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## Neutrality: Today's Foreign Policy Issue

### Fireside Series Key Is Informality

Current events given with the informality of fireside chats is the aim of this new Monitor series. It presents the biggest major countries and situations of the day, brought up to last-minute timeliness by cable, telephone and radio.

The setting is a cheery, wood-paneled library with a warm fire crackling in the fireplace. Around it, comfortably settled in deep easy chairs and lounges, are a group talking part in the course.

Leader of this discussion period is VOLNEY D. HURD, special writer and Director of Broadcasting for The Christian Science Monitor.

Your Chairman speaks:

"Several of you have asked that American neutrality be discussed and there is no time like the present, when it is spotlighted by an intensive conflict in Washington.

"Actual neutrality is but one phase of that major item in government, Foreign Policy. The United States, as the dominant country of North and South America, automatically assumes the defense responsibility of that great area. In the west it goes even further, to Hawaii and the Philippines. The latter islands would be defended by the United States today if they were threatened. They have been granted independence to start in 1946 at which time the United States chief Pacific interest would drop back to Hawaii. For the moment, however, they represent the furthest western point of American insurances as a foreign policy.

"But beyond these areas we come to countries considered outside the American sphere. On both sides the United States sees wars in the same waters that lap American shores. In the East Japan seeks to overpower China. In the west England and France have taken on major war against Hitlerism. American neutrality is the chief desire of the people at this moment. The problem is one of ways and means, complicated by the present arms

embargo feature of the current Neutrality Law."

Question: "Mr. Hurd, why wouldn't the application of the arms embargo keep us neutral?"

Answer: "First we must find out what neutrality is. 'Neutral' is defined as not engaged on either side, that is, not helping either side. International law has long had a version of neutrality which is simple. It calls for carrying on the same freedom of trade with other nations in time of war as in time of peace. It considers maintenance of the peace basis for all as perfect neutrality."

Question: "When did the United States depart from this 'idea of neutrality and how did it happen?"

Answer: "The Italo-Ethiopian war was seen in 1935 as possibly leading to another World War. The strong neutrality sentiment of the United States resulted in a Neutrality Law which drew back from the freedom of the existing international law and put a mandatory embargo on munitions to all belligerents."

Question: "Where and when did this cash-and-carry point now being proposed come into the picture?"

Answer: "In 1937. The 1935 act ran for two years. When that time was up the Spanish civil war was on. This, too, was seen as possibly leading to a world war so a new act was passed not only embargoing munitions but giving the President the choice to force goods other than munitions to be exported on a cash-and-carry basis. This was to prevent American ships from possible sinkings which might lead to war. That bill ran for two years, too."

Question: "What happened when that time was up?"

Answer: "Just before the end of the last session of Congress President Roosevelt sought to have the bill renewed. A contrary Congress, for political reasons, refused to renew this legislation. What was left was the original arms embargo but no cash-and-carry. The United States could sell anything other

than munitions freely and ship by American vessels. The danger of this was apparent. With the start of present war in Europe came the demand to put this neutrality issue in order and the President was asked to repeal the embargo and to restore the cash-and-carry protection."

Question: "Why isn't the embargo a guarantee of neutrality?"

Answer: "The repeal proponents point out that anything going to a country at war is helping to prosecute the war, that munitions therefore do not have a clear status. That Germany accepts this is proved in her defense of her submarines' sinking of two Swedish ships bound for England with woodpulp. On the other hand, forbidding Britain and France to buy munitions in effect favors Germany. This is seen as unneutral. Thus the demand for the repeal.

"The other side contends that exporting of arms even on a cash-and-carry basis will be interpreted quite logically by belligerents as making the United States an enemy, as in the World War. As an enemy any United States ship would be liable to be sunk regardless of what it carried and finally the United States would be dragged into the war."

Question: "How long would that take?"

Answer: "That's hard to say. The guessing runs from six months to three years. One of the strongest arguments used by the repeal group is that by shipping arms to the Allies the war will be ended that much sooner and since the longer the war lasts the greater is the danger of America coming in, then such a step is really the best neutrality in practise, considering the long range view."

Question: "Could you give us fuller details of what makes up the United States Foreign Policy?"

Answer: "We have asked Mr. Canham, Chief of the Monitor's Washington Bureau, to take care of that question and you will find his comprehensive answer just below on page 11 of this Fireside series."



