

THE RECOVERY PROGRAMME IN AMERICA

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The National Industrial Recovery Act declared the policy of Congress to be:—

"To remove obstructions to the free flow of interstate and foreign commerce which tend to diminish the amount thereof; and to provide for the general welfare by promoting the organization of industry for the purpose of co-operative action among trade groups, to induce and maintain united action of labour and management under adequate governmental sanctions and supervision, to eliminate unfair competitive practices, to promote the fullest possible utilization of the present productive capacity of industries, to avoid undue restriction of production (except as may be temporarily required), to increase the consumption of industrial and agricultural products by increasing purchasing power, to reduce and relieve unemployment, to improve standards of labour, and otherwise to rehabilitate industry and to conserve natural resources."

Before the House Committee on Ways and Means, to which the Bill was referred because of the provisions for raising revenue, the plan was earnestly endorsed by the President of the United States Chamber of Commerce, and immediately following him Mr William Green, President of the American Federation of Labour, added his blessing. The writer, following the 2½ hour pæan of praise by these two diverse interests, was accorded five minutes to explain why it would not work—then was peremptorily cut off. The Senate Committee on Finance, however, accorded him some three-quarters of an hour, and he characterized the Bill as a swindle designed to safeguard speculative land values and over-capitalization, and that it would retard recovery instead of encouraging it.

When President Roosevelt was inaugurated, 4th March, 1933, the banking system of the nation, which had been run by a bunch of highly conscienceless buccaneers, was in chaos. The alternative to a banking moratorium was the writing down or complete writing off of fictitious prices of land and natural resources, and of the over-capitalization of corporations boosted by monopoly, tariffs and patents. This plain duty the President evaded, through a moratorium, and thereby threw away his chance to do something, and started his programme of saving special privilege. He has described the New Deal as experimentation, and it certainly has been that—experimentation in utilities, with the result that it is fair to say that America is worse off to-day than when the President was inaugurated eighteen months ago.

America has been through a period of insane inflation, and expansion of credit.

Herbert Quick, former member of the Federal Farm Loan Board, wrote in his book, *The Real Trouble with the Farmers* (published 1924):—

"The vampire which sucks the blood of American farmers is land values. Guaranty of prices by law, high prices established by any means whatever, will do no good. Every cent of such increase will be sucked up in rising land values. Tenants under such artificially heightened prices would have to pay more rent at once. The same thing is true of the benefits of any agricultural tariff which works."

The Agricultural Adjustment Act, which was the twin sister of stupidity to the National Industrial Recovery Act, was drafted by some of the Brain Trust, including the present Secretary of Agriculture, Henry A. Wallace. The intent of the Agricultural Adjustment Administration was to safeguard farm land values. The machinery of the Act to achieve this anti-social purpose is rather complicated, but the essence of it is to subsidize scarcity through paying farmers not to produce, and then compelling consumers of farm products to pay a double price for farm products they do consume, and for farm products that were produced but they weren't allowed to consume, or were not even produced so that they could be consumed.

It will be observed that the entire Industrial Recovery

Programme is based upon the false promise that to ensure prosperity there must be a high price level for all commodities and for land. The purpose of the New Deal is to make a self-sufficing nation and to protect property owners at the expense of producers and consumers.

Fortunately Secretary of State Hull does not share the President's view as to bolstering up high prices and property values through tariffs and failure to stabilize currencies. He has consistently advocated lower tariffs and the ending of special privileges, which seem to justify high tariffs.

The effect of the National Recovery Act may be discussed under several heads:—

(1) *Natural Resources.*

In March, 1933, the coal industry was shot to pieces. It had suffered severe competition from the development of water power generation of electrical energy, from petroleum and from natural gas. All of these utilities, particularly the water power and oil companies, are scandalously over-capitalized. The New Deal has included public construction of a big power plant in the far West and the Tennessee Valley Improvement, under which the Government hopes to have a yardstick for determining the price which should be charged for electrical energy. The most sanguine boosters for the "New Deal," however, do not claim that any of these projects will be operating and of material value for two and a half to four years. During that time the American people are going to suffer, because not only the Coal Code, but the Electrical Code and the Oil Code have materially increased prices, and therefore entrench the owners of these natural resources in their position of demanding exorbitant prices.

Users of gasoline (petrol) pay between \$700,000,000 and \$750,000,000 a year in taxes, Federal, State and local. The Consumers' Advisory Board, a part of the National Recovery Act, stated that the Oil Code would increase the price of gasoline \$500,000,000 a year. This is a high estimate, but will easily be \$250,000,000 to \$300,000,000, provided consumption approaches the average for years prior to the crash.

(2) *Wages.*

The American Federation of Labour has repeatedly pointed out in the last few months that although nominal wages have increased somewhat, the employed American wage earner is no better off than before the New Deal, because the increase in the cost of living has offset any increase in dollar wages. Neither labour nor anything else can lift itself by the bootstrap.

(3) *Housing.*

Despite the programme of ballyhoo which has covered the nation by Press, speech and radio about the great housing programme, almost exactly nothing has been done on it. The real reason why there has been no progress in the housing programme is, first, high cost of land. The annual land rent per family on the basis of 22 families per acre for the cheapest price at which the United States Housing Corporation could obtain land, amounted to almost exactly \$100. Naturally this made cheap housing impossible. The steel, cement, lumber and brick combines, all with codes, have also blocked the housing programme. Americans hear with wonder of the ten shillings a week rent which is discussed in England.

(4) *Public Works.*

The National Industrial Recovery Act contained a section of public works, appropriating \$3,300,000,000, of which some \$480,000,000 was to go to the Navy, but relatively little progress has been made even on this programme, partly due to local taxpayers' strikes, as the Federal Government pays on local projects only 30 per cent of the cost, and loaned the balance on adequate security. Several hundred million dollars have been expended on local projects, but the real programme has been curtailed because land owners attempted a raid on the Public Treasury against which most creditably Secretary of the Interior Ickes has been adamant.

We recommended also in the hearing on this section of

the Recovery Act that at least part of the cost of public works should be assessed upon the property benefited thereby, a principle which has the weight of precedent as well as of economic justice. This suggestion was not accepted, nor has any administrative government official recommended it, despite our repeated requests. Amendments to legislation to provide for this have been defeated.

This description of the so-called Recovery Programme in America sounds pessimistic. It is only frank. The entire Recovery Programme has been an evasion of the basic changes which must be brought about if America is to get out of the financial impasse which is, in my judgment, daily getting worse. At the end of 1931 the alleged "assets" of the large corporations were, in round figures, 331,000 millions of dollars. Alleged values of farm lands were in the neighbourhood of 38,000 millions of dollars; of city land, at least 55,000 millions of dollars. The total government and non-government debt is still approximately 250,000 millions of dollars.

The New Deal has not attempted to end any of the causes which produce involuntary unemployment, and hence poverty—quite the reverse. It maintains special privileges and by borrowing from the rich it is subsidizing land owners. Even to-day there are between nine and nine and a half million people wholly unemployed, many millions more only partly employed. We are discounting the future and ignoring the facts.

Fortunately many of the really sincere and disinterested economists in the Administration recognize that the programme of deflation I have outlined, writing down the corporate capitalization, debts and interests, and land values, through changing our tax system, is inevitable. It is still unfortunately true, however, in America that an outstanding characteristic of first-class minds is their inability to grasp the obvious. Sometimes the mind which has not been ruined by false economics can think straight. This will be necessary before America emerges from the hallucination which we so feelingly call the "New Deal."