives us grave concern and profoundly stirs us as individuals. More and more of the world shifts to a form and temper of government which implies and expresses contempt for the democratic tradition.

In this situation it is inevitable that, as individual Americans, we should react emotionally to these trends and, in our hearts,

feel deeply on the issues involved in Europe and the Far East. In determining the foreign policy of our government, however, we must keep a tight rein on our emotions and, with reason in the driver's seat, consider only what will most surely protect the security and welfare of the American people and make us a helpful rather than hindering factor in the struggle for world peace and world prosperity when the fever of the present conflict subsides.

Keeping Out of War

In the forefront of our foreign policy must be the avoidance of all committments and courses of action that might involve us in other peoples' wars. When such wars are on, we must observe a scrupulous governmental neutrality. As indicated earlier in this report, there are special reasons, rooted in our domestic situation, why we should keep out of the present war in Europe. But we shall keep out not by neutrality legislation, however thoroughgoing, but only as the people wills that we keep out and as national leadership resolutely seeks to calm the temper and hold in balance the judgment of the public mind.

The Defense of the Western Hemisphere

It is increasingly clear that our defensive forces must be powerful enough to act effectively in protecting the western hemisphere from aggression. In cooperation with all the Americas, and with adequate defensive forces and mutually productive treaty relations, we must not only reaffirm but implement the Monroe Doctrine as a permanently central feature of our defense policy. In short, we should undertake to make our defense policy, as here defined, a working part of a common protective policy of all the Americas. Regrettable as it may be, in a world as fully dominated by force as the world now is, we can neither maintain an effective foreign

policy nor enjoy continued security in this hemisphere without a thoroughly adequate defensive force—land, air, and water.

Keeping the Record Clear

Although for the time being it may seem a futile gesture, the United States should reaffirm, as occasions arise, its adherence to the principles of decent international behavior, the maintenance and progressive development of international law, and the sanctity of treaties. The growing disregard of these principles involves not only the question of international morality, but affects adversely some of our very real national interests, as in the instance of the closing of the Open Door in the Far East. To keep the record clear against a time when reason and peaceful procedures may again prevail, we should, in this and like instances, persistently reaffirm our treaty rights.

Economic World Trends

Science, technology, power production, and rapid transportation, for the first time in history, have made possible an extensive improvement in living standards throughout the world. These forces of modern production, unlike the more limited forces of the pre-machine age, require for their effective functioning wide-ranging sources of raw material supplies and the possibility of a ready interchange of goods and services on a world scale.

In recent years, however, political developments have thrown one obstacle after another in the way of the full operation of this productive system. The nations of Europe, democracies and dictatorships alike, have been systematically building towards economic self-sufficiency. Political boundaries have been made into higher and higher barriers against foreign trade. Groups of nations have created controlled trade areas which are walled in not only by tariffs but by quotas, trade agreements, and strict government administration of foreign trade.

These new trade barriers are robbing mankind of the full benefits of the modern productive system, are decisively lowering the living standards of many nations, and are a menacing cause of war, as nations, struggling for self-sufficiency, seek their sources of raw material supplies and foodstuffs in the conquest of territory rather than through the development of trade relations with the rest of the world.

As this movement towards self-sufficiency spreads in more and more nations it tends more and more to isolate the United States from its traditional role in world trade. We cannot, of course, dictate the trade policies of other nations. If the present trend towards national self-sufficiency continues, we must frankly face the problem of organizing our own economic life on the basis of a large measure of self-sufficiency. Happily we are better situated than almost any other nation to live within our own resources. The few resources we lack could, no doubt, be secured through carefully negotiated reciprocity treaties even in a world largely given over to policies of self-containment.

We should make clear in our foreign policy pronouncements, however, that we stand ready to cooperate, if and when cooperation is possible, in clearing away the obstacles to such access to raw materials and such flow of international trade as will enable the vigorous forces of the modern productive system to make their full contribution to well-being the world around.

An American Policy

All this greatly complicates the foreign trade problem for a nation like the United States where foreign trade is in the hands of a free enterprise system and where national economic policy is not, as elsewhere, dominated by the fear of aggression and war. In developing a realistic trade relations program under the handicap of the present world situation, the following considerations must be taken into account.

First, we must fully protect our own national living standards, the wages of our workers, and the income of our farmers. However fully we may recognize the long-run fallacy of the present world epidemic of trade restrictions, we must not indulge in any trade policies at this time that will make the United States the dumping ground for the subsidized and politically managed exports of other countries.

Second, we must try to increase our foreign trade by every measure available consistent with the protection of our living standards, the wages of our workers, and the income of our farmers. This will require a constructive administration of our tariff relationships. The measures that may be taken will be varied. Some tariffs may have to be raised, some lowered, some left alone. And such progress towards an increased foreign trade as can be made under the present world situation can be made only by intelligent and realistic negotiation of trade agreements through which genuine reciprocity benefits are realized, with the agreements subject to the safeguard of approval by concurrent resolution of both houses of the Congress.

The function of our tariff policy, in view of the abnormal world situation, must be to protect our own best interests and to promote, as far as the restrictive policies of the rest of the world will permit, a revival of world trade.

It is not the function of tariff policy to erect walls so high that behind them industries can maintain excessive prices or be so completely freed from external competition that they become inefficient. The people have the right to expect government to protect them against monopolistic advantage created by tariff favors. For tariff policy, like every other policy of government, is but a tool with which to advance the welfare of the people as a whole. Tariffs should be modified whenever necessary to realize this result. Their modification should be made not by log-rolling but by expert study, research, and open democratic processes.

TOWARDS A LABOR PROGRAM

The security and welfare of the industrial workers of the United States depends upon the sustained prosperity of the national economy as a whole. Without the expansion of the nation's enterprise full employment, higher real wages, and progressively better working conditions cannot be realized. Labor policy must, therefore, be considered in relation to the forward or backward movement of the nation's productive enterprise and the policies governing the distribution of its fruits.

Four Goals of American Workers

Enlightened American workers have four main goals: (1) to secure for every employable industrial worker a job in productive enterprise at the best possible wage, under the best possible working conditions, and on a schedule of hours that makes satisfactory living possible for the worker and the worker's family, (2) to develop whatever form or forms of organization of American workers will best enable them to protect and to promote their every legitimate interest in the industrial process, (3) to stimulate a progressive increase of the contribution of labor towards an improved efficiency of American industry, and (4) to give informed voice to the judgment of American workers in the determination of those public policies which give over-all direction to our national economy.

Labor Policy As Part of National Policy

Four such far-reaching aims clearly cannot be realized by the action of labor alone. Their full realization requires, at

the minimum, an understanding collaboration between labor and management and government. If these forces are at loggerheads, labor suffers, and the energies of any one or of all three may be forced into destructive channels. For this reason, an effective labor program, like a farm program or a business program that is to be effective, must be conceived as an organic part of a total national program. In developing a labor program, as part of a larger national program, the following considerations must be taken into account.

The Right to Organize and to Bargain Collectively

The right of American workers to organize under leaderships of their own choosing and to bargain collectively with management is essential to protect the interests of the workers. It is proper that a right so basic be guaranteed by law.

Much of the past hostility between labor and industrial management has had its roots in the long conflict over labor's right to organize. The continuation of this warfare will make constructive cooperation between labor and management difficult. Such cooperation and a permanent reduction of industrial strife depend both upon the correction of union abuses and upon the acceptance by employers generally of labor's right to organize, together with effective safeguards against coercive intimidation of individuals or groups by either organized industry or organized labor. Not only the success of employer-employee collaboration but the general acceptance by labor of labor-saving devices and organization depends in a large measure on whether labor feels it must still fight for the effective right to organize.

Freedom of contract can become a right without benefit where at least approximate equality of bargaining power does not exist. In dealing with the large-scale enterprise of our modern economy, save in cases where both management and

labor are exceptionally enlightened, equality of bargaining power for workers depends upon their using large-scale organization and collective negotiation. The power of organized labor, like the power of organized business, can be used unwisely and irresponsibly. It can be used to back demands that may be beyond the capacity of industry to meet, if the enterprise in question is to be maintained or expanded. It can enforce an ill-timed rise in wage rates that may mean a reduction in the total income of the workers. But it is a basic right.

The National Labor Relations Act and Board

The legal right of American workers to organize and to act collectively to improve their status, together with the principle that the courts could not be used to prevent the exercise of this right, was established long before the passage of the National Industrial Recovery Act or the National Labor Relations Act. Republican leadership recognized the principle of collective action and corporate responsibility some fifty years ago. In its reiteration of this principle, the National Labor Relations Act raises no issue. The right of labor to organize and to bargain collectively cannot be made an issue between two intelligent political parties.

There is, however, in the judgment of this Committee, justified dissatisfaction with varied aspects of the National Labor Relations Act and with its administration by the National Labor Relations Board.

In 1937, the first year the National Labor Relations Board was operating fully, there were 4,470 strikes, involving 1,860,620 workers, and resulting in 28,424,857 idle man-days. This was more strikes than had occurred in any single year in the nation's history up to that time. As indicated earlier in this report, the average number of strikes annually for the six years preceding the New Deal was 753, the average number of workers involved 296,954, and the average number of idle man-days

10,819,019. The National Labor Relations Act and the National Labor Relations Board have contributed neither to the reduction of industrial strife nor to the reduction of unemployment.

This failure has not been due to the Act's guaranty of collective bargaining, but to the fact that other features of the Act are unsound and unjustified, and the Board administering it has been arbitrary and biased. The National Labor Relations Act was conceived and has been administered in the spirit of industrial warfare instead of the spirit of orderly peaceful procedure between labor and management which the Act purports to foster.

The Act itself made for an arbitrary administration by investing the Board with legislative, executive, and judicial powers, making it prosecutor, jury, and judge all in one—a merger of functions it took centuries of struggle to unscramble in the interest of justice for the common man. The Act freed the Board from any responsibility to respect the ordinary rules of evidence prevailing in any court of law or equity, with the result that, in the admission of evidence, the Board has been excessively loose, with almost any type of hearsay statement admitted as a basis for judgment. The Act, as interpreted by its administrators, has gone to absurd lengths in making virtually impossible any process of common counsel between employers and employees other than the formal procedure of collective bargaining when a dispute is on. It has, in effect, built a wall between employers and employees.

Members of the Board and its Trial Examiners have shown bias and favoritism as between employees and employers, between rival labor leaderships, and between rival labor organizations. Until badgered into a reluctant concession by criticism from all quarters, the Board denied to employers the right to petition for an election to determine with what bargaining unit they should deal. The Board has exercised virtually un-

limited discretion in invalidating contracts between employers and bona fide labor organizations, sometimes with only one of the parties present and participating in the proceedings. And it has held in its files, inaccessible to the interested parties, materials upon which decisions, vital alike to labor and to management, have been based.

Amending the National Labor Relations Act

The National Labor Relations Act requires responsible amendment alike in the interest of American workers and in the interest of a productive functioning of American enterprise. The objective of such amendment must be to maintain without wavering a firm guaranty of the right of free organization and collective bargaining, while so revising the provisions and procedures and so altering the spirit of the administration of the Act as to surround the whole employee-employer relationship with a sense of complete fairness to all parties and all interests concerned.

To be productive of the maximum possible benefit to American workers and to American enterprise, the National Labor Relations Act and its administration must: (1) secure equality of treatment to all parties concerned, (2) insure administration by men of demonstrated capacity for fairness and impartiality, (3) prevent governmental favoritism between labor unions in their controversies with other unions and between employees and employers in their controversies, (4) give to employees and employers alike, by provision of law and not at the discretion of the Board, the right to initiate proceedings before the Board, (5) give to all interested parties adequate notice of hearings and the right to participate in them, (6) insure to all parties the elementary processes of fair hearing and court review which should mark the procedure of all regulatory agencies, (7) protect rather than limit the civil liberties of both employees and employers, (8) penalize unfair practices

by whomever committed, and (9) see to it that no union, which becomes an exclusive bargaining agency, discriminates against the employment of workers on grounds of race, religion, or by undue financial requirements, on the principle that neither organized labor nor organized industry should be able to impose restraints upon freedom of employment which government itself is forbidden by the Constitution to impose.

As investigation uncovers more and more regarding the personnel and policies of the National Labor Relations Board, it becomes clear that we shall not realize the nine ends just summarized unless we thoroughly overhaul this Board and make certain fundamental changes in the Act itself as indicated.

The judicial and administrative functions of the Board should be separated, with the judicial functions lodged in a tribunal wholly independent of the Labor Relations Board. If this is accomplished there will be no occasion to enlarge the jurisdiction of the appellate courts as it is already their clear duty to ascertain that all findings of fact are adequately supported by the evidence.

The power of the Board to invalidate contracts, determine the bargaining unit, and delay elections unduly after the filing of petitions should be curtailed.

There is a function for government in the field of industrial relations—the function of setting up rules under which labor and industry shall work out their relationship with due regard for the basic rights of each and for the healthy functioning of the national economy as a whole, as well as seeing to it that such rules are respected. An increasing number of American workers and their leaders are becoming convinced, by the record of the National Labor Relations Board to date, that, if government goes beyond this to the actual detailed administration of labor-industry relationships, it may well create more problems for workers than it cures.

The Determination of Wages and Hours

Except in situations where minimum wage and maximum hour regulation is necessary to protect groups of workers not in position to protect themselves through collective bargaining, wages and hours should be determined by collective bargaining between freely chosen representatives of labor and management.

It has been a persistent assumption in New Deal circles that the increase of wages rates and the reduction of hours by law broadens the distribution of income and jobs. Few will question the appropriateness of the federal government's providing defense for the defenseless or of its setting limitations upon "sweating" which injures the health of workers. But there is no satisfactory evidence that the political regulation of wages and hours beyond this point increases the real income of workers or raises the general level of employment. It may, indeed, do the precise opposite.

There is particular danger involved in legislating wage rates in a depression period. The big companies, with cash or credit available, are likely to raise their prices to absorb the increased production costs, speed up the installation of labor-saving machinery, and reduce their labor staff, while the small companies, which may not be in position to raise their prices or install labor-saving machinery to meet the larger production costs, may be forced out of business, and their workers be forced out of jobs.

The federal government cannot possibly make the many wage and hour adjustments that would be necessary to meet wisely the varying conditions in a territory as large as the United States. Labor unions working through their resident representatives familiar with local conditions are in position a central government cannot be, to adapt their policies to the real interests of both labor and employer in a local situation. Such labor unions can see to it that the condition of the worker

is improved as fast as business conditions warrant, without imposing such arduous conditions on the employer as to destroy the employment which it is sought to preserve. Labor organization and state law should be preserved as the primary means for remedying sub-normal labor standards.

If the federal government assumes anything like general responsibility for the advance of wages and the determination of hours, beyond the protective minimum suggested, the stage is set for the ultimate political domination of organized labor.

Real Wages for Labor

In so far as government policy can effectively influence the income of workers, its concern should be with the real wages of labor, with what they will buy and bring to the living standard of workers, and what wages will buy depends more upon a proper relationship between costs and prices in both industry and agriculture than upon hourly or weekly wage rates.

It is possible to have a high wage rate, slight employment, and a low wage total for labor individually and in mass. Obviously the healthiest wage level, both for American workers and for American enterprise, is the level at which maximum employment can be maintained at the highest feasible yearly income for the largest possible number of employable workers. This is an axiom alike with enlightened labor leadership and enlightened industrial leadership. A wage rate, no matter how high, and hours, no matter how short, cannot provide food, clothing, or shelter to a worker without a relatively steady job.

Sustained and satisfactory buying power for American workers cannot be realized by any simple formula of wage and hour legislation. The thing that most seriously affects the volume of employment and the real income of labor is undue rigidity of costs and prices throughout our economy. If wage,

hour, price, and profit policies are flexible, far-sighted labor leadership and far-sighted industrial leadership can maintain such adjustment between these factors that production will be increased, prices lowered, effective consumer demand lifted, total profit improved, and the real wages of labor raised. If, on the other hand, monopolistic or controlled prices, along with profits, are inflexibly held at too high a level in relation to other factors, often to protect a contracting industry, or if wage rates are held inflexibly at too high a level in relation to other factors, then production slumps, consumer demand shrinks, profits dwindle, and the real wages of labor fall.

It is the function of government, not by price fixing or political decrees regarding costs, but by promoting fair and effective competition, to foster such adjustments between costs and prices in business, industry, and agriculture as will tend to increase production, lower prices, lift consumer demand, improve profits, and raise the real wages of labor.

Cushioning the Effect Upon Workers of Rapid Technical Change

The long-range interests of the workers are not served by any short-sighted policy that seeks to withhold from use the most efficient equipment and methods of work available, because the living standard of American workers cannot be progressively lifted except through a progressive increase in the productivity of American industry.

It is imperative, therefore, that labor and management collaborate in the development of policies that will clear the track for the utmost employment of technological improvements in industry under measures that will, as far as possible, cushion the immediate effects upon workers in the process of readjustment and pass on to labor a proper share of the fruits of the increased productivity.

Training Skilled Workers

During the depression years the conservation and development of the skill of American workers has been grossly neglected. Apprenticeship training has largely broken down and the reeducation in skill of dislocated older workers have been neglected. The result is that to-day acute shortages of skilled workers are developing. These shortages will increasingly constitute "bottle necks" that will retard full and rapid recovery in many lines.

The prompt development of a systematic long-time program for the training of workers that will guard our economic future against this deficiency of skilled workers is vital. This is a problem alike for labor and for management.

Open Diplomacy Between Management and Labor

Beyond intermittent tests of strength between organized labor and organized industry, enduring progress for American workers, organized and unorganized, depends upon an increased understanding on the part of employers of the human side of the worker's life, an increased understanding on the part of employees of the problems of management, and an increased understanding of both by government.

Advances in understanding on all three fronts, which depends upon many kinds of cooperation, can be accelerated by an increased candor of reporting on the part of both industry and labor. Large corporate enterprises, as some are already doing, should make at least an annual report to their workers as well as to their stockholders. Men who invest their lives in an industry are entitled, quite as much as men who invest their dollars, to a working knowledge of the guiding policies, the profits, the losses, and the disposition of the fruits of the in-

dustry they serve. Organized labor should be equally candid with industry in reporting its operations.

In so far as it can, without unduly intervening in the processes of a free labor movement and a free enterprise, political leadership should promote this "open diplomacy" between industry and labor.

Stamping Out Labor Rackets

Government should stamp out dishonest labor rackets whether operated alone or in collusion with undesirable forces in business and industry. These rackets are a parasitic growth on the labor movement which neither workers nor industry can afford to permit. Aside from the fact that they are a costly burden on industry and levy a toll on the consuming public, they exploit the workers and build in the minds of millions of Americans a resentment which can unhappily be turned against the legitimate claims of labor.

A Free Labor Movement

The maintenance of a free labor movement is of crucial importance to American workers. The major gains achieved by workers have been achieved through a trade unionism functioning as a movement of organized self-help. And any attempt to find a short-cut to satisfaction and security for labor through a deal with political leadership will prove delusive. Government rarely becomes the patron of a movement without ending as its boss. When the fortunes of labor are too intimately tied to government action, the power of government, under shifting circumstances, may be used to hamstring as well as to liberate the workers. American labor caught a fleeting glimpse of the price workers may have to pay for a too close dependence upon government when the executive of the NRA hinted at the prohibition of the right to strike on the ground that the NRA had made strikes unnecessary.

Where a self-reliant trade unionism is induced to look to government to engineer its advances, the hopes of the working millions are subtly transferred from their own leaders and their own organized strength to the uncertain fortunes of politics and, sooner or later, as has happened in Germany and Italy, for instance, the state robs labor of its hard-won rights to organize, to bargain collectively, to strike when no other effective course lies open, and to stand vigilant guard over its own interests.

A free labor movement is important to the maintenance of representative self-government. Labor unions, like farmers' cooperatives and other agencies of organized self-help, are among the valuable drill-grounds of democracy. Their processes, when they are kept democratic, give to workers who participate in them valuable training for their wider role as citizens in community, state, and nation. Every inroad that government makes upon a free labor movement involves a loss to democracy.

The disinclination of this Committee to make government the paternal overlord of labor—like its disinclination to make government the paternal overlord of business, industry, and agriculture—is not based upon a do-nothing philosophy of government. It is based upon a practical realization that the fortunes of workers, business men, and farmers can be more safely trusted to their own guardianship than to the changing character of administrations in a democracy or to the relentless absorption of all power by the state in a dictatorship.

The Worker's Stake in the National Economy

The most valuable contribution that government can make to the security and welfare of the workers is the following of policies that promote the healthy expansion of the nation's enterprise. An expansion of enterprise might be induced by the prospect of higher prices through an inflationary program and employment might be increased thereby, but expansion so in-

duced would be unhealthy. With rising prices, the worker's dollar would buy less goods as his wages lagged behind the rising prices. A healthy expansion of enterprise can come only through the steady and increasing investment of capital in new plants and new tools at a swifter rate than has been the case since 1930.

Capital now idle and future savings will be risked in industry only if the public policies of government and the private policies of business unite to make risk reasonable and profit possible. What government does about its fiscal policies, about taxation, about the inter-relation of government and business, as well as what it does about labor relations, with all that it does determined in terms of its effect on the production of goods and services, will enter into its success or failure in actually improving the living standards of the workers.

TOWARDS A FARM PROGRAM

Most of the problems involved in the effective operation of the American farm and the satisfying development of the farm home are identical with the problems involved in the enterprises and homes of all other citizens and are not, therefore, peculiar to the farmer.

The "farm problem" with which the farmers, the economists, and the government have been wrestling with such a painful sense of inadequacy, when stripped to its essentials, is: (1) the problem of so handling, disposing of, or preventing farm surpluses that farm prices will not be wrecked by an unsalable over-supply, and (2) the problem of bringing the prices the farmer gets for what he sells into a sounder relation to the prices he pays for what he buys.

Seed-Beds of the Farmer's Difficulties

This double difficulty of farm surpluses for which there is no ready sale and high industrial prices alongside low farm prices springs from a variety of causes: (1) the expansion of acreage that took place during the World War to meet the then abnormal demand for farm products, (2) the shrinkage in domestic demand for farm products in the depression years since 1929, as reflected in low prices, (3) an even more drastic shrinkage in exports of farm products due to shortage of buying power and developments towards self-sufficiency in the nations of Europe, (4) the wiping out of a large part of the demand for traditional feed-crops which resulted from the growing substitution of machinery for draft animals on the farm and in the cities, (5) tariff-protected prices of many articles the farmer must buy, (6) undue rigidity in the prices of some industrial products, and (7) undue inflexibility in some nego-

tiated wage rates, and other causes related in one way or another to these basic causes.

The Problem of Parity

If there is a single issue in which discussion of the "farm problem" comes to focus it is in the insistence that the prices of farm products the farmer sells must be brought into balance with the prices of the industrial products the farmer buys. If we are to seek this parity—and it must be sought—we must have a point of reference from which to judge our success or failure in reaching it.

The New Deal administration sets as a goal of "parity prices" the relationship between farm prices and industrial prices which existed in the years from 1909 to 1914. Some insist that the whole concept of parity, as the New Deal defines it, cannot be defended. The stubborn fact is, however, that, in farm prices, the spread between high and low is too great, the rise and fall too rapid. And we shall not realize a sustained prosperity for our whole economy until this situation is brought into better balance.

The "parity" that will bring the maximum benefit to the farmer, in the judgment of this Committee, is such relationship between the prices of what the farmer sells and the prices of what the farmer buys as will bring about the greatest possible interchange of goods and services between village, town, and city on the one hand and the farm on the other.

To set out to achieve "parity" of this sort is not to plan a special privilege for American farmers. It is only to seek a better balanced functioning of our national economy. The increased trade between city and country such "parity" will produce will be a boon to our whole economic life. Industrial workers should be as eager as farmers to see this sort of "parity" established. And business men, industrialists, and bankers should equally welcome it for the tonic it will administer to the whole of American enterprise.

In the judgment of this Committee, which has carefully canvassed all these considerations, gross disparity of income between groups equally important to the nation's life, such as agriculture and industry, requires that government pursue policies that will help soundly to correct such disparity.

We Have Tried Many Policies

In attempting to solve the stubborn problem of farm prosperity, we have tried many policies in the hope that they would correct this disparity—price fixing, loans above market prices, the plowing under of crops, the slaughter of animals, subsidized exports, imposed production controls, and market quotas, all supported by direct or indirect government subsidies.

This extensive experimenting with all these policies has brought temporary benefits to some farmers in the form of cash benefits, but it has produced long-run dangers that have the seeds of disaster in them. As in the case of cotton, it has resulted in a loss of the farmer's world markets, which has been only partially made up to him by subsidies and by the sale to foreign countries of products at prices lower than our own citizens could buy them. The carrying out of these policies has expanded and entrenched a burdensome army of bureaucratic regulators. And by putting all our eggs in one basket, the federal basket, it has magnified to a nation-wide scale mistakes in business judgments regarding farm crops and farm prices.

The problems of surplus and disparity, growing out of the causes indicated, are so pressing that it is probably impossible for any administration to avoid the temporary adoption of some emergency policies which clearly are not economically sound for the long-haul. In developing a program for the correction of these problems of surplus and disparity, therefore, government must, in the judgment of this Committee, open-mindedly consider both the policies that are sound for the long-haul and policies that are inescapable for the short-haul, and undertake so

to relate its permanent policies and its emergency policies that practical progress for the farmer will be realized and long-run dangers be reduced to the minimum.

Policies That Are Unsound for the Long-Haul

There are certain policies which clearly are unsound for the long-haul. It is important to review these policies and to reveal their shortcomings even if, under emergency pressures, government feels impelled to give them a trial.

A policy of permanently scaling down the output of American farms is as unsound as a permanent scaling down of the output of American factories would be. The economic life of the nation is admittedly thrown out of balance when industry follows a policy of restricting production to maintain prices and agriculture follows a policy of unrestricted production with a resulting fall in prices. This has been the temporary justification for experimentation with crop restrictions. But, if industry and agriculture are to make possible a better-fed, better-clothed, and better-housed people, the answer is not to have agriculture and industry follow a policy of fewer goods at higher prices; the answer is to have both industry and agriculture organize for the production of more goods at prices that will so increase consumption that satisfactory total profit is realized by both manufacturer and farmer from the sale of a larger volume. By no stretch of the imagination, can scarcity as a permanent policy, either in industry or in agriculture, be made socially helpful to the American people as a whole or bring the maximum possible financial return to manufacturer or farmer.

The artificial pegging of prices, whether of the manufactured articles of industry, the products of our farms, or the services of labor, cannot by itself bring prosperity to industry, to agriculture, or to labor. It may, on the contrary, reduce the income of all three. To peg, by political action, the prices of the output of farms, the products of industry, and the services of

labor at a level that is out of line with the effective demand of the moment will ultimately shrink the farm plant of the nation, wreck the farmer's foreign market for many of the commodities he produces, slow down the industrial activity of the nation, and leave millions of workers idle, whereas a larger productive output even at lower prices can, as a net result, mean more prosperity alike for business men, farmers, and industrial workers.

Crop control by political decree, as a permanent policy, grows by what it feeds on and cannot really control short of complete political domination of the farms of the nation. Germany, under the present regime, began with centralized control of only a few farm commodities. German farmers shifted to the raising of products not under controls. The government proceeded to establish control of these other commodities. Finally it had to establish both minimum and maximum production quotas on virtually all farm commodities. Then it had to move to the fixing of all farm and retail prices. This is the inevitable logic of centralized control. Unless a complete job is done, partial controls are evaded. Unless we are willing to submit to the complete control of farm operations from Washington, wholly surrender the right of personal judgment, and run the risk of mistaken judgments on a nation-wide scale, we cannot look to governmental crop control as a permanent policy, that is to say, direct crop control by decrees that specify, from year to year, just how much of each farm commodity can and cannot be produced.

A Look at the Record

A survey of the actual results of the farm policies in force during the last seven years indicates clearly that the policies just defined as unsound for the long-haul neither work out according to expectation nor contribute anything towards a permanent solution of the farm problem.

The central drive of the farm program of the present administration has been to improve farm prices by reducing crop production. Whatever the expenditures involved in this program have meant in the way of cash benefits to individual farmers, one thing is clear, and that is that all the expenditure and all the policies behind the expenditure have not brought a solution to the farmer's price problem.

Using the parity period of 1909-14 as the base, the average index of prices the farmer paid for what he bought was 119 in August 1939, while the average index of prices the farmer received for what he sold was only 88. The following table, taken from *The Agricultural Situation,* published by the United States Department of Agriculture, shows the average prices of the leading farm products in August, 1939, compares them with their average in the base period of 1909-14, indicates what the "parity price" in each instance should be in August 1939, and states the percentage of "parity" which the farmer actually received.

PRICES OF FARM PRODUCTS

ESTIMATES OF AVERAGE PRICES RECEIVED BY FARMERS AT LOCAL FARM MARKETS BASED ON REPORTS TO THE BUREAU OF AGRICULTURAL ECONOMICS. AVERAGE OF REPORTS COVERING THE UNITED STATES WEIGHTED ACCORDING TO RELATIVE IMPORTANCE OF DISTRICT AND STATES.

PRODUCT	Five-year average, August 1909-July 1914	August 1939	Parity price, August 1939	August price as percentage of parity
Cotton, lb., ... cents	12.4	8.70	15.5	56.1
Corn, bu., ... cents	64.2	45.7	80.2	57.0
Wheat, bu., ... cents	88.4	54.5	110.5	49.3
Hay, ton, ... dollars	11.87	6.77	14.84	45.6
Potatoes, bu., ... cents	69.7	69.1	85.3	81.0
Oats, bu., ... cents	39.9	25.4	49.9	50.9
Peanuts, lb., ... cents	4.8	3.39	6.0	56.5
Beef cattle, cwt., .. dollars	5.21	6.50	6.51	99.8
Hogs, cwt., ... dollars	7.22	5.47	9.02	60.6
Chickens, lb., ... cents	11.4	13.0	14.2	91.5
Eggs, doz., ... cents	21.5	17.5	23.2	75.4
Butterfat, lb., ... cents	26.3	22.4	30.6	73.2
Wool, lb., ... cents	18.3	22.0	22.9	96.1
Veal calves, cwt., .. dollars	6.75	8.13	8.44	96.3
Lambs, cwt., ... dollars	5.87	6.94	7.34	94.6
Horses, each, ... dollars	136.60	78.00	170.80	45.7

This table shows price distress to have been greatest in the case of farm products most closely controlled by the government.

These farm policies have neither raised the farmer's prices to "parity" nor widened his markets. The economic policies of the Administration, by retarding a general recovery, have curtailed his home market, and have closed more foreign outlets than they have opened for his products. The reciprocal trade agreements have provided some foreign outlets for commodities, but these agreements have aroused the resentment of American farmers whose farm products are having to meet the direct or indirect competition of substantial quantities of foreign agricultural products which these agreements are permitting to enter the United States.

Expanding the Market Versus Reducing the Output

The major attack on the farm problem must be a broadly conceived drive to expand the farmer's market—domestic and foreign. Save for an abnormal demand the European war might create, the outlook for any marked expansion of farm exports in the near future is none too bright. Every possibility of increasing the foreign market for American farm products must be vigorously explored, but the readiest possibilities of expanding the American farmer's market will be found at home.

As part of the defeatist assumption of the New Deal leadership that the economic plant of the country is, perhaps, overbuilt, it has been too readily assumed that there are too many farms and too many farmers, that the market cannot absorb the farm output we are geared to produce, and that the way out lies in reducing the farm output. Under the economic circumstances that have prevailed, this contention has been plausible and convincing to millions of Americans. If this con-

tention is true, to suggest any marked expansion of the farmer's domestic market is only to raise hopes doomed to disappointment. Is it true? However true it may be under prevailing economic circumstances, it need not, in the judgment of this Committee, remain true.

There is actual human need for more products of our farms, as well as our factories, than we have ever produced even at the peak. The research studies of the Brookings Institution demonstrate, beyond effective dispute, that, in order to provide every American family with what the Department of Agriculture regards as merely "a reasonable standard of living," our productive forces would have to produce almost twice what they produced in 1929. They produced a national income of 81 billion dollars in 1929. The Brookings researches indicate further that, if these productive forces, as then organized, had operated at practical capacity, they could not have produced a national income of more than 96 billion dollars.

The implications of all this for the American farmer are striking. If everyone in the United States had a diet containing all the elements of nutrition suggested as essential by the Department of Agriculture, in its analysis of a reasonable standard of living, American farms would have to produce, over and above what they were producing in 1929, 108 per cent more butter, 79 per cent more fresh vegetables, 53 per cent more milk, 43 per cent more eggs, markedly more meat, citrus fruits, and other foods. And, to meet this human need, American farmers would have to plant 40 million more acres than they planted in 1933.

This Committee is aware that neither farmer nor manufacturer can profitably produce for human need, however great, unless that need is translated into effective economic demand, unless, in short, the people who need more goods and services have money with which to buy them. As far as meeting the human need for a reasonable standard of living is concerned,

it is clear that we should have a larger rather than a smaller farm plant than we now have. The question is: can the Americans who need more farm products be equipped with the means to buy them? This question leads directly to what this Committee considers of central importance to American farmers.

