

The Economic Club of New York

116th Meeting

Colonel Frank Knox
SPEECH NOT IN TRANSCRIPT

Ralph Robey
Author, Economist, and Teacher

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Introduction

President James P. Warburg

Ladies and Gentlemen: Tonight we are departing from two old, established precedents of this Club.

First, we are practically breaking the heart of our beloved Executive Director, Dr. Ely, by not sitting down to dinner promptly at seven o'clock and hurtling through our dinners to the irreparable damage of our digestions in order that the speaking may start promptly at eight-thirty.

We are doing this because--again upsetting a precedent--our proceedings this evening will go on the air over a national network, and this could best be arranged from ten to eleven.

Second, and more important, we are going to have as our speaker this evening one of the leading candidates for the Republican nomination for the Presidency.

Ordinarily this Club is not interested in party politics--our interest centers more in principles and policies of government than in individual men or parties. But I think you will agree that we are now in a time when economic principles and policies of government have become very largely a matter that must be settled in the political arena.

I think you will agree that if there is to be a change in such vital matters as government fiscal policy, or monetary policy, or centralized bureaucratic control of the various phases of our economic life, such change will have to come about primarily through the ballot box.

Some of you may not desire any change. Many of you, I know, do desire it. But, whether you desire change or not, I think you will all agree that the decision is one which will have to be made at the polls this November.

Furthermore, I think you will agree that, whether we like Mr. Roosevelt's New Deal or not, we know now fairly well what it is. We know now fairly well what to expect if Mr. Roosevelt is re-elected.

What we know less well, and would like to know, is what the alternative will be which is to be present to us. In a general way we know the stand that will be taken by the Republican Party, and by those Democrats who do not subscribe to Mr. Roosevelt's redefinition of Democratic principles. But we should like to know more.

We should like to be able to start forming our own opinions of what the various men stand for, who now loom upon the horizon as possible standard bearers of the opposition.

In recent months our interest has been centered more and more upon three figures, Colonel Knox, Governor Landon, and Senator Borah.

Senator Borah we know reasonably well because of his long public record. We know his sturdy belief in the American Tradition and the American form of government. We know, also, his very definite views on foreign policy, and his rather quaint notions in regard to money, and particularly in regard to silver. (Laughter)

Of Governor Landon and Colonel Knox most of us as yet know very little. Most of us feel, I think, that both are fine men and that we should like to know more about them.

It is our privilege to gratify that desire with respect to one of them tonight. I shall not bore you with biographical details, although, as a matter of fact, were I to tell you the story of Frank Knox's life, you would find plenty of interest and excitement in it.

It is the story of an American boy who learned early how to work and sane and, if necessary, how to use his fists; the story of a Spanish War Rough Rider; of a Major of Artillery in the World War; of a great newspaper publisher and a successful businessman; of an employer who in thirty years has never had a strike or a serious difference with his workers; but, most of all, it is the story of a simple American, who lives in a home in which there are pipes, and books and golf clubs, and fishing tackle, a home presided over by a charming lady who first knew Frank Knox when they were at school together, and who married him when he was earning \$15.00 a week.

You can read this story, very simply told, in a little book by Norman Beasley which appeared only a week or so ago. Its title is “Frank Knox, American.” And that is how I should like to introduce him to you: “Frank Knox, American.” (Applause)

COLONEL FRANK KNOX: Mr. Chairman and Fellow American: Before I plunge into the deadly seriousness of this discussion of mine, may I be permitted to give you a smile that I brought back with me from the South West.

It is the story of a friend of mine who was travelling by automobile from the South, passing through one of the strongly Democratic states. He felt the need of a drink of water and so, stopped in front of a farmhouse, and went in to get a drink. He found that the well was in the back yard and he walked back there and found an old man standing among a flock of young men.

My friend asked the old man if he could have a drink of water. The old man said “yes” and got him a dipper. After he had slaked his thirst, he started a conversation with the old man and said,

“Who are all these young men?”

“They are my sons,” said the old man.

“What, all of them?” asked my friend?

“Yep, all of them.”

