

The Economic Club of New York

The Honorable David Cushman Coyle
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And

The Honorable George E. Sokolsky
Journalist

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Chairman Robert Erskine Ely: Forty-three years ago, out in the Middle West, which seems so very far away to some New Yorkers who bound the United States on the West by the Hudson River, a thoroughly typical American became the owner of a local newspaper.

Well, in that town of only about thirteen thousand population, in distant Kansas, in that town of Emporia, Mr. William Allen White became the Editor-Owner and most everything else of the Emporia Gazette.

And now he is still the Editor-Owner, he still edits and owns the Emporia Gazette, but notwithstanding that fact, or perhaps I should say because of it, or other things, too, last February all over the United States we celebrated the 70th birthday of the Sage of Emporia. And Mr. White, as most of us know, or are beginning to know, belittled the familiar statement that it is utterly impossible for a man to be a good newspaper man and a successful author.

And not only that – he has a son who is both, for if I may venture to do you the kindness of telling you what everybody is rapidly finding out, Mr. William Allen White, Jr. – I mean young Bill, as distinct from older Bill – has written his first book on what they say, and I understand it is rapidly becoming a very best seller.

Now Mr. White, be undeceived, Sir – we are not going to, first of all, pay you tribute, but somebody else, and that is a lady who sits in yonder balcony - I hope she will forgive me, I am

sure she will, if she knows how very good my intentions are – tomorrow Mr. and Mrs. William Allen White celebrate their 45th anniversary of their wedding day. Here's to Mrs. White! (Drinks a toast) No, Mrs. White's speech will be made by her proxy, her husband. Blessings on him – how glad we are to welcome him, and how glad we shall be to hear him talk to us.

The Honorable William Allen White

Mr. Ely, Honored Guests, Members of the Economic Club, and Ladies and Gentlemen: I thank you for coming out to hear me, because after all, I am a back number. There was one time, twenty-six years ago, when I stood here in my forties, when I might have been somebody; but now I am merely the unknown father of a well-known writer, and I am sure that I appreciate the opportunity of talking to you for a little while tonight.

I have wanted to talk about the brakes on democracy, but first I think, perhaps it may be well to define democracy. Very likely, if scholars were asked to define democracy, any ten of them, there would be ten rather widely separated definitions of democracy; possibly, then, to get at the approximate truth about democracy, it would be well to find the least common multiple of them all.

Some men would say: It is a political system, that it is an economic order, that it is a social organization; that it is a moral concept; that it is an ideal of conduct in business, in primary human relations, based upon some set rule or way of life.

Possible it is each of these; more likely it is all of these. Yet it is not conceivable that democracy could function with anything like reality at any time or place without more or less of the attributes inherent in all of these definitions or appellations of democracy.

It seems to me that democracy in the United States is something like this: an evolutionary process under which all phases of the citizen's life expands in an orderly form from the simple to the more complex, in a fairly unwavering line.

The political forms of democracy, it seems to me, merely reflect the economic stage of democracy, the economic stage of our development. I feel more and more certain that our economic life reflects our moral progress. The economic law of supply and demand, indeed all the fundamental workings of industry, finance and commerce, are, of course, changeless. Mere politics cannot affect these economic laws no more than it can affect the stars in their courses. But it is the reactionary who forgets the medium in which these laws work who changes with the times. The thing that they forget is the value of these actions – the law of supply and demand, of food. Take food: it is one thing, for instance, in a primitive, tribal civilization where each man gets what he can by might, and the others starve.

Certainly the law of supply and demand for food works differently with a nation where it resolves that no man shall starve. America, for three hundred years, has been gradually broadening its societal sympathies. Americans have said: "Let no man be uneducated," and so

have taxed themselves with the common schools. They have said: “Let no man lack a highway on his journey through the world,” and have taxed themselves for the noble highways.

Subconsciously, they have decreed, “No man shall walk,” and man has scattered twenty-six million motor cars across this land; nearly half the cars that are rolling on this planet.

Americans have said, “Let us democratize our food,” and Lo, by mass production; by advertising; by an unbelievable and complex system of distribution, the common man, who comprises about 80 percent of our people, eat the same breakfast – consume about the same quick lunch, and the differences in the dinners of the common man are differences of degree rather than kind, in their dietary range. The inventions in distribution of ready-made clothes makes it impossible to detect the economic status of individuals in American crowds.

The law of supply and demand, however, still remains unchanged. The thing that has changed; the thing that makes abundance for the common man in America is that really the common man really cares how his fellows and his neighbors live. The common man is anxious in his heart to maintain their self-respect as well as his own, by bringing them up to a higher level of subsistence. And he cares enough to alter his lot by taxing; by inconveniencing himself in industry, in commerce, to make common cause with everyone for the welfare of his fellow citizens.

No idle words are those in our Constitution which that we are established as a nation to promote

the general welfare. Under the aspiration defined by that clause we have injected into our economic system human sympathy, which means the mass production of high-grade, extra-special, three-star public ethics. And these ethics have changed the medium in which the iron law of economics works.

We have tried, at least to will, unconsciously or consciously, that in our American life no man who is willing to work shall bear the stigma of poverty. Economic security, which is the ideal of American life, is being used as a tempting bait to herd voters into the support of a political machine. But, hold on, don't think that the Democrats, who are now in power, are any worse than the Republicans, who are out, and would be in their place.

This is not a political issue, however. The unbalance of our system is deeper than politics. It is part of a world-wide threat at the heart of the democratic system. The danger ahead of us in the United States is not that the economic fallacy of the new promises will fail. The real menace of democracy here and now is that in the appeal to the higher ethical aspirations of our people we shall throw out of balance the whole system which we have erected.

We are trying to build a new democratic system by which government assumes duties and enforces rules, hard and fast rules of economic behavior. These rules, our laws, will be based upon proclamation rather than founded upon the reasoned ethical aspirations of our people. I feel we are going politically faster than the evolutionary process of the majority of our citizens.

A man, or group of men, with a noble vision and great power can, after all, wreck the world just as easily and completely as a greedy tyrant or a self-seeking triumvirate. For, after all, progress comes inch by inch, little by little, not through the establishment of laws but through the growth of human wisdom which expands with that intelligent self-interest known as human sympathy.

Our expanding sympathies create changed economic conditions which are based first upon convinced altruism; then upon free self-denial, and finally upon permanent majorities in the enlightened culture of our people, and they are the only foundation for political laws and institutions that will ultimately work in a democracy.

The benevolent despot loses his benevolence with his despotic power, and a benevolent ideal must be able to move a majority, an overwhelming majority, before it will work in a democracy. The tyrant establishes his own brand of justice and inevitably forgets the ideals of justice which gave him his power. He forgets those ideals of justice which gave him his power in order to hold his power. He must.