The charts and data published by the Department of Agriculture indicate clearly that the rise and fall of farm income and the rise and fall of industrial payrolls are interdependent. As the farmers are industry's customers, so the workers of industry, like the workers in business and the professions, are are farmer's customers, and as their incomes increase, they tend to buy more from the farmer. This is not a blind generalization that if there is general prosperity it will somehow trickle down to the farmer. That might not be true. But a further Brookings research factually proves that families with incomes around $800 spend from $346 to $382 for food, while families with incomes of $2,700 spend from $715 to $932 for food. In other words, as the incomes of Americans off the farm improve, they spend more for the major products of the farm.

This means that an important contribution that government can make to the well-being of the American farmer is to create the confidence and cultivate the conditions under which a forward thrust of business and industrial development will take place, resulting in a full employment of our man-power, our technical skill, and our economic resources. The farm program, the labor program, and the business program of a government are thus interlocked. The labor and business policies of government are as important to the farmer as its farm policies. The farmers, the workers, and the business men have a common stake in a healthy and sound expansion of American enterprise. Such expansion can be effectively blocked by a scramble for special privileges by one or all three of these groups.

What government does or can do to help or to hinder this necessary expansion of American enterprise is not confined to

any single program of legislation; it is the net result of the aims, attitudes, and acts of the national leadership in control of government at the time. What this Committee thinks these aims, attitudes, and acts should be, in order to speed up this expansion of enterprise upon which the fortunes of the farmer, like the fortunes of business and industry, so closely depend, is expressed throughout this report and so is not repeated here.

Tariffs and the Farmer's Domestic Market

This Committee is quite aware that, under existing world conditions, no nation can expect its foreign trade to be all exports and no imports. There have been two ways in which nations have paid for what they bought abroad—in goods or in gold. Since we have most of the world's gold supply buried in Kentucky, it is clear that our foreign trade must be increasingly an interchange of goods. It is equally clear, however, that, if we are to preserve, to say nothing of expanding, the American farmer's home market, thoroughly adequate protection must be given to American farm commodities against such foreign products as would, if admitted to our markets, supplant them. Concurrently with this provision of selective protection to threatened commodities, every possibility of expanding our farm exports through treaties which produce genuine reciprocity benefits should be fully explored.

Industrial Use of Farm Products and the Farmer's Market

Research is steadily discovering new ways of using farm products as industrial raw materials. If to his traditional function of feeding the people with foodstuffs the farmer can add the new function of feeding the factories with raw materials, a function that is already well under way of development, a marked expansion of the farm market will be realized. As

cotton is now used in the manufacture of automobile tires, soybeans in the manufacture of automobile parts, and skimmed milk in the manufacture of textiles, to mention only three examples, the possibilities of industrial use of farm products may well become unpredictably large. The industrial researcher may be able to do what the legislator has not yet been able to do in solving the farmer's surplus problem. Government should increasingly encourage and expand research in this field.

Better Marketing Organization and the Farmer's Market

Ably organized and ably led farmer-owned and farmer-controlled cooperatives can benefit both producer and consumer of farm products by facilitating the sale of farm products at fair prices from which unnecessary intermediate sales costs have been eliminated. An important part of the drive to widen the farmer's market must, therefore, be the practical encouragement by government of the development of such cooperative farm marketing.

Transportation Costs and the Farmer's Market

Constantly increasing transportation costs from interior to seaboard, from producer to consumer, have reduced the amount the farmer receives for his products and have acted as a barrier to the free movement of his surpluses both for export and for domestic consumption. A rational readjustment of these transportation rates will operate to widen the farmer's market.

Marginal Lands and the Farmer's Market

The retirement of marginal and sub-marginal lands from cultivation under a well-balanced land utilization program has an important bearing on the farmer's problem of surpluses.

Particularly in the semi-arid regions of the United States, there are millions of acres which should never have been broken by the plow. To retire them from cultivation and return them to grass will not only conserve an important national resource but will tend to stabilize farm production by eliminating the erratic production of these lands. In the case of wheat, for instance, there are some 30 million acres of sub-marginal lands which will produce a crop once in three to five years. In an exceptionally wet year, they will produce 200 million bushels and break the market. The cost of wheat produced under such conditions, counting the costs of the years when no crop is raised, is, of course, unreasonably high. The present administration has made a beginning by removing about 9 million acres of such land from cultivation. To retire, by long term lease, the entire 30 million acres would be a small price to pay for a very material step towards solution of the wheat problem.

Marginal and sub-marginal lands are not all in the dust bowl regions or all devoted to wheat, but wherever they exist and when reduction of surpluses is a problem, government should promptly and on a sweeping scale see to it that they are taken out of cultivation. As long as the problem of reducing farm surpluses exists, until we succeed in actually expanding the whole of American enterprise, the retirement of these lands can be made a highly desirable means of cutting production. As a method it avoids most of the undesirable features of other means of production control tried to date. It is surely a saner policy than the curtailment of production from our fertile lands. It does not involve the extensive and expensive machinery of regulation which other means of production control have created. It would make possible the striking of thousands of officials from the federal payroll.

In carrying out this program, it is vital that the federal government provide against the serious dislocation of local tax revenues.

Soil Conservation

A rational farm program will completely eliminate from cultivation, as just suggested, the poor acres of our marginal and sub-marginal lands which mean erratic and high-cost production, and then conserve, by every means necessary, the quality of the good acres of our fertile lands in the interest of stable and low-cost production. Beyond this, of course, is the fact that the soil is our basic national resource and must be protected against waste, erosion, and exploitation by unwise use. The case for a nation-wide program for soil conservation is outside the area of partisan debate.

The agencies of the present administration concerned with erosion control, despite the expenditure of hundreds of millions of dollars, have reached less than 5 per cent of the nation's farms. These agencies have created a costly and cumbersome administrative machinery, have employed an inflated personnel, and have proved both inefficient and wasteful. A thorough reorganization of the federal Soil Conservation Service is overdue. It should be greatly decentralized, with the states given wider authority in the planning and administering of erosion control programs. The Land Grant Colleges, in the part they play in soil conservation, must not be subjected to the now growing domination by the federal Department of Agriculture but must be preserved as agencies of local leadership.

Reclamation and the Surplus Problem

With our whole economy thrown into high gear, with full employment of our man-power, our technical skill, and our economic resources, the human need discussed earlier would become effective economic demand and we would need to have under cultivation more acres than now, but, until this happens, it is difficult to see the justification of extensive reclamation of lands at a time when we are resorting to elaborate programs to reduce the output of the good lands already under cultiva-

tion. For the time being, therefore, a rational farm program will provide for the completion of reclamation projects under way, but will not provide for more such projects until more land is actually needed for cultivation.

Crop Loans and Orderly Marketing

The farmer, like the business man or industrialist, must be in a position, when necessary, to borrow working capital to enable him to give orderly marketing to his products. If he cannot so borrow, he may be forced to throw his crops on the market at distress prices, whereas, if he is able to hold them until market conditions are more favorable, he will avoid this sacrifice of income. A rational farm program will, therefore, provide, under intelligent safeguards, crop loans that will make possible an orderly marketing of our farm output so that, in a year of unusually large output and low prices, it will not be necessary to flood the market with surpluses and thus drive prices still lower, but will make possible the holding over of such surpluses to a time of lesser output and higher prices. Such loans should not, of course, be deliberately made at a level so high that they make the government, in effect, the buyer of the crop carry-over, and thus stimulate the piling up of stored surpluses that will stand as a threat to future farm prices.

Farm Loans and Tenancy

Because the largest possible number of family-owned and family-operated farms is a factor of national stability, a rational farm program will direct the policies and powers of the farm loan agencies of government to the largest feasible assistance of farm tenants to become farm owners. Concurrently with this, careful consideration should be given to leasing practices in the interest of a better relationship between landlord and tenant.

Acreage Control

Acreage control is an undependable means of production control. Nature can so easily upset the plans of the controllers and produce a larger crop on fewer acres or a smaller crop on more acres. Or impoved methods of production, as in the case of hybrid corn, can more than offset the reduction on controlled acreage by greatly increased output on the uncontrolled acreage. A rational farm program will not include acreage control as a permanent policy, and will countenance its continuance only until more fundametal policies begin to bring the problem of farm surpluses under manageable control. It is the considered judgment of this Committee that the policies here suggested will make acreage control unnecessary.

Until Basic Policies Begin to Register Their Effect

Until the national economy as a whole is brought to a full and balanced recovery, to the achievement of which the basic policies of this entire report are directed, and which the Committee believes realizable, the necessity of some form of direct subsidy to agriculture to secure effective parity and to control the impact of surpluses upon farm prices must be recognized. A rational farm program will utilize that form of subsidy which is simplest to apply generally and which will necessitate the least possible red-tape of regulation and the least possible number of bureaucratic regulators. Along with this report there is submitted complete and detailed analyses of every available form of subsidy, together with a judgment upon the advantages and disadvantages of each form. These analyses are submitted for the information of those who will draft the detailed platform of the Republican Party at the 1940 Convention.

TOWARDS A BUSINESS PROGRAM

The relationship between government and business has too often been over-simplified by both political leadership and business leadership. Political leadership has over-simplified this relationship when it has assumed, as at times the New Deal leadership has seemed to assume, that business is essentially an anti-social process, that the more successful it is the more sinister it must be, and that the primary relation of government to business is that of a policeman shadowing a suspicious character. Business leadership has over-simplified this relationship when it has assumed, as at times its less enlightened representatives have seemed to assume, that business is a private hunting preserve, that any suggestion of social concern with business policy or any degree of social control of business practices is an impertinent intrusion.

Both these points of view are sterile. Both leave untouched the positive problem of a productive interrelation of government and business. Modern business is not an alien power standing outside the modern social order and threatening it. Modern business is an organic part of the modern social order and equipped to serve it, if a sound and productive relationship can only be established between it and government. Determining what that relationship should be is at the heart of the problem of a business program for government.

What Kind of Business System Do We Really Want?

It is impossible to decide the relationship of government to business until we know what kind of business system we want. The nature of the business system will largely determine what

government has to do about it, for philosophies of government and systems of economics are inseparably bound up each with the other. It is impossible, for instance, to maintain side by side a planned economy, politically determined and politically dominated, and a system of representative self-government. Government cannot dominate and direct the economic life of a great nation on the basis of a central plan and leave everything else free. Sooner or later, it must dominate and direct everything else—including press and school and church—or the free criticism and free action of the men and agencies left free will upset the central plan, which will always be vulnerable simply because no man or small governing group knows enough to plan the life and enterprise of a whole people.

The choice to-day is between a system of free enterprise and a politically planned and politically dominated economy. This choice has been clearly made by some European peoples. For the last seven years, many Americans have been wandering in a valley of indecision, on the assumption that we can, somehow, have both. We cannot. Until our choice is clear, American enterprise will struggle under the handicap of a paralyzing doubt and uncertainty respecting the future of both our political and our economic systems.

It is clear to this Committee that the best interests of the American people require that we preserve and modernize our traditional system of free enterprise with the minimum governmental regulation necessary to prevent abuse and promote justice in its operation. If the nature of the business system largely determines what government has to do about it, and if we are to proceed on the basis of an intelligently modernized system of free enterprise, then it becomes important to know what the basic characteristics of a free enterprise system are and at what points, if any, it has been perverted or blocked in the United States. Otherwise we have no dependable basis of

judgment on what government should do respecting either business regulation or business reform.

This is Free Enterprise

An economic system freely functioning within the proper restraints of law has, among other characteristics, three dominant marks:

First, it is *courageous*. When men act in harmony with its principles, they ask no one to guarantee their investments or their profits. They look to no paternalism of government to give them cost of production plus, regardless of the efficiency or inefficiency of their productive and distributive processes. They have the courage to invest, to take risks, to pit their judgment against the chance that they may either face loss or make profit.

Second, it is *flexible*. When men act in harmony with its principles, they face good times and bad times with equal realism. They know that in hard times a high wage rate, little work, and a slender total income for the worker is not as sound socially as a lower wage rate, more work, and a larger total income for the worker. They know also that in good times, when work is plentiful, low wages cut down their market instead of increasing their profit. They know that their long-term profits are generally best fostered by lowering prices to maintain or increase consumption, rather than by maintaining or raising prices by restricting production. They are, in short, flexible in their policies.

Third, it is *competitive*. When men act in harmony with its principles, they compete on the basis of their efficiency in production and distribution. They resort neither to private monopoly nor to public privilege to save them from the consequences of their own judgments, the results of risk, or the impact of competition.

The courage to risk, flexibility of policy, competitive operation—these are principles men live by when they live up to the nature of a free enterprise system. When we are told that the American system of free enterprise has come relatively to the end of its rope, that it can no longer be depended upon to give the people a decently sustained prosperity, then it becomes important to ask whether anything has happened in recent years to dilute the effectiveness or to delete from the operations of our economic system these principles of risk, flexibility, and competition.

Obstructions to Free Enterprise

From time to time the more short-sighted forces in government and in business and labor have joined to secure apparent special advantages which are crippling in their effect on our system of free enterprise.

First, they have fostered measures designed to guarantee protection or profit to capital. Free enterprise ceases to be free enterprise, however, when it asks that the risk of unprofitable operations or loss of capital be eliminated. The destruction of capital is one of the risks of free enterprise.

Second, they have fostered measures designed to keep alive and, in some instances, to extend special compensation to weak and inefficient units of our economic life. Free enterprise cannot afford to subsidize inefficiency or to maintain a declining industry, except as a temporary aid to groups dependent upon it. Change is of the essence of free enterprise.

Third, they have fostered measures that have tended to fix or to freeze prices, wages, and other cost factors at levels which, at times, have prevented the maximum operation of industry, the maximum employment of

labor, and the maximum well-being of the country. Free enterprise must be flexible.

Fourth, they have fostered measures which, although designed to check the unfair competition of privilege or cut-throat practices, have tended to strangle the fair competition of superior management, improved method, or new products. Within the limits of maintaining competition, free prices are imperative to free enterprise.

An examination of the practical effects of such measures in dislocating the free enterprise system indicates that the failures of free enterprise to live up to its promise have been due to these and like disloyalties to its central principles of action—courage to risk, flexibility of policy, and competitive operation. It indicates further what should be among the major objectives in determining the relationships of government to business.

Government "Intervention" in Business

The large freedom that is basic to a free enterprise system makes necessary periodic business reform and permanent business regulation at the hand of government. Business traffic rules are as indispensible as highway traffic rules. This Committee does not, therefore enter any general indictment of all government "intervention" in business. We have had government intervention in business, alike under conservative and liberal administrations, from the beginning of our government. Sometimes it has been friendly, sometimes inimical, but it has been constant. And, as periodic reform and permanent regulation, it will continue.

It is not a question of intervention or no intervention. It is a question of the nature, extent, and purpose of the intervention. Business reform and business regulation can either release or repress the energies of the nation's enterprise. Which happens will depend upon what the political leadership devis-

ing and administering the regulations thinks the nature, extent, and purpose of government intervention in business should be. This should be, by now, a settled question. But the New Deal attitude towards the nation's business has again thrown the question into the arena.

The present administration has experimented extensively with business reform and business regulation. This Committee is convinced that the New Deal leadership—by its defeatist disbelief in the possibilities of the private enterprises of the American people, its insistence that the federal government must be looked to hereafter as the deciding factor in popular well-being, and its persistent effort, through its business reforms and business regulations, to subordinate economic leadership to political leadership—has demoralized the energies of American enterprise.

The role of government in business reform and business regulation, if we are to preserve and perfect our system of free enterprise, is, in the judgment of this Committee, clear and, in principle, can be simply stated.

Government intervention in business should be a limited intervention, confined, under normal circumstances, to the creation and maintenance of a socially protective framework of regulation within which our economy of free private enterprise can most effectively operate and be most surely preserved. In short, the purpose of government intervention in business should be to make the American economy of free private enterprise work, not to replace it with something else.

The Goal of Business Reform

In the face of mounting evidence that the temper and purpose of the New Deal leadership, in its relation to business, have repressed rather than released the creative energies of the nation's enterprise, the temptation, in many quarters, has been to demand a moratorium on all business reform. This

does not, in the judgment of this Committee, necessarily follow. An intelligently conservative administration may, at this juncture, be very much a reform administration. But its reform will be designed to liberate, not to surpress, the productive energies of the private enterprises of the American people so that they may, as often stated in this report, make possible a full employment of our man-power, our technical skill, and our economic resources, a progressive lift in living standards, and an increased security for our people.

The business reforms of an administration that really believes in the free enterprises of a free people, and is determined to clear the road of obstacles to its effective operation, will seek to rid the free enterprise system of the artificial rigidities that both business and political leadership have imposed upon it, will seek to enforce upon enterprise generally a thoroughly adequate responsibility to stockholders, workers, and the public, and will seek to provide cushioning against the shock of readjustments inevitable in a dynamic economy, but, above all, will seek to enforce effective competition.

In particular, the business reforms of an administration that believes in free enterprise and is determined to free it from unnecessary handicaps will seek to rid the American enterprise system of such obstructions as those listed earlier—measures that directly or indirectly seek to guarantee profit to capital, measures that subsidize manifestly inefficient units of our economic system, measures that freeze varied production costs at unjustifiably high levels, and measures that strangle competition.

"Good" and "Bad" Regulation

That certain regulations of business are needed, if we are to avoid earlier errors in our experience, is not arguable. Consumers must be protected against unfairly administered prices, as in the case of regulated natural monopolies. Small and new

businesses must be protected against unfair competition from monopolistic or near-monopolistic enterprises. Consumers and competitors must both be protected against misleading promotion of either the products or the securities of business enterprise. Business itself must be protected by rational rules governing markets in securities, real estate, and commodities.

These are, in every instance, *protective* regulations. They are designed to maintain, not hamper, the freedom and basic character of the free enterprise system. They differ fundamentally from the *restrictive* type of regulations that drastically reduce the freedom of the people in the conduct of their enterprises and drastically expand the economic authority of the government. They protect the people against the excesses and abuses which arise from the misconduct of some individuals or the monopolistic tendencies of some enterprises. They protect the free enterprise system itself against persons and practices that would divert its energies from the creative function of producing wealth to the more purely acquisitive function of capturing wealth, already created, by varied forms of manipulation. Such regulation is "good" regulation.

Regulation is "bad" when it goes beyond its protective purposes and hampers the freedom of enterprise for the most efficient performance of its creative function of producing wealth, in the form of more and better goods at lower prices, with which alone the living standards of the nation can be lifted.

In the light of these principles of protective regulation, the Committee suggests certain considerations which government must take into account in the development of a realistic program for its relation to business.

New Enterprise Must Not Be Throttled

Every major advance in the economic welfare of the American people has come from the fact that some new idea, new

invention, new development in production, distribution, organization, or management challenged and, perhaps, supplanted some existing enterprise. It is imperative, therefore, that the business regulations of government shall not freeze the status quo against the rise of new ideas and methods.

Many New Deal policies and practices, as in the case of the NRA, have sought to hold things as they are. This has grown out of the fact that, as part of its defeatist conviction that we are approaching a static economy, the New Deal leadership has been so obsessed with its theories of stability that it has neglected the problem of growth.

The competition of the new with the old is the most important form of competition. If the business program of government is to be based, as this Committee thinks it should be based, on a system of competitive enterprise, operating freely within a framework of protective regulations designed to safeguard the general interest, then government must not fall into the dangerous practice of intervening to protect special interests against new forms of competition. To do so is to deny to society as a whole the benefits of new developments and to deny to individuals the right to rise by their resourcefulness and ingenuity.

Watch the Secondary Results of Regulation

When the hand of government touches the economic mechanism at any point, it may produce effects, wholly unexpected and sometimes disastrous, at points far removed from the original point of contact. The unplanned results of planning or regulation are often as significant, for good or for ill, as the intended results.

For example, the purpose of the Securities Act of 1933, in providing protection to investors by requiring a full disclosure of all material facts in connection with the issuance and sale of securities, is as vital as protecting consumers against adulter-

ated or poisonous foods. But the requirement of voluminous information, drastic liabilities for non-compliance, and costs that are often prohibitive to the organization and financing of relatively small enterprise have played a large part in obstructing the investment and reinvestment of funds essential to recovery. This secondary result of the Securities Act may well be as important as its primary purposes. Such a result is in no way an inevitable effect of an adequate and properly administered federal securities law.

It is important that government take steps to safeguard its business reforms and regulations against producing such unintended effects. This means greater organized care in the development of policy and the drafting of legislation than has marked the all-too-often hasty and ill-digested policy making of the New Deal leadership. This may mean that government should not only give the persons, interests, and sections likely to be affected by proposed policies or rules a chance to be heard, but that government will take positive steps to discover from industry, labor, the farmers, or other interests likely to be affected, just what, in their judgment, the direct and indirect consequences are likely to be. Without such method of thorough exploration and consultation only the best organized interests, with the best facilities for research and interpretation, are likely to be safeguarded.

If Regulation Is to Stimulate Rather Than Repress

A cardinal principle of a regulatory system that is to promote rather than depress enterprise is that its regulations should be definite and easily ascertainable. The greatest deterrent to enterprise in regulation is uncertainty. There is nothing more discouraging to the enterpriser than inability to discover whether and how he may act and whether, if he acts successfully, he will be permitted to succeed.

To remove such uncertainty, two things are essential: (1) the boundaries and patterns of government regulation should be clearly defined, for certainty is impossible to the degree that regulation is left to the arbitrary exercise of delegated power, and (2) the regulatory agencies should be so reorganized that the jurisdiction and power of every agency is readily ascertainable by the average citizen.

Regulatory authority is sometimes vested in quasi-judicial agencies like the Interstate Commerce Commission responsible directly to Congress. In other cases, as in the administration of the new wages and hours legislation, regulation is in the hands of an administrator. In still other cases, it is tucked away in some Department or Bureau quite out of the public eye, where the individuals subject to regulation can find it only with the aid of attorneys or agents, a legion of whom has grown up around the intricacies, complexities, and inconsistencies of government regulation in Washington.

In some instances Congress has legislated in detail, leaving little discretion to administrative officials. In other instances administrative officials have been given, in effect, the broad power to make law. Power so fundamental should be carefully guarded as to its extent and its exercise. The precise limits of the power conferred should be given crystal-clear definition and the discretion of the regulatory authority confined to questions the answers to which cannot, in the nature of things, be foreseen by Congress. And, in particular, the functions of legislator, prosecutor, and judge should, as far as possible, be separated, especially where, as in the case of the National Labor Relations Board, the power of the regulatory authority extends to the enforcement by penalty of rules of conduct the authority has itself laid down. And there should be some general procedure in all regulatory agencies that will insure to every person or group subject to regulation a full and fair opportunity to be heard in his or its behalf. There should likewise be some standard policy, applicable in all regu-

latory agencies, respecting the right of appeal to the courts from decisions of administrative authorities. To-day, in certain cases of regulation, the courts have broad powers of review, both as to fact and law, while in others their reviews can cover only questions of pure law or the abuse of discretion. Some ordered policy should be substituted for this administrative variety.

Government Competition

We have long accepted the fact that, within our system of free enterprise, natural monopolies must be regulated as to prices or rates by government. We also accept the fact that various public services such as electric, gas, and water utilities may be owned and operated by municipal governments, and it is established that the federal government may, in connection with flood control and the exercise of other federal authority, produce and sell electric power. But we do not accept as being in the public interest vast outlays of public funds to produce power in competition with and in disregard of existing useful private facilities. We do not accept government competition with private enterprise in the many fields in which it has been undertaken by the New Deal.

If we are to realize the full benefits of a freely functioning economy under intelligent regulation, government should not compete with its citizens in business enterprise. If government does compete with its citizens in business enterprise, either as a by-product of some well-established and acknowledged function of government or under the "yardstick" theory, then two clear requirements should be met:

> *First*, the government's operation and accounting should be such as to make possible a scrupulously fair comparison with the operation of comparable private enterprise with which it is competing. Otherwise there is no clear standard by which to judge the wisdom or folly of the government venture in question.

Second, the area of government competition should be so clearly delimited that private enterprisers may venture to invest without the uncertainty that, at any time, the field may be further invaded by government.

The New Deal's experiment in power production through the Tennessee Valley Authority was heralded as a "yardstick" for measuring the cost of producing electric energy. But TVA'S dependability as a standard of comparison with private utilities has been vitiated by a delayed and arbitrary allocation of costs as between navigation, flood control, and power production. The sale of electricity at prices fixed on the basis of that allocation are believed to be unfair both to private utilities and to federal taxpayers.

Government Should Watch the Burden-Bearing Capacity of Enterprise

A vital part of the business program of government is, of course, its taxation policies as well as its reform or regulatory activities. It is imperative that government shall not place burdens on enterprise faster than enterprise can increase its capacity to carry them. Otherwise these burdens cause further unemployment, thus falling, in large measure, on the jobless workers. If, in expanding its social reform program, an administration lays heavier and heavier burdens on enterprise, then, in the interest of its social program, government should actively and sympathetically foster rather than hamper enterprise in its burden-bearing capacity. To indulge, as the New Deal leadership has done, in ambitious social reform and business-baiting at one and the same time cripples both social reform and business.

Government and the Morale of Enterprise

Save under compulsion of fear or coercion by force, no system of national enterprise can function effectively unless it is

truly believed in by the people and by the leadership of the people's government.

This Committee is convinced, by its wide consultations, that, if the deepest will of the American people is followed, we shall proceed on the basis of a system of free enterprise under protective regulation, as the system which, of all systems, is best designed progressively to raise the level of well-being through the steadily expanding production of more and better goods at lower prices. The New Deal leadership protests that it believes in the private enterprise system and is only trying to make it work. But, whatever its intentions, the net result of its attitude and policies respecting business and industry has been a clear movement away from a risk-taking, flexible, and competitive system of free enterprise towards a politically dictated and politically dominated system of enterprise.

The result of all this has been an atmosphere of doubt, confusion, and uncertainty which has converted American enterprise into what has been, pretty consistently through the New Deal years, virtually a day-to-day economy. Americans with savings to invest have been acting largely on the basis of short-term confidence.

If free enterprise under protective regulation is to be maintained in the United States, as the system best calculated to advance our well-being, then it is elementary to say that we must know the conditions under which free enterprise can and will work and set our policies to insure those conditions. One imperative condition upon which the effective functioning of our enterprise system depends is the willingness of Americans who have savings to take the long-time risk involved in investing them in the launching of new or expanding of old enterprises. This willingness does not exist to-day on a scale sufficient to restore, in any sustained way, anything approaching the tempo of investment and enterprise that prevailed before the depression, to say nothing of an expansion of enterprise to take care of the some 9,000,000 increase in our population since 1929.

This willingness to risk does not exist to-day because, under the New Deal leadership, Americans with savings do not know what limitations may, at any time, be placed upon private enterprise by the enlargement of government control of investment and management. They do not know what further drastic obstacles to reasonable profit may be erected by new and punitive taxation or new measures of business reform or regulation. They do not know to what extent national leadership of the New Deal sort may move further and further from the protections and assurances our traditional system of a representative self-government under balanced powers has heretofore given. They have seen these protections and assurances subtly undermined, during the last seven years, by a sweeping increase in executive power and a steady growth of government by administrators with wide and, in some instances, virtually unlimited discretion.

The long-term confidence that produces the willingness to risk will not return until there is a decisive change in the temper and attitude of government towards the leadership, the processes, and the possibilities of American enterprise, until Americans willing to risk their savings in enterprise, in the hope of sufficient profit to justify their taking the risk of loss, are considered by the government as benefactors instead of malefactors.

After seven years in which the New Deal leadership has persistently "fired into the crowd" in what it insists has been only its pursuit of a chiseling minority, it is important that a new political leadership shall so restate the case for American free enterprise that a popular passion for its preservation will be aroused and its honest leaders given a sense that they are serving a significant national purpose when they mobilize investment, expand production, and provide jobs for eager millions, not only in great industries but in myriad small enterprises throughout the nation.

TOWARDS A FISCAL PROGRAM

The policies of government regarding expenditures, taxation, money, and banking, in large degree, reflect the needs and aims of government expressed in other fields of national policy.

If the general policies of government are sound and its expenditures well within its ability to raise revenue by taxation, its fiscal problems may be met by simple adherence to the principles of sound fiscal policy.

If, on the other hand, in a time of depression, the policies of government regarding production, prices, and wages are inconsistent, and if oppressive regulatory procedures of government destroy the willingness of investors and enterprisers to take risks, fiscal problems cannot be met by fiscal decisions alone. The need for government expenditures increases. Tax revenues shrink. If government imposes additional taxes, business may be still further depressed and little added revenue realized. Unemployment grows and increased expenditures are sought for relief. The farmer's market shrinks and greater aid to agriculture is urged. The government resorts to large borrowings. Under such conditions, the solution of fiscal problems cannot be found in the field of fiscal policy alone but only through a coherent program of national policies devoted to a restoration of the health of the enterprises of the nation and to the removal by government, as far as possible, of the obstacles that block their sustained expansion. This report indicates the structure for such a program in the fields of agriculture, labor, business, and the social services, and its conclusions regarding fiscal policies are stated in relation to the whole program.

To-day the fiscal policies of the United States should be judged largely as they tend to promote or defer the employment of unemployed men and dollars through the healthy expansion of private enterprise.

Under the New Deal, contrary to the fiscal program announced by the Democratic Party and its candidate in 1932, the country has experienced: (1) a progressive increase in expenditures—under a program of spending for recovery, (2) a succession of budget deficits which has resulted in doubling the national debt, (3) increased taxes, and (4) gold purchases, silver purchases, devaluation of the dollar and the threat of further monetary experiments.

The policies that are responsible for, or have permitted, this fiscal record have failed to accomplish full or sustained recovery and reemployment.

Expenditures and Spending

Expenditures are at the heart of most fiscal problems, and they are at the heart of the New Deal failure. It appears inevitable that government expenditures increase in times of serious depression, although Mr. Roosevelt promised that in the depth of depression, he would reduce the cost of Federal government by not less than 25 per cent. Instead of reducing expenditures or even resisting the normal tendency of government expenditures to rise, the New Deal embraced a theory of "spending" for recovery which has been explained variously as a method of spreading purchasing power, as a needed "priming of the pump" of private enterprise, and as "public investment." This theory has led to amazing spending not only on public works, in large proportion non-productive, but to all sorts of "emergency expenditures" that have been dictated less by a careful calculation of needs than by the assumption that any kind of spending is, in itself, good in a depression. It has encouraged waste in the usual business of government

and has eliminated effective governmental resistance to demands of special groups for special expenditures.

The following table of federal expenditures starting with the fiscal year of 1933, which includes the last eight months of the Hoover administration, shows the record of New Deal expenditures and "spending:"

1933	$3,863,544,922
1934	6,011,083,254
1935	7,009,875,312
1936	8,665,645,421
1937	8,442,408,756
1938	7,625,822,158
1939	9,210,091,581

Expenditures incurred in the performance of essential and useful services of the Legislative, Executive, and Judicial Branches of Government should be administered with strict economy; such expenditures are, at best, a necessary burden on every person who pays taxes. They should remain relatively stable. Emergency expenditures for relief and other purposes which do not add to the Nation's permanent productive plant should also be planned and administered to meet the emergency needs without one dollar of waste. This can be accomplished only as the administration of relief and other emergency expenditures is removed as far as possible from the pressures of party politics. We believe that wastefulness, resulting from a general willingness to spend, and the effects of partisan political pressures are evident in the extraordinary increase of employees in the Executive Branch of the federal government which are reported as follows:

1933	572,091
1934	673,095
1935	719,440
1936	824,259
1937	841,664
1938	851,926
1939	920,310

Spending for Recovery

Public works expenditures undertaken as an aid to recovery are proper and useful: (1) if they are planned so that the work can start in the downward swing of the business cycle, (2) if, as in the case of roads, they increase, directly or indirectly, the productive capacity of the nation, (3) if they are administered so as to promote rather than prevent necessary readjustments of construction costs, (4) if they are so planned as not seriously to discourage private investment by the threat of government competition, and (5) if they are so planned that they can be discontinued without jeopardizing the recovery they are aimed to promote.

New Deal spending for recovery has generally failed to observe these limitations within which reasonable spending by government can be helpful to recovery. It has been based upon the idea that "purchasing power" is something that can be distributed to consumers, whereas purchasing power is dependent upon a relationship between prices and costs of production that will promote the exchange of goods and services. By heavy taxation and extensive borrowing the New Deal has diverted funds from private saving and investment in the belief that it was taking them from sterile inactivity and creating purchasing power. It has believed that each dollar spent by the government would be re-spent many times by workers, storekeepers, manufacturers, and producers. The dollars spent performed in part the necessary function of providing relief and did bolster up the demand for consumer goods, but failed to stimulate appreciably the durable goods industries which produce our equipment for working and living. Thus, the "purchasing power" created was short-lived and so failed to make any substantial contribution to recovery.

In the construction field, in which improvement in the relationship between costs and prices would create a demand for construction, the broadcast spending has, in fact, been an

obstacle to the accomplishment of necessary readjustments. It has tended to freeze or raise prices, and particularly those prices which had never declined relative to prices generally.