“Well how many of them are there?” asked my friend.

“Seventeen of them,” answered the old man.

“That is fine,” said my friend. “Seventeen young men, all your sons and they are all Democrats, I suppose?”

“Yep, they are all Democrats,” replied the old man. “They are all Democrats except Bill, over there, and he tuk up reading.” (Laughter and Applause)

I spoke, a short time ago, in Philadelphia. You know, Philadelphia specializes in patriotism, and they know very well, indeed, that famous quotation of Patrick Henry. But the do say there that the New Dealers have somewhat improved upon it. You know, Patrick Henry said, “Give me liberty or give me death.” But they say, in Philadelphia, that the New Dealers say just, “Gimme.” (Laughter)

Colonel Knox delivered his address as follows:....

NOTE: SPEECH NOT IN TRANSCRIPT

PRESIDENT WARBURG: Ladies and Gentlemen: of the Radio audience: After Colonel Knox has finished his address, I shall have the pleasure of introducing to you the members of our discussion panel, who will comment upon Colonel Knox’s address or question him in regard to certain points of his program.

It is in order that you may have the pleasure of listening to this discussion that Colonel Knox has begun his speech before it was time for us to go on the air.

I trust that you will pick up the thread of his very interesting discussion without difficulty.

Thank you for letting me interrupt you, Colonel.

...Colonel Knox continued with the reading of his address....

...the audience arose and applauded Colonel Knox at the conclusion of his address...

PRESIDENT WABURG: Unless I am very much mistaken, Ladies and Gentlemen, you have just listened to an historic document.

I say this not merely because of the refreshing clarity and candor with which Colonel Knox has given us his point of view upon most of the major questions that concern us so deeply today, but because of the courage he has shown in facing squarely an issue that most political leaders avoid altogether, or else touch upon only in terms of meaningless generalities.

I refer, of course, to the Colonel's stand upon the question of tariff policy.

Candor, clarity, and courage, these three ingredients come pretty close to filling the prescription that the doctor has ordered.

And now let us see what interesting questions the gentlemen on our discussion panel would like to ask the Colonel.

I am going to call, first, upon Mr. E. Roland Harriman, the Chairman of the Managing Committee of the National Economy League, an organization which, as you know, has led the fight for balancing the budget.

Mr. Harriman, have you a question you would like to make upon what he has said?

MR. E. ROLAND HARRIMAN: Mr. President--and in this case I refer to President Warburg of the Economic Club: (Laughter)

On November 17th, 1934, the National Economy League, in its petition to the President and Congress for a balanced budget, presented a specific plan showing how it could be done, and said:

“Until definite steps are taken, both through reduction of expenditures and new taxation, to make a balanced budget a reality, uncertainty and fear on the part of tens of millions of citizens will inevitable continue because of justified apprehension as to the safety and future value of their savings, wages and salaries.”

This contention is as governing in 1936 as it was in 1934. In fact, the National Economy League is convinced that a balanced budget is the keystone to the arch of constitutional government; that

without it all the other function of government will eventually and inevitably fall; that with it in place, the arch can support the structure of all legitimate governmental activities.

As a non-political body, composed of some 300,000 Democrats and Republicans, intensely partisan on this issue, the League has been preaching this doctrine for four years through the press and periodicals, over the air and direct to taxpayers. Editors, Chambers of Commerce and similar organizations, individuals in public life and in the public eye, have taken up the refrain, until today, I venture it is the paramount issue in the presidential campaign.

Colonel Knox, you have recognized it as such by your frequent reference to the state of the budget in your speech tonight.

We would welcome an expansion of your views on the questions of federal expenditure, taxation and the budget.

COLONEL KNOX: Mr. Harriman, I welcome that question, because it gives me an opportunity to state very clearly and succinctly where I stand upon the whole group of financial questions upon which your organization has taken such a sturdy stand.

1. I believe in applying the same simple principles of thrift and honesty to public finance that any decent citizen applies to his or her own private financial affairs.