Our American democracy is deep-rooted, yet it is not immune to the black plague of autocracy which is slowly blighting Europe. We have here all the symptoms which they knew in Europe twenty years ago – basically the world trouble, whether in Russia, Italy or Germany, or in the English-speaking democracies, or any part of this modern world, arises out of the conflict of the gross distribution, of the distribution of society in a machine age.

The problem of this century is to maintain for the man with exceptional talent chiefly for organization a reward, and income, and at the same time to guarantee to the common man with common talent a decent standard of living wherein he may thrive in self-respect.

That is the problem of democracy; it is the problem under which democracy failed in Europe. We have come a long way in Christendom toward the solution of this problem. We have put anywhere from seventy to ninety percent of those in America upon that decent self-respecting standard. We have no trouble in guaranteeing the rise of the exceptional man – our only difficulty with him is to see that he returns for his great reward real service to society, and that he doesn't grab more than his share because he is in a place of power and advantage where he is legally but not morally privileged to grab. That is our problem with the exceptional man.

But the problem with the common man, with talents a grade or two below common standard has created unbalance which is threatening the peace of the world. Yet two things in America have given this man power – the common school and the ballot box. He sees his problem through a glass, darkly. He follows demagogues who promise him to solve his problems by panaceas; by some sort of legal ukase; by tearing down the societal structure by all sorts of weird devices that will not work. It is so easy, for it is true, that in the machine age we can produce enough for anyone; but it is not true that this can be done automatically. It is not true that it can be done quickly. Indeed, without the organizing brains of the first order, the job is unworkable.

Until some plan is devised where a workable ideal of justice in our industrial organizations can be found, the problem must remain unsolved. Always the danger is present that in an emergency the crying needs of the hour, the sufferings of unblest, underprivileged, will create emotional stress that will throw the rest of the people into emotional hysteria. They are likely to forget the security of their unfortunate brethren.

Thus came the tyrants to power in Europe, in Moscow, to Rome. And thus the people in America are not immune to unreason. Yet I believe our democratic brakes will hold; they are welded in the American life, and our democracy is three-fold in its phases. There are three separate and distinct institutions which bind us together in a national unit. Each in its way is unique, alone, but all three, business, politics and the ethical sense of the people merge to form the American democracy.

Business is to a considerable extent controlled by politics – whether we like it or not that is the fact, today. Politics is governed by the common sense of the people, known as their morals, public and private; their ideas of decent, neighborly conduct.

Commerce has its three-fold interests – finance, industry and agriculture. Politics is affected by partisan and regional traditions and interests. Our public ethics are founded upon two stalwart institutions – free education and current information, dispersed in free communication.

These two, politics and ethics, give us the basis of our public conduct. But all these, commerce, politics and our morals combine to steady the wheels of progress – they are the brakes of democracy. They are set for us all in a continental nation. These are bound into a people of many bloods and many faiths, governed by men and women in every walk of life – one hundred and thirty million people, set in a nation reaching from the Atlantic to the Pacific where diverse interests may produce many minds must move slowly.

Of course, we have our volatile moments – we inflame quickly in regions – but with more flash than power. But because we are a continental nation, when we move we move ponderously, and to tear us out of our liberties would take more machine guns than there are on our continent. We are used to ancient ways.

Propaganda moves as it should – good and bad propaganda. Often it sweeps one state, one class, one racial, religious or political group, but the rest of us sit by unalarmed. The dictator who would capture New England, would have a hard time in the trans-Mississippi country or who might sweep the West Coast off its feet would have no power east of the Rockies.

One of the strong brakes is our size – the distance from here to California – from Seattle to Florida – with the multitude of regions all over the place. Yet they have one thing in common, these groups and parties and clans and classes – it is an abiding love of liberty and a deep, shivering fear of losing it.

Last year has seen two demonstrations of that fear: it is stronger than any party; it overwhelms the leadership of any man – the fear of losing that freedom would chase a dictator up the alley any night.

We may as well fade it – it is a middle class emotion – the man who has no home, whose children face want, whose job is going or gone, has little anxiety about his civil liberties, because in the last twenty years this jobless man has multiplied by ten thousand, and all over the civilized world civil liberties have disappeared, where the borders of the middle class have been narrowed. We get a hint of the truth in our own country. It was disturbing to note that in the last twenty years when the cry arose that our civil liberties were in danger, no great response echoed from the unemployed; no great fear arose from those who had been facing uncertain jobs.

Yet the voice of the middle class, of those who know where they are to eat and sleep and the wherewithal by which they shall be clad – they spoke the stentorian “No” to the President’s suggestion to strengthen the executive branch to the expense of other branches.

But the upper brackets of our financial society rattled in the breeze of change. I hope it won’t shock you, but that group, the upper brackets – is always easy to defy and easy to defeat by the middle class. Only when the middle class speaks, government jumps through hoops, rolls over friskily and plays dead dog.

We may as well ask why this division of opinion in America. The answer is a bit cynical – they love liberty too deeply, because it is a privileged class, a securer class, a contented class, who, by reason of capacities for industry, thrift and foresight enjoys in our political and social and economic order privileges of its own class, privileges peculiar to the middle class. The fear of losing their liberties is well reasoned – when they lose their liberties, they know they lose their privileges.

Liberty is indeed a privilege. To insure liberty in America we must broaden our so-called economic and social privileges. If we must maintain liberty, we must broaden the base of liberty. As long as the middle class encircles seventy or eighty percent of our people, probably ninety percent, in normal times, it cannot be said we have failed to produce some approximation of social and economic justice.

We can say, although fifteen percent or so of our people are underprivileged and deprived of the rights and privileges of the middle class or upper class, that that is but a small percent of the population which is unhappy, compared with the vast majority of miserable people in other lands or other days.

But while one-tenth of our population is in want, then all is in danger. Let us therefore assume that the anchor of our liberties lies, in the security of our people. Today that security is the bone and sinew of the middle class. It is not fair to say that the very rich, those we might call

plutocrats, have more security than the middle class, as far as the accumulation of riches is unjust for unjust riches are transitory. We may remember the wisdom of Solomon, that the wicked stand in slippery places; but men remain for generations in the middle class.

Only a few remain for generations among the very rich – there change and decay are the common evidence of their short-lived triumph. But this security of the middle class is our salvation – it is founded somewhat upon law – but not much; somewhat upon commercial custom and credit, but not all together – but largely upon ethics – the common ethics of the common people. They are the brakes of democracy.

If we would hold the cart from slipping, as a nation we must widen the base of privilege, which doesn't mean we should rush out and pass a law. That won't do it. That won't do much good. Probably laws will be effective only as they reflect the common purpose – laws generally follow and enforce, legally, the justice and equitable practices which have been established out of law.