Present emergency expenditures for public works beyond normal government requirements and activity should be progressively reduced as rapidly as improvement in industrial activity and employment indicate is prudent.

National Credit and the Budget

The most important values of American life are dependent upon the maintenance of a sound national credit and currency. These can be maintained only if the total expenditures of government are within the government's capacity to tax and borrow without depressing enterprise and preventing recovery. The creation of government debt can be used to meet expenditures only so long as there is confidence as to the government's ability to carry and service its debt, and meet maturities either through future taxes or borrowing.

We are entering the ninth year in which federal expenditures have far exceeded current revenues, in spite of the fact that federal tax revenues for the fiscal year of 1938 were more than triple the tax revenues for 1933.

The federal deficits and direct federal debt as of the close of the fiscal years indicated have been as follows since 1933:

Year ending June 30	Deficit	Direct Public Debt Outstanding
1933	$1,783,848,180	$22,538,672,560
1934	2,895,529,204	27,053,141,414
1935	3,209,408,110	28,700,892,624
1936	4,549,688,806	33,778,543,493
1937	3,148,568,519	36,424,613,732
1938	1,384,160,931	37,164,740,315
1939	3,541,743,000	40,439,532,411

This record of deficits and debt causes grave concern, involving as it does a clear threat to our currency and credit.

The foundation of sound public finance is a budget balanced annually from the proceeds of taxation and other revenues without borrowing, but seven years of reckless spending by the New Deal and expenditures estimated at $9,099,253,641 for the fiscal year 1940 has made it impossible for any administration immediately to balance expenditures with current revenues. Any effort to produce by new taxes or increased rates revenues to meet the current level of expenditures would probably so depress the current relatively low national income that it is doubtful whether increased revenues would actually be achieved.

In the present situation, a balanced budget must be sought largely through such reduction of expenditures as can be accomplished without impairing essential services or depriving the unemployed of adequate relief, and through policies in every field of government activity which stimulates a healthy expansion of private enterprise. The present administration, in seven years, has admittedly increased expenditures by more than 138 per cent. It should not be too difficult to accomplish a 20 per cent reduction from the present level, and it is reasonable to expect that with such a reduction and a substantial increase in the national income, federal expenditures and revenues can be brought into balance during 1942.

The Tax Muddle

The major objective of our tax system should be to produce by the fairest means possible the revenue necessary to meet the reasonable needs of a responsible government with the least interference and restriction of private enterprise. The tax system as a whole, federal, state, and local, must provide adequate revenue for each unit of government. The present incoherent, over-lapping and conflicting systems are neither just nor efficient nor economic. One of the worst features that has grown up in our tax system is the extraordinary number of excise or sales taxes which totally disregard the principle of distributing

tax burdens in accordance with the ability to pay. These taxes are a direct burden upon consumption and fall heavily upon those least able to pay. Real estate taxes are frequently administered without practical regard for values. Income and estate or inheritance taxes are levied by the federal government and most state governments. Gasoline, liquor, and tobacco taxes are levied by federal, state and local governments. State excise and license taxes are often devised and administered as local protective tariffs.

A general plan of tax revision and coordination should be prepared on the basis of a systematic review of the entire field of taxation—local, state, and federal—for such purposes as: (1) to determine the most desirable fields of taxation for the various units of government, (2) to devise effective safeguards against duplication of taxation, (3) to provide definite information respecting the productive and equitable limits of taxation, and (4) to provide data respecting the most economical methods for their collection.

Federal Tax Administration

As our national program is directed towards the healthy expansion of productive enterprise it is essential that our federal tax system should interfere as little as possible with business activity and the flow of savings into capital investment. An important contribution to recovery can be made by government by assuring an administration of federal taxes that is devoted to establishing certainty as to the meaning of the law and regulations, and fairness in the determination of tax liabilities. This requires a determination to apply the law through reasonable regulations, and the abandonment of the administrative practice of asserting every possible claim against a taxpayer, then treating each case as a law suit, and too often sacrificing precedent and certainty in administration to the prosecution of the particular claim. Some efforts in this direction have been made but much remains to be accomplished.

New Deal Taxes

Under the New Deal there has been federal tax legislation in each of the last seven years. Constant changes in the tax laws introduce uncertainties extraordinarily discouraging to business and investment. Known burdens can be met but no plans can be made for unpredictable shifts and increases in the burden of taxes. Ill-considered tax measures, such as the undistributed profits tax, have been quickly adopted and later abandoned. That tax forced corporations to distribute all their earnings or pay highly progressive rates on those retained. The principal object was to force corporate incomes into consumption either through distribution to stockholders who would spend their dividends or by the collection of the tax for the government to spend. This tax, which would still be in force except for Republican demand for its repeal, discouraged both the accumulation of needed reserves, and the accumulation of capital required for expansion of plant. Moreover, this tax was particularly burdensome to small and new corporate enterprises.

Social Security Taxes have imposed a fixed charge on all enterprise and a heavy direct tax on employment. These taxes are not related to ability to pay and are justified only by the promised benefits and the necessity for a greater general sense of security. As first enacted, the taxes collected had no relation to the promised benefits but went to reduce current deficits and support the extravagant level of spending.

Corporate income taxes have been raised from 13¾ per cent under the 1932 Act to 18 per cent in 1939. The merit of this tax is its productivity and relative ease of administration. But it should not be forgotten that it has little relation to ability to pay as its burden falls as heavily on the stockholder whose annual income is so small that it is exempt from the individual income tax, as it does on the stockholder with large income. Also, with the rate of 18 per cent the corporate tax may well

be a deterrent to financing of new enterprise. And the New Deal has further increased the burden on corporate earnings by imposing the normal individual income tax on dividends received.

The capital stock tax and excess profits tax is yet another new charge on corporate enterprise, and payments under these taxes are not based on invested capital or earnings but on the taxpayers estimate of earnings for the next year. It is wholly unsound in principle.

Surtax rates on individual incomes have been raised so that in the United States they reach a higher maximum than in the war-torn countries of Europe. The fact that the highest federal rate imposed is 79 per cent does not directly concern most of us. But the effect of surtax rates in choking off the investment of savings in new risk-bearing enterprises is a matter of serious consequence to every American. Further than this, the high surtax rates in the upper brackets, coupled with the availability of the tax exempt securities of states and municipalities, undoubtedly produce less revenue than would lower rates.

Recommendations

In the interest of recovery, the simplification of our tax structure, and additional revenue, prompt consideration should be given to (1) elimination of all tax exemptions of future issues of federal, state and municipal securities, (2) some reduction in the higher individual surtax rates, (3) the repeal of the capital stock and excess profits taxes, and (4) the abolition of the normal tax on dividends.

We do not advocate new federal taxes or increased income tax rates at this time. But if reductions in expenditures are not made promptly effective and there should fail to be a substantial increase in the national income, then the situation should be faced courageously and additional taxes levied. Such additional taxes can probably be obtained, without retarding

recovery, only by reductions in income tax exemptions and increases in rates applicable to incomes in the middle brackets. In so far as new revenue is sought through increased rates these brackets must be looked to first. Increased rates in the higher brackets are undesirable for the reasons given, and the disproportionately heavy burden of hidden and indirect taxes now falling upon those with lowest incomes makes unfair any increase in the normal rate until middle bracket rates have been raised or until the burden of hidden taxes has been considerably reduced. To-day it clearly appears that a larger percentage of an income of $1,000 is absorbed by taxes, direct or indirect, than is the case with an income of $5,000.

Money and Banking

A sound currency has always been an essential basis of an enduring prosperity. The savings and security of the people can be maintained only under monetary policies which give confidence to all enterprise — agricultural, industrial, and commercial.

The New Deal record in the monetary field has been one of rash experiment in applying various instruments of fiscal policy to accomplish miraculous cures of our economic and social ills. In the first ten months of its administration the New Deal suspended specie payments, repudiated the gold clause in all contracts public and private, and wrecked the London Economic Conference that had shown some prospect of stabilizing world currencies. It accepted the Thomas amendment providing for the issue by the President of three billion dollars of "greenbacks." It devalued the gold dollar and passed the Silver Purchase Acts which not only have resulted in the purchase of vast quantities of foreign silver but provide for the further inflation of our currency by its monetization at the discretion of the President, at $2.58 an ounce although its market price is currently about 43 cents. These powers the

President still has, including the right to further devalue the gold dollar to 50 per cent of its original content.

The Threat of Inflation

These extraordinary authorities and actions, after the inflationary rise in prices and business activity that accompanied their first impact, created waves of fear of inflation, and in so far as they contribute to uncertainty as to the future value of the dollar, are to-day obstacles to recovery.

Excess bank reserves now amounting to nearly five billion dollars make possible a sudden expansion of bank credit which would enable the volume of demand deposits to be doubled over night. The further devaluation of the gold dollar, the release of the gold now in the stabilization fund, the maximum legal valuation of silver, and the issuance of "greenbacks" up to $3,000,000,000, could be used to add $10,000,000,000 or $12,000,000,000 more to those excess reserves and perhaps six times that amount to the total circulating medium.

That so little price inflation has yet resulted is due to the relative inactivity of business, which has greatly reduced the velocity with which bank deposits are used. A revival of business could touch the match to the magazine of inflation prepared by New Deal policies.

In this situation, the purpose of the United States to resist all inflationary tendencies and preserve the stability of the dollar should be further forcibly demonstrated by: (1) a substantial reduction of government expenditures, (2) repeal of the emergency monetary powers of the President, and (3) return to a fixed gold standard, the time and detailed conditions of such return to be fixed by Congress upon the recommendations of a competent monetary and banking commission. War in Europe makes any steps towards stabilization of currencies by international agreement impossible for the time being. Cooper-

ative efforts can be made towards stabilization of South American currencies in the interest of our trade with nations of that continent.

In the monetary field, policies must be considered which ultimately will lead to a utilization of our abnormally large gold supply in the national interest.

Banking and Finance

The primary concern of government policy with respect to banks, banking, and finance must be to protect the savings of the people. On the other hand, this means protection against the failure of savings banks, commercial banks, insurance companies, and loan companies. It was for this purpose that the Reconstruction Finance Corporation was established by the Hoover Administration, and for the direct protection of bank deposits that the Federal Deposit Insurance Corporation was later created. Also, it means protection against fraud in the sale of securities, and in this field, the Securities Exchange Commission has assumed an important role. On the other hand, the protection of savings means protection against inflation. Such protection requires not only wise monetary and banking policies but policies in every field which will maintain the national credit unimpaired and unquestioned.

In the field of banking and finance, the other essential concerns of government are an adequate supply of short-term credit for agriculture, industry, and commerce, and provision of long-term credit and investment capital sufficient to finance the expansion of enterprise in these fields. Our usual commercial bank source of short-term credit has been supplemented by an extraordinary variety of governmental agencies. Government operations in this field should be limited to seed, crop, and animal loans, and the agencies providing such credit should be simplified and consolidated. In the field of long-term credit the New Deal has set up numerous agencies to make loans to

municipalities, business, farmers, home owners, home builders, and others. Government agencies have made and guaranteed billions of dollars of such loans. Some of these agencies have been operated efficiently; others were devised and administered in the spirit of spending and will result in great losses to the government with a resultant increased burden on every taxpayer. Generally speaking the Committee is satisfied that the government should discontinue all authorities for providing long-term capital to private enterprise, but it recognizes the place of mortgage banks established on capital supplied by the government to deal in farm and home mortgages.

The mass of credit machinery that has developed to supplement our banking system is such, and the problems involved so technical, that no general conclusions as to desirable changes can be simply arrived at or stated briefly. Simplification of the credit structure is clearly indicated. Policies and methods for its accomplishment, together with other banking and investment policies, should be considered and formulated by the monetary and banking commission referred to above. This commission should be appointed by the President under authorization of the Congress and should include Treasury, Federal Reserve Board, F. D. I. C., and S. E. C. representatives, together with an equal number of qualified experts outside the government service.

TOWARDS A SOCIAL PROGRAM

Consideration of the social program of government is placed at the close of this report because all other programs of government—labor, agriculture, business, fiscal—are but means to an end, and that end is the protection and promotion of the general welfare of the people.

Up to this point, the emphasis of this report has been predominantly economic. The report as a whole revolves around the contention that the central issue now confronting national leadership is the securing of a full employment of the man power, technical skill, and economic resources of the nation through the sustained operation and expansion of the normal enterprises of the American people. Thus to say that the economic welfare of the people is now the central issue is not to ignore the issues of social welfare with which modern government must deal. It is only to be realistic enough to know that, without the sustained support of a healthy and vigorous economic life in the nation, the whole social and humanitarian program of government will be endangered, that continued failure to realize a sound and full recovery will, sooner or later, enforce a moratorium on social progress in the United States.

The Forgotten Man and the Forgotten Factor

The New Deal leadership has talked much of the Forgotten Man. But, unless government pays attention to what for seven years, under the New Deal, has been the Forgotten Factor in the national problem, the factor of full recovery, the Forgotten Man will be worse than forgotten—he will be betrayed by a government that has led him to expect all sorts of social benefits which government will, in time, find that it simply cannot

provide, because it has neglected to make economic America a going concern producing enough wealth annually to foot the bills. This is the blind alley into which the New Deal has led and is still leading America. And this is the basic bunder which the Republican Party must, in the interest of the social welfare of the American people, set itself boldly to correct. This is the first step towards a sound and permanently feasible social program.

Social Objectives Beyond Partisanship

Among most Americans, regardless of party, there is not much difference of opinion about the social goals towards which, as a people, we want to move. But there is a growingly wide and legitimate difference of opinion as to what policies will and what policies will not advance us towards these goals. Accordingly the Committee here calls attention to considerations regarding the relation of local, state, and federal government to the problems of relief, care for the aged, unemployment compensation, health and medical care, and housing which, in its judgment, government must take into account in the development of a social program that will genuinely advance the social welfare of the people.

Relief as a Responsibility of Government

The fact of relief as a responsibility of government, along with other forces, is not an issue between the administration and the opposition. That Americans unemployed through no fault of their own should be shielded from suffering and their self-respect kept alive pending their return to normal employment is an axiom that no leadership, worthy of the confidence of the nation, will dispute. That the old, the sick, and all those who, handicapped by forces over which they can exert no control, are unable to provide for themselves must be safeguarded

by society is a long and almost universally acknowledged principle. And that, under circumstances of need so great that it cannot be met by individual assistance, the action of voluntary social groups, or the appropriating power of state and local governments, the federal government has a responsibility of a supplementary nature respecting relief was first given official recognition by the last Republican administration. Prior to the Hoover administration the federal government had not accepted this responsibility.

Relief must be provided as long as the need for it exists. It must be adequate in volume, administered with scrupulous regard for the self-respect of those who must resort to it, and effectively divorced from partisan politics. But, wastefully administered and exploited for political purpose, relief policy can become one of the major obstacles to that full recovery upon which, as just stated, the successful maintenance of a sound and adequate social program depends.

Relief Under the New Deal

This Committee does not take issue with the broad principle that, under the abnormal circumstances of depression as drastic as we have experienced, the resources of the nation as a whole may properly be employed to equalize the burden of caring for the unemployed.

The points at which this Committee takes issue with the New Deal handling of the relief problem are: (1) the unnecessary, unjustifiable, and dangerous degree to which the present administration has centralized the control of relief in the federal government, (2) the discrimination that New Deal administration of relief has made between economic and racial groups of citizens, and (3) its inflation of relief costs, either for political purposes or from unsound judgment, out of all necessary relation to the provision of adequate relief.

The Danger in Over-Centralized Relief

The over-centralization of the provision and administration of relief in Washington has had three dangerous results.

First, it has added greatly and unnecessarily to the already intolerably large and costly army of federal employees. This has meant an unjustifiable duplication of relief administration costs as between federal, state, and local units of government. And it has placed in the hands of the administration a country-wide organization which, along with other new and expanded bodies of federal officials, has been used for partisan political purposes to such an extent as to have become a factor in prompting the passage of the Hatch Act prohibiting partisan activity by such federal servants.

Second, it has placed in the hands of the federal administration control over the direct allocation of huge funds to states and localities. Since the allocation of these funds has not been subject to any regularized formula, determined and controlled by Congress, the administration has yielded to the temptation to use them for the partisan purpose of influencing elections, attempting to secure the silence or support of legislators and constituencies by the astute timing, effective placing, or punitive withholding of various relief grants.

Third, it has tended to weaken the self-reliance and sense of responsibility of individual citizens, communities, and states by making them increasingly and intimately dependent upon the federal government, a result which is wholly unnecessary if the error of over-centralization of relief administration is avoided.

It is important to keep clear that a full meeting of the federal obligation in the matter of relief does not require the over-centralization of administration which has occurred under the New Deal.

Discrimination Between Groups of Citizens

When faced with the problem of relief on a nation-wide scale, it is an obligation of organized society to see to it that there is no unfair distinction drawn between groups of citizens on economic, racial, or any other grounds. Human need is human need whether the citizen in need is employable or unemployable, whether he belongs to one race or another.

By the distinction the New Deal leadership has drawn between employables and unemployables, making the unemployed employables a special concern of the federal government and leaving the unemployables as a special concern of state and local governments, New Deal relief has resulted in a gross disparity between the relief accorded those two groups.

The burden of the depression has fallen with an extraordinarily heavy impact upon our Negro citizens. This has been added to the fact that, in their sincere struggle to establish for themselves a rightful and self-respecting place in the productive enterprise of the nation, they have faced and still face the fact of racial discrimination. This is a problem which, in so far as the influence of government can directly affect it, must be frankly faced. The New Deal has purported to give this problem special attention, primarily through the value of its relief program to the Negro. It claims to have extended unprecedented benefits to them. The more enlightened members of the Negro citizenry of the nation, however, have begun to look skeptically at the record of the last seven years.

They begin to realize that, by confining its concern with Negroes so exclusively to relief and doing little to further their struggle for a rightful place in private employment in the productive enterprise of the nation, the New Deal program has operated to encourage a progressive shunting of Negroes out of normal productive enterprise into a kind of

separate relief economy, leaving them, as it were, on permanent "reservations" of public relief.

A just and humane relief program will no more give government approval to, or acquiescence in, discriminatory treatment of citizens on racial grounds than it will devise or condone inequitable treatment as between employables and unemployables.

New Deal Relief Costs

Human need could have had greater relief at less cost to the nation if, during the last seven years, less consideration of partisan advantage and more sound judgment had gone into the determination of forms of relief and the devising of the machinery for administering relief.

From 1933 to the time the investigation behind this observation was closed, the federal, state, and local governments had spent about $21,000,000,000 on relief of all kinds. Of this, some $15,000,000,000 came through the federal government, some $6,000,000,000 from state and local governments. In March 1933, according to official New Deal sources, there were 5,588,000 cases on relief. In March 1939, a long enough period to reflect New Deal policy, there were 8,389,000 cases on relief, an increase over 1933 of a little more than 50 per cent. In this same period, however, the cost of relief increased some 232 per cent. This wide spread between the increase of cost and the increase of cases was due to the adoption of costly forms of work relief by the federal government instead of a co-operative general relief under a unified policy with the total cost shared by federal, state, and local governments.

It has been contended by the New Deal leadership that the excessive cost of work relief, varying from two to three times that of direct relief, is justified because it preserves the morale and skill of the unemployed. If it does, why should the federal government be the only unit of government to provide a kind of relief that *preserves* the morale and skill of the unemployed,

condemning state and local governments, in the main, to a form of relief that supposedly *destroys* their morale and skill? But it may be questioned whether work relief as administered by the present administration, with elaborate placards and signs heralding every project as a creation of WPA or PWA and as manned by unfortunate unemployed workers, really preserves the morale of the workers.

The New Deal program of relief through WPA work projects has proved incredibly costly. Investigations indicate that total construction costs with WPA labor have been from 25 to 150 per cent more than construction under private contract. This has been true even when the projects have been wisely conceived and efficiently executed. Many projects, however, have been badly conceived, over-manned, slackly administered, and have not added to the wealth of the country anything commensurate with their cost.

A Republican Alternative

This Committee believes, without reservation, as it has said, that modern society must fully protect against privation any of its citizens unemployed through no fault of their own until recovery from abnormal depression conditions makes their re-employment possible. It regards relief, however, as a temporary protection against the destructive effects of unemployment, not as a permanent substitute for employment. It believes, therefore, that a realistic relief policy will be rooted in three considerations: (1) relief to the suffering, the needy, and the unemployed as long as necessary, (2) self-respecting jobs at fair wages as soon as possible, and (3) the active rehabilitation of the unemployed so they will be equipped to step promptly back into productive employment as soon as full recovery is realized.

As to the sources of relief funds and the mechanism for administering them, the Committee believes that four fundamental principles should control.

First, to insure the maintenance and development of local responsibility, without which a vigorously healthy national life is impossible, the largest feasible proportion of relief costs should be borne by states and localities, with state and local funds supplemented by grants-in-aid from the federal government, in the light of demonstrated necessity and within a regularized formula authorized by the Congress.

Second, the administration of all relief should be entrusted to state and local governments. The total relief problem should be unified at least in the states. Local forces should determine whether their situation can best be met by work relief or direct relief. With the federal government withdrawn from relief administration, but supplementing state and local funds with federal grants-in-aid, the forces of home rule and the informed force of local opinion will, in the judgment of this Committee, produce a more equitable and a more economical handling of relief than has been produced by the remote and politically colored control of relief under the present federal administration.

Third, a national commission, bi-partisan in personnel and removed from all direct relation to party politics, might well be created to devise and enforce such conditions prerequisite to grants-in-aid from the federal government as would insure non-partisan and efficient administration of relief funds.

Fourth, the conditions attending grants-in-aid from the federal government, while leaving to state and local governments full freedom of choice as to methods of relief and their application to individual cases, should require that the state and local governments administer the relief funds, to which federal and state and local contributions have been made, through bi-partisan

agencies. Only so can relief be lifted above the suspicion of partisan manipulation.

So administered, more effective relief can, in the judgment of this Committee, be provided at a greatly reduced cost to taxpayers.

In Fairness to the Aged

Provision for the aged, in the case of wage workers, in occupations to which the method can be adapted, should, in the judgment of this Committee, be made through an old age insurance plan, organized on a pay-as-you-go basis, to which employers and employees both contribute, and, for those not eligible for old age insurance, by old age assistance based on need.

These principles are generally satisfied by the provisions of the Social Security Act as amended by the 1st Session of the 76th Congress. The amendments then adopted removed—until January 1, 1943—one of the chief objections to the original plan which called for a gigantic reserve of $47,000,000,000 which was to be built up by investing the proceeds of social security taxes in government bonds so that in the end we would owe all our national debt to the Social Security Fund. This ingenious device of a prodigal administration cracked on the hard fact of continuing deficits. The bonds in which the social security taxes were invested did not reduce the national debt but added to it. The contributions of workers and employers to what was supposed to be an insurance fund were actually spent for general purposes. And, what was more, the rates of these contributions or taxes were scheduled for periodic increases not required by current demands on the fund. Republicans and Democrats who questioned the soundness of the administration's policy united to reduce the reserve to a reasonable fund for equalizing future fluctuations in tax yields,

and to limit taxes to what is necessary to cover current requirements.

Other amendments stepping up benefits to those retiring early, bringing the date of beginning benefit payments forward to January 1, 1940, and making provision for wives, widows, and other dependents, were improvements of the original act. Questions have been raised, however, as to the fairness and financial feasibility of the complicated provisions of the revised act. The operation of the act must be critically observed and whatever adjustments may be necessary to provide a fair and workable system of contributory old age insurance adopted.

The old age assistance provisions of the Social Security Act were amended by the 1st Session of the 76th Congress to increase the maximum benefit, of which the United States will pay half, from $30 to $40 a month. There seems to be a consensus of opinion that at the present level the system of old age assistance should be retained.

Although old age assistance provisions apply to them, the present contributory old age insurance system does not embrace farm laborers, domestic servants, and some other smaller groups of workers. There is no logical ground for refusing to extend it to those classes. A scientific study of the present law should be made in order to develop administratively feasible methods, which are not now available, for its application to these other groups.

Unemployment Compensation

Unemployment compensation, as at present organized, is intended to bridge over periods of unemployment for persons more or less regularly employed. It has had little effect on the mass unemployment of the depression. In the long run, however, it should take the place of unemployment relief, except in major depressions, for those whose occupations are covered

by the act. The fact that most of the unemployment compensation statutes give credits to or operate to the benefit of employers who have a low labor turnover makes it a stabilizer of employment.

General opinion, and experience in a number of states, indicates retention of the unemployment compensation system. The record of its operation should be subjected to careful study to determine the scope of its usefulness and to discover possible improvements in its provisions.

The pay roll tax on employers, however, is a business depressant and should not be increased during the depression period. Any increase in the scale of benefits now provided should be met by measures that will not, like the payroll tax, defeat their purpose by further depressing employment.

The state employment offices, whose energies have been largely diverted to the detailed administration of unemployment compensation, should be improved in quality, more adequately financed, and used, in close coordination with the relief authorities, in getting the unemployed back to work. Every able-bodied person receiving relief should be obliged to register with one of these offices, and refusal to accept a job when offered should become prima facie grounds for removal from the relief roll. Reaccess to relief, when such jobs prove temporary, should not be so difficult as to lead workers to refuse jobs and cling to relief rather than run the risk of finding themselves without jobs or relief after a brief employment. Gearing the machinery of relief to that of finding jobs for the unemployed would save expense and simplify the transition from relief to employment.

Much the same question with regard to the extension of the coverage arises here as in the case of old age insurance. The difficulties of applying unemployment compensation to the excluded classes are even greater, and should be approached with corresponding care.

Housing and Human Living

The physical environment of a family, to a marked degree, determines the happiness, well-being, and moral development of its members. A comfortable and sanitary home in decent community surroundings contributes to the growth of that self-respect and self-initiative which have been among the main springs of the extraordinary well-being which has characterized American life in contrast to general living standards in other nations.

A considerable part of our people still live in crowded, dilapidated, ill-ventilated, and badly heated dwellings without adequate sanitary facilities simply because there is nothing better available at the price they can afford to pay.

The Magnitude of the Housing Problem

A ten-year paralysis of the building industry has created a problem and an opportunity, the problem of providing sanitary and comfortable homes for nearly a fourth of our population who now live in substandard quarters, and the opportunity of a new enterprise frontier equivalent to a whole series of new industries. New families come into being at the rate of 450,000 a year. Each year 90,000 old dwelling units are burned, blown down, or razed. We have an accumulated shortage since 1931 of 1,381,000 units, and, of units now standing, 550,000 require total rebuilding. In the next five years 4,656,000 new units should be erected to recover the pre-depression standard and to do away with the worst of our living conditions, not to mention an estimated 3,600,000 more units which require major repairs.

The construction of more than 900,000 dwelling units a year would exceed the highest previous peak of building activity which we attained in 1925. It could be one of the decisive factors in producing a revival of prosperity. For it means not only the construction of 4,656,000 homes, it means their equipment

and their furnishing, their maintenance, and their repair. The major repair or reconstruction of 3,600,000 other homes, will stimulate the sale of rugs, curtains, beds, stoves, tables, refrigerators, heating systems, lighting systems, and other modern household equipment. Better homes will mean larger living, a higher standard of consumption for at least 30 million people.

Here is a field for expansion that should lead the prophets of a static economy to doubt their doubts about the future of American enterprise.

The Role of Government in Housing

Difference of judgment may exist as to the relative roles of government and of private enterprise in the solution of the housing problem. Few will question the importance of public housing projects in Great Britain in setting the example which private enterprise subsequently followed. This Committee takes no issue with the building of sample housing projects directly by the government, although government projects to stimulate building should be undertaken only where wages and materials prices permit construction with a reasonable prospect of economic operation in relation to costs. The right and function of local government to force the clearing of slums by direct action is clear. With the cost of land acquisition in the use of slum clearance having been assumed by the local governments, there is no reason for not permitting the low income groups to benefit from a slow amortization of this cost. It is apparent, however, that the combined resources of government in all its levels are not sufficient to build, or subsidize the building of, enough houses to make even a material dent on the housing problem. The $800,000,000 put out by the USHA through local housing authorities, supplemented by some $28,000,000 of annual subsidy, will take care of only about two per cent of those who at the moment are conspicuously badly housed. In other words, public housing, as contrasted with housing by

private enterprise, cannot begin to fill the bill unless we are to go over to some wholly different economic system. We cannot, in short, house our people by public housing effort except at the expense of a complete dislocation of government finance and a paralysis of private business.

Government, in its housing efforts, should, therefore, be limited to the role of example-setter and stimulator. We should depend mainly on private enterprise for the construction of new dwellings and the reconditioning of old ones.

Towards Action on Housing

It is essential, if we are to grasp the opportunity the housing shortage presents, that labor, industry, and the forces of state and local government be brought into concerted action. It is necessary to secure the cooperation of labor, contractors, and materials men, if we are to reduce the cost of construction. It will be necessary to have the support of state and local government (1) in writing sound modern building codes, (2) in the amendment of zoning ordinances, (3) in the establishment of neighborhood planning units, (4) in the replanning and reconstruction of streets, sewers, parks, and recreation facilities, (5) in the making and enforcement of sound sanitary regulations, and (6) in the use of the power of eminent domain. It will be necessary to make large scale plans, to prepare model legislation, and to integrate the activities of local groups. The enforcement of the anti-trust laws and the breaking up of rackets will be part of it. It will take vision and determination.

It is simply out of the question, however, to solve the total housing problem or any large part of it through government appropriations. Government's biggest contribution in this field lies in clearing the track of the obstacles which—in the fields of materials and labor costs, politically exploited building codes, and real estate taxes—have stood in the way of building, in giving vision and leadership to the field, and in coordinating the

varied forces essential to a vast forward move in housing development through the normal channels of the building industry.

For a Healthier America

Amazing advances have been made in the fight against disease and death in the United States by the cooperating forces of laboratory science, medical practice, voluntary lay social groups, and the preventive measures of government. But there still goes on a "widespread erosion" of the lives and productive energies of millions of Americans from causes which a more intensive, adequately equipped, and better coordinated drive for the conservation and care of the nation's health could materially cut down or fully eliminate.

Historically and on the basis of current national interest, this is rightly a concern of government as well as a concern of the medical profession and of voluntary social groups. It is rightly a concern of government not only because basic human values, which must be a concern of enlightened government, are involved, but because preventible disease and the temporary withdrawal or permanent slowing down of the productive energies of its sick or unsoundly nourished citizens is a serious drain on the creative power of the nation.

The People's Government and the People's Health

Preventive medicine has been a definitely acknowledged public function at least since the fourteenth century, when the Great Plague led to the practice of quarantine. Since then there has been a cumulative evolution of public responsibility for public health. This evolution has gone through three broad stages: (1) the stage in which there was little, if any, government concern with the health of the people, (2) a stage in which the government concerned itself almost exclusively with

mass measures for public sanitation, community hygiene, and the control of communicable diseases, and (3) the present stage in which, in addition to the already widely extended scope of the government's health activities, it is contended by many that the government should actively enter the field of medical care, remedial as well as preventive, even providing complete medical care for the whole people, individually and in organized groups.

The relation of government to the enterprise of medical care raises the same fundamental question of national policy that is involved in the relation of government to business or to labor. In the field of medical care, as in the field of business, the issue is being over-simplified by the extremists. Between them, the two camps of extremists state the problem as involving a flat choice between public medicine and private medicine. These are not the alternatives between which we must choose. Earlier in this report, it was stated that we have had government intervention in business from the beginning of our government, that it will continue, that it is not a question of intervention or no intervention, but a question of the nature, extent, and purpose of the intervention. So, in the field of health conservation and medical care, it is not a question of being forced to choose between a politically exploited state medicine, on the one hand, and a *laissez faire* individualism of private practice unrelated in any organized way to a statesmanlike drive for the conservation of the vital energies of the nation. It is a question of sound judgment as to the direction and degree of state action in the health field.

In the medical field, as in business and industry, with universal suffrage, the ultimate degree of state action will depend, in no small measure, on the long range vision of the medical profession. The people do not press the state to take in hand problems that are already solved or visibly on their way to solution. Here, as elsewhere, insensitive reaction in private leadership can breed irresponsible radicalism in public policy. The

doctors cannot and should not be expected to meet single-handed all the problems involved in the conservation of the nation's health. But the medical profession can be expected to provide a willing, informed, and effective leadership in a broadly conceived effort to raise the health level of the nation.

The Fact of Need

Judgment will differ as to details. Where precise and comprehensive statistics are lacking, political estimates of social needs may be skeptically scrutinized, for they easily become part of the propaganda for proposed programs. Detailed estimates of remedial and preventive medical shortcomings, of existing needs in the field of hospital facilities, service, and financial support, and of gaps in the health education of the people are submitted separately in the detailed materials accompanying this report. It is enough here to say that there is general agreement that the as yet unmet health needs of he nation are great. Our social action lags behind our scientific knowledge. We know more than we do.