2. I believe that the Federal Government should not spend one cent more in any given year than it can raise by bearable taxation. The only exception I would make is in the event of the necessity for repelling armed invasion or aggression.

3. I believe that public expenditure should not be carried to the limit of bearable taxation because I believe that the necessity for relief will disappear more quickly if business is allowed to recover and take up the slack of unemployment, instead of being made to stagger along under an increasing burden of taxation and bureaucratic interference.

4. I believe that relief should be extended where it is really needed, but that relief is primarily the concern of local and state authorities; that the Federal Government should help where the states and local authorities are unable to carry the burden; but that the Federal Government should so far as possible keep out of the administration of relief, and certainly should keep out of the relief administration any element of partisan politics.

I consider that what is being done today in the way of political manipulation of relief funds is a disgrace to the nation.

5. And finally: I am unalterable opposed to raids upon the Federal Treasure by any organized minorities or pressure groups. And I do not care who they are or what their voting strength may be.

I trust that answers your questions, Mr. Harriman. (Applause)

PRESIDENT WARBURG: That was an interesting question and an interesting answer, an answer which certainly leaves no doubt as to where our guest stands.

I shall now call upon Mr. Ralph Robey, Author, Economist, and Teacher, who, though not a party man has been one of the most persistent and penetrating critics of the New Deal.

Many of you have doubtless read his writings, particularly his brilliant book "Roosevelt Versus Recovery."

Personally, I know of no one who has a more lucid conception of the basic problems of today than Mr. Robey, no one who is quicker to detect an economic fallacy or more merciless in pricking an oratorical bubble.

In exposing Colonel Knox to Mr. Robey's fire, we are, therefore, subjecting him to a real test, and that is what the Colonel wants and welcomes. Ladies, and Gentlemen, Mr. Robey.

(Applause)

MR. RALPH ROBESY: Mr. Chairman, Colonel Knox, Ladies and Gentlemen: I should like to congratulate Colonel Knox for his having limited his discussion to general principles. There has been, it seems to me, too little discussion of such principles in recent months by the potential leaders of the opposition. Such leaders have been inclined to talk in terms of the specific plans

they would follow if they were given the opportunity. To approach our current problems in this way, I am convinced, is bad economics, bad fighting strategy, and bad politics.

At the same time, it is not difficult to understand why those interested in heading the opposition have addressed themselves to such specific plans. For three years the propaganda machine in Washington has been preaching the doctrine “you cannot defeat something with nothing,” meaning by nothing, anything short of a blueprint of what is to be done. That this doctrine is false is adequately proved by the mere fact that we now have a propaganda machine in Washington serving as our Government, for certainly if there ever was “Something defeated with nothing,” something defeated without presenting alternatives blueprints, something defeated by the presentation of nothing more definite than sound general principles, it was the defeat of Hoover with the Democratic platform of 1932.

But in spite of this recent evidence that the best campaign weapons are vigorous criticism and sound principles, the Washington propaganda for blueprints has been effective. It has convinced large masses of the public that only New Dealers know what to do. And even more important, it has convinced many of the potential leaders of the opposition that they must talk in terms of specific, detailed plans instead of in terms of general principles.

From the point of view of the New Dealers this is an ideal situation. In the first place, it enables them to remain on the offensive, instead of having to defend what they have done. It enables

them to limit themselves to filling the air with attacks on the proposed plans, and remember, it is not necessary to have a cooing baritone in order to make an attack effective.

Another reason the New Dealers want to limit themselves to blueprints is that if you reduce the activities of this administration to general principles the resulting picture is not attractive. Consider, for example, the experience of the newspapers under the NRA. Think of the difference it makes whether the newspaper code is discussed in terms of protecting the employee or in terms of the principle of limiting free speech. In the one case, the American public would support the plan; in the other case, it would rise almost to a man in opposition. And so it is throughout practically the whole of the New Deal. Go down the list of its activities, and you will find that almost without exception they lead away from, and are directly contrary to, the principles upon which our form of government rests.