But when the American people really care to widen the base, to widen the avenues of privilege; when they are ashamed to see out of their middle class walls people who are underfed, ill-clad, and under-housed – then the great majority of the American people will find a way to admit their less acquisitive brethren to the ranges of the privileged. For, after all, in our country, the acquisitive faculty should not be the only one that has survival qualities. Diligence, thrift, punctuality, frugality are all fine, but many a man has other qualities without these which makes

him lovable and worthy to live.

If the brakes of democracy hold as we go through this world of collapse and cataclysm, it will be because we have broadened the base, widened the wheels of our chariot.

In short, and in conclusion, we will be just as safe as we are wise and kind, for, after all, quite apart from its pious association, the old wisdom holds: Righteousness exalteth a nation and sin is a reproach to any people. (Audience arose and applauded)

Chairman Robert Erskine Ely: In the April number of one of our leading magazines, the opening article is one which has excited a great deal of comment, both kinds of comment; that article is on the subject: "But is there a Federal Deficit?" – and the author of the article is Mr. David Cushman Doyle, Consultant to the National Resources Committee at Washington.

Mr. Coyle and Mr. Sokolsky will discuss, from different points of view, as we shall immediately discover, the subject, "Can it Happen to Us?" What is "It"? Perhaps the speakers will tell us. Mr. Coyle, we shall be very happy to hear from you, Sir. (Applause)

The Honorable David Cushman Coyle

Mr. Ely, Distinguished Guests, Ladies and Gentlemen: I did not come here to discuss that particular article because the subject was already determined: "Can it Happen to Us?" Of course

we all know what that means because of a recent book that was published. We mean can the same thing happen as happened to Germany or Italy or perhaps Russia.

I am reminded of a story a friend of mine told me up in Maine. They were all sitting around the fish house counting out their traps. Jim comes in. "Hello", he says. "Hello, Jim. I heard about your barn burning down. How did that happen?" "Oh, said Jim, "He upset the lantern." "Well, wasn't it Arthur who run your boat aground last year?" "Yep." "And wasn't it Arthur who run your car into a telephone pole?" "Yep." "And didn't Arthur fall off a roof last year and broke his collar bone." "Yep." "And didn't Arthur get a girl in trouble or something a while ago?" "Yep, he did." "Clumsy, ain't he?" (Laughter)

Now being a mere engineer, and not belonging to a political party, I am not going to apply what I have to say either to the New Deal or to the Republican administration and control of business that existed before. We might as well all admit, as Americans, that during the present century we have been clumsy – we have run the car into a telephone pole and have put the boat aground – business had many things, but we haven't turned out to be as sensible as we thought we were.

Yet I do not think that it is because we lack good sense – I think it is worthwhile looking over the situation to see if we can find an explanation of how it happens that so many unpleasant things have happened in our country.

As I have said, I speak not as a member of a political party. I think I can speak, though, as a member of the Federalist Party. We sort of just keep those books on the bookshelf, but you would be surprised to see how much Alexander Hamilton and Madison said in those days that applies to our immediate situation. Those men found themselves in a condition where the government and the economic system of the United States were falling apart. The people were in desperate condition – all the States, each particular State with its own militia, with their tariff walls, their own money, and it wasn't worth much – and trade was at a standstill. And these men got together and decided that the central government must have power to deal with national problems and dangers, or else the people will set up one that will promise to do better. These men did this quite outside of the law, as they were supposed to be amending the Articles of Confederation. They thought they would drastically fix the laws of the United States so they would have power to meet the problems facing them in those days. I think a great many of us do not realize it, because we haven't read what they said. They had a long, sententious style, a bit dull, but the lengthy way in which Hamilton and Madison explained the reasons why the Federal Government had to be made stronger would do us all good.

I think now we have to look at the situation from the economic point of view, not only because America is, first of all, an economic system. I think we all realize that we came to this country three centuries ago, or from then on, because we wanted to have here a place where we could be free as we conceived freedom at that time. It was largely religious at that time, but as our ideas of freedom have changed we put less emphasis on the religious part, largely because we have been

successful in obtaining religious freedom.

But we still think of economic freedom, and we haven't solved all the problems that go with it. Now it is necessarily true that our economists are going to bother us. We have to discuss these dull subjects in public meetings because we have a national indigestion.

We have plenty of materials and plenty of machinery – we can put the materials in but the cow doesn't seem to give milk. Our economic system does not supply us with the incomes and the security and the satisfactions what we know it ought to supply. The reason for that, I believe, is an inevitable one. It is not due to our unintelligence – on the contrary - it is due to intelligence.

It is due to the fact that our technological invention – not only machines, but our invention of methods of organization has been so brilliant that we have expanded the economic system faster than we were able to expand what Mr. White has so beautifully told us about our American spirit, our American sympathies and our American sense of the rights and privileges of the common man.

Now it was inevitable that that should happen because the inventions are made by a few people – even though they are a few thousand people – working in laboratories, a few men in the management divisions of corporations, a few in the personnel divisions, who have figured out ways of producing, that have increased tremendously our manner of producing with decreasing

labor.

As a result of that development that has been particularly rapid since 1900, we have come to a new unbalance that has, for the moment, been forging ahead of our other kinds of development. That was pointed out in a bulky but valuable report of Hoover's Committee on Social and Economic Trends, before the New Deal began.

I think, as an engineer, I will, in view of the fact that this is an economic club, I will do a departure from the subject of whether a dictator can happen in this country. But I think the only way to understand it, from the point of view of the engineer, is to see what is biting us.

We can admit, to start off, in order to get away from the political – let's start with this: We admit that any economic system in a democracy that fails to work is in great danger of the impatience of the people running in to some form of wildness that will be distressing and dangerous to us all.

In Germany and Italy that particular form of revolution or political upset happened to be a march upon capital, the seizure of capital, and the setting up of dictators who are those who arose through the middle class, dragging it behind him, financed by the upper class, with the belief, which, I think, has turned out to be an illusion, that the men with the most money, having financed the dictator could control him. They found then that the liberties not only of the

common people and the middle class but the liberties of the capitalist class were all sacrificed to the necessity of strength of government.

Now in our country I don't think any such specific type of upset is likely to occur, and for the reasons Mr. White set forth when he spoke of our size and our diversity, and the fact that we have forty-eight primary sovereignties in the United States, and that the Federal government is a secondary sovereignty, and that the forty-eight states are not alike in the way they approach national problems.

A Vermonter would see a national problem quite differently than say a Mississippian. A national problem to a Vermonter, where the political system is in a self-contained farm, is different from the problem of a Mississippian, where the difficulty is with share cropping farms; nor would the national problem seem the same to a Californian where many are retired, or in the Middle West where manufacturing is the principal industry.

So, therefore, it seems probable to me, that our disintegration, if our country were to fail, would be somewhat similar to the type of disintegration that was feared by the men who wrote our Constitution, even though our country was then much smaller – but it was larger at that time, in fact, in time and distance, that it is now.