Vast numbers of Americans in the low and medium income groups, scattered through all our communities, are not receiving as good medical service as physicians, dentists, nurses, and hospitals are equipped to provide. Above the indigent level, they are reluctant to resort either to charity or to the free or near-free services of the public institutions of local and state government, and so, in whole or in part, go without needed medical attention. And even the indigent resort to free facilities more for cure than for prevention.

For those above the indigent level, the problem is one of the cost and distribution of medical care. The cost of thoroughly adequate medical care is plainly beyond the pocketbooks of, perhaps, a majority of the people. In justice to the doctors of the nation, it should be said that the high cost of medical care is not due to the average doctor's fees. It is due to the compli-

cated and varied laboratory tests and treatment techniques involved in modern diagnosis and treatment. When the costs of these varied tests and treatments, the fee of the family physician or surgeon, the fees of the several specialists, the salary of the nurse, and hospital expenses are added together, the total strains the budget of a majority of American families. This is true even with the fees and charges all along the line put at a moderate level. This is a key point in the health problem—how to make the unavoidably costly service of modern scientific medicine attainable by the rank and file of Americans.

Health needs are most glaringly evident in certain rural regions and low income areas. This is due to more causes than the single fact of inadequate income—to an insufficient understanding of the medical service that is possible, to an insufficient number of qualified practitioners or of hospital beds in various areas, and, even more important, to a lack of sufficient funds to make possible a maximum effective use of hospital facilities that are available.

How Shall These Needs Be Met?

If we are not to destroy important values already developed and impose upon the already over-burdened taxpayers an intolerable new burden, we must be realistic in our analysis of what can be done through existing machinery and be responsible in our estimate of necessary expenditures on an effective national health program. These qualities of realism and responsibility are not evident in the national health legislation suggested by the present administration.

The health legislation proposed by the New Deal leadership, like so many New Deal measures, sets as its objective certain broad results of general welfare about the desirability of which there is no dispute. The proposed legislation is not designed to proceed on an experimental basis with full opportunity to integrate it carefully with existing facilities and procedures.

The whole tenor of the bill expressing this proposed program betrays an impatience with the painstaking and democratic methods of improvement by which alone the progress in health conservation to date has been achieved. And this progress, despite the still existing need, has been great. The appropriation suggestions seem largely the product of guess-work estimate, estimates based alike on exaggerated statements regarding needs and extravagant claims of the speed and scope of improvement possible with existing medical knowledge. The bill is so vague at points as to defy clear analysis, but it appears to imply the launching in all states of elaborate programs of medical service, under political sponsorship and control, to be financed either by deductions from wages or from general tax funds. And again, as in so many New Deal measures, the safeguarding of professional standards is not provided in the bill, but is left entirely to the discretion of politically appointed administrators.

The lack of realistic analysis and responsible estimate, in the administration's approach to the health problem, has been more recently illustrated by its proposal to build 50 or more 100 bed hospitals in rural areas, each hospital to cost in the neighborhood of $150,000, to be administered by local forces, but the title to the property to remain with the federal government. The lack of realistic analysis back of this proposal is evident in the three facts: (1) that a 100 bed hospital is larger than 60 per cent of the hospitals in the whole United States, (2) that it is doubtful that satisfactory hospitals can be built for $1,500 per bed, and (3) that there are few, if any, areas that can support a hospital of 100 beds which are not already supplied with hospitals and in need of adequate financing of their existing facilities rather than the erection of new hospitals. The first suggestion, quickly withdrawn, that these hospitals be wooden structures illustrates the lack of responsible analysis back of much of the administration's planning in the health field. It would seem to be elementary that hospitals should be fireproof structures.

If the health needs of the nation are really to be met, they must be met by more realistic and more responsible thinking than the present administration has brought to the problem.

Lines of Positive Action

The broad lines of positive action in the health field by the Federal government seem clear to this Committee.

The federal health service should be coordinated and concentrated within one department of government.

The federal health program should not weaken by competition or directly supplant worthy existing health agencies, but should work towards implementing and developing the agencies already in existence.

Such federal grants-in-aid as are made should go to the states, not directly to localities, so that the health programs of counties and other local units can be efficiently coordinated with the state program. These grants-in-aid can properly be made contingent upon adherence to certain controlling standards of performance, but states should not have any single federal pattern imposed upon them. They should be free to develop their own methods of approach to their local problems.

A national health program should be operated by a cooperative utilization of the forces of government, the medical profession, and voluntary social groups.

In both the service and support of existing hospitals and health agencies, the federal government should not draw a severe line of difference between voluntary hospitals and health agencies and governmental units. Both should be fostered in the national effort to raise the general health level.

The now rapidly growing voluntary non-profit health and hospital insurance plans may be developed to meet the problem of medical and hospital costs quite as effectively as govern-

mentally directed plans could possibly be. They are more flexible and more readily adaptable to varied and changing conditions. Giving these voluntary plans a full trial, under helpful stimulus from government leadership, will develop a fund of administrative and actuarial experience which is now lacking.

Beyond a Health Program

As in other fields, the problem of health conservation can be met only in part by the provisions of a health program. Better medical care, more doctors, better hospital facilities, even reduced medical and hospital costs are but part of the answer.

The cost of medical care, even at the present level, would not present the problem it does if the enterprise of the nation was in high gear, producing at capacity, and distributing the goods, services, and necessary buying power upon which a high standard of life depends. What government does, therefore, to stimulate an expansion of American enterprise, with the full employment involved, is an important part of a health program. It will be removing causes instead of treating effects.

The Social Services and the Federal Budget

The plain fact is that the federal government is not now in position to add to its already staggering expenditures substantial new outlays on the important social services of government. Expenditures in these fields must come out of reductions in existing expenditures which the present administration has been making on matters of less importance to the welfare of the people and out of the increased national income that will follow a full restoration of American enterprise. Meanwhile rational policy must consolidate and perfect existing services and realistically prepare for advances on a financially feasible basis.

State Action and Social Action

Throughout the world a sweeping transfer of functions from social action to state action has been taking place. The balance

between social power and state power is being fundamentally altered. Public initiative is being substituted for private iniative in larger and larger areas of enterprise.

In the basic fields of health conservation, of preventive and remedial medicine, of education, and of the social services in general, this shift from voluntary social agencies to state agencies has gone steadily on. As this shift takes on the force of a world trend, it becomes important to safeguard the values that belong to voluntary social agencies and the action of voluntary social groups. A nation loses if the sense of social responsibility of its citizens is confined to the payment of taxes and their social conscience expressed, in the main, by proxy through federal agents.

We have heard much of the necessity for a public "yardstick" by which to measure the justice of price and policy in the utility field. It is imperative that we have private "yardsticks" by which to measure the objectives and standards of those social services for which government properly assumes responsibility. This is why, throughout this discussion of the social program of government, this Committee has sought to preserve a saving balance between governmental and voluntary agencies.

CONCLUSION

This is a report out of the ranks of the party of opposition.

It has not been dictated, however, by the cynical assumption that the sole duty of a party of opposition is to oppose. It has not been conceived in a spirit of vindictive faultfinding with the party in power. The Committee, in drafting it, has attempted objective judgments on the measures rather than subjective judgments on the motives of the leadership now in control of the national government.

When opposition parties live up to the opportunity their breathing spell from official responsibility gives them, they rethink the purpose of government in light of the needs of the people as a whole and reformulate a program of action in light of their own experience when in office and in light of the mistakes the party in power is making. In their vacation from authority they achieve a new perspective and understanding to take to the people. If the understanding is right, and if the people verify it, the party of opposition returns reinvigorated from minority to majority status.

This has been the position and is the responsibility of the Republican Party. The work of this Committee is one expression of the Republican Party's attempt to discharge its duty as the party of opposition.

The Objective of This Report

As essential background for its conclusions, this report analyzes the assumptions, the policies, the practices, and the results of the present administration. But its main concern is with the guiding principles of policy which, in the judg-

ment of the Committee, reflect the considered opinion of the majority of Republicans in the United States as to policies which will most nearly assure a full employment of our man power, our technical skill, and our economic resources under a way of national life congenial to the American spirit.

As the Committee carried on its referendum of opinion and its research into conditions, it became increasingly convinced that we are to-day confronted with a task of economic and political restoration that is quite as fundamental, in many ways, as the task of political creation faced by the founders of the Republic. This task of restoring the vitality and drive of our national life calls for moral integrity, calm intelligence, a will to social unity, and a high order of impersonal thinking, with the nation's welfare put first, alike by statesmen and their followers, and by economic leaders and the men who man their enterprises.

Three Sources of National Renewal

The restoration of the vitality and drive of our national life depends upon: (1) the individual citizen, (2) organized groups such as farm organizations, labor unions, cooperatives and corporations, professional and trade associations, and voluntary social agencies, and (3) government.

Little assured headway can be made towards revitalizing our national life unless the relationships between the individual citizen, the organized group, and the state are both clear and dependable. The pattern of these relationships is neither clear nor dependable to-day. As a result the whole of American life and enterprise moves in an atmosphere of uncertainty. To make these relationships clear, dependable, and expressive of the deepest and soundest impulses of the American spirit has been a controlling purpose of the Program Committee in the preparation of this report.

Crisis Government

Through most of the life of the Republic, the Constitution, along with the interpretations brought to it, kept these relationships reasonably clear and dependable. But, quite apart from the policies of any administration, the growing complexities of modern life and the extensive dislocations produced by the World War and its aftermath have made it increasingly difficult to keep these relationships clear.

The pressure of these forces has been so great that, in recent years, we have seen the demands of expediency obscure concern with permanent values. For a time we grew impatient with the timeless fundamentals of a society of free men. Adherence to them, we were told, was a brake on leadership. The cry was for short cuts. Leaders with adroit capacity for capitalizing such moods of urgency began to say that men could not eat liberty or wear constitutions or be sheltered by bills of rights, that action and immediate results were what really mattered. The pressures of need led us to think, to act, and to vote in forgetfulness of the fact that the hasty actions of political expediency, on the hunt for quick remedies, can wreck a nation if its remedies ignore the inviolable principles that underlie the stability and productive efficiency of life and enterprise. In other words, like other peoples elsewhere, we went into a period of crisis government.

The government that may be needed for a time of crisis is not the government needed for a time of calm. But, even in the face of opposition within its own party ranks, the New Deal leadership has given evidence of a desire to make the powers and processes of crisis government permanent in American life. In light of the historic evidence that powers and processes of government which may be inevitable and salutary in the midst of a crisis tend, if projected beyond the period of emergency, to smother the initiative and suppress the liberties of a free society, this Committee has sought to focus its report on the problem of the permanent foundations of national policy.

Accordingly, this report does not give separate topical consideration to many problems of vital importance to the people of the United States because, in this document, the Committee has concerned itself primarily with principles it considers essential to the creation and maintenance of a political, social, and economic order in which these problems can and will be met effectively.

Youth and Recaptured Opportunity

Youth, for example, is not dealt with in this report as a separate problem. The Committee takes it for granted that any administration worthy of the confidence of the nation, pending a full and sustained recovery, will take whatever steps are necessary and feasible to ease the impact of depression upon American youth. But the Committee has drafted this report in the conviction that the only real answer to the problem of youth is so to revitalize the enterprise of the nation that there will be a general and genuine reopening of the doors of opportunity which have been closed to the point where some 40 per cent of the nation's unemployed are under 25 years of age.

Safeguards to Federal Power

The relationships between local, state, and federal units of government are not dealt with separately in this report. The Committee believes that the federal government should have every power it actually needs effectively to handle any problem that has become so plainly national that it cannot be handled locally. Such powers, however, must be adequately safeguarded against abuse as instruments of the unrestrained will of individual officials or official cliques, and fully protected against prostitution to partisan ends. The Committee believes adherence to such safeguards as provided by the balanced powers provisions of the Constitution is essential not only to the basic liberties of the people, but to that sense of assurance regarding

the national future without which long-term confidence will not support the nation's enterprise.

Government Reorganization

Government organization and civil service are not dealt with separately in this report. This is not because the Committee thinks them unimportant. They are, on the contrary, of vital importance. The unprecedented expansion of the federal personnel under the New Deal leadership, and the extent to which it has been welded into a partisan machine, emphasizes the urgency of effectively safeguarding the merit system, so that the policies governing employment and tenure will serve to protect government against undue partisan exploitation. In both the forms and techniques of the agencies of federal government, there is room for political invention and progress. Many traditional agencies and functions will bear re-examination. We need to create the techniques and tools of a closer cooperation between the Congress, the White House, and the various Executive Departments. We may well consider the development of qualified agencies, working with various economic groups of the nation, employing experts and deliberative procedures, in the process of arriving at new policies or the modification of existing policies. Problems of administration are of major importance. They are not treated fully and separately in this report because they are in a different field of consideration than the field of basic principles with which this report is concerned.

The Soil of the Civil Liberties

Civil liberties are not dealt with separately in this report. The Committee has assumed loyalty to the Bill of Rights as an axiom of American political thinking. Obviously it considers the unquestioned preservation of freedom of speech, press, assembly, petition, and worship, and security against unreasonable search and seizure as elementary to the preservation of self-government. The Committee does not believe, however,

that the civil liberties can be preserved by declaration of their importance and by court proceedings against isolated violations of them.

In the economic order, the reality of the civil liberties depends upon wide guaranties of equality of opportunity and a satisfactory measure of economic security. The civil liberties are endangered if by special economic privilege a tyranny of the few is possible. Men may not, in other words, feel free to exercise liberty of thought and speech if, by so doing, their economic security will be threatened.

In the political order, the civil liberties can be endangered by a tyranny of the majority that rests upon the "blanket mandate" theory, under which election to office is supposed to give the party in power unhindered right-of-way to do what it will whenever it wills it. The civil liberties cannot be secure apart from an utterly independent judiciary, clearly defined limitation upon the discretionary powers of administrators and administrative boards, and the effective right of appeal from their decisions to courts of law. And, above all, the civil liberties cannot be secure where there is undue concentration of power in the central government. It is because this report is devoted to the consideration of a political and economic order from which these threats to the civil liberties will be eliminated that the civil liberties are not treated as a separate problem.

Towards National Unity

The deliberations of the Committee have been dominated throughout by a growing sense of the crucial importance of maintaining the social unity of the American people in the struggle to regain the economic health of the nation. This report is built around the conviction that all groups—farmers, workers, business men, industrialists, the young, and the old—have a common stake in the revitalizing of American enterprise. Policies may be pursued which favor one of these groups at

the expense of the others. There may be conflicts of *policy* between them; there cannot be conflicts of *interests*. For, in the long run, the people of a nation go up together or down together.

The Committee believes, therefore, that any policy which accords an unfair privilege to one group of Americans at the expense of the rest of the people should be decisively eliminated. And, with equal conviction, it believes the American people should decisively reject any political philosophy which implies that the permanent well-being of the various economic groups can be best advanced by a government fostered conflict of power between them.

The New Deal and the Pressure Groups

The New Deal leadership has pursued a policy which looks to the creation of a kind of "armed balance of power" between highly organized pressure groups of industrialists, workers, farmers, and producer groups in general. It has attempted to further the organization of these pressure groups and, by means of various government provided privileges, to maintain a balance of power between them. This is precisely the principle upon which political and economic Europe has sought to maintain itself for centuries—the principle of an armed balance of power between national groups—with none too satisfactory results either of lasting peace or of sustained prosperity.

In the complete absence of any desire upon the part of a national leadership to arouse group antagonisms or class conflict for its own political advantage, this policy could not but result in the splitting of a people into a series of mutually suspicious and warring camps. And this is death to a creative national life.

Principles We Dare Not Flout

Early in its deliberations, the Committee came to agreement on four fundamental principles of government and enterprise

by which the conclusions of this report have been rigorously tested. In a few instances the Committee has frankly suggested "transition measures" which may be temporarily unavoidable despite the fact that they have no place in the permanent program of a nation whose economic house has been put in order. Adopting these four principles at the outset did not mean that the Committee decided in advance of its investigations what the results of the investigations should be. It meant only that, in the judgment of the Committee, a clear conception of the kind of national life we want must precede policy making or the end-result is likely to be a mass of conflicting policies that cancel each other out.

The four principles by which the conclusions of this report have been tested are: (1) a balanced representative government, (2) a protectively regulated system of free enterprise, (3) a workable economics of plenty, and (4) an inviolate code of civil liberties supported by political and economic circumstances which will make the practice of these liberties possible.

These principles have long been the cornerstones of the American tradition. The Committee has not made them the guiding principles of its report because they are traditional, but because it is convinced that, on the basis of these principles, the well-being and happiness of the American people can be most surely advanced.

THE MACDONALD CO. 492 711 S. DEARBORN ST., CHICAGO

97

A PROGRAM FOR A DYNAMIC AMERICA

A Statement of Republican Principles

"The public good, the real welfare of the great body of the people, is the supreme object to be pursued, and no form of government whatever has any other value than as it may be fitted for the attainment of this object."

---THE FEDERALIST

CONFIDENTIAL
TO
PROGRAM COMMITTEE

prepared by

THE REPUBLICAN PROGRAM COMMITTEE

1940

CONTENTS

Page

FOREWORD. . . . . .

EUROPEAN WAR AND AMERICAN POLICY. . . . . .

AFTER SEVEN YEARS OF NEW DEAL CONTROL . . . . . .

THE NEW DEAL MISUNDERSTANDS ECONOMIC AMERICA. . . .

THE REPUBLICAN POSITION . . . . . .

1. TOWARDS A FOREIGN RELATIONS PROGRAM. . . . .
2. TOWARDS A LABOR PROGRAM. . . . . .
3. TOWARDS A FARM PROGRAM . . . . . .
4. TOWARDS A BUSINESS PROGRAM . . . . . .
5. TOWARDS A FISCAL PROGRAM . . . . . .
6. TOWARDS A SOCIAL PROGRAM . . . . . .

CONCLUSION. . . . . .

CLUES TO THE ARGUMENT

Page

FOREWORD. . . . . .

THE FOUR-YEAR TURN IN THE ROAD---A LONG RANGE LOOK AT THE WELL-BEING OF THE PEOPLE---VESTED INTEREST IN IMPROVISED POLICIES---THE DIFFICULTY OF BEING OBJECTIVE ---THE DUTY OF THE OPPOSITION---THE FOUNDATIONS OF NATIONAL POLICY

EUROPEAN WAR AND DOMESTIC POLICY. . . . . .

A CALL TO CALM JUDGMENT---WHEN WE ENTERED THE WORLD WAR---THE DECISION IS GRAVER NOW---IF WE ENTERED THIS WAR---WHEN WAR IS OVER---A PEACEFUL NATION PREPARED FOR PEACE

AFTER SEVEN YEARS OF NEW DEAL CONTROL . . . . . .

WE WERE READY TO RISE---THE NEW DEAL PROSPECTUS---A LOOK AT THE BALANCE SHEET---SIX YEARS BEFORE THE NEW DEAL AND SIX YEARS OF THE NEW DEAL---WE TRAILED THE WORLD IN RECOVERY---SEVEN YEARS OF TEMPORARY UPSWINGS ---WHY DID WE TRAIL THE WORLD?

THE NEW DEAL MISUNDERSTANDS ECONOMIC AMERICA. . . . . .

THE REASON WHY THE NEW DEAL HAS BEEN AN ECONOMIC FAILURE---IT TRIED TO PROMOTE SOCIAL LIBERALISM WITH ECONOMIC REACTION---AS BIG GOVERNMENT IT COPIED THE LEAST ENLIGHTENED POLICIES OF THE OLD BIG BUSINESS---IT BECAME OBSESSED WITH ITS THEORIES OF STABILITY---IT NEGLECTED TO FOSTER GROWTH---IT BELIEVED ECONOMIC AMERICA WAS RUNNING DOWN---IT TURNED ITS BACK ON THE EXPANSION OF ENTERPRISE---IT BEGAN TO REDISTRIBUTE THE FRUITS OF EXISTING ENTERPRISE---ITS ECONOMIC PHILOSOPHY HAS BEEN DEFEATIST---ITS ECONOMIC POLICIES HAVE BEEN REACTIONARY

THE REPUBLICAN POSITION . . . . . .

NEW DEAL DEFEATISM IS OLD---IT HAS ALWAYS PROVED FALSE BEFORE---WE HAVE MORE FRUITFUL FRONTIERS THAN EVER---A SLOWER BIRTH RATE DOES NOT MEAN STAGNATION---THE NATION'S PLANT IS UNDERBUILT---NEW ENTERPRISE IS IN SIGHT ---EXPANSION IS POSSIBLE IF WE DO NOT BLOCK IT---THERE ARE AMPLE INVESTMENT OPPORTUNITIES---THE WORLD DID NOT BEGIN OR END IN 1929---WE DO NOT NEED A NEW SYSTEM---WE NEED TO REDISCOVER AND REVITALIZE THE UNIQUE CREATIVE POWER OF LARGE POLITICAL LIBERTY AND LARGE ECONOMIC FREEDOM IN COMBINATION---OUR PRIVATE ECONOMY HAS NOT COME TO A DEAD END

TOWARDS A FOREIGN RELATIONS PROGRAM. . . . . .

REALISM AND FLEXIBILITY IN FOREIGN POLICY---POLITICAL AND MILITARY WORLD TRENDS---KEEPING OUT OF WAR---THE DEFENSE OF THE WESTERN HEMISPHERE---KEEPING THE RECORD CLEAR---ECONOMIC WORLD TRENDS---AN AMERICAN POLICY THAT WILL PROTECT AMERICA AND STAND READY TO COOPERATE IN FACILITATING WORLD TRADE

TOWARDS A LABOR PROGRAM. . . . . .

THE EXPANSION OF ENTERPRISE AS THE WORKER'S HOPE---FOUR GOALS OF LABOR---LABOR POLICY AS PART OF NATIONAL POLICY---THE RIGHT TO ORGANIZE AND TO BARGAIN COLLECTIVELY ---THE NATIONAL LABOR RELATIONS ACT AND BOARD---AMENDING THE NATIONAL LABOR RELATIONS ACT---THE DETERMINATION OF WAGES AND HOURS---REAL WAGES FOR LABOR---CUSHIONING THE EFFECT OF RAPID TECHNICAL CHANGE---TRAINING SKILLED WORKERS---OPEN DIPLOMACY BETWEEN MANAGEMENT AND LABOR---STAMPING OUT LABOR RACKETS---A FREE LABOR MOVEMENT---UNITY OF LABOR PURPOSE---THE WORKER'S STAKE IN THE NATIONAL ECONOMY

TOWARDS A FARM PROGRAM . . . . . .

DEFINING THE FARM PROBLEM---SEED-BEDS OF THE FARMER'S DIFFICULTIES---THE PROBLEM OF PARITY---WE HAVE TRIED MANY POLICIES---POLICIES THAT ARE UNSOUND FOR THE LONG-HAUL---A LOOK AT THE RECORD---EXPANDING THE MARKET VERSUS REDUCING THE OUTPUT---TARIFFS AND THE FARMER'S DOMESTIC MARKET---INDUSTRIAL USE OF FARM PRODUCTS AND THE FARMER'S MARKET---BETTER MARKETING ORGANIZATION AND THE FARMER'S MARKET---TRANSPORTATION COSTS AND THE FARMER'S MARKET---MARGINAL LANDS AND THE FARMER'S MARKET---SOIL CONSERVATION---RECLAMATION AND THE SURPLUS PROBLEM ---CROP LOANS AND ORDERLY MARKETING---FARM LOANS AND TENANCY---ACREAGE CONTROL---UNTIL BASIC POLICIES BEGIN TO REGISTER THEIR EFFECT

TOWARDS A BUSINESS PROGRAM . . . . . .

TWO LEADERSHIPS OVER-SIMPLIFY THE RELATION BETWEEN GOVERNMENT AND BUSINESS---WHAT KIND OF BUSINESS SYSTEM DO WE REALLY WANT---THIS IS FREE ENTERPRISE---OBSTRUCTIONS TO FREE ENTERPRISE---GOVERNMENT INTERVENTION IN BUSINESS---THE GOAL OF BUSINESS REFORM---GOOD AND BAD REGULATION---NEW ENTERPRISES MUST NOT BE THROTTLED---WATCH THE SECONDARY RESULTS OF REGULATION---IF REGULATION IS TO STIMULATE RATHER THAN REPRESS---GOVERNMENT COMPETITION---GOVERNMENT SHOULD WATCH THE BURDEN BEARING CAPACITY OF BUSINESS---GOVERNMENT AND THE MORALE OF ENTERPRISE

TOWARDS A FISCAL PROGRAM. . . . . .

THE BUDGET OF GOVERNMENT IS THE SERVANT OF THE BUSINESS OF GOVERNMENT---EXPENDITURES AND SPENDING---SPENDING FOR RECOVERY---NATIONAL CREDIT AND THE BUDGET---THE TAX MUDDLE---FEDERAL TAX ADMINISTRATION---NEW DEAL TAXES---RECOMMENDATIONS---MONEY AND BANKING---THE THREAT OF INFLATION---BANKING AND FINANCE---

TOWARDS A SOCIAL PROGRAM. . . . . .

WHY THE SOCIAL PROGRAM IS AT THE END OF THIS REPORT---THE FORGOTTEN MAN AND THE FORGOTTEN FACTOR---THE SOCIAL OBJECTIVES OF GOVERNMENT BEYOND PARTISANSHIP---RELIEF AS A RESPONSIBILITY OF GOVERNMENT---RELIEF UNDER THE NEW DEAL---THE DANGER IN OVER-CENTRALIZED RELIEF---DISCRIMINATION BETWEEN GROUPS OF CITIZENS---NEW DEAL RELIEF COSTS---A REPUBLICAN ALTERNATIVE---IN FAIRNESS TO THE AGED---UNEMPLOYMENT COMPENSATION---HOUSING AND HUMAN LIVING---THE MAGNITUDE OF THE HOUSING PROBLEM---THE NEW DEAL HARDLY TOUCHES THE PROBLEM---OBSTACLES TO HOUSING DEVELOPMENT---THE ROLE OF GOVERNMENT IN HOUSING---TOWARDS ACTION IN HOUSING---FOR A HEALTHIER AMERICA---THE PEOPLE'S GOVERNMENT AND THE PEOPLE'S HEALTH---THE FACT OF NEED---HOW SHALL THESE NEEDS BE MET---LINES OF POSITIVE ACTION---BEYOND A HEALTH PROGRAM---STATE ACTION AND SOCIAL ACTION

CONCLUSION. . . . . .

FOREWORD

At four year intervals we pass judgment upon the administration of our national affairs and broadly determine policies for the future. The next formal exercise of this right will take place in less than a year. It is time, therefore, to begin appraisal of our current position so that we may soundly decide whether we should continue in the direction in which we have been moving for the last seven years.

Any responsible answer to this question must be based upon a long-range consideration of the well-being of the American people as affected by public policies of government, private policies of business, and trends of policy and action elsewhere in the world.

It is never easy, even in normal times, to focus wide attention on long-range considerations of national policy. We tend to wait until a crisis is upon us and then hastily devise some expedient for dealing with it. The party in power soon feels a vested interest in the emergency policies it thus formulates. Its prestige becomes dependent upon maintaining them even after their futility may have been demonstrated. All the arts of politics are employed to identify the improvised expedients with the welfare of the people or the national destiny. Any questioning of their soundness is officially assailed as against the common good.

This makes it difficult, even for the opposition, to deal objectively with the problems involved, but, under our two-party system, it is the

duty of the opposition to appraise the policies of the party in power and, where basic disagreement exists, to restate the principles upon which, in its judgment, effective national policies must be based. As part of this process of appraisal and restatement, the Program Committee, in fulfillment of the commission given it by the Republican National Committee, submits this report.

The Committee does not attempt to write a detailed platform. That responsibility rests upon the National Convention. Extensive detailed materials covering all the issues and policy suggestions indicated in this document will be submitted separately for the use of the Resolutions Committee charged with the drafting of the platform. In this document, the Program Committee undertakes to reflect its analysis of the philosophy, policies, and actual results of the present administration and to throw into contrast thereto what, in its judgment, should be the guiding principles of national policy for dealing with the problem of getting our national economy into sustained high gear so that we can realize full employment of our men, our money, and our materials, a progressive rise in our living standards, and an increased social security for our people.

Long-range consideration of national policy is made doubly difficult to-day by the drastic dislocations in Europe and the Far East and by the conflicting political and economic trends which are paralyzing so much of the world's life. Unless by sheer act of will we prevent it, this abnormal world situation is likely to distort our judgment and divert our attention from those basic issues of domestic policy which finally will make or break us as a people.

Despite this difficulty, the Program Committee has here undertaken to give objective consideration to the foundations of the domestic and foreign policy of the United States.

EUROPEAN WAR AND AMERICAN POLICY

It is imperative that nothing be permitted to unsteady the judgment of the American people or their leaders in dealing with the delicate issues raised by the European conflict.

There are compelling reasons why Americans, regardless of party, should support every effort, consistent with our national security and the safeguarding of our liberty and welfare as a people, to keep the United States out of this war.

We are still suffering the after-effects of our involvment in the World War. Our plunging into this war would far more seriously affect our future as a nation. The decision that now confronts us is graver in its implications than the decision that confronted us in 1917, because our own internal situation is radically different.

We entered the World War in 1917 with our domestic affairs in good condition. The income of the people was not unduly burdened by taxation. The national debt was negligible. The federal credit was not under strain. There was no reason then to question the survival of our political system of representative self-government. And the Wilson leadership under which we entered that war was so unqualifiedly committed to the principles of democratic self-government and free enterprise that there was no reason to fear giving it the fullest war powers and no reason to doubt that it would willingly relinquish its emergency controls over American life and enterprise at the end of the war.

This is not the situation to-day!

We are still economically crippled from our venture as belligerent and creditor in the World War and from the depleting years of depression that have followed. Our domestic affairs are far from a state of health. Our economic system has been under the oxygen tent of government spending and made work for seven years. The people are burdened with a back breaking load of taxes. The national debt is at an all-time high. The federal credit is in no condition to have added to its already unprecedented obligations the colossal costs of participation in a European war.

Under these circumstances, it is highly questionable whether either our economic system of free enterprise or our political system of representative self-government would survive participation in a European war. The post-war economic chaos that would follow our participation in this war would make the case for iron-fisted control from the center highly plausible to a war-weary people. And if we participated in this war under a leadership which, in peace time, seeks to centralize virtually all power over the enterprise of the nation in the federal government and its executive, it is reasonable to assume that, at the end of the war, such leadership would be reluctant to surrender the powers war had lodged in its hands. For to its normal belief in the beneficence of centralized authority would be added the belief that the retention of its war powers were necessary to bring stability to a shaky post-war situation.

It is important to the rest of the world, as well as to ourselves, that the United States stand, at the end of this war, as an economically stable, self-governing democracy that has provided its people with a widely distributed well-being and visibly demonstrated how a continent-wide civilization can survive withoutresort to organized intolerance, class conflict, the liquidation of

oppositions, slavery to the state, or war.

If we are to do this, it is important not only that we keep out of war but that we proceed promptly to put our own domestic house in order.

AFTER SEVEN YEARS OF NEW DEAL CONTROL

The American depression struck bottom in 1932. The United States could reasonably have been expected to follow the other major nations of the world into recovery if a drastic political overturn had not then subjected American enterprise to an unpredictable politics and an unworkable economics.

The New Deal leadership took over the government with an air of certainty regarding what our troubles were and what to do about them which, at the moment, raised the hopes and expectations of the people.

The New Deal leadership said we had been drifting. It would give us a planned direction. We were in the grip of depression. It would give us a planned recovery. We were unstable. It would give us a planned stability. We were haunted by widespread unemployment. It would give us planned re-employment. The living standards of part of our population were indefensibly low. It would give us a planned abundance.

In the light of this prospectus issued to the American people in 1932, the Program Committee has conscientiously audited the actual "state of the nation" after nearly seven years of New Deal control and before the abnormal stimulus of war demands began to blur the evidence of the basic soundness or unsoundness of the administration's domestic policies.

Here are typical items in the balance sheet of actual results as they stood in the late Summer of 1939, when conditions reflected the effect of New Deal policies instead of the war-induced upswing.

(1) More than 10,000,000 Americans unemployed.

(2) The creation of new enterprises virtually at a standstill, the modernization and expansion of existing enterprises deferred.

(3) Labor involved in extensive and costly disputes, with its organized ranks torn by civil war, and its annual income lower despite higher hourly wage rates.

(4) Farm prices neither stable nor satisfactory, and the basic problems of agriculture no nearer solution than before the administration's exercise of sweeping controls over farms and farmers.

(5) The doors of economic opportunity barricaded to youth by the sluggish condition of American enterprise.

(6) Government expenditures, excluding postal receipts and debt retirement, of $9,209,566,000 in 1939 against $3,651,515,000 in 1931.

(7) The heaviest tax burden in the nation's history.

(8) An unprecedented national debt---increased from less than 20 billions at the beginning of the New Deal administration to more than 45 billion dollars, including guaranteed obligations.

These items are even more vivid in cold figures than in words. The six years preceding the New Deal and the first six years of the New Deal afford a suggestive comparison. Of the six years before the New Deal three were years of

prosperity and three were years of depression, and of the first six years of the New Deal there have been four of "rise" and two of "recession." The record is revealing.