The New Dealers, needless to say, are fully aware of this conflict between their activities and American traditions. Occasionally, they even admit the conflict publicly, as for example, in the recommendation that Congress should not hesitate to pass a bill because of doubts, "however reasonable," as to its constitutionality. But, in general, they are more circumspect in their discussion. They talk of only the so-called benefits of the immediate plans, not of what the plans must lead to.

What this means, in a word, is that the New Dealers refuse to present what may be termed their philosophy of government. They say, of course, that they are seeking the greatest good for the

greatest number, but that is not a philosophy of government. That is the aim of every economic and political system in the world. What we want to know, and what the American public must know, if it is to vote intelligently next November, are the principles that are to be followed in the attempt to attain this greatest good. Those principles the New Dealers, so far, have failed to submit to public debate.

Colonel Knox, by contrast, tonight has submitted at least some of the principles of the philosophy upon which he believes the greatest good for the greatest number may be obtained. In general, I agree with these principles, but that is not of immediate concern. The important point at the moment is to be certain that we understand his principles and their implications. The question which I want to address to Colonel Knox, accordingly, is phrased not with the view of expressing either agreement or disagreement with his opinions, but with the view of making sure that we understand what he has in mind.

My question, Colonel Knox, refers to your statement about the function of government. Your blanket statement on this was “that government under our American system must remain the servant of the people and not their master.”

That statement, Sir, seems to me to be clear and all inclusive. But you then went ahead to say, “under our complicated present day conditions it no longer is possible to have purely “a government of laws and not of men.”

Such a reservation confuses me, for I am not sure that I understand what you mean when you say modern conditions make it impossible to have “purely a government of laws and not of men.” I could understand you if you said it are not desirable to have such a government. But you do not say that. You say that it is impossible.

I stress this point, the difference between the possibility and the undesirability of having “a government of laws and not of men” because, if I read history and theory correctly, this is the fundamental distinction between a system of political democracy with economic freedom, on the one hand, and a system of political tyranny with economic slavery, on the other hand. It is the difference between a system in which the government has the responsibility of protecting the social and economic welfare of the public, and a system in which the government has the responsibility of creating the social and economic welfare of the public. It is the difference between having the government tell us what we shall not do and having it tell us what we shall do.

From your discussion, Colonel Knox, it would be possible to conclude, I believe, that you think as a general rule the government should limit itself on economic matters to telling us what we shall not do, but that under some conditions it should tell us what we shall do. I scarcely can believe, however, that this is an accurate interpretation. It would be much like maintaining that a man must be honest, but that it is all right for him to steal occasionally.

I should like to ask you, Colonel Knox, therefore, if you will explain your position on this a little more fully. In other words, I should like to ask you, Sir, to indicate specifically and in unmistakable terms just what you mean by the reservation to your statement that our Government should be our servant, not our master.

COLONEL KNOX: Mr. Robey, your question is a very interesting one. In fact, in my judgment, it goes to the root of the whole question of what sort of Federal Government we want. I think I have defined pretty clearly what I think are the proper functions of government. I have no quarrel with your distinction between having the Government tell us what we must not do and having it tell us what we must do. Put in that way, I can say unequivocally that I believe in the former and agree with you that when the Government starts to tell us what we must do in economic matters, it ceases to be our servant and become our master.

When I said that under present day conditions it does not seem possible to me to have purely a government of laws and not of men, what I meant was this: I think it will be admitted that our foreign relations have a great influence upon and are closely interwoven with our economic life, and yet in matters of foreign relations I think it is necessary under present day circumstances that our government be endowed with a certain amount of discretion.

I do not believe, for example, that one can successfully attempt to legislate foreign policy. The recent fiasco of neutrality legislation seems to me to support that contention.

Let me give you another example:

Under the Federal Reserve Act of 1914 the Federal Reserve Board was given certain limited discretionary authority in matters affecting money rates and rediscounts of commercial paper. I believe that a certain amount of discretionary authority must be vested in the governing body of any rediscount and note-issuing system in order that it may function properly.

But, and this is important, I believe that such discretionary authority should be carefully circumscribed by law, and should, above all, be vested in non-partisan and carefully selected bodies such as the Federal Reserve Board was intended to be.