That is, as an engineer, I have a habit, in my mind, which I suppose some of you have – but in

thinking for instance, of a building, in designing it, I think of that building as falling down – suppose an earthquake were to hit it, and so on – what would it do if it fell down, and as I see the places where it would fail, I see the places to strengthen.

And that is a habit of thought I can't help carrying over into the problems of the nation. When I think of the nation falling down, I can't imagine a march on Washington – I can't imagine the Morgan people following along Route Number 1, or an Upton Sinclair coming across the Rockies, and Amy McPherson's followers and the Boy Scouts, and the D.A.R. and all the rest of them – it does not make a picture of anything but the American people when you get them there.

But I can see the possibility that in the final collapse of our American civilization that we would have a break-up of the Union, and I can also see that a break-up of the Union wouldn't occur quickly. It didn't occur quickly during the Civil War, and I believe Americans, being what they are, it is almost certain that an approach of the dissolution of our Union would necessarily force us to use our minds so intensely as to find a way to avoid it this time. We have had the experience before of a Civil War, and I can't believe we would allow ourselves to drift into another one.

That is a discussion of the economic side of it because I can't help feeling there is a certain unreality in talking about the final dissolution of our country. But I can see the possibility of a long period of difficulty, of difficult adjustment, of considerable suffering, and more or less

violent argument.

This is the economic thing, I think, that is driving us. It is technology. I agree, we cannot evolve faster than our minds can move, but we have been driven by inexorable forces.

I happened to pick out these things to talk about and I realize there are many others of importance. But this is just one way of looking at it. I would like to talk of the speed of replacing capital in our system. It is a highly technical problem, but one that you are perhaps more familiar with than any other organization could be, gathered together in the United States. I gather that you are the sort of people who are dealing constantly with that type of problem.

But in engineering there is a principle so well established I learned it in school: that is, the time we call the proper length, the time before a thing is replaced. You run across that in your businesses, in detail, but the principal appears not to have penetrated economic thought to any great extent. But there is the engineering principle in regard to capital replacement, or modernization, that says that the optimum rate of replacement is determined by the rate of technical improvement per year, divided by the cost of machinery. That is, modernization can be too slow or too fast. I am not going into the mathematics of it, but it boils down to this, that there is not an infinitely rapid optimum rate of replacement. You know that in your own businesses, but the economists haven't, apparently, found it out, that is, regarding a nation. In fact, they often take time to criticize the big corporations of this country because they develop patents in their

own research laboratories and do not put them into operation.

The fact of the matter is that it does not always pay to put in the newest and the best inventions, nor to modify or to modernize in any great hurry. The reason is that the small improvements may not way for throwing away the old machinery.

Now taking that principle and applying it to the United States, and we come out with a result which I think we shall be astonished to pursue through the various ramifications. It is that we do not dare put too much capital into our industries throughout the year. The first capital applied is for taking care of the growth of our business, which is now, indeed, fairly slow. Then again, the population is not growing as fast as it used to grow, and we have come to the end of the major part of the great technological inventions of our century.

That is established. If you want to pursue that, read the technological report from the National Committee, and you will find that the number of inventions that are now known and ready to be developed, that have not been, as yet, greatly developed, are comparatively small.

At that time we had the automobile, the radio, the airplane, the movies, rayon, and the great field of metallic compounds and alloys. Now we have air-conditioning, and some more on aviation, and some new developments in communication, particularly in television – but their volume is apparently less than we have had in the past.

The result is, therefore, that the amount of capital that can go into strict expansion of industry is not as great as one might think, at first sight. Of course it is great at the moment, because of the depression, but after we get going again, it is not going to run as high as it did in the past.

Then Number Two is that the remaining capital that we put into capital goods necessarily is in replacement, even if not in the factory you put it in, perhaps the unemployment caused by that – it is much more apt to happen that way – because the banker you ask for new capital won't give it to you if he owns investments in it.

The bankers do not like technology, as one of them said – and for excellent reasons – because it destroys their investments.

Now another thing has happened in technology. Since this century began we have changed to a new kind of technology – it is not complete, but it is going on at great rapidity. In the past century if a man wanted to double the factory he doubled his capital. Machinery was mass machinery – a loom was a loom, and that is all there was to it, and any kind of a machine was better, of course, than hand labor, but it didn't have much to it but the mechanical.

The electric instrument now has come to take a growing part in our industrial development. The number of kinds of electric instruments has greatly increased since 1929 – four times as much as

in 1920. Now what they do in a factory is to permit you to rearrange the machinery and either greatly increase the capacity of the factory or greatly reduce the demand for labor or loss of material, and therefore the loss in labor and raw materials. The effect of that is to reduce the quantity of capital that can be absorbed.

At the same time, as Brookings Institute has pointed out, the rate of saving, or capital formation, is high, our rate of savings has considerably increased. By providing large masses of capital, and reducing the cost of improvements, we have greatly increased the speed of obsolescence and the amount of capital loss. It necessarily comes to the place that the addition of large quantities of capital to our system creates large quantities of capital loss, either writing off old machinery, or old values, or more probably, in some other organizations which are subjected to high technological competition capital may be very profitable under this new technological system, but in small quantities, and when it gets to larger quantities it begins to build up, in high prosperous times, an unrealized capital loss.

That, I think, has been true since the war. Our first reaction to that was the New Era, so called. We did not realize – and it is understandable – we couldn't realize what had struck us. We saved plenty of money – fifteen billions of dollars a year, the Brookings Institute says. And we put as much as possible into industry, and we laid up large quantities of unrealized capital loss, which had to be realized, finally and that time was 1929.

We have now come to a condition in which we don't know what to do next. We can put in ten or twenty billions of dollars worth of capital, but we don't know what to do after that.

Now there are three ways, apparently, whereby you can get rid of the capital, that is, in excess of the demands for capital in the growth of industry. The first way is to invest it and lose it. We tried that before 1929. It was a system we all know about, especially those of us who lived in New York. I don't suppose there are ten men in this room, tonight, who didn't lose money – the same as I, and then distributed it to the working men.

Of course, the typical way was what was called “financing foreign trade.” You saved up a thousand dollars and bought a foreign bond of say, the Kingdom of Graustark. So you bought the bond, and then the banks took the money and gave it to the American manufacturers, and thence it went to the working man, and we had working power, and the working men made the typewriter, and the Graustarkians got the typewriters, and you had the bond, of course.

That was swell as long as you could have confidence, but that means you didn't know what was going to happen to you. (Laughter) It requires confidence or inability of investors to know that they will lose their money.