(1) The average annual pay roll in all industries for the six years preceding the New Deal was $38,760,000,000; for the first six years of the New Deal $30,446,000,000.

(2) The average number of strikes annually for the six years preceding the New Deal was 753, the average number of workers involved was 296,954, and man-days idle 10,819,019; for the first six years of the New Deal the average number of strikes annually was 2,541, the average number of workers involved 1,181,637, and man-days idle 17,232,583.

(3) The average index of farm prices of all agricultural products for the six years preceding the New Deal was 118.7; for the first six years of the New Deal 99.7.

(4) The average index of department store sales for the six years preceding the New Deal was 98.16; for the first six years of the New Deal 81.

(5) The average annual value of construction for the six years preceding the New Deal was $4,632,000,000; for the first six years of the New Deal $2,239,200,000.

(6) The average annual volume of new domestic corporate issues for the six years preceding the New Deal was $4,060,000,000; for the first six years of the New Deal $672,000,000.

The March 1939 Bulletin of Statistics of the League of Nations shows the United States as eighteenth among the nations of the world in the degree of its industrial recovery, as indicated by the index of industrial production. Even allowing for the abnormal factor of war preparations in so many European nations, this is still a startling comparison. It is even more significant that in 1935, before the democratic nations began seriously to rearm, only France was behind the United States in degree of recovery---and France was then experimenting with her own New Deal.

There have been in the past seven years some short-lived spurts of productive activity, especially in the consumer goods industries, followed promptly by recession. They were artificially stimulated by such factors as government spending, monetary manipulation or by the desire to build up inventory before further price raising measures could take effect. In recent months business has improved rapidly under the stimulus of war in Europe, but a rise in the recovery curve so induced is undependable.

The New Deal leadership confidently promised to "produce" recovery by planned political action. It went into power with a nationwide support which stayed by it certainly into 1937. Its expenditures have been lavish. It has had sweeping authority for swift and large-scale action. And yet, after nearly seven years of this leadership, we have doubt, confusion, and uncertainty, instead of confident, clear, and assured understanding of where we are headed; we have depression instead of recovery, instability instead of stability, and unemployment instead of reemployment.

THE NEW DEAL MISUNDERSTANDS ECONOMIC AMERICA

There are many reasons why the New Deal has failed to stimulate, if it has not actually prevented, a sustained revival and healthy expansion of American enterprise. Immaturity of judgment in the timing and drafting of legislation. Inexperienced and inept administration. The use by the executive department of persons, with apparently decisive influence on policy, who clearly, even if honestly, disbelieve in the political system of balanced powers and the economic system of regulated free enterprise. An intolerant and vindictive temper on the part of the New Deal leadership that has depressed the morale of the productive forces of the nation's enterprise. But, important as these factors have been, they are relatively secondary.

The primary reason for the economic failure of the New Deal goes beyond detailed errors in legislation, administration, and the selection of federal personnel. It lies in the fact that, despite the ideals it has expressed for Social America, the New Deal leadership has almost completely misunderstood Economic America.

It has sought to advance its social liberalism through economic policies which, historically and in their current effect on American enterprise, are profoundly reactionary. In defining certain central policies of the New Deal as reactionary, this Committee is neither juggling words nor attempting to coin an artificial campaign slogan. The record speaks for itself.

The first objective of liberalism was to free men and their enter-

prises from domination by unduly centralized political power. A later objective of liberalism was to free men and their enterprises from domination by unduly concentrated economic power. The American Revolution of 1776 was supposed to have won the first half of liberalism's battle as far as Americans were concerned. Undue political domination of Americans and their enterprises was checked. In the early years of this century, American liberalism attacked trusts, monopolies, and the varied devices through which unduly concentrated economic power was dictating wages, hours, prices, economic output, and human opportunity. Liberalism then insisted that an unduly concentrated economic power was hamstringing our national economy of free enterprise, making it cautious where it should be courageously riskful, rigid where it should be flexible, and monopolistic where it should be competitive. And liberalism contended that, unless price fixing and restriction of output to maintain or raise prices could be eliminated from our economic life, competitive free enterprise, in all but name, would disappear and the American people would face a tyranny of unduly concentrated economic power.

The economic program of the New Deal, despite sporadic reversals of policy, has rested essentially on the control of production, the creation of scarcity, and the boosting of prices. At the turn of the century, this was the precise program of the least enlightened leadership of Big Business. Liberalism fought this program then. But, by some strange twist of thinking, these policies which were attacked as reactionary and as a threat to the well-being of the people, when followed by Big Business then, are defined by the New Deal leadership as liberal and as essential instruments of social progress, when followed by Big Government now. We are, as a result, again faced with the problem of unduly centralized political power.

The fact that these policies, once regarded as reactionary, are now called liberal by the leadership using them might not be important if they resulted in a full employment of our man-power, our technical skill, and our economic resources. But they do not, as the record of the last seven years indicates. And the reason these policies have not worked, and will not work, is that they violate the nature of the productive system we have built up in the United States. This productive system is built for large quantity production. It cannot be run in low gear. It is a system that must be operated for large-volume production, wide distribution, and mass consumption. When either industrial management or government imposes upon it a scarcity policy of fewer goods at higher prices, the pressure upon the producer to cut production costs is lightened, high production costs are protected, monopolistic or near-monopolistic administration of prices is encouraged, consumption slumps, and the whole machine stalls. Despite its protests to the contrary, the New Deal leadership has tried to operate this productive system, designed to produce plenty, with the scarcity philosophy of fewer goods at higher prices.

The New Deal philosophy of restricting production and raising prices is bound to operate as a brake on the revival and expansion of enterprise under a high-powered productive system. This should have been obvious from the beginning. Now the New Deal record puts it beyond dispute.

Why did the New Deal leadership adopt these essentially reactionary economic policies alongside its persistent emphasis upon social liberalism? Again the record is clear. The New Deal leadership began with the assumption that, as far as the private enterprises of its people are concerned, the once expanding dynamic enterprise of America is maturing towards a static

economy. If an administration really believes this, it will naturally adopt, as this administration has adopted, policies directed more towards dividing up the fruits of existing enterprise than towards expanding the nation's enterprise in the interest of a "more abundant life" for the people as a whole. This is what has happened during the last seven years.

When it took over the government in 1933, the New Deal leadership assumed that we were suffering from more than the effect of a cyclical depression from which we would in due time recover. It held, on the contrary, that the underlying factors of growth, which had resulted in a sustained expansion of American enterprise from the colonial period down to 1929, had, by that time, ceased to operate with their old force, that, by 1929, the possibility of sustained expansion of the private enterprise of the United States had come to an end.

It based this assumption on four grounds: (1) that the frontier, with its free lands, was gone, (2) that the rate of our population growth was slowing down, (3) that the economic plant of the nation was built if not overbuilt, and (4) that there were no new industries in sight of enough potential size to provide the basis for a new phase of prosperity.

This assumption was stated frankly by Mr. Roosevelt, in his Commonwealth Club Speech, in San Francisco, on September 23, 1932.

> "Our industrial plant is built," he said. "The problem just now is whether under existing conditions it is not overbuilt. Our last frontier has long since been reached and there is practically no more free land. . . .A mere builder of more industrial plants, a creator of more railroad systems, an organizer of more

corporations, is as likely to be a danger as a help. . . .Our task now is not discovery or exploitation of natural resources or necessarily producing more goods. It is the soberer less dramatic business of administering resources and plants already in hand. . ."

This conception of the economic outlook for America was stated again, with clarity and completeness, by representatives of the administration at early hearings of the Temporary National Economic Committee. That it has stood in the background of New Deal thinking from the beginning is not arguable.

From this major assumption of a more slowly growing and, perhaps, shrinking economic life, the New Deal leadership moved on to a major conclusion which has been the tap-root of its major economic policies. This conclusion was that, since the private economy of the nation had struck the slower pace of maturity, that, from 1929 on, we could not hope for full and effective employment of our human and material resources unless the federal government frankly assumed responsibility for maintaining the national enterprise and the national income at the requisite level. This conclusion rested on the belief of the New Deal leadership that the private enterprises of the people would never again provide enough investment opportunities to absorb the savings the country tends to pile up, that, in consequence, there would always be, in the future, a large fund of "excess savings" which would remain as stagnant pools of capital unless, through taxing and borrowing and spending, the federal government diverts these "excess savings" into channels of "public investment" to make up for the shrinkage in "private investment" which the New Deal leadership assumes will be permanent.

In short, the New Deal leadership, assuming that our private economy was slowing down towards a static economy, concluded that the public enterprise

of the state must be expanded to take up the slack in the private enterprise of the people. The New Deal, in consequence, has not made the revival and expansion of the private enterprise of the people its major concern. It has, on the contrary, made the expansion of the public activities of the state its major concern. Its leadership has apparently not asked itself how a shrinking private economy could be expected to foot the bills for an expanding public economy. For, despite its theory of productive "public investment," every New Deal expansion of the public enterprise of the state has meant heavier and heavier burdens on the private enterprise of the people.

The New Deal leadership has persistently defined its program as one of hope and liberalism. And its propagandizing of its program as hopeful and liberal was sweepingly effective until the actual results of its control of the nation began to be so plainly visible. Now, however, the record shows that, whatever may be said of its ventures in social fields, in the economic field, it has been defeatist in its philosophy and reactionary in its policies. No leadership can produce a movement of hope if it begins with the assumption that the clock of the national economy is running down, that its mechanism has become so faulty that it can be kept going only if continuously run by hand---the hand of the federal government. And no leadership believing this could be expected to do other than the New Deal leadership has done, namely, to turn its attention to redistributing the fruits of existing enterprise rather than to ways and means of expanding the nation's enterprise. Under such philosophy and such policies, each economic group---business, labor, agriculture, and so on---must, in self-defense, go after a larger and larger share of less and less. This cannot but mean, in the end, a progressive stagnation of the nation's enterprise and diminished well-being for all these groups of producing Americans.

If this analysis of the New Deal as essentially defeatist in its economic philosophy and reactionary in its economic policies is accurate, what is the answer to its defeatism and reaction? Has the Republican Party, as the party of opposition, a different conception of the future of American enterprise and, if so, upon what facts is it based? Does the Republican Party draw from its conception of the economic future of the country any major conclusion that will be the tap-root of its policies when it returns to power? And by what yardsticks will the Republican Party measure the soundness or unsoundness of policy in the fields of foreign relations, labor, agriculture, business, social security and welfare, public finance, and the all-pervasive field of administration?

In the sections following, the Program Committee respectfully submits what, in its judgment, the answers to these questions should be.

THE REPUBLICAN POSITION

The New Deal conception of a limited and lessening outlook for American enterprise and the reactionary policies of economic restriction with which it has sought to implement this conception should be decisively rejected.

Its own economic inquiries and the results of responsible research available to it have convinced the Program Committee that there are no defensible grounds for the New Deal assumption that our private economy has struck a permanent decline in the volume of investment and employment, a decline from which nothing can save us unless the federal government takes the private enterprise of the country increasingly under its direction and indulges in a permanent large-scale program of government spending as the only means of giving work and buying power to a large army of Americans who would otherwise be permanently unemployed.

The Committee is convinced, not by wishful thinking or blind optimism but by the facts it has assembled and analyzed, that American enterprise can expand more, offer more investment opportunities for savings, provide more jobs for workers in factories and on farms, and create more profitable outlets for the energies of the people generally in the next twenty-five years than it did in the twenty-five years before 1929, if too many hurdles are not thrown in its path by either the public policies of government or the private policies of business.

This would be wishful thinking if the New Deal assumption that our private economy is inevitably slowing down rested on defensible grounds. It becomes

important, therefore, that an opposition challenging this assumption examine carefully the grounds upon which it rests.

To begin with, the assumption that we have passed the time when a progressively expanding economy is possible, that we are maturing towards a static economy, is a generalization that has appeared, in one form or another, in virtually every serious depression period in American history. Heretofore this doctrine of decline has been preached by isolated individuals, only to have succeeding periods of expansion disprove their prophecy. It remained for the New Deal to make the defeatism of this assumption the basis of national policy. This assumption, in the judgment of this Committee, is an over-simplification that ignores a multitude of variables, fails accurately to interpret either the present or potential state of our economy, and is supported neither by the facts of history nor by the facts of the present situation.

It is true that, as a country matures, the nature of its problem changes. Its development naturally becomes less extensive in character in that its main job is no longer the opening up of new lands, virgin forests, and undeveloped mines. Its development becomes more intensive in that its main job becomes the invention, perfection, large-scale production, and wide distribution of the facilities and tools for more effective working and more satisfactory living. But this shift from extensive to intensive development does not, as the New Deal leadership seems to assume, mean an inevitable shrinkage in the scale of the nation's enterprise and employment. On the contrary, it can mean a marked expansion in investment opportunities, employment, payrolls, and the productive output of goods and services by which alone the living standards of the people as a whole can be lifted.

None of the four reasons back of the New Deal contention that our pri-

vate economy has matured past the possibility of a sustained and adequate expansion stands up under critical examination.

In the first instance, it is not true that the passing of our western frontier means an inevitable shrinkage of our enterprise. For more than half a century our economic frontiers have been more fruitful than our geographical frontier in providing investment opportunities for savings, jobs for workers, markets for the products of our farms, and outlets for the energies and genius of the people generally. The fact that the frontier, in the literal sense, was gone did not prevent the amazing progress in prosperity and general well-being up to 1929. And there are still millions of acres in the United States that could support from twice to ten times the number of people now settled upon them if and when the need for their more intensive use arises. We still have this frontier. The passing of the frontier is a much over-worked factor in a much over-simplified political thinking.

In the second instance, it is not true that a slowing down in our rate of population growth means an inevitable shrinkage of our enterprise. The rate of our population growth <u>is</u> slowing down, but it has slowed down before in periods that have been foolowed by striking expansions in our enterprise. But, through all the rise and fall of <u>rate</u> of population growth, an actual <u>growth</u> of population has taken place. Restriction of immigration has, of course, reduced the rate at which the American population will grow. But the National Resources Committee of the present administration estimates that from 1930 to 1940 we have realized a 7.5 per cent increase in population. This is an increase of 9,218,000. Whatever may be happening to the rate of population growth, here are more than nine million human beings American enterprise must service who were not in existence ten years ago.

Through our period of greatest economic expansion, the American economic system was doing two things: (1) it was producing to meet the elementary needs of a new population that was coming on year by year, and (2) it was producing to meet the demand of an existing population for a larger volume, wider variety, and improved quality of goods and services. As far as a spur to economic expansion is concerned, the unsatisfied wants of an existing population are just as real as the elementary needs of a new population being born. This is our situation to-day.

Our present slower growth of population means that the character of our productive output will doubtless change, but there is no reason, inherent in the population trend, why the scale of our productive enterprise should shrink until the human wants of our population are fully served.

To assume that a slow growing population heads the national economy towards stagnation has no justification in fact. It is significant that the most impressive housing developments of recent years have taken place in nations with slow growing or almost static populations---notably Great Britain and Holland. This is significant for us because housing can mean to American economic life, in the next twenty-five years, what the automobile industry meant to the last twenty-five years. And better housing is but one of a long array of unsatisfied wants that we can take steps to meet if we can only unfreeze the fountains of investment and enterprise.

In the third instance, it is not true that the nation's industrial plant is to-day or has ever been overbuilt if considered in relation to the conservatively calculated needs of our population. It is true that at the depth of the depression a large part of our then existing plant was not in productive use.

But, even when operating at its highest level of production, our industrial plant was not producing enough goods and services to provide a civilized standard of living for 130,000,000 Americans.

In addition to this fact of need for larger rather than lesser productive facilities if we are to raise the general level of our living, there is extensive need of replacement and modernization, calling for large capital investment and heavy industries production. A large part of our industrial plant is to-day obsolete as a result of the rapid technological advance since 1929. We have not made the normal replacements to offset ordinary wear and tear. We have more than 9,000,000 more people for whom goods and services must be produced than we had in 1929. There is already stored up and waiting to be applied a mass of technological improvements which call for the wholesale construction of new buildings and manufacture of new machines. The fact is that our industrial plant is actually underbuilt for the expansion of productive activity which alone can bring us full employment of our man-power, our technical skill, and our economic resources.

If, furthermore, we consider not merely our plant for working but our plant for living, we have in the building and equipping of more than 5,000,000 modern homes in the next five years a field of new enterprise fully equivalent in its possibilities to any which has ever been offered as a challenge to the energy of the American people.

In the fourth instance, it is not true that no new industries, on the basis of which we can expect any marked expansion of our enterprise, are in process of development. It may be that no single great new industry, comparable to the automotive industry, is in sight at the moment. But, except in the minds of their creators, great new industries, great enough to write a new chapter in a

nation's economic life, are never in sight until their development is well under way. In, say, 1905, the automobile industry was not "in sight" in the sense that political leaders were consciously counting on it as a major factor in the next big industrial expansion.

But, whether there is any such single great new industry in sight or not, there is a large banked-up fund of scientific and technological results lying unexploited in the research files of the nation. These results are, in effect, the plans and specifications of enough marketable products, large and small, which, taken together, provide the base for a very great expansion of American enterprise in the next ten years, if only our policies---public and private---can be so adjusted as to create that atmosphere of confidence in the future that will lead men to take the risks of new enterprise. These scientific and technological results, now awaiting translation into production and distribution, are found in the fields of foods, clothing, plastics, motion pictures, agriculture, chemicals, rubber, transportation, communication, automobiles, fuels, housing, lighting, metals, and so on.

On all four counts just examined, the conception which the New Deal leadership has of a limited and lessening future for the enterprises of the American people is defeatist and in defiance of the facts. If this conception of the American future is permitted to go on dominating our national policy, a sense of frustration and futility will increasingly dull the venturesomeness of millions of Americans who are normally courageous and eager to take the risks of pioneering economic developments.

The Committee finds no support in fact to the contention that our private economy will never again offer enough investment opportunities to absorb the

savings the country tends to pile up. Since 1929, the number of would-be-gainfully-employed workers in the United States has increased by some 5,000,000. In the ten years since 1929, we have done little to provide these 5,000,000 new workers with tools, that is to say, with the plants and facilities for productive work. We have not been making the investment that would make work possible for them. These 5,000,000 about equal the total gainfully employed of Canada. We have before us, therefore, the imperative job of equipping with the tools of work through capital investment in plants and facilities the equivalent of the gainfully employed of a whole country like Canada by simply equipping for work the increase in our working population since 1929.

From 1880 to 1930, the amount of capital invested per worker in the United States trebled. That trebling was, in large part, induced by technological advance. To-day we are spending more than seven times as much on research as we were spending in 1920. Careful economists have forecast that the advance of technology, growing out of this research, can increase the amount of capital we shall need to employ per worker by 1.5 per cent per year. It would strain us, as a people, to save only enough for the investment this represents.

The central issue confronting national leadership to-day is that of securing full employment of the man-power, technical skills and economic resources of the nation. The Program Committee's soundings of party opinion indicate that Republicans believe such full employment can be accomplished only through the sustained expansion of the normal enterprise of the American people. And Republicans are convinced that a sustained expansion of our enterprise is not only possible but inevitable if public policy does not throw too many obstacles in the way. There are no assignable limits to the possibilities of American enterprise except the limitations we create by our own lack of intelligence and will, or by

falling into a fatalism of outlook as the New Deal leadership has done through its misunderstanding of Economic America.

In 1929 we had a national income somewhat in excess of 80 billion dollars. This income, which we once had, is now a goal of which the New Deal talks. But, for 130,000,000 people, a national income of 80 billion dollars is only a little better than $600 per capita. That, in the judgment of the Committee, is no place to stop. Clearly there is room for expansion of our enterprise.

The inadequacy of the per capita income of our people is only one aspect of the central problem of a sustained expansion of productive enterprise. The Committee's soundings of party opinion further reveal that Republicans believe that the most important step towards such expansion lies in rediscovering and revitalizing that combination of large political freedom and large economic freedom which in our American system have produced and distributed more material benefits for more people in a shorter time than any other system in history. In revitalizing this two-fold system of political liberty and economic freedom, national leadership must direct its reforms towards removing every obstacle that has prevented the full functioning of this system, whether such obstacles have been created by the public policies of government or the private policies of business.

The well-being of the American people, in the judgment of this Committee, depends upon the government's remaining unreservedly loyal to a political system of democratic self-government, safeguarded alike against insidious minorities and intolerant majorities by a balance of powers, and an economic system of free enterprise under regulation adequate to safeguard the common interest against

its betrayal by special interests. The Committee is aware that in many parts of the world this system of political liberty and economic freedom is regarded as obsolete and incapable of mastering the tangled circumstances and swiftly moving forces of the modern economic world. But the record, historic and current, convinces the Committee that this system, created on this continent, has a survival value that will not be displayed by any of the "strong" governments and planned economies which have come to dominate so much of mankind since the World War.

This two-fold system of political liberty and free enterprise has this survival value because it releases the initiative, ingenuity, and productive genius of men, individually and in corporate action, as no other devised. And, in so doing, it provides a broader base for the well-being of the people than any other system has yet provided.

The starting point of sound economic policy for the nation at this particular juncture is, therefore, a fact-based realization that the private economy of America has not come to a dead-end, has not been stricken with creeping paralysis, but is crowded with possibilities of fruitful growth and profitable expansion, and that these possibilities will be more surely and quickly realized under a regime that accords to men the largest measure of freedom in their enterprises consistent with the safeguarding and serving of the common interest.

The persistent emphasis of this Committee on the necessity for a free, creative, and expanding life rests upon the conviction that it is the only kind of economic system under which a people has a decent chance to realize a sustained high standard of living. Our economy of free enterprise has not always distributed the relative abundance it has created, but the totalitarian states

that pull all authority in to the center and run the whole economic life of the nation have created no abundance to distribute.

The Committee undertakes, in the sections to follow, to chart the course of policy in varied fields of national life in terms of this basic position.

TOWARDS A FOREIGN RELATIONS PROGRAM

The foreign policy of the United States must be determined by a realistic consideration of the political, economic, and military situation that now obtains throughout the world. We must not allow our emotions to unfit us for rational analysis of what will best safeguard our own national institutions, ideals, and interests and best enable us to play a constructive role in our relations with the rest of the world. There is no conflict between these two objectives. The first concern of our foreign policy must be to protect the security and welfare of the American people. This security and welfare, however, will be served by every advance that is made towards a more peaceful and more rationally ordered world. Our political and economic foreign policy, therefore, should be flexible enough that, in a rapidly changing international situation, we can adopt the measures that will, at any given time, most effectively serve both these purposes.

POLITICAL AND MILITARY WORLD TRENDS

Europe is at war and armed conflict persist over a wide area of the Asiatic continent. The scene is marked by a growing dependence upon military power as a major instrument of national policy, an increasing disregard of treaty obligations, an intensification of balance-of-power manoeuvers, and a brutality of aggressive attack which gives us grave concern and profoundly stirs us as individuals. More and more of the world shifts to a form and temper of government which implies and expresses contempt for the democratic tradition.

In this situation it is inevitable that, as individual Americans, we

of all the Americas. Regrettable as it may be, in a world as fully dominated by force as the world now is, we can neither maintain an effective foreign policy nor enjoy continued security in this hemisphere without a thoroughly adequate defensive force---land, air, and water.

KEEPING THE RECORD CLEAR

Although for the time being it may seem a futile gesture, the United States should reaffirm, as occasions arise, its adherence to the principles of decent international behavior, the maintenance and progressive development of international law, and the sanctity of treaties. The growing disregard of these principles involves not only the question of international morality, but affects adversely some of our very real national interests, as in the instance of the closing of the Open Door in the Far East. To keep the record clear against a time when reason and peaceful procedures may again prevail, we should, in this and like instances, persistently reaffirm our treaty rights.

ECONOMIC WORLD TRENDS

Science, technology, power production, and rapid transportation, for the first time in history, have made possible an extensive improvement in living standards throughout the world. These forces of modern production, unlike the more limited forces of the pre-machine age, require for their effective functioning wide-ranging sources of raw material supplies and the possibility of a ready interchange of goods and services on a world scale.

In recent years, however, political developments have thrown one obstacle after another in the way of the full operation of this productive system. The nations of Europe, democracies and dictatorships alike, have been systematically building towards economic self-sufficiency. Political boundaries

have been made into higher and higher barriers against foreign trade. Groups of nations have created controlled trade areas which are walled in not only by tariffs but by quotas, trade agreements, and strict government administration of foreign trade. These new trade barriers are robbing mankind of the full benefits of the modern productive system, are decisively lowering the living standards of many nations, and are a menacing cause of war, as nations, struggling for self-sufficiency, seek their sources of raw material supplies and foodstuffs in the conquest of territory rather than through the development of trade relations with the rest of the world.

As this movement towards self-sufficiency spreads in more and more nations it tends more and more to isolate the United States from its traditional role in world trade. We cannot, of course, dictate the trade policies of other nations. If the present trend towards national self-sufficiency continues, we must frankly face the problem of organizing our own economic life on the basis of a large measure of self-sufficiency. Happily we are better situated than almost any other nation to live within our own resources. The few resources we lack could, no doubt, be secured through carefully negotiated reciprocity treaties even in a world largely given over to policies of self-containment.

We should make clear in our foreign policy pronouncements, however, that we stand ready to cooperate, if and when cooperation is possible, in the development of world trade agreements that will make possible that access to raw materials and that easy flow of international trade which will enable the vigorous forces of the modern productive system to make their full contribution to well-being the world around.

AN AMERICAN POLICY

All this greatly complicates the foreign trade problem for a nation

like the United States where foreign trade is in the hands of a free enterprise system and where national economic policy is not, as elsewhere, dominated by the fear of aggression and war. In developing a realistic trade relations program under the handicap of the present world situation, the following considerations must be taken into account.

First, we must fully protect our own national living standards, the wages of our workers, and the income of our farmers. However fully we may recognize the long-run fallacy of the present world epidemic of trade restrictions, we must not indulge in any trade policies at this time that will make the United States the dumping ground for the subsidized and politically managed exports of other countries.

Second, we must try to increase our foreign trade by every measure available consistent with the protection of our living standards, the wages of our workers, and the income of our farmers. This will require a constructive administration of our tariff relationships. The measures that may be taken will be varied. Some tariffs may have to be raised, some lowered, some left alone. And such progress towards an increased foreign trade as can be made under the present world situation can be made only by intelligent and realistic negotiation of treaties through which genuine reciprocity benefits are realized, with the treaties subject to the safeguard of democratic review and approval.

The function of our tariff policy, in view of the abnormal world situation, must be to protect our own best interests and to promote, as far as the restrictive policies of the rest of the world will permit, a revival of foreign trade.

It is not the function of tariff policy to erect walls so high that

behind them industries can maintain excessive prices or be so completely freed from external competition that they become inefficient. The people have the right to expect government to protect them against monopolistic advantage created by tariff favors. For tariff policy, like every other policy of government, is but a tool with which to advance the welfare of the people as a whole. Tariffs should be modified whenever necessary to realize this result. Their modification should be made not by log-rolling but by expert study, research, and open democratic processes.

TOWARDS A LABOR PROGRAM

The security and welfare of the industrial workers of the United States depends upon the sustained prosperity of the national economy as a whole. Only through the expansion of the nation's enterprise can full employment, higher real wages, and progressively better working conditions be realized. Every aspect of labor policy must, therefore, be considered in terms of its effect upon the forward or backward movement of the nation's enterprise.

FOUR GOALS OF LABOR

Enlightened American workers have four main goals: (1) to secure for every employable industrial worker a job in productive enterprise at the best possible wage, under the best possible working conditions, and on a schedule of hours that makes satisfactory living possible for the worker and the worker's family, (2) to develop whatever form or forms of organization of American workers will best enable them to protect and to promote their every legitimate interest in the industrial process, (3) to stimulate a progressive increase of the contribution of labor towards an improved efficiency of American industry, and (4) to give organized and informed voice to the judgment of American workers in the determination of those public policies which give over-all direction to our national economy.

LABOR POLICY AS PART OF NATIONAL POLICY

Four such far-reaching aims clearly cannot be realized by the action of labor alone. Their full realization requires, at the minimum, an under-

standing collaboration between labor and management and government. If these forces are at loggerheads, labor suffers, and the energies of any one or of all three may be forced into destructive channels. For this reason, an effective labor program, like a farm program or a business program that is to be effective, must be conceived as an organic part of a total national program. In developing a labor program, as part of a larger national program, the following considerations must be taken into account.

THE RIGHT TO ORGANIZE AND TO BARGAIN COLLECTIVELY

The right of American workers to organize under leaderships of their own choosing and to bargain collectively with management is essential not only to protect the interests of the workers, but to promote an effective functioning of the national economy. It is proper that a right so basic be guaranteed by law.

Freedom of contract can become a right without benefit where at least approximate equality of bargaining power does not exist. In dealing with the large-scale enterprise of our modern economy, save in cases where both management and labor are exceptionally enlightened, equality of bargaining power for workers depends upon their using large-scale organization and collective negotiation. The power of organized labor, like the power of organized business, can be used unwisely and irresponsibly. It can be used to back demands that may be beyond the capacity of industry to meet, if the scale of the enterprise in question is to be maintained or expanded. It can enforce an ill-timed rise in wage rates that may mean a reduction in the total income of the workers. But whenever the total effective income of workers is increased through collective bargaining, the buying power of an important section of the consuming public is expanded, the market for the products of factory and farm is widened.

THE NATIONAL LABOR RELATIONS ACT AND BOARD

The legal right of American workers to organize and to act collectively to improve their status, together with the principle that the courts could not be used to prevent the exercise of this right, was established long before the passage of the National Industrial Recovery Act or the National Labor Relations Act. Republican leadership recognized the principle of collective action and corporate responsibility some fifty years ago. It was written into the Erdman Act of 1898, widened during the World War period, given special application to transportation workers in the Railroad Labor Act, and still further elaborated in the Norris-LaGuardia Act. In its reiteration of this principle, the National Labor Relations Act raises no issue. The right of labor to organize and to bargain collectively cannot be made an issue between two intelligent political parties.

There is, however, in the judgment of this Committee, justified dissatisfaction with varied aspects of the National Labor Relations Act and with its administration by the National Labor Relations Board.

Two of the purposes of this Act, as stated in its text, were to eliminate industrial strife and to promote employment. As in the case of so many New Deal measures, the actual results have been the opposite to the announced purposes. During the life of this Act, as indeed from the beginning of the New Deal, industrial strife, with its serious effect upon employment, has increased by leaps and bounds. In 1937, the first year the National Labor Relations Board was operating fully, there were 4,720 strikes, involving 1,860,620 workers, and resulting in 28,424,857 idle man-days. This was more strikes than had occurred in any single year in the nation's history up to that time. As indicated earlier in this report, the average number of strikes annually for the six years preceding the New Deal was 753, the average number of workers involved 296,954, and the average

number of idle man-days 10,819,019. The National Labor Relations Act and the National Labor Relations Board have contributed neither to the reduction of industrial strife nor to the reduction of unemployment.

This failure has not been due to the Act's guaranty of collective bargaining, but to the fact that other features of the Act are unsound and unjustified, and the Board administering it has been arbitrary and biased. The National Labor Relations Act was conceived and has been administered in the spirit of industrial warfare instead of the spirit of orderly industrial government which the Act purports to foster.

The Act itself made for an arbitrary administration by investing the Board with legislative, executive, and judicial powers, making it prosecutor, jury, and judge all in one---a merger of functions it took centuries of struggle to unscramble in the interest of justice for the common man. The Act freed the Board from any responsibility to respect the ordinary rules of evidence prevailing in any court of law or equity, with the result that, in the admission of evidence, the Board has been excessively loose, with almost any type of hearsay statement admitted as a basis for judgment. The Act, as interpreted by its administrators, has gone to absurd lengths in making virtually impossible any process of common counsel between employers and employees other than the formal procedure of collective bargaining when a dispute is on. It has, in effect, built a wall between employers and employees.

Members of the Board and its Trial Examiners have shown bias and favoritism as between employees and employers, between rival labor leaderships, and between rival labor organizations. Until badgered into a reluctant concession by criticism from all quarters, the Board denied to employers the right to petition for an election to determine with what bargaining unit they should deal.

The Board has exercised virtually unlimited discretion in invalidating contracts between employers and bona fide labor organizations, sometimes with only one of the parties present and participating in the proceedings. And it has held in its files, inaccessible to the interested parties, materials upon which decisions, vital alike to labor and to management, have been based.

AMENDING THE NATIONAL LABOR RELATIONS ACT

The National Labor Relations Act requires responsible amendment alike in the interest of American workers and in the interest of a productive functioning of American enterprise. The objective of such amendment must be to maintain without wavering a firm guaranty of the right of free organization and collective bargaining, while so revising the provisions and procedures and so altering the spirit of the administration of the Act as to surround the whole employee-employer relationship with a sense of complete fairness to all parties and all interests concerned.