In other words, Mr. Robey, I believe that the most desirable form of government is one which is purely a government of laws and not of men. If the United States were the only nation in the world, I think it might be possible as a practical matter to have such a government, but in a world where events in one nation or group of nations can vitally and immediately affect conditions here, be it through the money markets and foreign exchanges or through the outbreak of war or other disturbances, I think that a certain element of discretion cannot be prevented from creeping in.

Our problem, as I see it, is to hold this discretion to a minimum and to keep it separated from party politics.

PRESIDENT WARBURG: Once again, an interesting question and an interesting answer.

Mr. Robey's question, it seems to me, fully justified what I said about him, for it penetrated shrewdly to the most difficult element in defining the proper functions of Government.

The Colonel's answer seems to me a worthy answer. It shows that he is an honest realist who does not confuse Utopia with what is practically attainable, but whose practical purposes are steadfastly shaped towards an ideal concept.

It is a matter of profound regret to me, as I know it will be to you, that Mr. Lewis Douglas, the former Director of the Budget, is unable to keep his engagement with us tonight due to a sudden death in his wife's family.

I had hoped that Mr. Douglas would comment upon the position which Colonel Knox has taken in regard to the importance of reviving world trade and of freeing it from the shackles which now encumber it.

Since this is the principle for which the Democratic Party has traditionally stood, in words at least if not in action, and for which Mr. Douglas and Walter Lippmann and countless other true Democrats still stand today, it would have been interesting to hear his comment.

Bear in mind that, in spite of this avowed principle, the New Deal, in devaluing our currency by 41%, has increased our import barriers by two-thirds against all nations which have not likewise devalued their currencies.

Fortunately, Mr. Robey is one whose views upon this subject are probably very similar to those of Mr. Douglas, and if it is not trespassing too much upon your good nature, Mr. Robey, I should like to ask whether you would be good enough to give us the benefit of knowing your reaction to what Colonel Knox has said upon this subject.

MR. ROBEY: Mr. Chairman: This audience well knows that I am incapable of being a satisfactory pinch-hitter for Mr. Lewis Douglas. Aside from that, and the fact that I am in no position to speak for Democrats as a whole, I am glad to give you the reaction for which you ask. I can do it in three sentences.

First, I endorse completely Colonel Knox's stand on the importance of the United States cooperating with other nations with a view of bringing about a revival of world trade.

Secondly, I think that should Colonel Knox succeed in leading his party in this direction, it would go far toward getting the support of those Democrats who still believe what the Democratic Party said it believed in 1932. Finally, I think that should Colonel Knox's Party fail to go with him on this, we will have a Republican Platform that is either a document of unfulfillable promises, or else a document that is so hollow that I, for one, will be unable to give it allegiance.

PRESIDENT WARBURG: Thank you, Mr. Robey.

I have no doubt that you have expressed the feelings of many forward looking Republicans and of many Democrats who still believe in the traditional principles of their party.

There have been some other questions passed up from the floor, some of them very interesting questions, but the hour is getting late and I think we have imposed long enough upon Colonel Knox's good nature.

What is more, I see someone in the box straight in front of me, someone who feels very proud tonight of her husband, but who is thinking of tomorrow and of the many arduous tomorrows that lie ahead of him.

If I were not sure that Mrs. Knox would hate it, I would ask her to take a bow, but I know she would hate it, and so, before I call on Colonel Knox for a final word, I shall merely thank her for being with us tonight, and thank Colonel Knox and Mr. Harriman and Mr. Robey on your behalf for making this the most interesting dinner we have had this year.

COLONEL KNOX: I cannot say much in the few moments that remain, and yet, in a way, I can say everything.

I believe in thrift, honesty, and the American principles of life and government. I believe in progress into the future by the careful study of the mistakes of the past.

To quote the immortal Abraham Lincoln:

“If on that platform you can give me your suffrages, I shall be much obliged. If not, no harm done, and I remain, respectfully yours,” - Frank Knox!

...The meeting adjourned at eleven-twenty o'clock...