Now it is necessarily true that as technology goes on developing to the point where it needs less and less capital to produce its given result, and at the same time as we get richer, there has to come a time when the speed with which you lose your money is so great that you cannot forget,

and then you run into a condition that a depression can go on, and won't cure itself.

Then what are we going to do? How are we going to dissipate capital in some way so that it can be made to work? Sure, if we could get confidence back – if the President would resign –

(Applause) – Yes, louder. I am going to tell you – you could get confidence back again – you could have another shot of what hit you in 1929, only this time it would come quicker.

We are dealing with inorganic facts – the rate of invention and the cost of machinery, and you could do it once more, probably. But, after that, I don't know what would happen. But you would have another New Deal, and another dose of confidence – and it gets harder and harder for the sucker to believe he isn't going to lose his money. (Applause)

But there are two other ways we can dissipate capital, and one of them is the way that is being used in Italy and in Germany – that is the set-up – a dictator; and let him use it all for military expenditures – you get gorgeous parades and you use up the money, and the people get what they consider their money's worth. Any country can do it for the people if the other countries around it are weak enough, and can use resources as fast as they come along.

We are sentimental, even if we are hard-boiled at times – I don't think we want to use excess capital on military expenditures and eat up our resources, having perhaps to go on capturing countries, South American countries, and so on.

Number One though, was running as we did in the New Era. And Number Two is using the money up in military expenditures.

Now, Number Three, I am sorry to say, is taxing it.

It reminds me of the story of a cat – a “dead one” too, speaking of taxing. This is in Bronxville. A friend came down one morning, and going out, on his way to work, passing through the front yard, found a kitten belonging to the family, lying dead. “My,” he said, “the children are going to make trouble for their mother if they find this out, so I’ll bury it before the children come down.”

So he took the kitten out back. Before he could do anything about it, he heard the children coming down, and stuck the kitten in his pocket. He thought, I’ll just wrap some brown paper around it and lose it in the train. So he got in the train with his package, and stuck it in the rack. On leaving a fellow said to him, “You left your package.” He thought, then, “I’ll give it to the elevator boy,” only to find the package on his desk. Again on the way home he tried to lose it in the rack and couldn’t.

He finally fetched up with the cat at home, and put it on the shelf. After the children had gone to bed his wife said to him: “The cat hasn’t been around all day. I wonder what happened to it.” He said, “I found it dead this morning.” And he told his wife of his adventures with the dead kitten.

He said, “You get the lantern and we’ll dispose of it.” So they got the lantern and the shovel and went into the garden and dug a little grave, and the man went in to get the cat. But when he opened the package, inside he found a pound of beefsteak.

I am sorry to have to tell you that taxation – the poor old dead cat, is about all that is left. But we have got either to do it one way or another. We save because we have no alternative – we can’t help doing it – we do it because of the way our institutions are put together – because they automatically save money, because every time we turn over, more money goes into savings.

Either we are going to have to invest in the new technologic inventions, in the new technology, that won’t hold it, or blow it on sharp pointed things to throw at somebody – or else tax it, and use it for something we think is useful.

What is that? I’ll just mention it. When we came here to this country, we came as conquerors, taking possession of the colonies here. Then we settled down and lived here, we fetched up against the wilderness, and we were dwellers a century or so, and we still have the sad and beautiful remains of our colonial villages and towns where we lived when living in America.

Then the West opened and we were conquerors again, marching across the United States with fire and sword – with cavalry marching with our wagon trains, gutting the country.

Then we fetched up against the Pacific Ocean, and the frontiers were closed. We should have turned around and settled, we were again Americans, and not a conquering horde of people looting the land. But we have been too slow in doing that.

That is what we are going to have to use money for. It is time we stopped wasting our people, and it is time we stopped wasting our country; it is time we started giving public health to our people, and mention the little argument in the Times on Sunday, that we shouldn't begin any operation of the federal government, and about the desirability of putting money into the libraries for rural districts, which, the Times said, would be a good investment.

I agree. If we can use surplus money not only to build up, instead of using it for the fantastic cloud castles of finance – let's use it for building up our forces and people and the national strength of the nation. Then we will have a way not either unwise nor anything that will lead us into the necessity for a dictatorship or disorder. I think somewhere in that direction we will find it.

It is true, we are awkward – the New Deal and the representatives haven't any well-coordinated plan for replacing it, nor have the Republicans. I don't know whether there are any Republicans here, tonight, (Laughter), but the way is wide open for those of this country who have managerial ability and technical ability to find a way for the useful application of our surplus money, and to find a way to build up the country, and use the people who do not have great technical and managerial ability. The great mass of the people are depending on us for our leadership, so that

our country won't have a navy around the outside, but will be strong in its very fibre, so that the people can be secure and proud to be Americans, and the kind of people who cannot be persuaded that they want anything else but democracy. (Extended Applause)

Chairman Robert Erskine Ely: Mr. George E. Sokolsky has had a very unusual journalistic experience. He started it in Russia, and stayed there as long as they would let him, which wasn't very long. Then he went to China. There he went into journalism, and he stayed there a considerable amount of time. And, having done what he did, and learned what he learned in Russia and China, he came back to little old New York, and here he is tonight, and we shall be very happy, indeed, to hear whatever he will say to us. Mr. Sokolsky. (Applause)

The Honorable George E. Sokolsky

Ladies and Gentlemen: I suppose that nature designed that Mr. White and I should be optimistic. He at seventy and I in my young years, or vice versa, look out on this world with a little bit more optimism than even a dead cat can produce.

The question of the evening, "Can it Happen to Us?" frightens me, and yet, somehow, I am not afraid. Of course it can happen to us. It can happen to any one of us.

What do we mean by it? What is it that can happen to us? What has happened to Russia: what has happened to Germany; what has happened to Austria; what has happened to Italy? What has

happened to Poland, and what is happening to the Japanese?

What is it that is happening and has been happening all over the world since the war?

Government has become despotic; not only have dictatorships been reestablished, but in many countries absolutism has been reestablished. Wherever democracy has begun to flower, just appearing over the surface, it has been stamped out, and it doesn't exist.

That is what we mean by it. And what we mean by democracy is pretty clear in our minds, and pretty clear in the minds of most American people. It isn't very uninvolved; we don't want to be oppressed by government. We don't want to be controlled by government officials, either in our business life, in our working life, or in our daily life. We don't want to have government efficient; we don't want government to be strong. We don't want government to master us. We don't want to become the puppets of government. (Applause)

That is what we mean by democracy. Now I can take this in every form you like. Democracy is inefficient. Of course it is inefficient. There is a lag in the rise of human beings, from lowly stations to the great middle class, which is characteristic of our people. Of course there is such a lag.

But there never has been and there is not today, in spite of the depression and the New Deal, a lag in this country which even resembles the lag in other countries, to which "perfection" has

come.

We have got to think in terms of what is happening. We live under the capitalist system.