To be productive of the maximum possible benefit to American workers and to American enterprise, the National Labor Relations Act and its administration must: (1) secure equality of treatment to all parties concerned, (2) insure administration by men of demonstrated capacity for fairness and impartiality, (3) prevent governmental favoritism between labor unions in their controversies with other unions and between employees and employers in their controversies, (4) give to employees and employers alike, by provision of law and not at the discretion of the Board, the right to initiate proceedings before the Board, (5) give to all interested parties adequate notice of hearings and the right to participate in them, (6) insure to all parties the elementary processes of fair hearing and court review which should mark the procedure of all regulatory agencies, (7) protect rather than limit the civil liberties of both employees and employers,

(8) penalize unfair practices by whomever committed, and (9) see to it that no union, which becomes an exclusive bargaining agency, discriminates against the employment of workers on grounds of race, religion, or by undue financial requirements, on the principle that neither organized labor nor organized industry should be able to impose restraints upon freedom of employment which government itself is forbidden by the Constitution to impose.

As investigation uncovers more and more regarding the personnel and policies of the National Labor Relations Board, it becomes clear that we shall not realize the nine ends just summarized unless we thoroughly overhaul this Board and make certain fundamental changes in the Act itself as indicated.

The judicial and administrative functions of the Board should be rigorously separated, with the judicial functions lodged in a tribunal wholly independent of the National Labor Relations Board.

The appellate courts should be given jurisdiction to review findings of fact of such tribunal in respect of the weight and credibility of the evidence in the record as well as questions of law involved.

The power of the Board to invalidate contracts, determine the bargaining unit, and delay elections unduly after the filing of petitions should be curtailed.

There is a function for government in the field of industrial relations ---the function of setting up rules under which labor and industry shall work out their relationship with due regard for the basic rights of each and for the healthy functioning of the national economy as a whole, as well as seeing to it that such rules are respected. An increasing number of American workers and their leaders are becoming convinced, by the record of the National Labor Relations Board to

date, that, if government goes beyond this to the actual detailed administration of labor-industry relationships, it may well create more problems for workers than it cures.

THE DETERMINATION OF WAGES AND HOURS

Except in situations where minimum wage and maximum hour regulation is necessary to protect groups of workers not in position to protect themselves through collective bargaining, wages and hours should be determined by collective bargaining between freely chosen representatives of labor and management.

It has been a persistent assumption in New Deal circles that the increase of wage rates and the reduction of hours by law broadens the distribution of income and jobs. Few will question the appropriateness of government's providing defense for the defenseless or of its setting limitations upon "sweating" which injures the health of workers. But there is no satisfactory evidence that the political regulation of wages and hours beyond this point increases the real income of workers or raises the general level of employment. It may, indeed, do the precise opposite.

There is particular danger involved in legislating wage rates in a depression period. The big companies, with cash or credit available, are likely to raise their prices to absorb the increased production costs, speed up the installation of labor-saving machinery, and reduce their labor staff, while the small companies, which may not be in position to raise their prices or install labor-saving machinery to meet the larger production costs, may be forced out of business, and their workers be forced out of jobs.

The federal government cannot possibly make the many wage and hour adjustments that would be necessary to meet wisely the varying conditions in a

territory as large as the United States. Labor unions working through their resident representatives familiar with local conditions are in position a central government cannot be, to adapt their policies to the real interests of both labor and employer in a local situation. Such labor unions can see to it that the condition of the worker is raised as fast as business conditions warrant, without imposing such arduous conditions on the employer as to destroy the employment which it is sought to preserve. Labor organization and state law should be preserved as the normal means for remedying sub-normal labor standards.

If the federal government assumes anything like general responsibility for the advance of wages and the determination of hours, beyond the protective minimum suggested, the stage is set for the ultimate political domination of organized labor.

REAL WAGES FOR LABOR

In so far as government policy can effectively influence the income of workers, its concern should be with the real wages of labor, with what they will buy and bring to the living standard of workers, and what wages will buy depends more upon a proper relationship between costs and prices in both industry and agriculture than upon hourly or weekly wage rates.

It is possible to have a high wage rate, slight employment, and a low wage total for labor individually and in mass. Obviously the healthiest wage level, both for American workers and for American enterprise, is the level at which maximum employment can be maintained at the highest feasible yearly income for the largest possible number of employable workers. This is an axiom alike with enlightened labor leadership and enlightened industrial leadership. A wage rate, no matter how high, and hours, no matter how short, cannot provide food, clothing, or shelter to a worker without a relatively steady job.

The record of recent years indicates clearly that the actual income of workers depends upon many other factors as well as upon wage rates and hour schedules. Taking twenty-five manufacturing industries as reflecting the situation, the hourly rates of pay have risen so sharply during the New Deal period that; whereas the average was 55.4 cents an hour in 1923-25, which years the Department of Labor uses as a normal base in its indices of employment and wages, the average stood at 72.2 cents in July 1939. On the face of it, this would seem to be a vast gain for labor. During the New Deal period, however, the number of hours worked per day and the number of days worked per week have been so reduced that the average weekly earnings of the workers who had jobs in July 1939 were only $26.76 as against $26.71 in 1923-25, a gain of only five cents a week. Again this might indicate a broad gain if there was full employment, but, allowing for the increased number of young workers growing up and looking for jobs in the last fifteen years, the index of employment in the summer of 1939 stood at only about 76 or 77 per cent of the 1923-25 index.

Sustained and satisfactory buying power for American workers cannot be realized by any simple formula of wage and hour legislation. The thing that most seriously affects the volume of employment and the real income of labor is undue rigidity of costs and prices throughout our economy. If wage, hour, price, and profit policies are flexible, far-sighted labor leadership and far-sighted industrial leadership can maintain such adjustment between these factors that production will be increased, prices lowered, effective consumer demand lifted, total profit improved, and the real wages of labor raised. If, on the other hand, monopolistic or administered prices, along with profits, are inflexibly held at too high a level in relation to other factors, often to protect a contracting industry, or if wage rates are held inflexibly at too high a level in relation to other factors, as in the building industry, then production slumps, consumer

demand shrinks, profits dwindle, and the real wages of labor fall.

It is the function of government, not by price fixing or political decrees regarding costs, but by promoting fair and effective competition, to foster such adjustments between costs and prices in business, industry, and agriculture as will tend to increase production, lower prices, lift consumer demand, improve profits, and raise the real wages of labor.

CUSHIONING THE EFFECT UPON WORKERS OF RAPID TECHNICAL CHANGE

The long-range interests of the workers are not served by any short-sighted policy that seeks to withhold from use the most efficient equipment and methods of work available, because the living standard of American workers cannot be progressively lifted except through a progressive increase in the productivity of American industry.

It is imperative, therefore, that labor and management collaborate in the development of policies that will clear the track for the utmost employment of technological improvements in industry under measures that will, as far as possible, cushion the immediate effects upon workers in the process of readjustment and pass on to labor a proper share of the fruits of the increased productivity.

TRAINING SKILLED WORKERS

During the depression years the conservation and development of the skill of American workers has been grossly neglected. Both the initial training of the young workers and the reeducation in skill of dislocated older workers have been neglected. The result is that to-day acute shortages of skilled workers are developing. These shortages will increasingly constitute "bottle necks"

that will retard full and rapid recovery in many lines.

Government should give its leadership, where needed, to the encouragement of a prompt development of a systematic long-time program for the training of workers that will guard our economic future against this deficiency of skilled workers.

OPEN DIPLOMACY BETWEEN MANAGEMENT AND LABOR

Beyond intermittent tests of strength between organized labor and organized industry, enduring progress for American workers, organized and unorganized, depends upon an increased understanding on the part of employers of the human side of the worker's life, an increased understanding on the part of employees of the problems of management, and an increased understanding of both by government.

Advances in understanding on all three fronts, which depends upon many kinds of cooperation, can be accelerated by an increased candor of reporting on the part of both industry and labor. Large corporate enterprises, as some are already doing, should make at least an annual report to their workers as well as to their stockholders. Men who invest their lives in an industry are entitled, quite as much as men who invest their dollars, to a working knowledge of the guiding policies, the profits, the losses, and the disposition of the fruits of the industry they serve. Organized labor should be equally candid with industry in reporting its operations.

In so far as it can, without unduly intervening in the processes of a free labor movement and a free enterprise, political leadership should promote this "open diplomacy" between industry and labor.

STAMPING OUT LABOR RACKETS

Government should stamp out dishonest labor rackets whether operated

alone or in collusion with undesirable forces in business and industry. These rackets are a parasitic growth on the labor movement which neither workers nor industry can afford to permit. Aside from the fact that they are a costly burden on industry and levy a toll on the consuming public, they exploit the workers and build in the minds of millions of Americans a resentment which can unhappily be turned against the legitimate claims of labor.

A FREE LABOR MOVEMENT

The maintenance of a free labor movement is of crucial importance to American workers. The major gains achieved by workers have been achieved through a trade unionism functioning as a movement of organized self-help. And any attempt to find a short-cut to satisfaction and security for labor through a deal with political leadership will prove delusive. Government rarely becomes the patron of a movement without ending as its boss. When the fortunes of labor are too intimately tied to government action, the power of government, under shifting circumstances, may be used to hamstring as well as to liberate the workers. American labor caught a fleeting glimpse of the price workers may have to pay for a too close dependence upon government when the executive of the NRA hinted at the prohibition of the right to strike on the ground that the NRA had made strikes unnecessary.

Where a self-reliant trade unionism is talked into looking to government to engineer its advances, the hopes of the working millions are subtly transferred from their own leaders and their own organized strength to the uncertain fortunes of politics and, sooner or later, as has happened in Germany and Italy, for instance, the state robs labor of its hard-won rights to organize, to bargain collectively, to strike when no other effective course lies open, and to stand vigilant guard over its own interests.

A free labor movement is important to the maintenance of democratic self-government. Labor unions, like farmers' cooperatives and other agencies of organized self-help, are among the valuable drill-grounds of democracy. Their processes, when they are kept democratic, give to workers who participate in them valuable training for their wider role as citizens in community, state, and nation. Every inroad that government makes upon a free labor movement involves a loss to democracy.

The disinclination of this Committee to make government the paternal overlord of labor---like its disinclination to make government the paternal overlord of business, industry, and agriculture---is not based upon a do-nothing philosophy of government. It is based upon a practical realization that the fortunes of workers, business men, and farmers can be more safely trusted to their own guardianship than to the changing character of administrations in a democracy or to the relentless absorption of all power by the state in a dictatorship.

UNITY OF PURPOSE IN LABOR

No single pattern can or should be imposed upon labor either by its own leadership or by legislation. But the interests of both industry and the workers suffer from civil war in the ranks of labor.

The present disruptive and costly division of American labor does not rest upon any defensible conflict between craft unionism and industrial unionism, as every responsible labor leader agrees. In labor organization, as in every other field of action, form should take its cue from function. In industries where crafts serve distinctive purposes in production, craft unionism is indicated. In industries where the craft division of labor is no longer the way in which production is carried on, industrial unionism is indicated. The sooner

the conflict between these two movements of unionism is ended the better for American workers and for American industry.

THE WORKER'S STAKE IN THE NATIONAL ECONOMY

The most valuable contribution that government can make to the security and welfare of the workers is the following of policies that promote the healthy expansion of the nation's enterprise. An expansion of enterprise might be induced by the prospect of higher prices through an inflationary program and employment might be increased thereby, but expansion so induced would be unhealthy. With rising prices, the worker's dollar would buy less goods as his wages lagged behind the rising prices. A healthy expansion of enterprise can come only through the steady and increasing investment of capital in new plants and new tools at a swifter rate than has been the case since 1920.

Capital now idle and future savings will be risked in industry only if the public policies of government and the private policies of business unite to make risk reasonable and profit possible. What government does about its fiscal policies, about taxation, about the inter-relation of government and business, as well as what it does about labor relations, with all that it does determined in terms of its effect on the production of goods and services, will enter into its success or failure in actually improving the living standards of the workers.

TOWARDS A FARM PROGRAM

Most of the problems involved in the effective operation of the American farm and the satisfying development of the farm home are identical with the problems involved in the enterprises and homes of all other citizens and are not, therefore, peculiar to the farmer.

The "farm problem" with which the farmers, the economists, and the government have been wrestling with such a painful sense of inadequacy, when stripped to its essentials, is: (1) the problem of so handling, disposing of, or preventing farm surpluses that farm prices will not be wrecked by an unsalable over-supply, and (2) the problem of bringing the prices the farmer gets for what he sells into a sounder relation to the prices he pays for what he buys.

SEED-BEDS OF THE FARMER'S DIFFICULTIES

This double difficulty of farm surpluses for which there is no ready sale and high industrial prices alongside low farm prices springs from a variety of causes: (1) the abnormal expansion of acreage that took place during the World War to meet the then abnormal demand for farm products, (2) the drastic shrinkage in domestic demand for farm products in the depression years since 1929, (3) an even more drastic shrinkage in foreign demand for farm products due to shortage of buying power and developments towards self-sufficiency in the nations of Europe, (4) the wiping out of a large part of the demand for traditional feed-crops which resulted from the growing substitution of machinery for draft

animals on the farm and in the cities, (5) tariff-protected prices of some articles the farmer must buy, (6) undue rigidity in the administered prices of some industrial products, and (7) undue inflexibility in some negotiated wage rates, and other causes related in one way or another to these basic causes.

THE PROBLEM OF PARITY

If there is a single issue in which discussion of the "farm problem" comes to focus it is in the insistence that the prices of farm products the farmer sells must be brought to "parity" with the prices of the industrial products the farmer buys. If we are to seek this parity---and it must be sought---we must have a point of reference from which to judge our success or failure in reaching it.

The New Deal administration sets as a goal of "parity prices" the relationship between farm prices and industrial prices which existed in the years from 1909 to 1914. Whether the price relationalships of these years were ideal or not, as a practical matter, the easist way to erect a standard of judgment on farm prices in relation to other prices is to select arbitrarily some period such as 1909-14.

Some insist that the whole concept of parity, as the New Deal defines it, cannot be defended, that agriculture should follow the more far-sighted sections of industry in lowering prices and going out for greater volume, and not try to freeze farm prices to any 1909-14 or other former level. What, it is asked, if the automobile industry had demanded that Congress pass a law fixing a "parity price" for cars? This contention is sound for the long-haul, but, for the time being, industry has a price stability the farmer does not have. In farm prices, the spread between high and low is too great, the rise and fall too rapid.

The "parity" that will bring the maximum benefit to the farmer is such relationship between the prices of what the farmer sells and the prices of what the farmer buys as will bring about the greatest possible interchange of goods and services between village, town, and city on the one hand and the farm on the other.

To set out to achieve "parity" of this sort is not to plan a special privilege for American farmers. It is only to seek a better balanced functioning of our national economy. The increased trade between city and country such "parity" will produce will be a boon to our whole economic life. Industrial workers should be as eager as farmers to see this sort of "parity" established. And business men, industrialists, and bankers should equally welcome it for the tonic it will administer to the whole of American enterprise.

In the judgment of this Committee, which has carefully canvassed all these considerations, gross disparity of income between groups equally important to the nation's life, such as agriculture and industry, requires that government pursue policies that will help soundly to correct such disparity.

WE HAVE TRIED MANY POLICIES

In attempting to solve the stubborn problem of farm prosperity, we have tried many policies---price fixing, loans above market prices, the plowing under of crops, the slaughter of animals, imposed production controls, and government subsidies.

This extensive experimenting with all these policies has brought temporary benefits to farmers, but it has produced long-run dangers that have the seeds of disaster in them. As in the case of cotton, it has resulted in a loss of the farmer's world markets, which has been only partially made up to him by

subsidies which, in the final analysis, have been paid by those American consumers least able to pay them, and by the sale to the dictatorships of products at prices lower than our own citizens could buy them. The carrying out of these policies has expanded and entrenched a burdensome army of bureaucratic regulators. And by putting all our eggs in one basket, the federal basket, it has magnified mistakes in business judgments regarding farm crops and farm prices to a nation-wide scale.

The problems of surplus and disparity, growing out of the causes indicated, are so pressing that it is probably impossible for any administration to avoid the temporary adoption of some emergency policies which clearly are not economically sound for the long-haul. In developing a program for the correction of these problems of surplus and disparity, therefore, government must, in the judgment of this Committee, open-mindedly consider both the policies that are sound for the long-haul and policies that are inescapable for the short-haul, and undertake so to relate its permanent policies and its emergency policies that practical progress for the farmer will be realized and long-run dangers be reduced to the minimum.

POLICIES THAT ARE UNSOUND FOR THE LONG-HAUL

Despite the fact that they may be justified as emergency measures in periods of abnormal dislocation, there are policies which clearly are unsound for the long-haul. It is important to review these policies and to reveal their shortcomings even if they must be, in part, employed to meet the extraordinarily difficult situation in which the farmer has found himself since the World War.

A policy of permanently scaling down the output of American farms is as unsound as a permanent scaling down of the output of American factories would

be. The economic life of the nation is admittedly thrown out of balance when industry follows a policy of restricting production and raising prices and agriculture follows a policy of unrestricted production with a resulting fall in prices. This is the temporary justification for experimentation with crop restrictions. But, if industry and agriculture are to make possible a better-fed, better-clothed, and better-housed people, the answer is not to have agriculture join industry in a policy of fewer goods at higher prices; the answer is to have both industry and agriculture organize for the production of more goods at lower prices so that consumption will be increased and satisfactory total profit be realized by both manufacturer and farmer from the sale of a larger volume. The legislation of crop scarcity can forcibly correct an abnormal lack of balance between industry and agriculture, but, by no stretch of the imagination, can scarcity as a permanent policy, either in industry or in agriculture, be made socially helpful to the American people as a whole or bring the maximum possible financial return to manufacturer or farmer.

The artificial pegging of prices, whether of the manufactured articles of industry, the products of our farms, or the services of labor, cannot by itself bring prosperity to industry, to agriculture, or to labor. It may, on the contrary, reduce the income of all three. To peg, by political action, the prices of the output of farms, the products of industry, and the services of labor at a level that is out of line with the effective demand of the moment will ultimately shrink the farm plant of the nation, wreck the farmer's foreign market for many of the commodities he produces, slow down the industrial activity of the nation, and leave millions of workers idle, whereas a larger productive output even at lower prices can, as a net result, mean more prosperity alike for business men, farmers, and industrial workers.

Crop control by political decree, as a permanent policy, grows by

what it feeds on and cannot really control short of complete political domination of the farms of the nation. Germany, under the present regime, began with centralized control of only a few farm commodities. German farmers shifted to the raising of products not under controls. The government proceeded to establish control of these other commodities. Finally it had to establish both minimum and maximum production quotas on virtually all farm commodities. Then it had to move to the fixing of all farm and retail prices. This is the inevitable logic of centralized control. Unless a complete job is done, partial controls are evaded. Unless we are willing to submit to the complete control of farm operations from Washington, wholly surrender the right of personal judgment, and run the risk of mistaken judgments on a nation-wide scale, we cannot look to political crop control as a permanent policy, that is to say, direct crop control by decrees that specify, from year to year, just how much of each farm commodity can and cannot be produced.

A realistic farm program may utilize some parts of all these policies as emergency measures, but will not build a long-range national program upon them.

A LOOK AT THE RECORD

A survey of the actual results of the farm policies in force during the last seven years indicates clearly that the policies just defined as unsound for the long-haul neither work out according to expectation nor contribute anything towards a permanent solution of the farm problem.

By the end of June, 1939, some $3,250,000,000 had been spent on the Agricultural Adjustment Administration. The Department of Agriculture, which spent $178,000,000 in 1930, has a projected expenditure for 1940 of

$1,272,000,000. The central drive of the farm program reflected in these vast expenditures has been to improve farm prices by reducing crop production. Whatever these expenditures may have meant in the way of cash benefits to individual farmers, one thing is clear, and that is that all this expenditure and all the policies behind this expenditure have not brought any solution to the farmer's price problem.

Using the parity period of 1909-14 as the base, the average index of prices the farmer paid for what he bought was 119 in August 1939, while the average index of prices the farmer received for what he sold was only 88. The following table, taken from The Agricultural Situation, published by the United States Department of Agriculture, shows the average prices of the leading farm products in June 1939, compares them with their average in the base period of 1909-14, indicates what the "parity price" in each instance should be in June 1939, and states how much below or above "parity" were the prices the farmer actually received.

Prices of Farm Products

Product		5 Year average Aug. 1909-July 1914	June 1939	Parity price. June 1939	Amt. above or below Govt's "parity" figure
Cotton lb.	¢	12.4	8.67	15.7	- 7.03
Corn bu.	¢	64.2	49.9	81.5	-31.6
Wheat bu.	¢	88.4	62.5	112.3	-49.8
Hay ton	$	11.87	6.63	15.7	- 9.07
Potatoes bu.	¢	69.7	61.0	86.5	-25.5
Oats bu.	¢	39.9	29.9	50.7	-20.8
Peanuts lb.	¢	4.8	3.43	6.1	- 2.67
Beef cattle cwt.	$	5.21	6.81	6.62	+ .19
Hogs cwt.	$	7.22	5.96	9.17	- 3.21
Chickens lb.	¢	11.4	13.4	14.5	- 1.1
Eggs doz.	¢	21.5	14.9	20.3	- 5.4
Butterfat lb.	¢	26.3	22.2	31.1	- 8.9
Wool lb.	¢	18.3	21.9	23.2	- 1.3
Vealcalves cwt.	$	6.75	7.98	8.57	- .58
Horses each	$	136.60	81.30	173.50	-92.20
Lambs cwt.	$	5.87	7.49	7.45	+ .44

This table shows price distress to have been greatest in the case of farm products most closely controlled by the government.

These farm policies have neither raised the farmer's prices to "parity" nor widened his markets. The economic policies of the Administration, by retarding a general recovery, have curtailed his home market, and have closed more foreign outlets than they have opened for his products. The reciprocal trade agreements have provided some small foreign outlets for commodities, but these agreements have aroused the resentment of American farmers whose farm products are having to meet the direct or indirect competition of substantial quantities of foreign agricultural products which these agreements are permitting to enter the United States.

EXPANDING THE MARKET VERSUS REDUCING THE OUTPUT

The major attack on the farm problem must be a broadly conceived drive to expand the farmer's market---domestic and foreign. The outlook for any marked expansion of farm exports in the near future is none too bright. Every possibility of increasing the foreign market for American farm products must be vigorously explored, but the readiest possibilities of expanding the American farmer's market will be found at home.

As part of the defeatist assumption of the New Deal leadership that the economic plant of the country is, perhaps, overbuilt, it has been too readily assumed that there are too many farms and too many farmers, that the market cannot absorb the farm output we are geared to produce, and that the way out lies in reducing the farm output. Under the economic circumstances that have prevailed, this contention has been plausible and convincing to millions of Americans. If this contention is true, to suggest any marked expansion of the farmer's domestic

market is only to raise hopes doomed to disappointment. Is it true? However true it may be under prevailing economic circumstances, it need not, in the judgment of this Committee, remain true.

There is actual human need for more products of our farms, as well as our factories, than we have ever produced even at the peak. The responsible researches of the Brookings Institution demonstrate, beyond effective dispute, that, in order to provide every American family with what the Department of Agriculture regards as merely "a reasonable standard of living," our productive forces would have to produce almost twice what they produced in 1929. They produced a national income of 81 billion dollars in 1929. The Brookings researches indicate further that, if these productive forces, as then organized, had operated at practical capacity, they could not have produced a national income of more than 96 billion dollars.

The implications of all this for the American farmer are striking. If everyone in the United States had a diet containing all the elements of nutrition suggested as essential by the Department of Agriculture, in its analysis of a reasonable standard of living, American farms would have to produce, over and above what they were producing in 1929, 108 per cent more butter, 79 per cent more fresh vegetables, 53 per cent more milk, 43 per cent more eggs, markedly more meat, citrus fruits, and other foods. And, to meet this human need, American farmers would have to plant 40 million more acres than they planted in 1933.

This Committee is aware that neither farmer nor manufacturer can profitably produce for human need, however great, unless that need is translated into effective economic demand, unless, in short, the people who need more goods and services have money with which to buy them. As far as meeting the human need for

a reasonable standard of living is concerned, it is clear that we should have a larger rather than a smaller farm plant than we now have. The question is: can the Americans who need more farm products be equipped with the means to buy them? This question leads directly to what this Committee considers of central importance to American farmers.

The charts and data published by the Department of Agriculture indicate clearly that farm income moves up and down consistently with the rise and fall of industrial payrolls. The workers of industry, like the workers in business and the professions, are, of course, the farmer's customers, and as their incomes increase, they tend to buy more from the farmer. This is not a blind generalization that if there is general prosperity it will somehow trickle down to the farmer. That might not be true. But a further Brookings research factually proves that families with incomes around $800 spend from $346 to $382 for food, while families with incomes of $2,700 spend from $715 to $932 for food. In other words, as the incomes of Americans off the farm improve, they spend more for the major products of the farm.

This means that the biggest single contribution that government can make to the well-being of the American farmer is to create the confidence and cultivate the conditions under which a forward thrust of business and industrial development will take place, resulting in a full employment of our man-power, our technical skill, and our economic resources. Earlier in this report, the Committee has said that this is the central issue for the people generally. It is the central issue for the farmer. The farm program, the labor program, and the business program of a government are thus interlocked. The labor and business policies of government are as important to the farmer as its farm policies. The farmers, the workers, and the business men have a common stake in a healthy and

sound expansion of American enterprise. Such expansion is possible only under a regime of economic sanity. It can be effectively blocked by a scramble for special privileges by one or all three of these groups.

What government does or can do to help or to hinder this necessary expansion of American enterprise is not confined to any single program of legislation; it is the net result of the aims, attitudes, and acts of the national leadership in control of government at the time. What this Committee thinks these aims, attitudes, and acts should be, in order to speed up this expansion of enterprise upon which the fortunes of the farmer so closely depend, is expressed throughout this report and so is not repeated here.

TARIFFS AND THE FARMER'S DOMESTIC MARKET

This Committee is quite aware that, under existing world conditions, no nation can expect its foreign trade to be all exports and no imports. There have been two ways in which nations have paid for what they bought abroad---in goods or in gold. Since we have most of the world's gold supply buried in Kentucky, it is clear that our foreign trade must be increasingly an interchange of goods. It is equally clear, however, that, if we are to preserve, to say nothing of expanding, the American farmer's home market, thoroughly adequate protection must be given to American farm commodities against such foreign products as would, if admitted to our markets, supplant them. Concurrently with this selective provision of protection to threatened commodities, every possibility of expanding our farm exports through treaties which produce genuine reciprocity benefits should be fully explored.

INDUSTRIAL USE OF FARM PRODUCTS AND THE FARMER'S MARKET

Research is steadily discovering new ways of using farm products as

industrial raw materials. If to his traditional function of feeding the people with foodstuffs the farmer can add the new function of feeding the factories with raw materials, a function that is already well under way of development, a marked expansion of the farm market will be realized. As cotton is now used in the manufacture of automobile tires, soybeans in the manufacture of automobile parts, and skimmed milk in the manufacture of textiles, to mention only three examples, the possibilities of industrial use of farm products may well become unpredictably large. The industrial researcher may be able to do what the legislator has not yet been able to do in solving the farmer's surplus problem. Government should do everything within its power to encourage and expand research in this field.

BETTER MARKETING ORGANIZATION AND THE FARMER'S MARKET

Ably organized and ably led farmer-owned cooperatives, developed on a nation-wide scale, can benefit both producer and consumer of farm products by facilitating the sale of farm products at fair prices from which unnecessary intermediate sales costs have been eliminated. An important part of the drive to widen the farmer's market must, therefore, be the practical encouragement by government of the development nationally of cooperative farm marketing.

TRANSPORTATION COSTS AND THE FARMER'S MARKET

Constantly increasing transportation costs from interior to seaboard have reduced the amount the farmer receives for his products and have acted as a barrier to the free movement of his surpluses both for export and for domestic consumption. A rational reduction in these transportation rates will operate to widen the farmer's market.

MARGINAL LANDS AND THE FARMER'S MARKET

The retirement of marginal and sub-marginal lands from cultivation

under a well-balanced land utilization program has an important bearing on the farmer's problem of surpluses. Particularly in the semi-arid regions of the United States, there are millions of acres which should never have been broken by the plow. To return them to the public domain until they are actually needed for grazing or for more intensive cultivation than is now possible will not only conserve an important national resource but will tend to stabilize farm production by removing the erratic production of these lands from the picture. In the case of wheat, for instance, there are some 30 million acres of sub-marginal lands which will produce a crop once in three to five years. In an exceptionally wet year, they will produce 200 million bushels and break the market. The cost of wheat produced under such conditions, counting the costs of the years when no crop is raised, is, of course, unreasonably high. The present administration has made a beginning by removing about 9 million acres of such land from cultivation. The cost of acquiring by long term lease the entire 30 million acres would be a small price to pay for something approximating a solution of the wheat problem.

Marginal and sub-marginal lands are not all in the dust bowl regions or all devoted to wheat, but wherever they exist and when reduction of surpluses is a problem, government should promptly and on a sweeping scale buy or lease them and get them out of cultivation. As long as the problem of reducing farm surpluses exists, until we succeed in actually expanding the whole of American enterprise, the retirement of these lands can be made the most desirable means of cutting production. As a method it avoids most of the undesirable features of other means of production control tried to date. It would make unnecessary the curtailment of production from our fertile lands, render unnecessary the present extensive and expensive machinery of regulation which other means of production control have created, and make possible the striking of thousands of officials from the federal payroll.

SOIL CONSERVATION

A retional farm program will completely eliminate from cultivation, as just suggested, the poor acres of our marginal and sub-marginal lands which mean erratic and high-cost production, and then conserve, by every means necessary, the quality of the good acres of our fertile lands in the interest of stable and low-cost production. Beyond this, of course, is the fact that the soil is our basic national resource and must be protected against waste, erosion, and exploitation by unwise use. The case for an extensive federal program for soil conservation is outside the area of partisan debate.

RECLAMATION AND THE SURPLUS PROBLEM

With our whole economy thrown into high gear, with full employment of our man-power, our technical skill, and our economic resources, the human need discussed earlier would become effective economic demand and we would need to have under cultivation more acres than now, but, until this happens, it is difficult to see the justification of extensive reclamation of lands at a time when we are resorting to elaborate programs to reduce the output of the good lands already under cultivation. For the time being, therefore, a rational farm program will provide for the completion of reclamation projects under way, but will not provide for more such projects until more land is actually needed for cultivation.

CROP LOANS AND ORDERLY MARKETING

The farmer, like the business man or industrialist, must be in position, when necessary, to borrow working capital to enable him to give orderly marketing to his products. If he cannot so borrow, he may be forced to throw his crops on the market at distress prices, whereas, if he is able to hold them until market

conditions are more favorable, he will avoid this sacrific of income. A rational farm program will, therefore, provide, under intelligent safeguards, crop loans that will make possible an orderly marketing of our farm output so that, in a year of unusually large output and low prices, it will not be necessary to flood the market with surpluses and thus drive prices still lower, but will make possible the holding over of such surpluses to a time of lesser output and higher prices. Such loans should not, of course, be deliberately made at a level so high that they make the government, in effect, the buyer of the crop carry-over, and thus stimulate the piling up of stored surpluses that will stand as a threat to future farm prices.

FARM LOANS AND TENANCY

Because the largest possible number of family-owned and family-operated farms is a factor of national stability, a rational farm program will direct the policies and powers of the farm loan agencies of government to the largest feasible assistance of farm tenants to become farm owners. Concurrently with this, and as a transition measure, steps should be taken to revise leasing practices in the interest of a better relationship between landlord and tenant.

ACREAGE CONTROL

Acreage control is an undependable means of production control. Nature can so easily upset the plans of the controllers and produce a larger crop on less acres or a smaller crop on more acres. Or improved methods of production, as in the case of hybrid corn, can more than offset the reduction on controlled acreage by greatly increased output on the uncontrolled acreage. A rational farm program will not include acreage control as a permanent policy, and will countenance its continuance only until more fundamental policies begin to bring the

problem of farm surpluses under manageable control. It is the considered judgment of this Committee that the policies here suggested will make acreage control unnecessary.

UNTIL BASIC POLICIES BEGIN TO REGISTER THEIR EFFECT

Until the basic policies, here suggested, begin to register their effect, the necessity of some form of direct subsidy to agriculture to secure effective parity and control the impact of surpluses upon farm prices must be recognized. A rational farm program will utilize that form of subsidy which is simplest to apply generally and which will necessitate the least possible red-tape of regulation and the least possible number of bureaucratic regulators. Along with this report there is submitted complete and detailed analyses of every available form of subsidy, together with a judgment upon the advantages and disadvantages of each form. These analyses are submitted for the information of those who will draft the detailed platform of the Republican Party at the 1940 Convention.

TOWARDS A BUSINESS PROGRAM

The problem of the relationship between government and business has too often been over-simplified by both political leadership and business leadership. Political leadership has over-simplified this relationship when it has assumed, as at times the New Deal leadership has seemed to assume, that business is essentially an anti-social process, that the more successful it is the more sinister it must be, and that the primary relation of government to business is that of a policeman shadowing a suspicious character. Business leadership has over-simplified this relationship when it has assumed, as at times its less enlightened representatives have seemed to assume, that business is a private hunting preserve; that any suggestion of social concern with business policy or any degree of social control of business practices is an impertinent intrusion.

