

The Economic Club of New York

107th Meeting

“The Recovery Program:
Its Progress and Difficulties”

February 8, 1934

Hotel Astor
New York City

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Introduction

Mr. Robert E. Ely announces the fact that, due to a slight illness, Mr. Thomas J. Watson is unable to serve as Chairman and is to be replaced in this capacity by Mr. F. W. Nichols.

Chairman F. W. Nichols

Distinguished guests, ladies and gentlemen, in view of the fact that we are to go on the air presently, you will be relieved of any preliminary remarks and I shall go immediately to the first speaker.

Extreme good fortune has enabled us to have with us this evening the General Counsel of the NRA. He is not only a successful attorney, but a real student of the economic structures of the country, and it is a privilege to the members and guests of the Economic Club to be able to announce as the first speaker of the evening, the Honorable Donald R. Richberg.

First Speaker

The Honorable Donald R. Richberg

General Counsel, NRA

It is very fortunate that the National Recovery Administration is at last being subjected to what is called “constructive criticism.” For many months the audible opposition to this far-reaching and profound experiment was singularly inadequate and ineffective. Those who were laboring

sixteen hours a day in an effort to aid the businessmen of the nation to organize themselves and to plan their operations so that the business enterprises of the nation might serve the needs of the nation, really yearned for the assistance of those who could tell them just what to do. Every time a man of these self-admitted qualifications appeared in Washington he was offered a job. But every man who accepted seemed to lose his previous critical ability, probably because intimate acquaintance with facts and the responsibility for dealing with facts is a very serious handicap upon most critics.

Manufacturers, financiers, labor leaders, economists, lawyers and political scientists, or every variety of opinion, were drawn into a nationwide endeavor to analyze the needs of trade and industry and to devise mechanisms of self-government, under which business enterprises could furnish a decent livelihood to those engaged in them and distribute their products on a fair basis of exchange, so as to provide economic security and the highest possible standard of living for the largest number of people.

Now it is very easy to state this objective and very difficult to provide the means for its achievement. The measures of industrial recovery which are being administered by the NRA, have not proceeded from any doctrinaire program, or any formula for the reconstruction of our political economy. Ingenuity and knowledge are needed to devise and also to criticize activities that resemble so closely the processes of a laboratory experiment. These measures are, however, all based on a few fundamental assumptions – a necessary basis for any experiment in either the

natural or the social sciences. And before we attempt to analyze recent “constructive criticisms” of the NRA let us review briefly these assumptions.

It is assumed that trade and commerce are best promoted by a healthy competition between individually managed enterprises.

Second, it is assumed that under the Constitution of the United States (and I trust we need not remind anyone we still live under the Constitution) individual freedom of action and individual rights of property must be preserved, and are to be subjected only to those restraints necessary to provide the maximum freedom and security for the maximum number of people.

It is assumed that government under the Constitution will leave businessmen free, as individuals, to make private gains out of fair competition (even that abhorrent thing know as “profits”) but that government must prevent individuals from competing unfairly, and must supervise all combinations of competitors so as to prevent them from eliminating competition and exacting monopolistic profits from consumers.

These assumptions really cannot be challenged except by those who propose a new form of government for the United States, because they embody principles which are engraved deeply in our Federal and State Constitutions.

The Recovery Act provides a most flexible means of organizing industry for self-service and public service in conformity with these principles. For each industry a Code of Fair Competition is formulated by those upon whom rests the responsibility and the legal right of industrial control – based upon rights of private property. These owners and managers are permitted to combine for two lawful purposes – the first, to prevent unfair competition; the second, to promote the general welfare.

Now, for many years industrialists have sought the opportunity to combine to outlaw unfair trade practices; and now that right is given them. But at the same time they are required to eliminate the most unfair competition of all – the one most injurious to the general welfare – competition in overworking and underpaying labor. That is the unfair competition which not only destroys the individual businessman who has a sense of social justice, but also in time destroys the market for all industrial products, by sapping purchasing power and creating widening areas of unemployment, until, in the language of the Supreme Court, “the wells of commerce go dry.”

Everyone who for months has observed at close range the procession of American business through the hearings and conferences on codes affecting all our major trades and industries, has learned one lesson which must be the foundation of any really constructive criticism – which is, that no single remedy, no formula, can be applied to restore industrial health and to provide insurance of a permanent recovery. Only ignorance fortified, with conceit will offer such a formula.

There are two extremes of the counsels of such ignorance. At one extreme are the Bourbons who don't like traffic lights and policemen and think that it would be a good idea to operate automobiles under the laws of the horse and buggy period. Of course, they will admit that when a traffic snarl develops, say at Broadway and 42nd Street, and a number of people are killed, it may be desirable to call in the police. But they believe that as soon as order is restored the government should stand aside and give individual initiative another chance to assert itself freely until it produces another catastrophe.

Of course, my metaphor is unfair to the Bourbons because it does not reveal the full depths of their ignorance. You must examine the actual results of undisciplined individualism in a major industry to understand the suicidal folly of the Bourbon idea.

Look at the record of the bituminous coal industry, written in huge volumes of governmental reports. Too many mines, too many miners, permanent over-capacity and chronic over-production. Prices cut below actual cost of production to speed up the descent to bankruptcy. Wages cut below the level of tolerable existence, so as to permit further price-cutting. Thousands of miners out of work; thousands working at starvation wages with only part time employment. Mine operators driving each other to ruin and carrying on civil wars with their employees. Large users getting coal at less than even the labor cost. Desperate and hopeless efforts to overcharge the little consumer to make up these losses.

But this is not the record of one industry alone. It is the tale of many; and it is the prospect ahead of every competitive industry which is not able to organize for self-government. But against every effort at self-organization has been raised the menace of the anti-trust laws with their blanket prohibition against any combination in restraint of trade, with no line of distinction between efforts to organize for self-preservation and efforts to organize to prey upon the public.

You cannot write a formula to forbid unfair competition and to preserve fair competition. You can only write down that principle and then leave its application to the administration of the law. That is what the NRA is trying to do; trying to assist the managers of industry to work out the application of a principle that must be enforced if the private, competitive operation of the essential industries of the nation is to be maintained. The Bourbons are opposing, as usual, an intelligent effort to save them from themselves.

At the other extreme of the counsels of ignorance are the Communists. They seek by direct revolutionary action to transfer immediately the control of this far flung and complicated industrial mechanism from private owners to political directors. But no formula can be written even for the political operation of the industries of the nation. There is not even any measure of a fair wage or a just price whereby, even in eliminating profits and rents and every other capital charge upon industry, an absolute dictator could social justice for the workers of the nation, even if all the drones were allowed to starve.

It would take years of experimentation by an absolute ruler to reorganize our political economic system to accomplish what is called “production for use and not for profit.” If that were the desired goal the present national experiment would save years of desperate struggling and incalculable suffering in working out such a program. The National Recovery Administration is establishing the two fundamental requirements of any program of planned economy. It is working out, with infinite pains and with the concert of many minds, the standards and methods of industrial cooperation. It is developing with equal care and detail an understanding of those standards and methods in a generation of businessmen and public officials who must furnish the trained personnel to carry out the program.

The Bourbons growl and the Communists roar and the criticism of both are equally futile; because neither group has a program of any practical use; and neither group has any leadership worthy of public confidence. Tired old men may sometimes be right, but they are not right for leadership. Out of the mouths of babes may occasionally come wisdom, but not the marching orders of a nation. In this great period of stress and strain we must look elsewhere than to first or second childhood for constructive criticism of the New Deal. Happily we are now beginning to be attacked by practical-minded conservatives who are willing to go forward a shorter distance and more slowly, and by practical-minded radicals who want to go much further and much more rapidly. When the brickbats come from both the right and left wings we have the best assurance that we are marching down the middle road where progress is really made for a whole people.

If there were time it would be a pleasure to pay tribute to all these helpful opponents of the NRA – to those who charge us with a socialistic scheme to save capitalism, or a capitalistic scheme to establish socialism, or with fostering monopoly or with destroying private profits, or with unionizing labor, or with promoting company unions, or with being afraid to enforce the law, or with carrying on a dictatorship. Almost every critic happily answers some other critic so it is made delightfully apparent that the NRA must be one of the most even-handed dispensers of impartial justice that has ever adorned a page of history.