Roughly, it is a system of the private ownership of the means of production and distribution, the private ownership of capital regulated by government within its police powers, but never controlled by government.

And in this system government does not own and does not operate at any point, the means of production and distribution. In Russia they have a system of the government ownership of the means of production and distribution. The government owns capital. The individual owns nothing. The individual can show no enterprise. The individual can develop no incentive – it even becomes against the law to show initiative, and men are shot if they make mistakes. That is, perhaps, the only thing that is good in Russia. (Laughter) That system we call socialism.

And then there is a third system: a system in which the means of production and distribution are controlled by government. There is a tolerance for the private ownership of wealth, but government determines the type of production, the quotas for production, the speed of technological improvement, wages, hours, prices, profit. The government controls everything.

Under our system we move slowly, and yet so slowly that we have managed to develop a standard of living which bracket for bracket compares favorably with all the world – a standard

of living which in every particular is higher than the standard of living of any other people. And we have developed, as the President so clearly told you the other night, the highest national income produced in the world. I emphasize that for clarity.

In a democracy there is competition among individuals. Competition is ruthless at times. Competition is always destructive. But competition has given us a comfortable life – it has given us an opportunity to permit millions of minds to play upon the possibilities of improving human life, of improving the commodities, the goods, the services, the ideas which human beings enjoy.

The dangers to capitalism are three: War, which always harms the capitalist system. No profits are made in wars – only losses are made out of wars. We are now still settling for the losses of the last war.

Monopolies are poison to the capitalist system because monopolies stabilize in capitalism, and stability is a disease. In capitalism there must be a constant competition, a constant change, a constant development, a constant use of new commodities, of new ideas, of new methods.

Monopolies we must fight. And it is very interesting to me, that in this administration, which we now have in Washington, and I shall not keep off politics, because I can't — every time that it is necessary to amuse the populace, great minds are brought forth to attack monopolies, and in the whole existence of this administration in spite of the fact that it has had one of its most brilliant minds in charge of fighting monopolies – one who was to have been our Governor, gentlemen –

not a single monopoly has been prosecuted. They don't exist.

Under the capitalist system some make too much – some earn too little – and the social task of capitalism is to bring about this ninety percent middle class that Mr. White talks about, and we have usually had it, and we came close to having it again last July and August, and we probably should have been sitting here celebrating a boom year were it not for the third disease that assails capitalism, and that is the constant and increasing despotism of government.

Capitalism can only exist, capitalism can only exist in a free society, and a free society does not mean one in which all people are equally, and socially equal – are economically and socially equal, nor does it mean an anarchistic society in which every man can do as he chooses. It means a society in which the individual does not live in dread of government.

That freedom we are losing, and losing rapidly. (Extended applause) Can it happen to us? Yes, it is rapidly happening to us. It is rapidly happening to us. We are going through the same difficulties, we are going through the same stages, some of the same stages, in different forms, and therefore more difficult to identify, that came to some of the peoples in Europe.

One of them is an undermining of confidence in the current economic system. Here we paid last year, in our major industries, the highest wages that ever have been paid in those industries. The payrolls included more men in steel, in automobiles, in glass, in rubber, and in most of the major

industries – included more workers, at better pay, than ever before – even better than in 1929! And yet, during the whole of last year, insidiously and perniciously, this system was attacked – measures were taken to prevent the system from working. The National Labor Relations Board was used as a destructive instrument to accomplish that – bills were introduced into Congress which made men feel that the political system to which they were accustomed would change.

There was the Supreme Court bill, the Disorganization Bill (laughter), the Wages and Hour Bill, the investigations of a Black Committee, and the appointment of Black, himself, to Supreme Court Bench.

I can go on and measure, and mention, measure after measure which created not only in large businessmen, but in small businessmen – in those who might be reduced from being a small businessman to being a worker, and perhaps from a worker to being one on relief, a fear and uncertainty.

But worse than that, here we have for one hundred and fifty years, sought to bring to this country human beings from every part of the earth, from fifty-odd nations, brought here, people of every religion, people of every faith, people of every economic tradition, and here we have tried to weld them all, to melt them all down, into a personality, an American personality, without class, without distinctions.

And then, over a period of five years, the government itself has been stimulating class hatred, even racial hatred, and in this city we are beginning to know what that means. Tearing human beings apart, making them distrust each other – Economic Royalists, Princes of Plenty, Ambulance Chasing Lawyers, Subsidized Journalists – shall I go on with the terms of hate, of opprobrium, of distrust, that have been hurled at our people – not by small men, not by demagogues, not even by secretaries of the Cabinet and prospective governors – but by the President of the United States, himself. That breaks down a country. (Extended applause)

That breaks down the soul of a people, that makes it possible for it to happen here. No one wants anyone to starve. No one wants anyone to be undernourished. No one wants anyone to be underfed and under-clothed and under-housed.

We have tried in this country to bring everybody up to the middle class level, and we have, in an astonishing manner, succeeded. And when the depression comes we have to face that as a human problem. Nobody wants to face it with the hardness of stone. No one wants anyone to starve in a country of plenty. We may differ as to methods; there is no difference as to objectives.

But when poverty, hunger, fear, hopelessness, is used as a political weapon – when as in Florida, relief is used to defeat a senator; when as in Pennsylvania, relief is used to determine party affiliations; when as in Kalamazoo, relief is used to force people to conform; when, as in our own city, relief is used to encourage changes of party affiliations – then relief is being used not

as a human, as a human measure, to aid and succor our less fortunate, but that is used as an instrument to perpetuate in power those who are in power, to prevent the ordinary processes of democratic government from functioning – to make it impossible for Congress to assert itself within its proper sphere, to make it possible for those who want to change not only our economic system but our form of government, and to do it supported by an army of slaves whom they feed and whose welfare is dependent upon their good will.

That is how it can happen here. And that is what we have to beware of – that the very sentimentality upon which we pride ourselves, the very gentleness of our souls, the unwillingness to prevent a brother to suffer when we live in luxury, that that will bring about our destruction as a people.

We don't need a march on Washington, we don't need a man on horseback, we only need government destroying private enterprise, by competing with it until it drives it out of existence. Government taxing surplus wealth until there is no privately owned surplus wealth. Government depreciating our currency, government pursuing a policy of credit inflation. Government driving good men out of office, like Morgan of the TVA, and substituting political henchmen.

We only need to go through purges of that type and then it has happened here. Government has taken us over, and we are the slaves of government.

Our problems are political. If politicians had not interfered with us, our rate of production today would be fairly sound. We are not at the end of our tether. There are no closed frontiers. We are the biggest market in the world.

And we haven't covered the end of our inventiveness – we haven't covered the end of our skill. In 1844 Commissioner Ellsworth, of the Bureau of Patents, thought that we were finished then. The electric light was invented after he died. We are about to build homes in this country, and to tear down the wooden shacks in which a large part of our population lives, and build homes out of cement and steel, and the new types of glass which our laboratories are turning out.