Both these points of view are sterile. Both leave untouched the positive problem of a productive interrelation of government and business. Modern business is not an alien power standing outside the modern social order and threatening it. Modern business is an organic part of the modern social order and equipped to serve it, if a sound and productive relationship can only be established between it and government. Determining what that relationship should be is at the heart of the problem of a business program for government.

WHAT KIND OF BUSINESS SYSTEM DO WE REALLY WANT?

It is impossible to decide the relationship of government to business until we know what kind of business system we want. The nature of the business

system will largely determine what government has to do about it, for philosophies of government and systems of economics are inseparably bound up each with the others. The choice to-day is between a system of free enterprise and a politically planned and politically dominated economy.

It is clear to this Committee that the best interests of the American people require that we preserve and modernize our traditional system of free enterprise with the minimum governmental regulation necessary to prevent abuse and promote justice in its operation. If the nature of the business system largely determines what government has to do about it, and if we are to proceed on the basis of an intelligently modernized system of free enterprise, then it becomes important to know what the basic characteristics of a free enterprise system are and at what points, if any, it has been perverted or blocked in the United States. Otherwise we have no dependable basis of judgment on what government should do respecting either business regulation or business reform.

THIS IS FREE ENTERPRISE

An economic system freely functioning within the proper restraints of law has, among other characteristics, three dominant marks:

First, it is courageous. When men act in harmony with its principles, they ask no one to guarantee their investments or their profits. They look to no paternalism of government to give them cost of production plus, regardless of the efficiency or inefficiency of their productive and distributive processes. They have the courage to invest, to take risks, to pit their judgment against the chance that they may either face loss or make profit.

Second, it is flexible. When men act in harmony with its

principles, they face good times and bad times with equal realism. They know that in hard times a high wage rate, little work, and a slender total income for the worker is not as sound socially as a lower wage rate, more work, and a larger total income for the worker. They know also that in good times, when work is plentiful, low wages cut down their market instead of increasing their profit. They know that their long-term profits are generally best fostered by lowering prices to maintain or increase consumption, rather than by maintaining or raising prices by restricting production. They are, in short, flexible in their policies.

Third, it is competitive. When men act in harmony with its principles, they compete on the basis of their efficiency in production and distribution. They resort neither to private monopoly nor to public privilege to save them from the consequences of their own judgments, the results of risk, or the impact of competition.

The courage to risk, flexibility of policy, competitive operation---these are principles men live by when they live up to the nature of a free enterprise system. When we are told that the American system of free enterprise has come relatively to the end of its rope, that it can no longer be depended upon to give the people a decently sustained prosperity, then it becomes important to ask whether anything has happened in recent years to dilute the effectiveness or to delete from the operations of our economic system these principles of risk, flexibility, and competition.

OBSTRUCTIONS TO FREE ENTERPRISE

From time to time the more short-sighted forces in government and in

business and labor have joined to secure apparent special advantages which are crippling in their effect on our system of free enterprise.

First, they have fostered measures designed to guarantee protection or profit to capital. Free enterprise ceases to be free enterprise, however, when it asks that the risk of unprofitable operations or loss of capital be eliminated. The destruction of capital is one of the risks of free enterprise.

Second, they have fostered measures designed to keep alive and, in some instances, to extend special compensation to weak and inefficient units of our economic life. Free enterprise cannot afford to subsidize inefficiency or to maintain a declining industry, except as a temporary aid to groups dependent upon it. Change is of the essence of free enterprise.

Third, they have fostered measures that have tended to fix or to freeze prices, wages, and other cost factors at levels which, at times, have prevented the maximum operation of industry, the maximum employment of labor, and the maximum well-being of the country. Free enterprise must be flexible.

Fourth, they have fostered measures which, although designed to check the unfair competition of privilege or cut-throat practices, have tended to strangle the fair competition of superior management, improved method, or new products. Within the limits of maintaining competition, free prices are imperative to free enterprise.

An examination of the practical effects of such measures in dislocating the free enterprise system indicates that the failures of free enterprise to live up to its promise have been due to these and like disloyalties to its central principles of action---courage to risk, flexibility of policy, and competitive

operation. It indicates further what should be among the major objectives in determining the relationships of government to business.

GOVERNMENT "INTERVENTION" IN BUSINESS

The large freedom that is basic to a free enterprise system makes necessary periodic business reform and permanent business regulation at the hand of government. Business traffic rules are as indispensible as highway traffic rules. This Committee does not, therefore, enter any general indictment of all government "intervention" in business. We have had government intervention in business, alike under conservative and liberal administrations, from the beginning of our government. Sometimes it has been friendly, sometimes inimical, but it has been constant. And, as periodic reform and permanent regulation, it will continue.

It is not a question of intervention or no intervention. It is a question of the nature, extent, and purpose of the intervention. Business reform and business regulation can either release or repress the energies of the nation's enterprise. Which happens will depend upon what the political leadership devising and administering the regulations thinks the nature, extent, and purpose of government intervention in business should be. This should be, by now, a settled question. But the New Deal attitude towards the nation's business has again thrown the question into the arena.

The present administration has experimented extensively with business reform and business regulation. This Committee is convinced that the New Deal leadership---by its defeatist disbelief in the possibilities of the private enterprises of the American people, its insistence that the federal government must be looked to hereafter as the deciding factor in popular well-being, and its persistent effort, through its business reforms and business regulations, to subordinate

economic leadership to political leadership---has demoralized the energies of American enterprise.

The role of government in business reform and business regulation, if we are to preserve and perfect our system of free enterprise, is, in the judgment of this Committee, clear and, in principle, can be simply stated.

Government intervention in business should be a limited intervention, confined, under normal circumstances, to the creation and maintenance of a socially protective framework of regulation within which our economy of free private enterprise can most effectively operate and be most surely preserved. In short, the purpose of government intervention in business should be to make the American economy of free private enterprise work, not to replace it with something else.

THE GOAL OF BUSINESS REFORM

In the face of mounting evidence that the temper and purpose of the New Deal leadership, in its relation to business, have repressed rather than released the creative energies of the nation's enterprise, the temptation, in many quarters, has been to demand a moratorium on all business reform. This does not, in the judgment of this Committee, necessarily follow. An intelligently conservative administration may, at this juncture, be very much a reform administration. But its reform will be designed to liberate, not to suppress, the productive energies of the private enterprises of the American people so that they may, as often stated in this report, make possible a full employment of our man-power, our technical skills, and our economic resources, a progressive lift in living standards, and an increased social security for our people.

The business reforms of an administration that really believes in the free enterprises of a free people, and is determined to clear the road of obsta-

cles to its effective operation, will seek to rid the free enterprise system of the artificial rigidities that both business and political leadership have imposed upon it, will seek to enforce upon enterprise generally a thoroughly adequate responsibility to stockholders, workers, and the public, and will seek to provide cushioning against the shock of readjustments inevitable in a dynamic economy, but, above all, will seek to enforce effective competition.

In particular, the business reforms of an administration that believes in free enterprise and is determined to free it from unnecessary handicaps will seek to rid the American enterprise system of such obstructions as those listed earlier---measures that directly or indirectly seek to guarantee profit to capital, measures that subsidize manifestly inefficient units of our economic system, measures that freeze varied production costs at unjustifiably high levels, and measures that strangle competition.

"GOOD" AND "BAD" REGULATION

That certain regulations of business are needed, if we are to avoid earlier errors in our experience, is not arguable. Consumers must be protected against unfairly administered prices, as in the case of regulated natural monopolies. Small and new businesses must be protected against unfair competition from monopolistic or near-monopolistic enterprises. Consumers and competitors must both be protected against misleading promotion of either the products or the securities of business enterprise. Business itself must be protected by rational rules governing markets in securities, real estate, and commodities.

These are, in every instance, protective regulations. They are designed to maintain, not hamper, the freedom and basic character of the free enterprise system. They differ fundamentally from the restrictive type of

regulations that drastically reduce the freedom of the people in the conduct of their enterprises and drastically expand the economic authority of the government. They protect the people against the excesses and abuses which arise from the misconduct of some individuals or the monopolistic tendencies of some enterprises. They protect the free enterprise system itself against persons and practices that would divert its energies from the creative function of producing wealth to the more purely acquisitive function of capturing wealth, already created, by varied forms of manipulation. Such regulation is "good" regulation.

Regulation is "bad" when it goes beyond its protective purposes and hampers the freedom of enterprise for the most efficient performance of its creative function of producing wealth, in the form of more and better goods at lower prices, with which alone the living standards of the nation can be lifted.

In the light of these principles of protective regulation, the Committee suggests certain considerations which government must take into account in the development of a realistic program for its relation to business.

NEW ENTERPRISES MUST NOT BE THROTTLED

Every major advance in the economic welfare of the American people has come from the fact that some new idea, new invention, new development in production, distribution, organization, or management challenged and, perhaps, supplanted some existing enterprise. It is imperative, therefore, that the business regulations of government shall not freeze the status quo against the rise of new ideas and methods.

Many New Deal policies and practices, as in the case of the NRA, have sought to hold things as they are. This has grown out of the fact that as part of its defeatist conviction that we are approaching a static economy, the New

Deal leadership has been so obsessed with its theories of stability that it has neglected the problem of growth.

The competition of the new with the old is the most important form of competition. If the business program of government is to be based, as this Committee thinks it should be based, on a system of competitive enterprise, operating freely within a framework of protective regulations designed to safeguard the general interest, then government must not fall into the dangerous practice of intervening to protect special interests against new forms of competition. To do so is to deny the society as a whole the benefits of new developments and to deny to individuals the right to rise by their resourcefulness and ingenuity.

WATCH THE SECONDARY RESULTS OF REGULATION

When the hand of government touches the economic mechanism at any point, it may produce effects, wholly unexpected and sometimes disastrous, at points far removed from the original point of contact. The unplanned results of planning or regulation are often as significant, for good or for ill, as the intended results.

For example, the purpose of the Securities Act of 1933, in providing protection to investors by requiring a full disclosure of all material facts in connection with the issuance and sale of securities, is as vital as protecting consumers against adulterated or poisonous foods. But the requirement of voluminous information, drastic liabilities for non-compliance, and costs that are often prohibitive to the organization and financing of relatively small enterprise have played a large part in obstructing the investment and reinvestment of funds essential to recovery. This secondary result of the Securities Act may well be as important as its primary purposes. Such a result is in no way an

inevitable effect of an adequate and properly administered federal securities law.

It is important that government take steps to safeguard its business reforms and regulations against producing such unintended effects. This means greater organized care in the development of policy and the drafting of legislation that has marked the all-too-often hasty and ill-digested policy making of the New Deal leadership. This may mean that government should not only give the persons, interests, and sections likely to be affected by proposed policies or rules a chance to be heard, but that government will take positive steps to discover from industry, labor, the farmers, or other interests likely to be affected, just what, in their judgment, the direct and indirect consequences are likely to be. Without such method of thorough exploration and consultation only the best organized interests, with the best facilities for research and interpretation, are likely to be safeguarded.

IF REGULATION IS TO STIMULATE RATHER THAN REPRESS

A cardinal principle of a regulatory system that is to promote rather than depress enterprise is that its regulations should be definite and easily ascertainable. The greatest deterrent to enterprise in regulation is uncertainty. There is nothing more discouraging to the enterpriser than inability to discover whether and how he may act and whether, if he acts successfully, he will be permitted to succeed.

To remove such uncertainty, two things are essential: (1) the boundaries and patterns of government regulation should be clearly defined, for certainty is impossible to the degree that regulation is left to the arbitrary exercise of delegated power, and (2) the regulatory agencies should be so reor-

ganized that the jurisdiction and power of every agency is readily ascertainable by the average citizen.

Regulatory authority is sometimes vested in quasi-judicial agencies like the Interstate Commerce Commission responsible directly to Congress. In other cases, as in the administration of the new wages and hours legislation, regulation is in the hands of an administrator. In still other cases, it is tucked away in some Department or Bureau quite out of the public eye, where the individuals subject to regulation can find it only with the aid of attorneys or agents, a legion of whom has grown up around the intricacies, complexities, and inconsistencies of government regulation in Washington.

In some instances Congress has legislated in detail, leaving little discretion to administrative officials. In other instances administrative officials have been given, in effect, the broad power to make law. Power so fundamental should be carefully guarded as to its extent and its exercise. The precise limits of the power conferred should be given crystal-clear definition and the discretion of the regulatory authority confined to questions the answers to which cannot, in the nature of things, be foreseen by Congress. And, in particular, the functions of legislator, prosecutor, and judge should, as far as possible, be separated, especially where, as in the case of the National Labor Relations Board, the power of the regulatory authority extends to the enforcement by penalty of rules of conduct the authority has itself laid down. And there should be some general procedure in all regulatory agencies that will insure to every person or group subject to regulation a full and fair opportunity to be heard in his or its behalf. There should likewise be some standard policy, applicable in all regulatory agencies, respecting the right of appeal to the courts from decisions of administrative authorities. To-day, in certain cases of regu-

lation, the courts have broad powers of review, both as to fact and law, while in others their reviews can cover only questions of pure law or the abuse of discretion. Some ordered policy should be substituted for this administrative variety.

GOVERNMENT COMPETITION

We have long accepted the fact that, within our system of free enterprise, natural monopolies must be regulated as to prices or rates by government. We also accept the fact that various public services such as electric, gas, and water utilities may be owned and operated by municipal governments, and it is established that the federal government may, in connection with flood control and the exercise of other federal authority, produce and sell electric power. But we do not accept as being in the public interest vast outlays of public funds to produce power in competition with and in disregard of existing useful private facilities. We do not accept government competition with private enterprise in the many fields in which it has been undertaken by the New Deal.

If we are to realize the full benefits of a freely functioning economy under intelligent regulation, government should not compete with its citizens in business enterprise. If government does compete with its citizens in business enterprise, either as a by-product of some well-established and acknowledged function of government or under the "yardstick" theory, then two clear requirements should be met:

First, the government's operation and accounting should be such as to make possible a scrupulously fair comparison with the operation of comparable private enterprise with which it is competing. Otherwise there is no clear standard by which to judge the

wisdom or folly of the government venture in question.

Second, the area of government competition should be so clearly delimited that private enterprisers may venture to invest without the uncertainty that, at any time, the field may be further invaded by government.

The New Deal's experiment in power production through the Tennessee Valley Authority was heralded as a "yardstick" for measuring the cost of producing electric energy. But TVA's dependability as a standard of comparison with private utilities has been vitiated by a delayed and arbitrary allocation of costs as between navigation, flood control, and power production. The sale of electricity at prices fixed on the basis of that allocation are believed to be unfair both to private utilities and to federal taxpayers. Coupled with PWA grants to municipalities for the construction of their own distribution systems to compete with privately owned utilities, it has put the government in the position of deliberately destroying the value of private investments.

GOVERNMENT SHOULD WATCH THE BURDEN-BEARING CAPACITY OF ENTERPRISE

A vital part of the business program of government is, of course, its taxation policies as well as its reform or regulatory activities. It is imperative that government shall not place burdens on enterprise faster than enterprise can increase its capacity to carry them. Otherwise these burdens cause further unemployment, thus falling, in large measure, on the jobless workers. If, in expanding its social reform program, an administration lays heavier and heavier burdens on enterprise, then, in the interest of its social program, government should actively and sympathetically foster rather than hamper enterprise in its burden-bearing capacity. To indulge, as the New Deal leadership has done, in

ambitious social reform and business-baiting at one and the same time cripples both social reform and business.

GOVERNMENT AND THE MORALE OF ENTERPRISE

Save under compulsion of fear or coercion by force, no system of national enterprise can function effectively unless it is truly believed in by the people and by the leadership of the people's government.

This Committee is convinced, by its wide consultations, that, if the deepest will of the American people is followed, we shall proceed on the basis of a system of free enterprise under protective regulation, as the system which, of all systems, is best designed progressively to raise the level of well-being through the steadily expanding production of more and better goods at lower prices. The New Deal leadership protests that it believes in the private enterprise system and is only trying to make it work. But, whatever its intentions, the net result of its attitude and policies respecting business and industry has been a clear movement away from a risk-taking, flexible, and competitive system of free enterprise towards a politically dictated and politically dominated system of enterprise.

The result of all this has been an atmosphere of doubt, confusion, and uncertainty which has converted American enterprise into what has been, pretty consistently through the New Deal years, virtually a day-to-day economy. Americans with savings to invest have been acting largely on the basis of short-term confidence.

If free enterprise under protective regulation is to be maintained in the United States, as the system best calculated to advance our well-being, then

it is elementary to say that we must know the conditions under which free enterprise can and will work and set our policies to insure those conditions. One imperative condition upon which the effective functioning of our enterprise system depends is the willingness of Americans who have savings to take the long-time risk involved in investing them in the launching of new or expanding of old enterprises. This willingness does not exist to-day on a scale sufficient to restore, in any sustained way, anything approaching the tempo of investment and enterprise that prevailed before the depression, to say nothing of an expansion of enterprise to take care of the some 9,000,000 increase in our population since 1929.

This willingness to risk does not exist to-day because, under the New Deal leadership, Americans with savings do not know what limitations may, at any time, be placed upon private enterprise by the enlargement of government control of investment and management. They do not know what further drastic obstacles to reasonable profit may be erected by new and punitive taxation or new measures of business reform or regulation. They do not know to what extent national leadership of the New Deal sort may move further and further from the protections and assurances our traditional system of a representative self-government under balanced powers has heretofore given. They have seen these protections and assurances subtly undermined, during the last seven years, by a sweeping increase in executive power and a steady increase of government by administrators with wide and, in some instances, virtually unlimited discretion.

The long-term confidence that produces the willingness to risk will not return until there is a decisive change in the temper and attitude of government towards the leadership, the processes, and the possibilities of American enterprise, until Americans willing to risk their savings in enterprise, in the hope

of sufficient profit to justify their taking the risk of loss, are considered by the government as benefactors instead of malefactors.

After seven years in which the New Deal leadership has persistently "fired into the crowd" in what it insists has been only its pursuit of a chiseling minority, it is important that a new political leadership shall so restate the case for American free enterprise that a popular passion for its preservation will be aroused and its honest leaders given a sense that they are serving a significant national purpose when they mobilize investment, expand production, and provide jobs for eager millions, not only in great industries but in myriad small enterprises throughout the nation.

TOWARDS A FISCAL PROGRAM

The policies of government with regard to expenditures, taxation, money, and banking, in a large degree reflect the needs and aims of government in other fields of national policy.

If the general policies of government are sound and its expenditures well within its ability to raise revenue by taxation, then fiscal problems may be resolved within the realm of sound fiscal policy.

If, however, in a time of depression the policies of government with respect to production, prices, and wages are inconsistent, and the regulatory procedure of government oppressive and destructive of confidence in private enterprise, fiscal problems defy any satisfactory solution. The need for government expenditures increases and tax revenues shrink. Additional taxes are likely further to depress business and result in little additional revenue. Unemployment increases and increased expenditures are sought for relief of unemployment and assistance to agriculture. Large government borrowing becomes necessary. At this point the solution of fiscal problems cannot be found in the field of fiscal policies alone but only through a coherent program of national policy devoted to government cooperation with the enterprises of our people and to the removal of the many obstacles that block their healthy expansion. We have indicated the structure for such a program in the fields of Agriculture, Labor, Business, and important social services, and our conclusions with respect to fiscal policies are stated with regard to the whole program.

To-day the fiscal policies of the United States should be judged largely as they tend to promote or defer the employment of the unemployed through the healthy expansion of private enterprise.

Under the New Deal, contrary to the fiscal program announced by the Democratic Party and its candidate in 1932, the country has experienced: (1) a progressive increase in expenditures---under a program of spending for recovery, (2) a succession of budget deficits which has resulted in doubling the national debt, (3) increased taxes, and (4) gold purchases, silver purchases, devaluation of the dollar and the threat of further monetary experiments.

The policies that are responsible for, or have permitted, this fiscal record have failed to accomplish recovery and reemployment.

EXPENDITURES AND SPENDING

Expenditures are at the heart of most fiscal problems, and they are at the heart of the New Deal failure. It appears inevitable that government expenditures increase in times of serious depression, although President Roosevelt promised that in the depths of depression, he would reduce the cost of Federal government by not less than 25%. Instead of reducing expenditures or even resisting the normal tendency of government expenditures to rise, the New Deal embraced a theory of "spending" for recovery which has been explained variously as a method of spreading purchasing power, as a needed "priming of the pump" of private enterprise, and as "public investment." This theory not only accounts for amazing spending in the fields of public works, and extravagance in relief and assistance to agriculture, but has encouraged waste in the usual business of government and eliminated effective governmental resistance to demands of special groups for special expenditures.

The following table of Federal expenditures starting with the fiscal

year of 1933, which includes the last eight months of the Hoover administration, shows the record of New Deal expenditures and "spending":

1933	$3,863,544,922
1934	6,011,083,254
1935	7,009,875,312
1936	8,665,645,421
1937	8,442,408,756
1938	7,625,822,158
1939	9,209,566,000

Expenditures incurred in the performance of essential and useful services of the Legislative, Executive, and Judicial Branches of Government should be administered with strict economy; such expenditures are, at best, a necessary burden on every person who pays taxes. They should remain relatively stable. Emergency expenditures for relief and other purposes which do not add to the Nation's permanent productive plant should also be planned and administered to meet the emergency needs without one dollar of waste. This can be accomplished only as the administration of relief and other emergency expenditures is removed as far as possible from the pressures of party politics. We believe that wastefulness, resulting from a general willingness to spend, and the effects of partisan political pressures are evident in the extraordinary increase of employees in the Executive Branch of the Federal Government which are reported as follows:

1933	572,091
1934	673,095
1935	719,440
1936	824,259
1937	841,664
1938	857,824
1939	925,260

SPENDING FOR RECOVERY

Public works expenditures undertaken as an aid to recovery are proper and useful: (1) if they are planned so that the work can start in the downward

swing of the business cycle, (2) if they are wealth producing, such as is the case with roads, airports, and assistance in housing projects, (3) if they are administered so as to promote rather than prevent necessary readjustments of construction costs, (4) if they are so planned as not seriously to discourage private investment by the threat of government competition, and (5) if they are so planned that they can be discontinued without wrecking the recovery they are aimed to promote.

New Deal spending for recovery has generally failed to observe these limitations within which reasonable spending by government can be helpful to recovery. It has been based upon the idea that "purchasing power" is something that can be distributed to consumers, whereas purchasing power is dependent upon a relationship between prices and costs of production that will promote the exchange of goods and services. By heavy taxation and extensive borrowing the New Deal has diverted funds from private saving and investment in the belief that it was taking them from sterile inactivity and creating purchasing power. It has believed that each dollar spent by the government would be re-spent many times by workers, storekeepers, manufacturers, and producers. The dollars spent performed in part the necessary function of providing relief and did bolster up the demand for consumer goods, but failed to stimulate appreciably the durable goods industries which produce our equipment for working and living. Thus, the "purchasing power" created was short-lived and so failed to make any substantial contribution to recovery.

In the construction field, in which improvement in the relationship between costs and prices would create a demand for construction, the broadcast spending has, in fact, been an obstacle to the accomplishment of necessary readjustments. It has tended to freeze or raise prices, and particularly those

prices which had never declined relative to prices generally.

Present emergency expenditures for public works beyond normal government requirements and activity should be progressively reduced as rapidly as improvement in industrial activity and employment indicate is prudent.

NATIONAL CREDIT AND THE BUDGET

The most important values of American life are dependent upon the maintenance of a sound national credit and currency. These can be maintained only if the total expenditures of government are within the government's capacity to tax and borrow without depressing enterprise and preventing recovery. The creation of government debt can be used to meet expenditures only so long as there is confidence as to the government's ability to carry and service its debt, and meet maturities either through future taxes or borrowing.

We are entering the ninth year in which Federal expenditures have far exceeded current revenues, in spite of the fact that Federal Tax revenues for the fiscal year of 1938 were more than triple the tax revenues for 1933.

The Federal deficits and direct Federal debt as of the close of the fiscal years indicated have been as follows since 1933:

Year ending June 30	Deficit	Direct Public Debt Outstanding
1933	$1,783,848,180	$22,538,672,164
1934	2,895,529,204	27,053,085,988
1935	3,209,408,110	28,701,167,092
1936	4,549,688,806	33,545,384,622
1937	3,148,568,519	36,427,091,021
1938	1,384,160,931	37,167,487,451
1939	3,541,743,000	40,375,000,000

This record of deficits and debt causes grave concern, involving as it does a clear threat to our currency and credit.

The foundation of sound public finance is a budget balanced annually from the proceeds of taxation and other revenues without borrowing, but seven years of reckless spending by the New Deal and expenditures estimated at $9,099,253,641 for the fiscal year 1940 has made it impossible for any administration immediately to balance expenditures with current revenues. Any effort to produce by new taxes or increased rates revenues to meet the current level of expenditures would probably so depress the current relatively low national income that it is doubtful whether increased revenues would actually be achieved.

In the present situation, a balanced budget must be sought largely through such reduction of expenditures as can be accomplished without impairing essential services or depriving the unemployed of adequate relief, and through policies in every field of government activity which stimulates a healthy expansion of private enterprise. The present administration, in seven years, has admittedly increased expenditures by more than 150%. It should not be too difficult to accomplish a 20% reduction from the present level, and it is reasonable to expect that with such a reduction and a substantial increase in the national income, Federal expenditures and revenues can be brought into balance during 1942.

THE TAX MUDDLE

The major objective of our tax system should be to produce by the fairest means possible the revenue necessary to meet the reasonable needs of a responsible government with the least interference and restriction of private enterprise. The tax system as a whole, Federal, State, and local, must provide adequate revenue for each unit of government. The present incoherent, over-lapping and conflicting systems are neither just nor efficient nor economic. One of the worst features that has grown up in our tax system is the extraordinary number

of excise or sales taxes which are levied in total disregard for the principle of distributing tax burdens in accordance with the ability to pay. These taxes are a direct burden upon consumption and fall heavily upon those least able to pay. Real estate taxes are administered without practical regard for values. Income and estate or inheritance taxes are levied by the Federal government and most state governments. Gasoline, liquor, and tobacco taxes are levied by Federal, state and local governments. State excise and license taxes are often devised and administered as local protective tariffs. This chaotic situation cannot be successfully remedied except by a general plan of cooperation between Federal and state governments. A general plan of tax revision and co-ordination should be prepared on the basis of an authoritative study authorized by the Congress.

FEDERAL TAX ADMINISTRATION

As our national program is directed towards the healthy expansion of productive enterprise it is essential that our Federal tax system should interfere as little as possible with business activity and the flow of savings into capital investment. An important contribution to recovery can be made by government by assuring an administration of Federal taxes that is devoted to establishing certainty as to the meaning of the law and regulations, and fairness in the determination of tax liabilities. This requires a determination to apply the law through reasonable regulations, and the abandonment of the administrative practice of asserting every possible claim against a taxpayer, then treating each case as a law suit, and too often sacrificing precedent and certainty in administration to the prosecution of the particular claim. Some efforts in this direction have been made but much remains to be accomplished.

NEW DEAL TAXES

Under the New Deal there has been Federal tax legislation in each of the

last seven years. Constant changes in the tax laws introduce uncertainties extraordinarily discouraging to business and investment. Known burdens can be met but no plans can be made for unpredictable shifts and increases in the burden of taxes. Ill-considered tax measures, such as the undistributed profits tax, have been quickly adopted and later abandoned. That tax forced corporations to distribute all their earnings or pay highly progressive rates on those retained. The principal object was to force corporate incomes into consumption either through distribution to stockholders who would spend their dividends or by the collection of the tax for the government to spend. This tax, which would still be in force except for Republican demand for its repeal, discouraged both the accumulation of needed reserves, and the accumulation of capital required for expansion of plant.

Social Security Taxes have imposed a fixed charge on all enterprise and a heavy direct tax on employment. These taxes are not related to ability to pay and are justified only by the promised benefits and the necessity for a greater general sense of security. As first enacted, the taxes collected had no relation to the promised benefits but went to reduce current deficits and excuse the extravagant level of spending.

Corporate income taxes have been raised from 13-3/4% under the 1932 Act to 18% in 1939. The merit of this tax is its productivity and relative ease of administration. But it should not be forgotten that it has little relation to ability to pay as its burden falls as heavily on the stockholder whose annual income is so small that it is exempt from the individual income tax, as it does on the stockholder with large income. Also, with the rate of 18% the corporate tax may well be a deterrent to financing of new enterprise. And the New Deal has further increased the burden on corporate earnings by imposing the normal individual income tax on dividends received.

The capital stock tax and excess profits tax is yet another new charge on corporate enterprise, and payments under these taxes are not based on invested capital or earnings but on the taxpayers estimate of earnings for the next year. It is wholly unsound in principle.

Surtax rates on individual incomes have been raised so that in the United States they reach a higher maximum than in the war-torn countries of Europe. The fact that the highest Federal rate imposed is 82% does not directly concern most of us. But the effect of surtax rates in choking off the investment of savings in new risk-bearing enterprises is a matter of serious consequence to every American. Further than this, the high surtax rates in the upper brackets, coupled with the availability of the tax exempt securities of states and municipalities, undoubtedly produce less revenue than would lower rates.

RECOMMENDATIONS

In the interest of recovery, the simplification of our tax structure, and additional revenue, prompt consideration should be given to (1) elimination of all tax exemptions of future issues of Federal, State and municipal securities, (2) some reduction in the higher individual surtax rates, (3) the repeal of the capital stock and excess profits taxes, and (4) the abolition of the normal tax on dividends.

We do not advocate new Federal taxes or increased income tax rates at this time. But if reductions in expenditures are not made promptly effective and there should fail to be a substantial increase in the national income, then the situation should be faced courageously, and reductions in income tax exemptions and increases in rates applicable to incomes in the middle brackets should be made. In so far as new revenue is sought through increased rates these

brackets must be looked to first. Increased rates in the higher brackets are undesirable for the reasons given, and the disproportionately heavy burden of hidden and indirect taxes now falling upon those with lowest incomes makes unfair any increase in the normal rate until middle bracket rates have been raised or until the burden of hidden taxes has been considerably reduced. To-day it clearly appears that a larger percentage of an income of $1,000 is absorbed by taxes, direct or indirect, than is the case with an income of $5,000.

MONEY AND BANKING

A sound currency has always been an essential basis of an enduring prosperity. The savings and security of the people can be maintained only under monetary policies which give confidence to all enterprise---agricultural, industrial, and commercial.

The New Deal record in the monetary field has been one of rash experiment in applying various instruments of fiscal policy to accomplish miraculous cures of our economic and social ills. In the first ten months of its administration the New Deal suspended specie payments, repudiated the gold clause in all contracts public and private, and wrecked the London Economic Conference that had shown some prospect of stabilizing world currencies. It accepted the Thomas amendment providing for the issue by the President of three billion dollars of "greenbacks." It devalued the gold dollar and became a party to the Silver Purchase Acts which not only have resulted in the purchase of vast quantities of silver but provide for the further inflation of our currency by its monetization at the discretion of the President, at $2.58 an ounce although its market price is currently about 43 cents. These powers the President still has, including the right to further devalue the gold dollar to 50 per cent of its original value.

THE THREAT OF INFLATION

These extraordinary authorities and actions, after the inflationary rise in prices and business activity that accompanied their first impact, created waves of fear of inflation, and in so far as they contribute to uncertainty as to the future value of the dollar, are to-day obstacles to recovery.

Excess bank reserves now amounting to nearly five billion dollars make possible a sudden expansion of bank credit which would enable the volume of demand deposits to be doubled over night. The further devaluation of the gold dollar, the release of the gold now in the stabilization fund, the maximum legal valuation of silver, and the issuance of "greenbacks" up to $3,000,000,000, could be used to add $10,000,000,000 or $12,000,000,000 more to those excess reserves and perhaps six times that amount to the total circulating medium.

That so little price inflation has yet resulted is due to the relative inactivity of business, which has greatly reduced the velocity with which bank deposits are used. A revival of business could touch the match to the magazine of inflation prepared by New Deal policies.

In this situation, the purpose of the United States to resist all inflationary tendencies and preserve the stability of the dollar should be further forcibly demonstrated by: (1) a substantial reduction of government expenditures, (2) repeal of the emergency monetary powers of the President, and (3) a declaration of determination to return to a fixed gold standard, the time and detailed conditions of such return to be fixed by Congress only upon the recommendations of a competent monetary and banking commission. War in Europe makes any steps towards stabilization of currencies by international agreement impossible for the time being. Cooperative efforts can be made towards stabilization of South American cur-

rencies in the interest of our trade with nations of that continent.

In the monetary field policies must be considered which ultimately will lead to a utilization of our abnormally large gold supply in the national interest.

BANKING AND FINANCE

The primary concern of government policy with respect to banks, banking, and finance must be to protect the savings of the people. On the other hand, this means protection against the failure of savings banks, commercial banks, insurance companies, and loan companies. It was for this purpose that the Reconstruction Finance Corporation was established by the Hoover Administration, and for the direct protection of bank deposits that the Federal Deposit Insurance Corporation was created by the New Deal. Also, it means protection against fraud in the sale of securities, and in this field, the Securities and Exchange Commission has assumed an important role. On the other hand, the protection of savings means protection against inflation. Such protection requires not only wise monetary and banking policies but policies in every field which will maintain the national credit unimpaired and unquestioned.