Let me take this occasion only to pay my tribute to one helpful critic from the left and to one from the right. Since Mr. John T. Flynn wrote his article entitled, “Scrap the NRA,” I understand he has spent several hours studying the subject. Therefore, I have presumed that he would be able this evening to provide you with some of the facts which could not be printed in his article without spoiling a good title. It was a natural title for the author to choose because it was apparent in reading his article that he knew very little about the NRA; and it is always a good idea for a writer to scrap something he knows nothing about. So Mr. Flynn “scrapped” the NRA and that constructive criticism did us a great deal of good. It called our attention to the importance of making public those facts which our opponents would be unable or unwilling to reveal.

The other constructive critic to whom I wish to pay tribute this evening is Mr. Ogden Mills who approached the NRA from the Right Wing and evidently studied the subject with some care.

Indeed he appeared to be so impressed with the facts that his conclusions lacked some of that clarity which is most desirable in a political attack.

Mr. Mills recently said at Topeka he was not opposed to the recovery act, but only to its extension far beyond what its original conception was or ought to have been. Then he expounded his counter program in these words:

“Surely some way can be found of harmonizing the self-expression and liberty of the individual with the welfare of all.”

Now that is not a new idea; but it is a very good one. In fact, it is such a good idea that it has been widely accepted as a good idea for several thousand years. That makes it a good conservative program. We are in fact using that idea in the NRA but, instead of merely talking about finding some way to preserve individual liberty and to advance the general welfare, we have found and are using a way that leads definitely in that direction. Mr. Mills wants to find “some way” – but he doesn’t want to take our way because he says: “The whole conception of a planned and directed national economy is destructive of the most fundamental principles upon which the American system rests.”

Here Mr. Mills is evidently speaking his profound convictions because he sacrificed himself and all his fellow countrymen upon the altar of that faith, standing immovable for years in an

Administration which was so opposed to planning and directing our national economy that our entire economic system was allowed to roll downhill until we arrived at a complete collapse of private banking on the very day when Mr. Mills turned over the Treasury to men who believed that it is better to plan and to direct the course of our affairs than to let them go to smash. Maybe Mr. Mills is right in thinking that the American system rested for a short while on the fundamental principle that national planning and direction are fatal to individual liberty. But if so, it was the only government in this history of the world that has ever rested on that foundation and we only rested on it for a few years while we were rocking down the road to ruin, with Mr. Mills and his colleagues preventing anyone from using the brakes or the steering wheel.

The pale, cold fact is that we have had a planned and directed national economy throughout the entire history; and the government has always sanctioned it. We had our national economy planned and directed privately by small groups of men who exercised dominance in national affairs, who planned and directed our national economy largely for their own benefit with no responsibility to the great masses of the people and with very little consideration for their interests.

What Mr. Mills really means is that he is opposed to a socially planned economy brought about and administered by a democratic organization of mass interests. He makes this perfectly clear in his “constructive criticism” of the NRA. He states that certain features of the NRA are definite “obstacles to recovery” and then states his major complaint in these words: “Under the NRA

wages, costs and prices rise first and increased volume production is expected to follow.” This is wrong, says Mr. Mills, arguing that increased production should come first, bringing with it increased employment and increased profits and prosperity for capitalists and then, I quote his exact words, “a gradual rise of prices, costs and wages.”

Here is a clear picture of the planned and directed economy of Mr. Mills, which is made even more vivid by an editorial from his staunch ally – Mr. Hearst – a new alliance who praises Mr. Mills for insisting that higher wages and reduced hours for labor must wait until they can be paid out of the increased profits for business. The NRA, according to Mr. Hearst, is a measure of social betterment “which should be applied only when recovery has actually occurred and business is better able to sustain its requisitions and impositions.”

Now all that Mr. Mills and Mr. Hearst mean can be summed up in one sentence: “Profits come first; and higher wages must be paid out of higher profits.” This is a program of planned economy under which huge fortunes have been made while millions of people have eked out a miserable existence. Under this program we have suffered alternate periods of ill-distributed prosperity and widespread depression. Under this particular form of planned economy, which prevailed until recently, the main objective of all industrial enterprises was the profit making of owners and managers. This plan completely failed to make secure the livelihood of millions of workers out of whose labor all profits must be reaped. As a result, the system failed to provide even that assurance of profits which was its objective. At irregular intervals, with increasing

virulence, capital values were deflated; profits disappeared; an orderly system of production and exchange degenerated into a disorderly struggle merely to survive, the continuance of this industrial anarchy, affording no measures for the relief of expanding areas of wholesale destitution, would have made economic collapse and a consequent political revolution inevitable.

If industrial recovery seems to such critics as Mr. Mills and Mr. Hearst only a return to this discredited system, under which the needs of the masses of the people were subordinated to the greed and self-seeking of privileged classes, we can understand the meaning of these statements that the NRA is an added obstacle to recovery. But if industrial recovery means re-employment and a rising standard of living for millions of people, then the statement that the NRA is an obstacle to recovery is a ridiculous effort to deny a fact which is monumentally visible to all the world.

Is it an obstacle to recovery to add 75,000 men to the payrolls of the steel companies, with a total wage increase of \$7,500,000 per month? Is it an obstacle to recovery to raise the wages of 300,000 coal miners an average of \$1.00 per day – lifting the buying power of several hundred thousand men, women and children by \$300,000 per day? Is it an obstacle to recovery to pay a miner \$4.20 per day as required by that code, in certain districts, instead of \$1.13? Let Mr. Mills explain how he would have raised soft coal prices from the bankruptcy level of 43 cents a ton and why wages should not have been raised at the same time – as was done under the code.

Is it an obstacle to recovery to add 146,000 persons to the payrolls of the textile companies with those payrolls actually doubled? Is it an obstacle to recovery that workers in a mill who received an average wage of \$4.81 for a 55-hour week are now getting a minimum wage of \$12 per week for 40 hours work? Is it an obstacle to recovery that thousands of workers who received such incredibly low wages as 10 cents, 5 cents and even 4 cents an hour are now getting as much as 22 cents an hour?

Is it an obstacle to recovery that whole towns have been lifted out of destitution and squalor and are living on a plane of comfort hitherto unknown? Is it an obstacle to recovery that hundreds of thousands of employees in retail trades are enjoying hours and wages that for the first time in years make possible a decent, healthy, self-respecting existence? Is it an obstacle to recovery that two or three million workers have been re-employed in the codified trades and industries with a vast increase in the purchasing power of other millions?

Who is it would dare to stand before the American people in the face of facts such as these, overwhelming, widely known, devastating facts, and assert that the NRA is an obstacle to national recovery? It can only be a man so sheltered and shielded from the privation and misery which millions have suffered for long, long years, that he has no concept of the extent of that mass suffering or the extent to which it has been relieved.

The people cried for bread and the Bourbon answered: “Why don’t they eat cake?” And now

those who have eaten the cakes of life and sipped its choicest wines arise to tell us that until we restore the frosting to their cakes and the vintage wines to their cellars there can be no true recovery. It is an obstacle to true recovery, according to these critics, that the NRA should seek first to put bread and meat into the homes of workers – to raise wages so that they may eat and live like human beings instead of like dumb animals.

Let me say here and now that if it is an obstacle to recovery to fix minimum wages at \$12 and \$15 per week and to shorten hours so that two or three million people can go to work instead of living on charity, I for one am proud of every such obstacle to recovery that the NRA has produced.

Let me ask these constructive critics of ours to cease talking generalities and to get down to actual cases. What wage rate that we have raised would you reduce? What hours that we have shortened would you lengthen? What unfair practice that we have outlawed would you have retained? And finally, gentlemen, how would you have done the job that has been done to bring hope and comfort and a new sense of freedom and security into millions of stricken homes?

Chairman F. W. Nichols: One of the most important problems confronting this country today and one worthy of the closest study, has to do with the problem of Labor in Industry. Mr. Matthew Woll, who is Vice President of the American Federation of Labor, was to have been the next speaker, but due to the death of a dear friend he could not be here, and Mr. Ely will read his

paper.