We will replace every dwelling in the United States that is fit for human habitation, but not as fit for human habitation as we can now envisage. Every home can be heated centrally; every home will control its own climate by air conditioning and by humidity control. Every home will use more electrical appliances than we can now think of.

Did you ever hear of rubber? We import our rubber from the Malay States, Java, Liberia, and Brazil. We do not grow any rubber in this country. But we are going to make it in this country out of coal and limestone and salt. We are going to make all the rubber that we can use. No labor is going to be replaced by that technology, because no American labor is employed in the making of rubber. We are going to grow rubber in factories, just as we are making cloth and paper out of corn stalks, just as we are making cloth out of sugar cane, just as we are making a

whole world of new products out of soybean, just as we are growing Tung trees to make our varnishes and to make our linoleum.

Where is the end? There is no end. There is no end to human ingenuity. What if we have reached the Pacific – we haven't television in our homes. We are not controlling lighting by radio, nor communication within the country by air waves.

What if we have reached the physical, the geographical boundaries? We can grow vegetables without soil – maybe it is cheaper to grow them without soil than to bury all our money in replacing the soil that has been used.

I see no end to this; as long as the human mind functions it will find new ways of living – as long as it functions freely. As long as the human mind functions freely it will find ways of providing national income and of providing work.

As long as we are not destroyed for thinking we will think of ways of solving technological problems. Our danger does not lie there; our danger lies in politics. It lies in the expansion of the conception that to the state is all the rights, and to the human being only depends upon the state. That conception which has been coming to us from Europe, and which we have not resisted sufficiently.

And so, I say to you: (Applause) – and so I say to you this: We have lived through the war, and we have survived – we have lived through the first depression and we came out alive in 1932.

We lived through the first New Deal and we survived. We have lived through the third New Deal, as General Johnson calls it, and we have survived.

We are now in a depression made by government and we will survive. The question that faces us is whether we will survive as free men or not. Each time that we turn to government for help, government exacts from us an increasingly large and larger sacrifice in human wants, in human rights.

Each time we say to government, “You plan for us,” government says, “We don’t know what to do, but we will do it by taxation, and give up a little more of your rights.” Each time we trust government, government betrays us.

Our task is to control government – a fairly necessary evil in a modern state; almost as necessary, Mr. White, as spies are in a well-organized industry. You have to have government to keep the roads clean, and the mails going, and the money honest; but we know when government becomes a master, when we become dependents, when government begins to rule by edicts, when it isn’t a question of “We, the People of the United States,” but I, talking to my friends (Applause) then we face the peril that the people of Europe have faced, and to which they have succumbed.

I say to you tonight: Don't worry about technology, don't worry about our economic system, if you don't want it to happen to us. Watch your Congressmen; watch your Senators; watch your press and teach them all that a free people controls its officials and is never ruled by them.

(Audience arose and applauded)

QUESTION AND ANSWER PERIOD

CHAIRMAN ELY: Now we have a few minutes left for any questions which any of you may wish to ask from either or both speakers. Are there any questions?

QUESTION: I would like to ask one, Mr. Ely. I would like to ask Mr. Coyle why the power that has been given to the President, the power given to the President to issue at any time that three billion dollars, has never been repealed. That law still stands in Congress. No confidence can exist in the government as long as that law stands.

CHAIRMAN ELY: How about that three billion dollars which it is in the power of the President to do with whatever he wants to do with it?

THE HONORABLE DAVID CUSHMAN DOYLE: Which it is in the power of the President to "issue" – I believe that was the question. Frankly, I don't think it is of any particular consequence. Three billion dollars is nothing in the United States. (Laughter) Why, I'll bet there

is a billion dollars worth of property in this room.

CHAIRMAN ELY: More than that.

THE HONORABLE DAVID CUSHMAN COYLE: Well, I think it is time we come to realize that this is a big country, a very big country. A billion dollars is about ten dollars for every person over ten in the United States. Three billion dollars might keep them for about three weeks.

Now, if it should be necessary to use money for the purpose of meeting violent emergency, as it is often necessary to do in France, for instance, or in England, or in any country subjected to economic forces from outside that come so suddenly, somebody's got to have an immediate power to throw power into a situation where it is required. It just doesn't happen to have been required. I don't know, in case of emergency, if he would use it. Probably there is a better way.

But, after all, it is a large country, and it is impinged upon by immense forces. Of course, I am not here talking as New Dealer – I am talking as an engineer. I do not belong to any party, and I did not come here to attack or to defend any party – the New Deal or the Republican party. All I came here to do was to tell you a few facts which, in spite of Mr. Sokolsky, are real.

Nobody has discovered how to use these facts properly. What are we going to do about it?

CHAIRMAN ELY: Are there any more questions? Has anyone a question?

QUESTION: If I might, I would like to ask Mr. Coyle's opinion of the President's program of spending as a means of leading us out of this present depression.

CHAIRMAN ELY: Mr. Coyle, the question is, What about the President's program of spending as a means of leading us out of the present depression? Did he say depression?

THE HONORABLE DAVID CUSHMAN COYLE: Depression, he said, and so do I. I do not think it is sufficient to lead us out of the depression. It would probably have to be more than a couple of billion dollars. If it were five billion dollars, say, it might start things to some extent, if you can stick in some more thereafter.

You are never going to find any way to get out of a depression but in two ways, except having a dictator. There are only two ways. One way is to have normalcy, the same as after 1921, when you had a collapse like this, following the stoppage of the great spending of the war.

The other way is to spend and tax. The New Deal has not come to a point where it dares to tax. Did you see the papers this evening? I call your attention to the fact that what corresponds to the Republicans, in England, having been old at the game, if I may say so, realize that what we call

radical operations in this country are the things the Tories had better be running. They know how to tax. If you care to tax you can spend as long as you wish to.

England depends on foreign trade, which is largely out of her control. You know what we read – you know what she is doing. Whenever they get into difficulties, they raise the tax rate.

I have been running around yelling for higher income taxes before Roosevelt. When you make up your mind you are ready to pay the bill, you can have all the profits you want.

QUESTION: I understand that the President brought pressure to bear on the Joint Conference Committee on Taxation, to adopt his views. Is this in accord with democratic usage?

CHAIRMAN ELY: How about that, Mr. Sokolsky? The President, the questioner says, brought pressure to bear on the Joint Committee on Taxation. Is that in accord with democratic usage?

THE HONORABLE GEORGE E. SOKOLSKY: I do not need to answer that. You know perfectly well that the President has misbehaved in this particular.