In the field of banking and finance, the other essential concerns of government are an adequate supply of short-term credit for Agriculture, Industry, and Commerce, and provision of long-term credit and investment capital sufficient to finance the expansion of enterprise in these fields. Our usual commerical bank source of short-term credit has been supplemented by an extraordinary variety of governmental agencies. Government operations in this field should be limited to seed, crop, and animal loans, and the agencies providing such credit should be simplified and consolidated. In the field of long-term credit the New Deal has set up numerous agencies to make loans to municipalities, business,

farmers, home owners, home builders, and others. Government agencies have made and guaranteed billions of dollars of such loans. Some of these agencies have been operated efficiently; others were devised and administered in the spirit of spending and will result in great losses to the government with a resultant increased burden on every taxpayer. Generally speaking the Committee is satisfied that the government should discontinue all authorities for providing long-term capital to private enterprise, but it recognizes the place of mortgage banks established on capital supplied by the government to deal in farm and home mortgages.

The mass of credit machinery that has developed to supplement our banking system is such, and the problems involved so technical, that no general conclusions as to desirable changes can be simply arrived at or stated briefly. Simplification of the credit structure is clearly indicated. Policies and methods for its accomplishment, together with other banking and investment policies, should be considered and formulated by the monetary and banking commission referred to above. This commission should be appointed by the President under authorization of the Congress and should include Treasury, Federal Reserve Board, F. D. I. C., and S. E. C. representatives, together with an equal number of qualified experts outside the government service.

TOWARDS A SOCIAL PROGRAM

Consideration of the social program of government is placed at the close of this report because all other programs of government---labor, agriculture, business, fiscal---are but means to an end, and that end is the protection and promotion of the general welfare of the people.

Up to this point, the emphasis of this report has been predominantly economic. The report as a whole revolves around the contention that the central issue now confronting national leadership is the securing of a full employment of the man power, technical skill, and economic resources of the nation through the sustained operation and expansion of the normal enterprises of the American people. Thus to say that the economic welfare of the people is now the central issue is not to ignore the issues of social welfare with which modern government must deal. It is only to be realistic enough to know that, without the sustained support of a healthy and vigorous economic life in the nation, the whole social and humanitarian program of government will be endangered, that continued failure to realize a sound and full recovery will, sooner or later, enforce a moratorium on social progress in the United States.

THE FORGOTTEN MAN AND THE FORGOTTEN FACTOR

The New Deal leadership has talked much of the Forgotten Man. But, unless government pays attention to what for seven years, under the New Deal, has been the Forgotten Factor in the national problem, the factor of full recovery, the Forgotten Man will be worse than forgotten---he will be betrayed by a govern-

ment that has led him to expect all sorts of social benefits which government will, in time, find that it simply cannot provide, because it has neglected to make economic America a going concern producing enough wealth annually to foot the bills. This is the blind alley into which the New Deal has led and is still leading America. And this is the basic blunder which the Republican Party must, in the interest of the social welfare of the American people, set itself boldly to correct. This is the first step towards a sound and permanently feasible social program.

THE SOCIAL OBJECTIVES OF GOVERNMENT BEYOND PARTISANSHIP

Among most Americans, regardless of party, there is not much difference of opinion about the social goals towards which, as a people, we want to move and towards which we want government to help us move. But there is a growingly wide and legitimate difference of opinion as to what policies will and what policies will not advance us towards these goals. Accordingly the Committee here calls attention to considerations regarding the relation of government to the problems of relief, care for the aged, unemployment compensation, health and medical care, and housing which, in its judgment, government must take into account in the development of a social program that will genuinely advance the social welfare of the people.

RELIEF AS A RESPONSIBILITY OF GOVERNMENT

The fact of relief as a responsibility of government, along with other forces, is not an issue between the administration and the opposition. That Americans unemployed through no fault of their own should be shielded from suffering and their self-respect kept alive pending their return to normal employment is an axiom that no leadership, worthy of the confidence of the nation, will

dispute. That the old, the sick, and all those who, handicapped by forces over which they can exert no control, are unable to provide for themselves must be safeguarded by society is a long and almost universally acknowledged principle. And that, under circumstances of need so great that it cannot be met by individual assistance, the action of voluntary social groups, or the appropriating power of state and local governments, the federal government has a responsibility of a supplementary nature respecting relief was first given official recognition by the last Republican administration. Prior to the Hoover administration the federal government had not accepted this responsibility.

Relief must be provided as long as the need for it exists. It must be adequate in volume, administered with scrupulous regard for the self-respect of those who must resort to it, and effectively divorced from partisan politics. But, wastefully administered and exploited for political purpose, relief policy can become one of the major obstacles to that full recovery upon which, as just stated, the successful maintenance of a sound and adequate social program depends.

RELIEF UNDER THE NEW DEAL

This Committee does not take issue with the broad principle that, under the abnormal circumstances of depression as drastic as we have experienced, the resources of the nation as a whole may properly be employed to equalize the burden of caring for the unemployed. This principle was first acknowledged, not by the present administration, but by the last Republican administration, as just indicated.

The points at which this Committee takes issue with the New Deal handling of the relief problem are: (1) the unnecessary, unjustifiable, and dangerous degree to which the present administration has centralized the control of

relief in the federal government, (2) the indefensible discrimination that New Deal administration of relief has made between economic and racial groups of citizens, and (3) its inflation of relief costs, either for political purposes or from unsound judgment, out of all necessary relation to the provision of adequate relief.

THE DANGER IN OVER-CENTRALIZED RELIEF

The over-centralization of the provision and administration of relief in Washington has had three dangerous results.

First, it has added greatly and unnecessarily to the already intolerably large and costly army of federal employees. This has meant an unjustifiable duplication of relief administration costs as between federal, state, and local units of government. And it has placed in the hands of the administration a country-wide organization which, along with other new and expanded bodies of federal officials, has been used for partisan political purposes to such an extent as to have become a factor in prompting the passage of the Hatch Act prohibiting partisan activity by such federal servants.

Second, it has placed in the hands of the federal administration control over the direct allocation of huge funds to states and localities. Since the allocation of these funds has not been subject to any regularized formula, determined and controlled by Congress, the administration has yielded to the temptation to use them for the partisan purpose of influencing elections, attempting to secure the silence or support of legislators and constituencies by the astute timing, effective placing, or punitive withholding of various relief grants.

Third, it has tended to weaken the self-reliance and sense of responsibility of individual citizens, communities, and states by making them increasingly and intimately dependent upon the federal government, a result which is wholly unnecessary if the error of over-centralization of relief administration is avoided.

It is important to keep clear that a full meeting of the federal obligation in the matter of relief does not require the over-centralization of administration which has occurred under the New Deal.

DISCRIMINATION BETWEEN GROUPS OF CITIZENS

When faced with the problem of relief on a nation-wide scale, it is an obligation of organized society to see to it that there is no discrimination between groups of citizens on economic, racial, or any other grounds. Human need is human need whether the citizen in need is employable or unemployable, whether he belongs to one race or another. Relief policy should accord manifest equality of treatment to all groups.

By the distinction the New Deal leadership has drawn between employables and unemployables, making the unemployed employables a special concern of the federal government and leaving the unemployables as a special concern of state and local governments, New Deal relief has resulted in a gross disparity between the relief accorded those two groups. There either is or is not a federal responsibility respecting relief. If there is, as this Committee believes and as the last Republican administration believed, then a realistic and humane relief program will provide uniform equity of treatment to all groups.

The burden of the depression has fallen with an extraordinarily heavy

impact upon colored Americans. This has been added to the fact that, in their sincere struggle to establish for themselves a rightful and self-respecting place in the productive enterprise of the nation, they have faced and still face the fact of racial discrimination. This is a problem which, in so far as the influence of government can directly affect it, must be frankly faced. The New Deal has purported to give this problem special attention, primarily through the value of its relief program to colored Americans. It claims to have extended unprecedented benefits to them. The more enlightened members of the colored citizenry of the nation, however, have begun to look skeptically at the record of the last seven years. Their skepticism rests upon two grounds.

First, they know that, in these New Deal years, extensive and unrebuked discrimination has been made against colored Americans in their access to employment on public work projects, forcing them instead to resort to extremely low direct relief payments, discrimination in public wage scales, discrimination in housing aid, discrimination in educational aids, to mention but four fields of discrimination.

Second, and more important, they begin to realize that, by confining its concern with colored Americans so exclusively to relief and doing little, if anything, to further their struggle for a rightful place in private employment in the productive enterprise of the nation, the New Deal administration has encouraged a progressive shunting of colored Americans out of normal productive enterprise into a kind of separate relief economy, leaving them, as it were, on permanent "reservations" of public relief.

A just and humane relief program will no more give government approval

to, or acquiescence in, discriminatory treatment of citizens on racial grounds than it will devise or condone inequitable treatment as between employables and unemployables.

NEW DEAL RELIEF COSTS

The scope of relief under the present administration has been less than it should have been, the cost of relief more than it should have been. In short, human need could have had greater relief at less cost to the nation if less consideration of partisan advantage and more sound jugment had gone into the determination of forms of relief and the devising of the machinery for administering relief.

From 1933 to the time the investigation behind this observation was closed, the federal, state, and local governments had spent about $21,000,000,000 on relief of all kinds. Of this, some $15,000,000,000 came through the federal government, some $6,000,000,000 from state and local governments. In March 1933, according to official New Deal sources, there were 5,588,000 cases on relief. In March 1939, a long enough period to reflect New Deal policy, there were 8,389,000 cases on relief, an increase over 1933 of a little more than 50 per cent. In this same period, however, the cost of relief increased some 232 per cent. This wide spread between the increase of cost and the increase of cases was due to the adoption of costly forms of work relief by the federal government instead of a cooperative general relief under a unified policy with the total cost shared by federal, state, and local governments.

The New Deal dual system of federally administered work relief and locally administered direct relief has wasted the resources of the federal government and failed to provide help which the more heavily burdened localities have

required, with the results that the needy of such localities have been neglected or the localities have been swamped with debt and taxes.

It has been contended by the New Deal leadership that the excessive cost of work relief, as distinguished from direct relief, is justified because it preserves the morale and skill of the unemployed. If it does, why should the federal government be the only unit of government to provide a kind of relief that preservos the morale and skill of the unemployed, condemning state and local governments, in the main, to a form of relief that supposedly destroys their morale and skill? But it may be questioned whether work relief as administered by the present administration, with elaborate placards and signs heralding every project as a creation of WPA or PWA and as manned by unfortunate unemployed workers, really preserves the morale of the workers.

The New Deal program of relief through public work projects has proved incredibly costly. The investigations of this Committee indicate that WPA construction has cost from 25 to 150 per cent more than construction under contract. This has been true even when the projects have been wisely conceived and efficiently executed. Many projects, however, have been badly conceived, over-manned, slackly administered, and have not added to the wealth of the country anything commensurate with their cost. The excess cost of WPA projects has been so great that, in the judgment of this Committee, adequate relief for all unemployed workers on WPA projects plus adequate general relief could be assured, without undue burdens on state and local taxpayers, with federal appropriations from 25 to 30 per cent less than the appropriations that have been the rule under the present administration, not taking into account further and rapid reduction that should come automatically with broad policies that would make full recovery of American enterprise possible.

A REPUBLICAN ALTERNATIVE

This Committee believes, without reservation, as it has said, that modern society must fully protect against privation any of its citizens unemployed through no fault of their own until recovery from abnormal depression conditions makes their re-employment possible. It regards relief, however, as a temporary protection against the destructive effects of unemployment, not as a permanent substitute for employment. It believes, therefore, that a realistic relief policy will be rooted in three considerations: (1) relief to the suffering, the needy, and the unemployed as long as necessary, (2) self-respecting jobs at fair wages as soon as possible, and (3) the active rehabilitation of the unemployed so they will be equipped to step promptly back into productive employment as soon as full recovery is realized.

As to the sources of relief funds and the mechanism for administering them, the Committee believes that four fundamental principles should control.

First, to insure the maintenance and development of local responsibility, without which a vigorously healthy national life is impossible, the largest feasible proportion of relief costs should be borne by states and localities, but, on the basis of demonstrated necessity or, for a sustained depression period, on the basis of some regularized formula, authorized by the Congress, state and local funds should be supplemented by grants-in-aid from the Federal government.

Second, the administration of all relief should be entrusted to state and local governments. The total relief problem should be unified at least in the states. Local forces should determine whether

their situation can best be met by work relief or direct relief. With the federal government withdrawn from relief administration, but supplementing state and local funds with federal grants-in-aid, the forces of home rule and the informed force of local opinion will, in the judgment of this Committee, produce a more equitable and a more economical handling of relief than has been produced by the remote and politically colored control of relief under the present federal administration.

Third, a national commission, bi-partisan in personnel and removed from all direct relation to party politics, might well be created to devise and enforce such conditions prerequisite to grants-in-aid from the Federal government as would insure non-partisan and efficient administration of relief funds.

Fourth, the conditions attending grants-in-aid from the Federal government, while leaving to state and local governments full freedom of choice as to methods of relief and their application to individual cases, should require that the state and local governments administer the relief funds, to which federal and state and local contributions have been made, through bi-partisan agencies the personnel of which has been selected on a merit basis and is protected by civil service tenure. Only so can relief be lifted above the suspicion of partisan manipulation.

So administered, more effective relief can, in the judgment of this Committee, be provided at a greatly reduced cost to taxpayers.

IN FAIRNESS TO THE AGED

Provision for the aged, in the case of wage workers, in occupations to which the method can be adapted, should, in the judgment of this Committee, be made through an old age insurance plan organized on a pay-as-you-go basis, to which employers and employees both contribute, and, for those not eligible for old age insurance, by old age assistance based on need.

These principles are generally satisfied by the provisions of the Social Security Act as amended by the 1st Session of the 76th Congress. The amendments then adopted removed one of the chief objections to the original old age insurance plan which called for a gigantic reserve of $47,000,000,000 which was to be built up by investing the proceeds of social security taxes in government bonds so that in the end we would owe all our national debt to the Social Security Fund. This ingenious device of a prodigal administration cracked on the hard fact of continuing deficits. The bonds in which the social security taxes were invested did not reduce the national debt but added to it. The contributions of workers and employers to what was supposed to be an insurance fund were actually spent for general purposes. And, what was more, the rates of these contributions or taxes were scheduled for periodic increases not required by current demands on the fund. Republicans and Democrats who questioned the soundness of the administration's policy united to reduce the reserve to a reasonable fund for equalizing future fluctuations in tax yields, and to limit taxes to what is necessary to cover current requirements.

Other amendments stepping up benefits to those retiring early, bringing the date of beginning benefit payments forward to January 1, 1940, and making provision for wives, widows, and other dependents, were improvements of the orig-

inal act. Questions have been raised, however, as to the fairness and financial feasibility of the complicated provisions of the revised act. The operation of the act must be critically observed and whatever adjustments may be necessary to provide a fair and workable system of contributory old age insurance adopted.

The old age assistance privisions of the social security act were amended by the 1st Session of the 76th Congress to increase the maximum benefit, of which the United States will pay half, from $30 to $40 a month. There seems to be a consensus of opinion that at the present level the system of old age assistance should be retained.

The present old age insurance system does not embrace farm laborers, domestic servants, and some other smaller groups of workers. There is no logical ground for refusing to extend it to those classes. It should not be extended, however, until we have had sufficient experience with the law as it now stands to develop administratively feasible methods for its extension.

UNEMPLOYMENT COMPENSATION

Unemployment compensation, as at present organized, is intended to bridge over periods of unemployment for persons more or less regularly employed. It has had little effect on the mass unemployment of the depression. In the long run, however, it should take the place of unemployment relief, except in major depressions, for those whose occupations are covered by the Act. Its usefulness for this purpose is not arguable. The fact that most of the unemployment compensation statutes give credits to employers for a low labor turnover makes it a stabilizer of employment. These are sufficient reasons for the retention and perfection of the unemployment compensation system.

The pay roll tax on employers, however, is a business depressant and

should not be increased during the recovery period. Any increase in the scale of benefits now provided should be met by measures that will not, like the payroll tax, defeat their purpose by further depressing employment.

The state employment offices, whose energies have been largely diverted to the detailed administration of unemployment compensation, should be improved in quality, more adequately financed, and used, in close coordination with the relief authorities, in getting the unemployed back to work. Every able bodied person receiving relief should be obliged to register with one of these offices, and refusal to accept a job when offered should become prima facie grounds for removal from the relief roll. Reaccess to relief, when such jobs prove temporary, should not be so difficult as to lead workers to refuse jobs and cling to relief rather than run the risk of finding themselves without jobs or relief after a brief employment. Gearing the machinery of relief to that of finding jobs for the unemployed would save expense and simplify the transition from relief to employment.

Much the same question with regard to the extension of the coverage arises here as in the case of old age insurance. The difficulties of applying unemployment compensation to the excluded classes are even greater, and should be approached with corresponding care.

HOUSING AND HUMAN LIVING

The physical environment of a family, to a marked degree, determines the happiness, well-being, and moral development of its members. A comfortable and sanitary home in decent community surroundings contributes to the growth of that self-respect and self-initiative which have been among the main springs of the extraordinary well-being which has characterized American life in contrast to

general living standards in other nations. Better housing, furthermore, develops a demand for better home equipment, raises the level of living, and thus contributes directly to the prosperity of the whole community.

A considerable part of our people still live in crowded, dilapidated, ill-ventilated, and badly heated dwellings without adequate sanitary facilities simply because there is nothing better available at the price they can afford to pay. Almost every community lacks sufficient comfortable, well-equipped houses and apartments to go around, so that some people must put up with bad housing even though they are able and willing to pay liberal rent. Among the less fortunate families, unable to afford minimum accommodations, there is much doubling-up and consequent over-crowding.

THE MAGNITUDE OF THE HOUSING PROBLEM

A ten year paralysis of the building industry has created a problem and an opportunity, the problem of providing sanitary and comfortable homes for nearly a fourth of our population who now live in substandard quarters, and the opportunity of a new enterprise frontier equivalent to a whole series of new industries. New families come into being at the rate of 450,000 a year. Each year 90,000 old dwelling units are burned, blown down, or razed. We have an accumulated shortage since 1931 of 1,381,000 units; and, of units now standing, 550,000 require total rebuilding. In the next five years 4,656,000 new units should be erected to recover the pre-depression standard and to do away with the worst of our living conditions, not to mention 3,600,000 more units which require major repairs.

The construction of more than 900,000 dwelling units a year would exceed the highest previous peak of building activity which we attained in 1925. It would

bring employment in the residential building trades back to normal. It would spread activity through all the building materials industries. It would stimulate the consumers goods industries in response to the demands of the reemployed construction workers. At an average of $3,000 per unit, it would put $2,793,000,000 into circulation annually. It would be the decisive factor in breaking the depression. For it means not only the construction of 4,656,000 homes. It means their equipment and their furnishing, their maintenance, and their repair. The major repair or reconstruction of 3,600,000 other homes, will further swell the total of opportunity, stimulate the sale of rugs, curtains, beds, tables, and innumerable gadgets. Better homes will mean larger living, a higher standard of consumption for at least 30 million people.

Here is a field for expansion that should lead the prophets of a static economy to doubt their doubts about the future of American enterprise.

THE NEW DEAL HARDLY TOUCHES THE PROBLEM

The New Deal has approached this problem by spending $130,000,000 on the direct construction of housing by the PWA, and by lending $800,000,000 to local housing authorities through the United States Housing Authority, which also advances $45,000,000 in annual subsidies out of which local housing authorities can pay their debt service. Before the last of these loans have been amortized, the cost of the USHA experiment will have been more than $2,000,000,000 and it will have brought into being a little over 100,000 dwelling units or slightly more than two per cent of the total requirements for the next five years. To solve the housing problem by government "investment" would double the present national debt.

OBSTACLES TO HOUSING DEVELOPMENT

The chief obstacles to a revival of building are high building costs

which, upon analysis, are (1) the high cost of land, (2) high real estate taxes, (3) high construction costs, and (4) high cost of financing. The New Deal has made a contribution to lower financing costs through FHA guaranteed mortgages. But its labor policies have favored the high wage rates of the building trades which make the cost of building high while keeping the employment and earnings of labor in this field low.

THE ROLE OF GOVERNMENT IN HOUSING

Difference of judgment may exist as to the relative roles of government and of private enterprise in the solution of the housing problem. Few will question the importance of public housing projects in Great Britain in setting the example which private enterprise subsequently followed. This Committee takes no issue with the building of sample housing projects directly by the government, although unhappily the cost factor has not been sufficiently considered in them. The right and duty of local government to force the clearing of slums by direct action is clear. With the cost of land acquisition in the use of slum clearance having been assumed by the local governments, there is no reason for not permitting the low income groups to benefit from a slow amortization of this cost. It is apparent, however, that the combined resources of government in all its levels are not sufficient to build, or subsidize the building of, houses sufficent to make even a material dent on the housing problem. The $800,000,000 put out by the USHA through local housing authorities, supplemented by some $45,000,000 of annual subsidy, will, as indicated, take care of only about two per cent of those who at the moment are conspicuously badly housed. In other words, public housing, as contrasted with housing by private enterprise, cannot begin to fill the bill unless we are to go over to some wholly different economic system. We cannot, in short, house our people by public housing effort except at the expense of a complete

dislocation of government finance and a paralysis of private business.

Government, in its housing efforts, should, therefore, be limited to the role of example-setter and stimulator. We should depend mainly on private enterprise for the construction of new dwellings and the reconditioning of old ones.

A housing program as such should not be required to make up the difference between an economic rent and what the poorest tenants are able to pay. Persons whose economic status does not allow them to pay rent sufficient to cover the cost of a reasonably comfortable and sanitary habitation are properly the subjects of aid from the appropriate units of government. It is asking too much of the one enterprise of housing to correct all the maladjustments of the economic order.

TOWARDS ACTION ON HOUSING

It is essential, if we are to grasp the opportunity the housing shortage presents, that labor, industry, and the forces of state and local government be brought into concerted action. It is necessary to secure the cooperation of labor, contractors, and materials men, if we are to reduce the cost of construction. It will be necessary to have the support of state and local government (1) in writing sound modern building codes, (2) in the amendment of zoning ordinances, (3) in the establishment of neighborhood planning units, (4) in the replanning and reconstruction of streets, sewers, parks, and recreation facilities, (5) in the making and enforcement of sound sanitary regulations, and (6) in the use of the power of eminent domain. It will be necessary to make large scale plans, to prepare model legislation, and to integrate the activities of local groups. Only the influence and prestige of the national government can bring all this to pass.

The enforcement of the anti-trust laws and the breaking up of rackets will be part of it. It will take vision and determination.

It is simply out of the question, however, to solve the total housing problem or any large part of it through government appropriations. Government's biggest contribution in this field lies in clearing the track of the obstacles which, as just indicated, have stood in the way of building, in giving vision and leadership to the field, and in coordinating the varied forces essential to a vast forward move in housing development through the normal channels of the building industry.

FOR A HEALTHIER AMERICA

Amazing advances have been made in the fight against disease and death in the United States by the cooperating forces of laboratory science, medical practice, voluntary lay social groups, and the preventive measures of government. But there still goes on a "widespread erosion" of the lives and productive energies of millions of Americans from causes which a more intensive, adequately equipped, and better coordinated drive for the conservation and care of the nation's health could materially cut down or fully eliminate.

Historically and on the basis of current national interest, this is rightly a concern of government as well as a concern of the medical profession and of voluntary social groups. It is rightly a concern of government not only because basic human values, which must be a concern of enlightened government, are involved, but because preventible disease and the temporary withdrawal or permanent slowing down of the productive energies of its sick or unsoudly nourished citizens is a serious drain on the creative power of the nation, costing the nation annually a colossal sum---more, it may be, than a really comprehensive

fight against disease would cost.

THE PEOPLE'S GOVERNMENT AND THE PEOPLE'S HEALTH

Preventive medicine, at any rate, has been a definitely acknowledged public function at least since the fourteenth century, when the Great Plague led to the practice of quarantine. Since then there has been a cumulative evolution of public responsibility for public health. This evolution has gone through three broad stages: (1) the stage in which there was little, if any, government concern with the health of the people, (2) a stage in which the government concerned itself almost exclusively with mass measures for public sanitation, community hygiene, and the control of communicable diseases, and (3) the present stage in which, in addition to the already widely extended scope of the government's health activities, it is contended by many that the government should actively enter the field of medical care, remedial as well as preventive, for the whole people, individually and in organized groups.

The relation of government to the enterprise of medical care raises the same fundamental question of national policy that is involved in the relation of government to business or to labor. In the field of medical care, as in the field of business, the issue is being over-simplified by the extremists. Some of the extremists are in the government, some in the medical profession. Between them, these two camps of extremists state the problem as involving a flat choice between public medicine and private medicine. These are not the alternatives between which we must choose. Earlier in this report, it was stated that we have had government intervention in business from the beginning of our government, that it will continue, that it is not a question of intervention or no intervention, but a question of the nature, extent, and purpose of the intervention. So, in the

field of health conservation and medical care, it is not a question of being forced to choose between a politically exploited state medicine, on the one hand, and a laissez faire individualism of private practice unrelated in any organized way to a statesmanlike drive for the conservation of the vital energies of the nation. It is a question of sound judgment as to the direction and degree of state action in the health field.

In the medical field, as in business and industry, with universal suffrage, the ultimate degree of state action will depend, in no small measure, on the long range vision of the medical profession. The people do not press the state to take in hand problems that are already solved or visibly on their way to solution. Here, as elsewhere, insensitive reaction in private leadership can breed irresponsible radicalism in public policy. The doctors cannot and should not be expected to meet single-handed all the problems involved in the conservation of the nation's health. But a political leadership that will refrain from smearing a whole profession because of its unenlightened minority will, in the judgment of this Committee, find the medical profession ready to provide a willing, informed, and effective leadership in a broadly conceived effort to raise the health level of the nation.

THE FACT OF NEED

Judgment will differ as to details. Where precise and comprehensive statistics are lacking, political estimates of social needs may be skeptically scrutinized, for they easily become part of the propaganda for proposed programs. Detailed estimates of remedial and preventive medical shortcomings, of existing needs in the field of hospital facilities, service, and financial support, and of gaps in the health education of the people are submitted separately in the detailed materials accompanying this report. It is enough here to say that there

is general agreement that the as yet unmet health needs of the nation are great. Our social action lags behind our scientific knowledge. We know more than we do.

Vast numbers of Americans in the low and medium income groups, scattered through all our communities, are not receiving as good medical service as physicians, dentists, nurses, and hospitals are equipped to provide. Above the indigent level, they are reluctant to resort either to charity or to the free or near-free services of the public institutions of local and state government, and so, in whole or in part, go without needed medical attention. And even the indigent resort to free facilities more for cure than for prevention.

For those above the indigent level, the problem is one of the cost of medical care. The cost of thoroughly adequate medical care is plainly beyond the pocketbooks of, perhaps, a majority of the people. In justice to the doctors of the nation, it should be said that the high cost of medical care is not due to the average doctor's fees. It is due to the complicated and varied techniques and services involved in modern diagnosis and treatment. The adequate diagnosis and treatment of a patient to-day involve the services of a whole series of specialists in the carrying out of various laboratory tests and remedial measures having to do with blood, urine, heart, X-ray, basal metabolism, bacteriologic examinations, inoculations, and so on. When the costs of these varied tests, the fee of the family physician or surgeon, the fees of the several specialists, the salary of the nurse, and hospital expenses are added together, the total strains the budget of a majority of American families. This is true even with the fees and charges all along the line put at a moderate level. This is a key point in the health problem---how to make the unavoidably costly service of modern scientific medicine attainable by the rank and file of Americans.

Health needs are most glaringly evident in certain rural regions and

low income areas. This is due to more causes than the single fact of inadequate income---to an insufficient understanding of the medical service that is possible, to an insufficient number of qualified practioners or of hospital beds in various areas, and, even more important, to a lack of sufficient funds to make possible a maximum effective use of hospital facilities that are available.

HOW SHALL THESE NEEDS BE MET?

If we are not to destroy important values already developed and impose upon the already over-burdened taxpayers an intolerable new burden, we must be realistic in our analysis of what can be done through existing machinery and be responsible in our estimate of necessary expenditures on an effective national health program. These qualities of realism and responsibility are not evident in the national health legislation suggested by the present administration.

The health legislation proposed by the New Deal leadership, like so many New Deal measures, sets as its objective certain broad results of general welfare about the desirability of which there is no dispute. It is a question of producing as well as promising these results. The proposed legislation is not set to proceed on an experimental basis with full opportunity to integrate it carefully with existing facilities and procedures. The whole tenor of the bill expressing this proposed program betrays an impatience with the painstaking and democratic methods of improvement by which alone the progress in health conservation to date has been achieved. And this progress, despite the still existing need, has been great. The appropriation suggestions seem largely the product of guess-work estimate. The bill is so vague at points as to defy clear analysis, but it appears to imply the launching in all states of elaborate programs of medical service, under political sponsorship and control, to be financed either by deductions from wages or from general tax funds. And again, as in so many New Deal measures, the safe-

guarding of professional standards is not provided in the bill, but is left entirely to the discretion of politically appointed administrators.

The lack of realistic analysis and responsible estimate, in the administration's approach to the health problem, has been more recently illustrated by the New Deal proposal to build 50 or more 100 bed hospitals in rural areas, each hospital to cost in the neighborhood of $150,000, to be administered by local forces, but the title to the property to remain with the federal government. The lack of realistic analysis back of this proposal is evident in the three-fold fact that a 100 bed hospital is larger than 60 per cent of the hospitals in the whole United States, that it is doubtful that satisfactory hospitals can be built for $1,500 per bed, and that there are few, if any, areas than can support a hospital of 100 beds which are not already supplied with hospitals and facing the need of adequate financing of their existing facilities rather than the erection of new hospitals. Furthermore it is difficult to understand the suggestion of wooden structures for these hospitals. It would seem to be elementary that hospitals should be fire-proof structures. This particular program indicates a careless and irresponsible approach to a crucially important problem.

If the health needs of the nation are really to be met, they must be met by more realistic and more responsible thinking than the present administration has brought to the problem.

LINES OF POSITIVE ACTION

The broad lines of positive action in the health field by the Federal government seem clear to this Committee.

The Federal program should not weaken by competition or directly supplant worthy existing health agencies, but should work towards implementing and developing the agencies already in existence.

Federal grants-in-aid should go to the states, not directly to localities, so that the health programs of counties and other local units can be efficiently coordinated with a state-wide program. These grants-in-aid can properly be made contingent upon adherence to certain controlling standards of performance, but states should not have any single federal pattern imposed upon them. They should be free to develop their own methods of approach to their local problems.

A national health program should be operated by a cooperative utilization of the forces of government, the medical profession, and voluntary social groups.

In both the service and support of existing hospitals and health agencies, the Federal government should not draw a severe line of difference between voluntary hospitals and health agencies and governmental units. Both should be mobilized and fostered in the national effort to raise the general health level.

The Federal government as well as the state governments should foster the now rapidly growing voluntary non-profit health and hospital insurance plans. With proper guidance and assistance, these plans may be developed to meet the problem of medical and hospital costs quite as effectively as governmentally directed plans could possibly do. They are more flexible and more readily adaptable to varied and changing conditions. Giving these voluntary plans a full trial, under helpful stimulus from government leadership, will develop a

fund of administrative and actuarial experience which is now lacking as varied compulsory plans are being promoted.

BEYOND a HEALTH PROGRAM

As in other fields, the problem of health conservation can be met only in part by the provisions of a health program. Better medical care, more doctors, better hospital facilities, even reduced medical and hospital costs are but part of the answer.

The cost of medical care, even at the present level, would not present the problem it does if the enterprise of the nation was in high gear, producing at capacity, and distributing the goods, services, and necessary buying power upon which a high standard of life depends. What government does, therefore, to stimulate an expansion of American enterprise, with the full employment involved, is an important part of a health program. It will be removing causes instead of treating effects.

STATE ACTION and SOCIAL ACTION

Throughout the world a sweeping transfer of functions from social action to state action has been taking place. The balance between social power and state power is being fundamentally altered. Public initiative is being substituted for private initiative in larger and larger areas of enterprise.

In the basic fields of health conservation, of preventive and remedial medicine, of education, and of the social services in general, this shift from voluntary social agencies to state agencies has gone steadily on. As this shift takes on the force of a world trend, it becomes important to safeguard the values that belong to voluntary social agencies and the action of voluntary social

groups. A nation loses if the sense of social responsibility of its citizens is confined to the payment of taxes and their social conscience expressed, in the main, by proxy through federal agents.

We have heard much of the necessity for a public "yardstick" by which to measure the justice of price and policy in the utility field. It is imperative that we have private "yardsticks" by which to measure the objectives and standards of those social services for which government properly assumes responsibility. This is why, throughout this discussion of the social program of government, this Committee has sought to preserve a saving balance between governmental and voluntary agencies.