Robert Erskine Ely: Mr. Chairman, I think we would all like to say “thank you” to those in charge of the broadcasting station, called WEVD, and familiarly known as “The University of the Air,” and I am sure we are very thankful for the courtesy shown us by this station. Before I read Mr. Woll’s address, I wish first to read you the letter from Mr. Woll which accompanied his address:

Dr. Mr. Ely,

Enclosed please find address prepared for the dinner meeting of the Economic Club of New York tomorrow night. I regret, more than I can express adequately in words, the unfortunate and wholly unexpected event which prevents my personal attendance and delivery of address. I am confident those in attendance will excuse my absence if advised that Mr. George W. Perkins, whose funeral I am to attend in Oak Park, Illinois, was a personal friend of many years, Vice President of the Union Labor Life Insurance Company of which I am President, and President of the Union Label Trades Department of the American Federation of Labor, of which I am its First Vice President.

I am equally grateful for your kindness in volunteering to present this address on my behalf and I do hope the thoughts expressed may to some measure compensate for my unavoidable absence.

Extending my kindest regards and best wishes for a successful meeting, I am,

Sincerely yours,

Signed – Matthew Woll

Second Speaker

Mr. Matthew Woll, Vice President

The American Federation of Labor

In a recent address before New York University, Dr. Virgil Jordan, President of the National Industrial Conference Board, a research organization which was set up by industry shortly after the World War, we have one of the most forthright criticisms of the New Deal that have thus far appeared. Others have assailed the New Deal because it represented a socialistic dictatorship; Dr. Jordan has now assailed the plan as catastrophic.

The New Deal, according to press reports of Dr. Jordan's speech, is the result of "an unjustified anti-industrial psychosis and an elaborate unverified economic theory." Dr. Jordan goes on to point out that "it is not impossible that any determined effort of a central government to enforce uniformity of condition and exercise arbitrary authority over individual action may end in civil war and the dissolution of the Federal structure."

These are stern words! Coming as they do from a man of the economic competence of Dr.

Jordan, it is appropriate that we should examine the nature of his condemnation and the likelihood of any action developing of the type to which he refers.

What are the facts out of which the New Deal developed and what is the basis for the extraordinary measure of public support which this New Deal has won from people in all groups throughout all sections of this country? Certainly it is not because of the magic of Roosevelt's name; nor the fact that nearly two generations ago the great American humorist, Mark Twain, developed the phrase, "the New Deal," in his "Connecticut Yankee in King Arthur's Court." It is because of the fact that the New Deal represented the logical next step to take in this country in the face of the business paralysis in which we found ourselves.

It is a little more than eleven months ago since President Roosevelt assumed control of the administration. To some people the situation as of that date is already a faded memory. The facts are, however, that the depression which became a panic in the fall and winter of 1932-1933 reached its lowest point in March, when the Governor of Michigan proclaimed a banking holiday. The American nation found itself at the lowest ebb of the entire depression in those early days of March. Banks were closed, business failures had mounted to untold proportions, the army of the unemployed numbered fourteen millions – everywhere government was disclosing weaknesses in its capacity to cope with economic and political problems. It is well for any person in attempting to appraise the New Deal to begin with understanding the situation out of which it arose. In the absence of new and drastic social controls of our governmental and

economic life the forces of disintegration in this nation would have continued and the possibility of a social upheaval would have been imminent.

But more than that! The New Deal itself represents the consolidation of a good deal of thinking on the part of students of government and economic conditions over a long period of time. It was not improvised at the moment solely to meet a chaotic condition. It was built as well upon the social experiences and the social thinking of a quarter of a century. More particularly, it represented in large measure the acceptance of the general philosophy and the economic proposals which had been submitted by the American Federation of Labor at almost the beginning of the depression. It constituted an intelligent next step in conformity with the best of American traditions. It does not represent fascism on the one side nor Bolshevism on the other; it attempts the more difficult task of moderation and self-government in the middle of the road.

Labor has stood four-square for the recovery program because it believes in its objectives and the general purposes for which it was created. On the other hand, Labor is not unmindful of many of the defects in the whole program. It has countless evidences of discrimination and non-conformity on the part of employers with the clear provisions of the law. It has struggled through many of the codes with problems dealing with wages and hours and working conditions, and not without discouragements.

It has never been reconciled to the point of view that Labor's advancement must be dependent

upon the absolute control of industry by its proprietary interests and managers. Indeed, it holds that equal authority should have been granted to Labor to originate and participate in the making of codes. The same is true with the administration and amending of codes approved and in operation. Labor does not believe its interests can best be safeguarded and promoted by entrusting the management and conduct of industry solely in the hands of industry or government or both and without embracing and admitting Labor as one of the essential elements of control.

Labor is likewise aware of the dangers inherent in the policy being followed of holding shop or plant elections, as to the validity of agreements entered into with trade unions, or the making of new collective agreements. The same is true as to the selection and election of Labor's representatives within any trade or calling and more particularly in any shop, plant, or industrial unit. Consciously or unconsciously, dangerous divisions of labor forces are being promoted. Then, too, Labor believes it will be necessary to shorten the working week in this country to thirty hours or less to achieve industrial balance and to meet the changes brought about through mechanization and cartelization of industry.

Labor, in a word, has not accepted this whole Act unreservedly; rather, it has given its support to the major provisions of the measure while reserving its right to criticize certain defects in its administration and making clear its determination to demand an alteration as well as an extension of some of the economic principles involved.

The heart of the whole attack at the present time on the part of business with reference to the New Deal is the part of government in economic affairs. Government has taken the position which it has because industry has shown itself incapable of putting its own house in order. It has proved to be an unfaithful master of economic enterprise; it has served neither the consumer nor, in the long run, the producer. It has heretofore regarded the workers as merely so many “hands” and has never regarded the wage earners as a human contributing factor. For that reason some agency has got to enter into the economic picture to protect the welfare and general well-being of the worker and the consumer. Furthermore, the government is concerned with the whole problem of introducing the element of balance and control and planning into our economic life. This cannot be achieved without some kind of planning agency. The government, which today employs one out of every seven of the people of the United States, has a stake of immeasurable importance in the whole enterprise of our economic behavior. We shall not turn back from the position where we find ourselves today. There will be modifications in administration, there will be changes in the law, but from the broad policy of the identification of government with the whole enterprise of the national economy there will be no turning back – there can be no turning back to the old order of things.

Our old political structure is being overshadowed by a new economic structure – erected, in the first instance, “for the emergency.” The constitution, private property rights, existing contracts, freedom of contract have by no means been set aside. But – for all practical or economic purposes – they have been subordinated. The process has been easy and natural because of the

constitution, private property rights, and freedom of contract had already been radically reduced in value for the overwhelming majority of people by the semi-collapse of the old economic system.

The silent revolution which has been going on consists in the fact that at least the predominance of economic realities and necessities over political and legal claims is all but universally recognized; and that this recognition has been, at least temporarily, embodied in the political system itself. The constitution and the old legal and political systems remain – but they have not much left to operate on. Indeed, with prices, wages, real incomes, the debt and credit structures, production and business all increasingly under the direct or indirect control of new governmental bodies there would seem to be almost nothing for the older political institutions to do. But this impression is hardly justified. For what remains of the old political order is still of vast importance. All of our older institutions still function. They still have the right of way except where they are specifically and concretely set aside. Orderly and peaceful change is assured and no destruction whatever is contemplated.

The method now being pursued, whether it is regarded as revolutionary or as destined to disappear with the emergency, is conservative, pragmatic, and thoroughly American. It is dictated by no theories and is based on no hard-and-fast “plan” or program. It is the response of the American government to economic realities as disclosed by the depression and by the period of false “prosperity” during which the depression was incubated.

One must be an Elijah to venture an attempt at any too clear foretelling of what the coming months and years hold in store for us. Many an Isaiah among us will paint prophetic pictures of hope and of peace, in the very presence of navies that swell in numbers and armaments that grow in deadliness of quality and in mass. There are Jeremiahs enough in Wall Street, and we shall not add to their mournful numbers. Doubtless there are Einsteins among the brain trust who believe they have possession of the formula under which our civilization is unfolding; but most of us will agree with the President in his statement that we are just carrying on a vast experiment.