But I would like at this time to make a point about England – which doesn't answer this question. The British, as you probably know, are engaged in building armaments to meet a very definite probability of a European war. They are also engaged in paying off for the last war. And

so, the British tax, and it is a war tax. It is a war tax; they are defending their shores. They are defending their trade, they are defending their life, they are fighting for something, as Mr. Coyle said, over which they have no control.

We are not in that position. And not only have the British taxed themselves very high, but they have produced astonishingly low wage scale.

After my little excitement here, at your last meeting, which some of you may have noted, I dug up reports on the British wage scale as compared with our wage scale. For instance, when we were paying 82 cents to steel workers, 82 cents an hour – in a year that we still call a depression year, they, the British, were paying 46 cents an hour.

I am very sorry that I didn't bring the whole list here, tonight, but you will see it some day, somewhere where I write, one place or another, in which I will show that they not only pay taxes, but they pay low wages to meet that situation. We pay high wages, we have low profits, and this year we will have no profits – and still they want the taxes to go up. How can we possibly conduct a free enterprise on that basis? High wages, low profits, no profits, short hours, and unbearable taxes. How do you do it?

CHAIRMAN ELY: Has anybody else a question?

QUESTION: Mr. Sokolsky ended his speech by saying, Wire your Senators. Have you, Mr. Sokolsky, any method of activity to suggest other than sending these wires? Have you some concerted activity in mind?

CHAIRMAN ELY: We are very pleased to have a question from the balcony. Mr. Sokolsky, you say, Watch you Senators; watch your Congressmen. How are we to keep after them?

THE HONORABLE GEORGE E. SOKOLSKY: You have to forget your parties, in the first place. In this fight we are no longer Republicans, and we are no longer Democrats.

When we, for instance, find that a Republican, say, represents all the hotels and theaters of New York, wanders and strays on a measure which we disapprove, let us say so, as I disapprove the wages and hours bill. Then you write to him, you wire to him, you go after his district leader, you organize groups of friends to do the same thing – you keep it up, week in and week out, and out you go to see him personally — you badger him and you make his life unbearable.

Democracy acts by direct action on its representatives, and if you will do that, they will act directly. They did it in the disorganization bill (Laughter), they did it in the Supreme Court Bill, and they will certainly do it in every measure if the pressure is strong enough.

QUESTION: I would like to ask Mr. Coyle how long does he think the government can continue to spend billions of our money, billions of borrowed money, before it destroys itself completely,

before it destroys its credit completely?

CHAIRMAN ELY: The question is, How long does Mr. Coyle think the government can go on spending billions of borrowed money before the government destroys its credit?

THE HONORABLE DAVID CUSHMAN COYLE: I don't know that any more than you do. But I have been strongly advocating increasing the tax rate, and I still do. I think we should have balanced the budget in 1936 by adequate taxation, by adequate tax rates, and I think we should have it now well over a balance.

The only rational way to handle a depression is to run a good-sized deficit in the depression and run a good-sized surplus in prosperity. We don't want to do it that way – Americans don't.

QUESTION: I came across a suggestion in a magazine that proposes that the answer lies in the primary elections. The theory is that this is the bottle-neck of politics – that comparatively few people are voting in the primaries. May I ask Mr. Sokolsky if that may not be a possible answer?

THE HONORABLE GEORGE E. SOKOLSKY: That depends on where your primaries are – the law differ from state to state. Here the primaries would not make very much difference. In many states the primaries affect the elections very much. I think we have to be more careful in both, so that this great middle class we represent isn't simply a conglomerate mass of individuals that

split up all the time.

For instance, if you read the same newspaper that Mr. Coyle referred you to tonight, you will find a report that some of our great capitalists are going to support the President's program and apparently they talk of the over-production of last year as though there were an over-production, as though there were an over-production last year.

How can there be an over-production if the goods were not sold in a country where there are customers? If you could talk to my friend Sam about that, he would tell you it can't be. You never can have an over-production.

Now what happens there is that these men are called down and told you better get behind this; you would not want to be on the outside. And they sign – and we are always doing that. Mr. Hoover found, and Mr. Hoover is an excellent observer, that the dictatorships in Europe resulted in or from constant compromises between the so-called liberals and the so-called radicals. In this country those compromises occur between our type of people and government officials.

Those compromises invariably create disorder, and out of the disorder comes a cry for order – the demand for a system that will work. The only kind of a governmental system that ever worked in the whole history of mankind without loose ends, is an absolute despotism. And our job is to watch our officials all the time; to do it through our organizations, to develop pressure

groups to fight as the termites fight, constantly bringing pressure upon officials to prevent our system, our economical and our political system from being undermined. It doesn't matter where you do it – in the primaries, in the general election – but day by day, and year by year, if we do it, we will come out of this thing untarnished.

If we do not do it, we may get a few factories working – they even once worked a few factories in Russia – but we will not be able to operate a free enterprise system, and if we don't have that we won't have free men. I emphasize this constantly, because we sit back and let others produce the pressure. That is why we have lost out with politicians who seek only return to office and the benefits and pride of office, and not the general welfare. (Applause)

CHAIRMAN ELY: One more question.

QUESTION: I would like to ask Mr. Sokolsky to give us more creative plans, rather than the rubber industry. The American eats in short periods and not over the longer periods which you suggest.

THE HONORABLE GEORGE E. SOKOLSKY: I say we have got to think not only of the short period, but we have got to think over the long period as well.

QUESTIONER: Exactly.

THE HONORABLE GEORGE E. SOKOLSKY: While you spoke, I sat; while I talk, you sit. That's the way we operate in this country. We don't let our adrenal glands function instead of our heads.

QUESTIONER: All right – provided you won't use the word “despot” again.

THE HONORABLE GEORGE E. SOKOLSKY: I will use it again, of course. The point I make is that the short courses is exactly what brings on the despotism; we have got to take the long view and learn to suffer. We all suffered; we all developed out of poverty; we all took our chances with life. What has become of this generation that it can't fight its way through?

(Applause)

CHAIRMAN ELY: Now here is just this one remaining question: (Reading)...The sit-down strike is the most utterly lawless and outrageous fact today in American life. Why isn't something done to put a stop to this illegal action?

THE HONORABLE GEORGE E. SOKOLSKY: They vote – there is your answer. If you had enough pickpockets voting, there would be no suppression of pickpockets, because they vote.

(Applause)

CHAIRMAN ELY: Well, we have heard all kinds of questions and all kinds of answers, and we go away with something to think about, and let us at least go away remembering that we are not hopeless unless we think we are.

THE HONORABLE GEORGE E. SOKOLSKY: Right! (Applause)

CHAIRMAN ELY: This ends the One-Hundred and Twenty-Fifth Dinner of the Economic Club, and I am happy to say that this season, whatever it has been for business and for others, for this Club it has been a prosperous one – and we look forward to a new year with hope and interest. We are adjourned.