It is our duty, since we are destined to live with the laboratory, at least to try to understand all that we can of the factors which must and do enter into the formula, of the forces and the masses which are whirling within this churn of events. One thing appears by now to be pretty well accepted by all the reasonable men – we have passed the era of laissez-faire. Free competition has served its purpose and fulfilled its function. We are out of the age of the provincial and the pioneer, and of the physical struggle of the individual for existence. That does not mean that our evolution is finished. John Fiske has said that with the relative completion of the process of the evolution of the human body, there came the evolution of the moral nature of man. Something of the same kind is now happening in the body of human society. With the introduction of the codes of fair competition under the National Recovery Administration, we are approaching the unfolding of an economic system of ethics, made necessary by an economic integration forced upon us by the use of modern machinery and the processes of mass production.

The imprisonment of the ancient idol, the calf of gold, may aptly enough symbolize the inauguration of our new economic creed. In the light of this new creed, of fair competition, let us examine some of the questions that are presenting upon our minds from all directions, and see whether it may cast some rays of reason through the fog and dust that hang over us as a cloud arising from the debris of the terrific crash of the ancient system.

We have had as a part of our antiphonal chants the refrain which dwelt on the sacredness of private initiative. Is this to be among those things which are to be counted as well lost for the greater gain?

The workers have been granted, in terms of statute law, the right of collective bargaining; and the employer is in the same statute interdicted from interfering with this right. At what point does the dealing of the employer with his men and women hirelings become an interference with their right of collective bargaining? Is the form of the law, which seeks to perpetuate the ancient individualism of the employer and of the employee, self-nullifying? There are those who think and act as though that were the case.

There are still those employers who dream and imagine that their business is a purely personal affair; and they propose to run it to suit themselves. It is mainly such men, and their fellows, who are raising difficulties in the matter of collective bargaining. Just on account of such exceptional characters, survivals from the Paleolithic levels of industrial development, it has become

necessary to define more closely just what constitutes “interference” with the right of collective bargaining, and to determine just what business an employer has, anyhow, in the affairs of his employees as such.

There is soon to be a gathering of code authorities; and one of the crucial problems they must face is that of the measuring of the values which they handle in their dealings with each other and the rest of us. Prices must be determined somewhere – by someone – on some basis. Who shall say what price – for the final product? – for the materials that enter into it? – for the labor that is absolutely essential? And what incentive shall be allowed to enter, and how much, of the old profit-seeking objectives?

What is this NRA structure of codes and code authorities? Is it to be or to become a permanent thing? Is it only a scaffolding framed for the outlining and facilitating of the erection of a national economic government? Will it become THE government? Men have told us that Wall Street has ruled Congress, has nominated and elected presidents, and has appointed the judges on our court benches. What relation will this NRA entity come to have to the political forms?

Raising the national standard of living is imperative not alone for present recovery, but to avoid further retrogression. Indeed, in proportion as the increased income of the masses exceeds the increasing productivity of industry, depressions will become less severe. But they will continue until a balance is struck between consumption and production. That means that there must be in

addition a radical reduction of the present disproportion between profits and wages, between dividends, interest, rents on the one hand and, on the other hand, the incomes of the masses – whose purchases account for 83 percent of our home market and three-fourths of our entire market, domestic and foreign. Not only that, but practically half of the new investment in industry, so much of it wasteful or excessive, has come from the higher income class.

To restore this balance, to assure more consumption and less investment in machinery of production, the first requisite is to advance mass purchasing power by every method adapted to that purpose. The second requisite is to use every practicable method to keep down excessive profits. Graduated income and inheritance taxes are the first and foremost means for this purpose – but not the only one. During the war this country had also a highly practicable excess-profits tax. Nor is taxation the only method. The regulation of the charges of public utilities and all other laws to limit prices and profits on behalf of the consumer are equally effective.

Our old economic objectives were modeled largely upon those of Old England, which was a mother country for ships, for colonists, for traders; which gathered raw materials from the ends of the earth, turned these into manufactured products, first for her own rather limited range of buying power, and then for the expanding world market. Developing the first great factories of the world, she needed more food and fabrics than her own soil produced. She became a great free trading nation. Her obligations were imposed upon the ends of the earth, and she was creditor to all of them. Export was the life of her labor, her market, her world-policy. With a total

population of Great Britain and Ireland of 46 millions, her total foreign trade in 1929 amounted to over two billion pounds sterling. That would be about \$1,000 of foreign trade for each family. Applied to this country that would mean a total foreign trade of approximately thirty billion dollars. The people of Great Britain cannot live at their level of civilization on any other terms than those of a foreign trade measured in some such amount and proportions. And for that trade Great Britain has been fighting increasingly during the last 15 years, not only with the old European industrial nations and with the United States, but also, and to an increasing degree, with her own colonial domains, and with the awakening industrial set-ups of the Asiatic peoples, including Japan, China, and India. This explains in great part the tightening of the Britisher's financial and industrial belt since the World War, the increasing unemployment, and the necessity for what has been called "the dole."

Quite different have been the factors entering into the American side of the economic problem since the World War closed. At the peak of the war market, when we were emptying our laps of all imaginable commodities into the hungry places of the earth, our total foreign trade, exports and imports, went a little over \$15 billions, and in the following first year of peace we increased this only to a little over \$16 billions. That was an average of about \$700 per American family of total foreign trade in 1920. This dropped to about half that volume in succeeding years, and only in the peak years of 1928 and 1929 did it climb even to a total foreign trade of \$10 billions. But our production capacity, set at the rate which produced for the feeding and furnishing of a world at war, could now find no adequate outlet. Plenty – more than plenty – floods of plenty, not

stared us in the face, within our own shores. We did not know what to do with it. For a while we gave it away in billions of handfuls.

In the years from 1915 to 1920 our total excess of exports over imports amounted to more than 15 billion dollars. In the ten years following we gave away another seven billion dollars. The total excess of imports from 1911 to 1930 was almost twenty-six billion dollars. But the flood of wheat, of steel, of meat, and of cotton still piled up on our shores, while the dwindling army of labor found it more and more difficult to maintain its loosening handhold upon the means of living.

We had opened the floodgates of production, to meet a world demand. And when the gates were closed in our faces, we almost strangled in the swirling depths of wealth.

Here was presented a problem so unheard of, so different from anything the world had ever seen, that all our old charts and maps, all our adages of wisdom and doctrines of thrift, served only to confuse and confound the wisdom of our wisest men. We could not believe the all too evident meaning of the phenomenon. Our own people were more and more idle, more and more homeless and wandering, more and more hungry and unclothed. And we had millions of bales of cotton, hundreds of millions of bushels of wheat, and tons upon thousands of tons of meat and lard. And the world did not want it all, finally, unless we continued to give it away.

Here we are now, 122 million people sitting around in a great house whose larders are stocked with food, whose closets and clothes presses are lined with textiles and textures of all sorts. What are we going to do to take care of the big family? That is our problem. There may be some incidental problems of the neighbors across the borders, some of whom are in much worse plight, and whom we can easily help, and be happy in doing of it. But our problem is to get the home ranch operating again, this time not for the shipment of our products and commodities to somewhere else, but primarily to provide for the food and clothes and comforts of the family and to organize some sort of security for them.

It must be apparent that any attempt to understand the implications and possible outcome of the new forces and institutions set up under the recovery formula must be made from the viewpoint of this new controlling idea of a community of plenty and of amplitude of provision for meeting the needs of the people of the nation rather than from any viewpoint which is qualified by the old controlling idea of poverty of resources.

The incentive for individual initiative cannot be, from here on, the same as it has been in the past. Our so-called service organizations have in the past been saying much about the possibilities and blessings of “service” to the community. There are some realities back of that conception of service. These realities are likely to come closer to the operating surface of everyday business life than ever before, in the light of the new economics and the new ethics. Doubtless we shall have a wider opportunity to explore the potencies of an initiative and an

incentive based upon something which is to find its measurements more in terms of culture and community life than in dollar values. We see instances of the operation of such incentives, in many a mighty useful and delightful personality now living among us.

There can be no doubt that fairer standards of competition will unlock the doors of opportunity to many a man whose nose has been kept on the grindstone by pressures which he had no means of resisting, but which he ought now be released from under a more decent method of business life. There will still be opportunity for leadership, and those whose qualities fit them for such leadership under these changing conditions are likely to find more incentive for decent living than has ever been possible.

With the opening up of the channels of trade to an American public which for the first time is given a fair distribution of the purchasing power inherent in their productive capacity, there should and there will come into view areas of trade and commerce hitherto undreamed of. A proper circulation of the commodities which our people now know the use of will set in motion productive forces that will tend to increase rather than to limit the operation of the cotton spindles and looms. The conception and the acceptance of the conception of plenty and the distribution of plenty, rather than the conception of cutting wages to make profits, may soon open up to a real field for actual operation of the now overcapitalized and excess-capacity productive equipments. If this is not done, I doubt very much whether any Supreme Court can be brought to justify the capitalization and guaranteeing of interest and dividends upon this excess

capacity and reckless squandering of a nation's wealth in superfluous boiler capacities and excessive mechanizing of our industries.

The French people are asking for security – security against a military attack and invasion of their homes. We in America are much more fortunate in the matter of neighbors. We are asking only for security against want in the midst of plenty. That is a whole objective of our present movement, as I understand it. And that should be possible – perhaps not easily possible; but – possible.

Chairman F. W. Nichols

Introduces the Honorable William Averell Harriman, Member of the Industrial Advisory Board of the NRA.

Third Speaker

The Honorable William Averell Harriman

Member of the Industrial Advisory Board of the NRA.

Ladies and Gentlemen, having been known as a banker for so many years and having particularly been under the odium of that title, I am surprised to see my name printed as “Honorable”

William Averell Harriman.

The subject which your committee has put on the table for discussion this evening, namely, “The Recovery Program – Its Progress and Difficulties,” is somewhat staggering to deal with in the few minutes allotted to me. The fact that it is staggering is proof in itself of the gigantic undertaking of the Administration. Not only has it attacked the problems of recovery on every front, but it has undertaken to effect a reconstruction of our social and economic life on a sounder basis.

I must of necessity limit myself to one aspect of the problem. I might discuss the NRA from various angles – its fundamental philosophy; its methods of accomplishing its objective through the codes; its difficulties. The Public Works program, the CWA and the RFC offer fertile fields for discussion, not only their social significance but also their relation to the national budget and the monetary policy. There are others: the AAA and the relationship of agricultural production to international trade; the banking act and the security act in relation to our credit structure and capital markets; the railroads, on not only a transportation problem, but also as affecting the savings of the people of the country.

But I am going to tackle the human side of this subject. I do this, not only because it interests me greatly, but especially because, with a better understanding of this aspect, we may be able to see the entire subject in a clearer light.

One of the greatest difficulties the recovery program has had to overcome, and to a lesser extent

still must overcome is prejudice and suspicion. Intolerance as well as prejudice is to be condemned. But I will make one exception. The time has come for us to be intolerant of prejudice. Prejudice is no respecter of persons. It is to be found in all groups and types of thoughts.

Certain of those identified with the preparation of the program and the drafting of legislation were accused of having a tinge of what is called “the Moscow attitude.” This theory, as you know, is that no one connected with the old regime in Russia is qualified to help in the new. It may be true that there has been prejudiced suspicion that not much constructive thinking would come from the business leaders. In turn, it must be frankly said that some of our leaders in business and finance furnished reason for this suspicion. They were too satisfied with the old methods to be willing to understand and join wholeheartedly in the public demand for a change in method.

The New Deal should not be considered as merely a reshuffling of old, thumb-soiled cards. It is a fresh look at every phase of our social and economic life. To some it means the birth of a new freedom; to others, the destruction of individualism, liberty, and a drifting towards a regimented society.

In this fresh look at every subject, ideas of all kinds have been put forward and weighed. It is no longer enough to say, “That is the way things have always been done.” The question is, “Is it the

right way, or is there a better way?"

On the side of progress in the recovery program, I place as one of the great achievements the fact that the nation has been catapulted into thinking. Topics of social and economic significance that had been considered as being of purely academic interest are now current subjects of discussion from one end of the nation to the other. With a program that is confessedly based on experimentation, and with a nation alive to its significance, have we not reason to have confidence in the soundness of the final outcome?

We in this gathering here in New York are one of the groups that are tonight considering and discussing this subject. Let us look at ourselves frankly. Rightly or wrongly, the business and banking leaders of this country have lost the leadership they once enjoyed. They have been blamed, perhaps too harshly and unjustly, for the mistakes of the period of inflation and the catastrophe that followed. Criticism has a sting when, particularly, there is a degree of truth to it. There is a disposition to slash back, to point to mistakes that have been made. Criticism, there ought to be. That is healthy. But I see no place in the recovery program at this time for recrimination and counter recriminations.

The field for leadership in the business world today has never been so fertile. The NRA is the place in the recovery program with which businessmen have had the most contact. I have had contact, even in the brief period that I have been in Washington, with many of the business

groups, large and small, who have been working on their respective codes. Some of us have had the privilege of sitting with The Industrial Advisory Board. We have been in touch with the Labor Advisory Board and the Consumers Advisory Board.

There are in these three boards the industrial point of view, the labor point of view and, for want of better words, the theoretical and social point of view. Yet if any given number of topics were laid before each one of these boards for discussion, you would find that all three of them would analyze the subject in much the same way, with proponents and opponents to each subject. Out of these discussions and, added to them, the discussions with General Johnson and his staff, there is developing a broader understanding of our industrial problem; and in spite of differences of opinion, there is a growing realization that all groups can find common ground on which to advance.

General Johnson has established the principle of a rotating group coming from industry not only to the Industrial Advisory Board, but also to take positions on his staff. He has said that each man has something new to contribute to the thinking of the NRA. But I believe those who have come agree that when their time comes to leave they will have got out of the experience more than they have been able to contribute.

That feeling is equally true of many of the men who have come to Washington with their code committees. There is a change of attitude and point of view that grows during the stay in

Washington. There is a disposition on arrival to look upon the code as a necessary evil and discussions as tedious and useless waste of time. However, I have yet to find a group which has a code who would give it up.

The problems arising from self-government would be easier of solution if all had had the same opportunity of contact with the thinking in the Department of Commerce Building in Washington which has been given to the code committees. There is an interesting example of what I mean in a situation that arose within one industry. The code committee agreed with the Administration to certain principles of fair practice. An important minority group were unwilling to agree and elected three of their number to go to Washington to oppose adoption of those provisions. They came to scoff and stayed to praise, and returned to their group determined to convince them that these proposed principles were correct.

It has been the tradition of businessmen that the self-interest of the company they represent lies within the activities of that company. Much that the NRA is doing with its codes of fair practice might previously have been done through cooperation. The NRA is now educating all businessmen to the view that there is a larger self-interest than that of the individual company, namely, the industry of which it is a part and, further there is a growing realization that the self-interest of that industry is dependent upon the prosperity of the nation. This prosperity must be based primarily upon the welfare and contentment of human beings.

It is too early to predict what will be the permanent result of the NRA. Of one thing, however, I am certain. Industry has a chance to handle its own future if it is wise enough and open-minded enough to take advantage of the great opportunity afforded. The NRA is a gigantic undertaking of voluntary self-regulation. It could only have been conceived by an American and carried out only in America.

There is no standard form of code. They vary from those that contain little more than the labor provisions, to those that go the full gamut of price control and production allocation. There will be knowledge from the practical experience of the workings of all these experiments. The danger is that public and political criticism will not give the chance for a long enough period of experimentation. To the most critical of the NRA, let me say that, had it not been for the National Industrial Recovery Act, legislation of much more far-reaching effect would have been passed at the last session of Congress – such as the 30-hour bill – and probably at this session there would be further and more drastic experimentation proposed, more rigid and hastily conceived, with great potential damage to our economic life. To those who are sympathetic to the purposes of the Act, I believe there is unanimity of opinion that one thing has been proved conclusively – that the competition in the lowering of wages that existed before the enactment of the law must never come back again.

In the beginning, groups of businessmen are apt to come to Washington, and one such group came to me yesterday, with the thought that if they advanced wages and shortened hours they

must get real compensation in other directions to justify the sacrifice. I am sure that all thoughtful businessmen agree today that stabilization in the competition in wages and hours of labor is the greatest boon, not only to our social life, but to business itself. If the NRA does nothing else for business than that, businessmen are unanimous in agreeing that it will have accomplished its fundamental purpose.

The great human problem confronting the NRA is the question of hours of work. A study of the employment situation has developed the fact that unemployment was steadily increasing even during the years prior to 1929. There is evidence that through the introduction of improved efficiency labor was even then being permanently displaced from industry. In addition, there is no disputing the fact that the depression has forced improvement of method and the elimination of personnel which will mean that even if we reach the pre-depression volume of production the same re-employment will not necessarily follow.

The NRA has brought the 40-hour week to industry. There appears to be no criticism of this accomplishment. It is now suggested that the work week be reduced still further. Those who believe in the shorter week as part of the program are divided as to what the hourly wages should be. Some believe that the weekly paycheck should be the same for the reduced hours, or else the standard of living will be materially reduced. Others feel that if the same wages are paid for the reduced hours of work the cost of manufacture will be so greatly increased that consumption and, thereby, volume, will be materially retarded. The inequality between agricultural prices and the

prices of manufactured goods would thus be aggravated still further.

Whatever our personal opinions may be on the question of the work week, I am satisfied on one thing: whatever is decided should be decided on a short-term basis. I doubt if anyone is wise enough to make a permanent decision on this question at this time.

Too great a shortening of hours might pauperize labor. The size of the weekly paycheck cannot be considered by itself. After all, wages are only the means of purchasing. Wages in relation to the general price level makes the standard of living. Work must be spread, it is true, but the goal must be the raising, not lowering, of the standard of living.

Flexibility is essential. The structure of the NRA gives that flexibility. Fixed legislation would be dangerous. Who is wise enough to tell today how many hours a man can work to satisfy his desires or economic needs? On the other hand, experimentation in this field is a challenge for intelligent thinking and study.

One thing is reassuring. There is no defeatist policy here as exists in other countries. There is not a demand for the spreading of work by the elimination or retarding of the introduction of labor-saving devices or efficiency. There is general recognition, however, that the profit that comes from such improvements must be divided in the interest of all between the worker and the capital employed.

Another thing is reassuring. There is no desire to block individual initiative within the bounds of fair play. This country has been built by individual initiative. It will continue to develop through individual initiative. There is no frontier in the West, but there is just as real a frontier today in the raising of our standard of living through technical developments, which is just as challenging to initiative. I will mention one frontier that exists here in New York.

One gets tired of listening to the talk that New York is in the depths of depression because it is overbuilt. A look at an airplane map of New York, or a trip through the streets in the old part of the city belies any such theory. The way in which the working man of this city and other cities in this country is housed is a disgrace to our civilization. You know the facts. When one knows that at least a million and a half of our people are living in this city in houses condemned thirty years ago as unfit for habitation, where is there a shortage of work to be done in the capital goods industries?

There are those who believe that this is a job for government to provide cheap housing for our workmen at a loss to the government. No economist will disagree with the fact that to a substantial degree taxation finally finds its way to the pocket of every citizen. What is the use of furnishing low-cost housing at a loss to the government if the tenant's rent would be increased indirectly as a result of heavy taxation?

American labor has been able to buy the product of labor in the form of automobiles, in the form

of radios, in the form of clothing, shoes, and food, and entertainment, to a degree that no labor in any other part of the world has ever before been able; and yet it has not been able to buy the product of labor in the form of decent housing. There are a number of reasons for this that should be studied.

Government should experiment with low cost housing to show the way, but in order to accomplish the job; private capital and enterprise must carry it through by the use of the same resourcefulness as has been shown in other enterprises. National assistance is necessary, not only in helping some of the financing, but also in standardization so that the end may be that low-cost housing means, not only low rents, but low original cost.

The claim is that slum land is too valuable to rehabilitate or to use in new construction. Let us look the problem squarely in the face. We have accepted the fact that state legislation is necessary to prescribe stringent rules for the sanitation of factories in which men work, of theatres to which they go for amusement. I am a proponent of and believe in the principles of property rights. But I dare anyone to argue that the same stringent rules of sanitation we recognize in other lines should not be applied and enforced on the landlord who offers his building for human beings to live in. What would be the position of the landlord who is faced, as is the case in London, with the necessity of either rehabilitation or reconstructing his house if he is to offer it for human habitation, the only alternative being demolition?

There is a disposition today for all groups, including many of the most important businesses, to run to the government for relief and assistance in the form of loans. It is a human and an animal weakness when someone else gets his foot in the trough to try to get in too. Obviously, the more demands that are made on the government, the more difficult government finance becomes. It is high time, therefore, that business leaders recognize the fact that they must help themselves, or the final drift towards state capitalism with all its grief will be difficult to stop.

Those leaders of business and industry who are still shell-shocked must find their own cure if they wish to regain their position of public confidence and authority. There is need no doubt for further legislation and calm revision of some of the hastily prepared legislation of the past session to enable, among other things, the capital markets to resume their proper function through cooperative effort, burying once and for all suspicions and prejudice.

There is an opportunity for progressive and constructive thinking today by businessmen to a degree perhaps never before existing in the history of the country. Business must be frank to admit that its failure to meet its responsibilities is in no small measure the cause of the crisis through which we have passed. Business must now accept its full share of responsibility to see that there is no failure of recovery.

Chairman F. W. Nichols

Introduces Mr. John T. Flynn, Editor, Author, Lecturer, Author of "*Scrap the NRA.*"

Fourth Speaker

Mr. John T. Flynn

Editor, Author, and Lecturer

You have had three men building sandbags around the NRA and I have got twenty minutes in which to take some of them down, and I suppose we'll have Mr. Ely yanking at my coattails before I am half through, telling me time is up.

We have been told that the NRA constitutes a great revolution. Of course, it is not a revolution. We like to think we have had a revolution.

After sitting about complacently for ten years while the Wiggins and Kreugers and Insulls rooked us, we are flattered when we are told that we have risen up and staged a revolution. In France, they have poured out into the streets and bowled over to ministries already as a result of a pitiful little petty larcenous bank scandal involving about half as much as the Bank of the United States – about \$31,000,000. What would they do if they had a Wiggins or an Insull? We, however, have been saved the trouble and messiness of a revolution by being told that the revolution has already taken place – a nice, comfortable, painless, Park Avenue revolution led by the Chamber of Commerce and Gerard Swope and Alfred P. Sloan and all our big industrialists.

Of course, there has been no revolution. The NRA is only one more step in the long series of steps by which we have been moving to fascism in this country for several decades.

Americans think fascism consists in Roman salutes and swastikas and black shirts and brown shirts and silver shirts and war against the Jews and all the more dramatic and spectacular trappings of two European fascist movements which get into the papers. Because they see no marching squadrons in silver shirts or khaki shirts and see no counterpart of Mussolini or Hitler they suppose fascism is not about. As a matter of fact, fascism has already made its appearance in America and without any of the dramatics of the Hitler and Mussolini school. It was not necessary here. And after all, our fascism does not and will not resemble Italian or German fascism. It is economic fascism.

After ten years of rule Mussolini has finally reared the corporative state. He has organized the employers into syndical associations – we call them trade associations. The Labor Unions are suppressed but are succeeded by state-organized trade unions. The employers' trade association and the workers' union name representatives to a central body and over that body is a government supervising body called the corporative.

The real rule of industry is in the hands of these trade groups. The workers are supposed to have equal representation. But as they have been deprived of the right to strike, their representatives are futile.

Here the workers are being reduced to futility by means of the growth of company unions. The employers must organize in a single trade group. The employees may organize into any number or into none. To the employers' trade association is handed over the "self-rule" of the industry.

We have the situation illustrated in the strike which is going on about this hotel tonight. This morning the employers made a public statement in the newspapers. It was signed by the Hotel Owners Association. There is only one such association. There must be one and the NRA will not permit more than one. But the workers are disunited. They have the Amalgamated which is on strike, the Federation of Labor, the Geneva, the Helvetia Association, and over half a dozen others. And besides these there are the great numbers of workers who have taken the place of the striking waiters. What chance have these men, whether they are right or wrong, against a combination and a set-up like this? The hotel owners are a unit. They would not be permitted to pull out of the association and defy the code. But here tonight hundreds of waiters can come to serve this banquet while their brothers are out on strike. They ought to be on strike with them. They certainly ought to be in the same association and standing by them.

Only this week Mr. Walter Lippman made a suggestion which shows where all this is tending. The bankers are fighting the Securities Act. Mr. Lippman suggested that as the bankers are now adopting a code, then any banker who puts himself under the code authority be relieved from the effects of the Securities Act. In other words, we are going to have two authorities in America making laws for the bankers. One set of laws will be made by the bankers and one set will be

made by Congress. Of course we know which one the banker will select. If this is good for the bankers, why not for the power companies? They will have codes and those who submit to the codes can be exempt from the provisions of the laws regulating them. In fact, the gentlemen are trying to make a beginning at something like that now and are getting aid and comfort from the officials of the NRA.

It is not so long ago that General Johnson, addressing the coal men, said: “Certainly the bill gives the trade association a new status and a new influence as an instrument of self government...to coal men in particular the enactment of this bill takes a special significance since it promises indefinite postponement of administration proposals for regulating the mining industry.”

If this thing goes on, if General Johnson and Mr. Richberg are permitted to have their way in this sort of thing, what will be the end? It will end with all trade associations making their own laws to govern and control their own industries, while the laws made by Congress are made to apply only to those who stay outside the trade associations. When this time comes, I ask you who will be ruling this nation and what will be the use of the political government at all? This is what happened in Italy. Only in the last two months the Italian parliament passed a decree pronouncing its own death. Henceforth, the corporatives – which are the equivalent of our code authorities, save that in Italy the workers have a good deal more to say in them than here – will legislate formally for the economic affairs of the people.

GENERAL DISCUSSION PERIOD

Chairman F. W. Nichols: And now we come to the most interesting part of our program. Mr. Ely is a past-master of conducting these discussions, and I shall turn the meeting over to him.

MR. ELY: It is now only about a quarter past ten. The Economic Club is not a “Yes, Yes” organization. We stand for criticism if it is honest criticism, and straightforward criticism. We stand for hearing both sides of the question, and if there aren’t different sides, it isn’t a question.

And now for questions from the floor – but they have got to be briefly stated, and there must be a point to them, and the point gotten to directly. At the close of the discussion, each speaker will be invited to speak again for ten minutes, if he cares to.

QUESTION ONE: Mr. Richberg, why did the NRA fail to go to the mat with Henry Ford?

MR. RICHBERG: That isn’t hard – because all that is required is compliance with the terms of the code. It doesn’t say a man must sign on the dotted line. So far as has been reported, he has been following the codes – when he doesn’t, he will be handled the same as anyone else.

QUESTION TWO: What reason have we to believe that people who are politically chosen will be wiser or more successful?

MR. RICHBERG: We haven't proposed any politically planned economy – there hasn't been a plan brought to Washington yet, to impose on a single industry.

MR. ELY: Mr. Flynn, you answer the same question – What reason is there to suppose a controlled economy would be better?

MR. FLYNN: What has anybody got to say about it – about the way it was planned? Could they have made a worse mess of it? I think the whole thing should be on a more extensive scale – representatives of employers – representatives of workers – all should collaborate and, it should be planning! There was no planning in the NRA. They advocated the bill and in a few minutes the whole country was going round in a whirlpool.

MR. ELY: How about Senator Borah's charge that the businessman mishandled the smaller businessman?

MR. RICHBERG: As a matter of fact, one of the codes approved in Washington was brought foremost in the rubber tire industry. The small men were trying to survive the destructive competition of three or four dominant factors in the market. That is going along all throughout the country. Of course they died at an 80 percent mortality rate, because it isn't possible that the NRA codes, or any other miracle will save a small and utterly uneconomic business, but on the other hand, the codes are giving a chance to the small enterprises.

MR. ELY: Any more questions? A very prominent representative said today to me in the Midwest there is an overwhelming feeling against the NRA but that they'd re-elect Roosevelt tomorrow. I wonder if that is true – do you know the Middle West, Mr. Flynn?

MR. FLYNN: No, I do not.

MR. RICHBERG: That is partly true and partly not true. In certain parts of the country there is serious opposition where the agricultural program hasn't raised prices yet, and those districts are disaffected with the NRA. But, in the South and the Southeast there has been an effect – there isn't any question about the difference in those two sections, whereas the agricultural program has not yet been able to improve in certain states of the Middle West.

QUESTION FROM FLOOR: Why has Mr. Jessie Jones forced the bankers to make loans?

MR. ELY: The question is: "Why has Mr. Jessie Jones said as to the bankers, –they have got to make loans, and if they don't, they have got to be made to do so?"

MR. HARRIMAN: I will say this. When some of us were working on the Blue Eagle Drive in New York, we made a study of the complaints that small business couldn't get bank credit. The Clearing House appointed some of their men to sit in the Pennsylvania Hotel to examine these cases. I will forget the exact figures but in review, they were able to get accommodation in the

Morris Plan Bank and were able to get credit for certain individuals who had never had introductions in the banks. Many were trifling, and part of that group that goes through the process as Mr. Richberg says, try, but go bust and failed. Such as, for instance, the corner grocery store – a twenty percent mortality a year and have only a five-year average. In other words, they were busted before the NRA.

There is, however, and may be still, a condition by which the bank examiners have been more critical of bank loans than ever before, and bankers, for their own protection, have been forced to restrict credits.

Whether the bank examiners are correct, or whether the country bank method of making loans on credit without proper security is wise or not, is a question too deep to answer.

MR. ELY: Mr. Richberg, how long is the NRA going to continue in business?

MR. RICHBERG: I don't want to participate here as a prophet. It is hard enough to try to carry on, let alone to try and see how long the show will work.

MR. ELY: It is still half an hour before the regular time of adjourning. It has been suggested that Mr. Flynn be permitted to speak again until he himself feels that he has expressed his case – and remember, Mr. Flynn to answer the question about 'alternatives.' Then Mr. Richberg, if you

would say just a few final words so that you, yourself, may go back to Washington and feel you have done the thing here, for what you believe in and that you wanted to do.

While they are resting up we'd like three minutes from a man who sits down there, and who performed a miracle. Mr. Will Durant. Dr. Durant wrote a book on Philosophy. His publishers thought, in a wild moment of optimism, they might sell twenty or thirty thousand copies – but, three-hundred thousand copies of a book on Philosophy, selling for five dollars, have been sold. He – wrote it! Dr. Will Durant.

Guest of Honor

Dr. Will Durant

I should like to remind Mr. Ely that a “bestseller” may be a worthless book. I have no right, a mere student of Philosophy, to take even a brief part in this able and brilliant discussion which has raised economics from a dismal science to the technique of National Recovery and Health, yet, as I listen to it, it seems there is some philosophical connotation to it. I am reminded of the old Hegel philosophy, and which, one of his followers lamentably misunderstood, namely, Karl Marx, and the famous formula of the Hegelarian Dialectic. Hegel said that all conditions pass through three stages: first a thesis, then an antithesis in which those conditions contradict, then join in open combat. So, in the nineteenth century, “Capitalism, in the twentieth, “Socialism” and Communism, engaged for the future of the world. Ogden Mills no doubt believes capital will

destroy the other. Hegel says that neither destroys the other, but the two conflicting theories are merged in a higher state. If the President and his advisors can engineer the elevation of America into that Hegelian synthesis of individualism and socialism they will have served our great Republic well!

MR. ELY: And now, I know we should all enjoy hearing a word from England. Lieutenant Colonel Stewart Roddie, of the British Army. For seven years he had an awful job as a member of the commission to disarm Germany, and he has been there a good deal since. How about the matter of Germany, Great Britain, the United States, the rest of the world, the present and all the future?

Guest of Honor

Lieutenant Colonel Stewart Roddie

Mr. President, ladies and gentlemen, the task of making a speech extemporaneously after the brilliant speeches we have had is a serious one and I can liken it to a “baby” – easy to conceive, and hard to deliver.

When I was told at the moment of the serving of the duck that I had to speak tonight, I received a shock from which I have not yet recovered and (turning to Mr. Richberg) ‘is it an obstacle to recovery?’ To have to speak at a moment’s notice on the same platform with the greatest brains

in New York, which means in the world, we several have had a chance to study the subject, and to have drunk two of the strongest cocktails since prohibition.

I want, just before my three minutes are up to say that the NRA is one of the things I have always wanted to know about, and when I go back to England I shall be able to go back with a great deal of knowledge, if not of understanding. Don't misunderstand me, because I believe every single word all these gentlemen have said today. I remember an old Scotch farmer who lived next to me. We were a church-going community, and one Sunday, the minister left the church and we all stood outside the "kirk-yard" and the minister in passing said to the farmer, "Did you enjoy the sermon today, Mon?" "Indeed I did sir," was the ready response. "And did you understand it all?" asked the pastor. "Oh, sir, I wud nae hae presumed to understand."

I am just finding myself in much the same position as I was in yesterday when I was sitting in one of the rooms of the National Broadcasting Company waiting to go on the air with Lowell Thomas, and a harried broadcaster rushed in and said, "Does anyone around here know where the Lion and the Lamb lay down together?" I didn't know, but if it had been tomorrow they had asked that question....!

Do you know, I saw something beautiful tonight. Did you notice that when Mr. Flynn wanted a drink of water it was Mr. Harriman who passed it to him – and without putting anything in it?

I am not going to say anymore, and besides Mr. Ely is coming around to the back of me – I only want to tell you it is the greatest privilege to have had the very great honor of being on this platform and being allowed to say one word. I do thank you most heartily and sincerely for the pleasant and happy memories I shall carry back to my own country with me.

MR. ELY: Now Mr. Flynn, perhaps you are ready to speak, and come over here if you don't mind.

MR. FLYNN: I shall speak very briefly. I am perfectly aware that the task which confronted the President when he came into power was pretty well beyond the reach of human intelligence. Economically, the country had completely collapsed. Industry had practically ceased to function, and we were in a state of amassing panic. What had to be done had to be done quickly, and I shall be the last to criticize on the whole the measures which the President took, and the courage with which he faced the task – to say nothing of the influence of his personality over the country in the moment of its greatest distress. I agree with much that has been done – even in those cases where I don't agree I have sympathy and tolerance.

As to the farm measures, I wouldn't have a remedy for those things. It is insoluble – it is mixed up with human values which no one can reach, and where we have a fixed Constitution and 48 other Constitutions, and practically entirely different economic systems in different regions of the country. We had the banking bill passed, but it does not go far enough, along a good road.

And we have a Securities Act which I think excellent performance and ought not to be touched.

And I have reason to believe we will have regulation of the New York Stock Exchange. I am sure it will not be liked in Wall Street! I have also reason to believe that of the able men down there, some of them will not be so much opposed.

The President in the CWA did the only thing that could have been done – rescue men from hunger and want, without reducing them to charity and the dole.

However, it seems to me that if there had not been the dreadful hurry and haste of the NRA many of these other measures might have gone along and we might have planned more deliberately and extensively – and might have considered all the factors in our economic life – I think we were prevented from doing that.

I am not thinking the NRA is an obstacle to recovery as it seems some businessmen think – but an obstacle to a recovery to a better economic system because it is forgotten now, but at the time the NRA was launched the country was going to produce not only recovery but reform, and you have only to be reminded that while a great number of movements were set in motion by the President, the RFC and CCC and various others, the only one which used the word “Recovery” was the NRA. It called itself the National Industrial Recovery Administration, and the people were sold of the idea there was going to be recovery, and this prevented us from a consideration of our whole economic system more deliberately.

No better man could have been chosen than General Johnson, but before the whole thing started there should have been planning – considering the whole subject of debt which brought us to the depression itself – it is on credit we rise into prosperity, I mean “long time” credit, which supplements the money income of business which is done on a cash basis, and produces prosperity.

You have only to take the case of our credits. We have spent hundreds of millions from 1921 to 1930, yes, ten billion dollars, and what for? It was all borrowed and paid out of wages to men who built the parks, the public improvements, etc., and got into channels of trade for big radios, automobiles, vacuum cleaners, etc. Now it stopped when the cities had exhausted their credit – when they could borrow no more and the long-term borrowing by business stopped, and they could no longer use what they had. And so we were loaded down under an enormous mountain of debt.

That was a problem that ought to have been considered. It was not considered because what they did instead was to organize the RFC and Farm Labor Board – not for the purpose of dealing intelligently with this situation but continuing these debts – the government taking it all over and getting involved. It certainly has loaded itself with an enormous load of debt. I think that whole subject should have been considered, and drastic measures taken to do away with large parcels of debt.

But you couldn't do away with any one of these by a combination of all these things; you couldn't do it by telling people "prosperity was just around the corner;" nor by telling the people the NRA was going to produce prosperity by September. We must make an attempt to plan Capitalism – we ought to try to do it. I think that planning should be carried on like all intelligent planning – calmly, deliberately, – calling on the energies and resources of experts in all fields, and dealing with all the phases of the problem – and then, slowly and deliberately carrying them out.

When you come to carrying them out you have, no doubt to call on the Propagandist Department – but first, get the plan ready!

What should it be? It seems to me that it should include the subject of profits, which has been completely left out of the whole picture. I am not against the Profit System – I believe there is a flaw in it – but I don't pretend to know what it is, or what the cure of it is, or what better system we can go to that hasn't innumerable flaws – but I am sure of this: We have got to deal with profits and limit profits and prevent profits from mounting to ridiculous excesses which we had during 1928, 1929, etc. I see nothing anywhere in our whole plan which touches this phase of the problem and there never will be anything so long as the plans are carried out by organizations of employers alone. They think in terms of their own interests – writers do the same thing – when you find them together they are talking about copyrights, etc., and how you can better prices for work, and so on – in terms of their own interests. And while they talk in terms of their own

interests, they talk intelligently more or less, but it is still “for their own interests” and not the interest of the country as a whole. It is not planning a National Economy! It is permitting the same men with practically the same points of view to do the planning. I would have had the planning done by an entirely different group and have had the execution of it carried on by still a different group, and an attempt made to plan. And it is on the lack of planning I would criticize the NRA. I submit it to you as a very broad simple outline of what might have been a better plan.

MR. ELY: Now if we may have a brief blessing from Mr. Richberg.

There is one thing every man of us should remember – no matter what his alleged opinion is.

And that is this: --

That Mr. Harriman, Mr. Richberg, and their like, go to Washington (he'll be there tomorrow, in earnest, dead earnest) these men go to Washington – there is nothing in it for you – and nothing in it for you – and no matter what you think, I tell you we are indebted to the splendid example of patriotic service of men who may talk tonight but lived it yesterday, are doing it tomorrow, and as long as their country needs them, and as they see it! Now Mr. Richberg...

NEXT PAGE IS MISSING

MR. RICHBERG: ...in Washington. I was only claiming there was a representation of all the various groups in Washington. It is just as well to call attention to the fact that side by side with

captains of industry there are some gentlemen serving on the Labor Board...known to most businessmen as radical...John H. Lewis, William Green, the Labor Board made up of such men are scarcely to be described as Bourbons. That is exactly the picture of the NRA. And the same functions are observed by the Consumers' Board, as by the Labor Board, etc., and none has more control than the other.

Now it isn't necessary to review the fundamentals of this discussion again, but I point out Mr. Flynn's plan as an admirable one – something carefully worked out – with a great deal of time and care – and I am sure you will all realize exactly what a perfect time it was for careful and slow planning back in 1932! It would have been quite simple to plan, according to Mr. Flynn. And he didn't like the idea of the brain-trust – but it would have been a delightful idea to have gotten such a board as he suggests together and, I suppose, in exactly the same way – slowly and deliberately – as the Germans were moving down – to have organized a planning commission and worked out a planning council, instead of which they had a Battle of the Marne, which did save Paris. Well, we had a Battle of the Marne – and we didn't settle all the policies for the next ten years – but we did save the situation at the time, and I think that is about all that could have been done.

I'd like to give you a theme song, and so, I'm going to tell you a little story of something that happened to me at the early entrance of our country into the World War. We were going around making speeches and stirring up patriotic support – Liberty Loans, and so forth – and one

Sunday I went outside of Chicago into the suburbs to a small Swedish church, where the minister was to give over, to permit me to talk in place of the customary sermon. The audience was very attentive and I got myself into a state of emotional exaltation in which I thought I was eloquent – and sat down at the end, in a hushed silence feeling I had done a good job – and the Pastor returned to the pulpit and said, “Now, we will close the exercise by singing our favorite, – “Revive Us Again!”

END OF MEETING