## Picturesque Extremes of U. S. Guarantees



Keystone; Blockman from Nesmith; © Harris & Ewing; Gendreau

### A Vast Stretch Over Which the United States Stands Guard

The wisdom and consistency of Cordell Hull, Secretary of State, find full support in President Roosevelt. The President has a gift for foreign affairs which makes even many of the severest critics of his national policy turn to his aid when foreign issues arise. Insuring the distant points shown above call

for a long-range, wise, and consistent foreign policy by the United States Government. Maintaining one of the two largest navies in the world makes possible the potential policing of such far-flung lands. Because of the oceans between here and Europe and Asia, the army can be kept small.



## U. S. Foreign Policy: Long and Short Range

By Erwin D. Canham

The purpose of American foreign policy is to protect the peace and security and well-being of the American people, both long-term and short-term.

The short-term phase of this policy is today entirely clear. It is to keep the nation out of war, to preserve "neutrality." The unanimity of national opinion demanding non-involvement constitutes an imperative mandate, and President Roosevelt has pledged himself to the task. There is not even a great deal of dispute over the short-term steps that are being taken: proclamations of neutrality, determination to sacrifice some neutral "rights," strengthening of national defense, investigations against espionage, protection of the domestic economy and finance against shocks or suction from abroad. All these things are welcomed by the vast majority of the nation.

It is over the long-term national foreign policy that divergence arises, and definition is difficult. In his last annual message to Congress, the President defined his policy, in part, as the employment of "ways short of war, but stronger and more effective than mere words, of bringing home to aggressor governments the aggregate sentiment of our own people."

### "Ways Short of War"

In the pre-war period, this policy was intended to deter the aggressors, and it was exerted through notes and speeches, trade restrictions, fleet movements and rearmament.

When the war-time period came, this bold preventive policy was immediately replaced by "neutrality." But, after neutrality, what? By what long-range measures is the American Government protecting the national security and well-being? There we leave the field of formulated policy, and enter the field which will be defined by the decision of the American people themselves based upon events yet in the future.

The Administration, there is evi-

dence to suppose, still believes that true peace cannot be made to rest upon the triumph of aggression, treaty-breaking, oppression of minorities and the violation of international good-faith. But how it is prepared to contribute to that true peace remains to be seen. In the Far East, the United States—though thoroughly aroused in sentiment—has kept on writing notes and asserting legalistic morals, while Japan proceeded in its difficult conquest and subjugation of China. There has been no question of American military intervention there, nor any economic steps that might lead to military involvement. Perhaps national opinion will insist that the European situation proceed with no greater intervention.

### Isolationists Fear War

Yet to the isolationists, American policy is already headed straight toward involvement in Europe. They recall President Roosevelt's talk of "quarantining the aggressor," at Chicago in 1937; his many diplomatic interventions during last year's crises; his remarks to Congressional committees this year variously quoted as implying that the American frontier is on the Rhine, that the British and French forces constitute the first line of American defense. Finally, they interpret the Administration's desire to repeal the arms embargo as an open effort to participate in the supplying of instruments of war to Britain and France.

It is true that the Administration, while technically neutral, looks with favor on the Allied cause; so does public opinion; so do many of the isolationists. It need not necessarily follow that American policy is headed toward war involvement.

Apart from the dispute over the arms embargo, and the consequent denunciation of the alleged trend toward war of the Administration—however fundamental—present broad foreign policies attract almost universal support. Two essential elements are inter-American policy, and national defense. Both

are heartily endorsed. Both can be headed toward genuine neutrality, or can be converted into an anti-aggressor mold. The United States now has an historic opportunity in Latin America, whose trade with Germany has been rudely broken off, to build up a neutral bloc, and a co-operative and perhaps self-contained new world group.

### Policy People's Choice

The fullest expansion of the national defense forces is now under way. Navy yards are building vessels at capacity, and military personnel is being brought close to peace-time maxima. New defensive outposts are being created in the Caribbean, in Panama, and along the Atlantic Coast.

In sum, American foreign policy today can be made into what the American people demand. While the authority of the Executive is very great, it is also true that a Democracy always has the equivalent of a war referendum on its statute books, and a President could not consider such a grave step as war without overwhelming national support. Talk of a President "getting us into war" assumes that Congress and public opinion can be deluded. It is far more accurate to say that the President cannot do many things which he and Secretary Hull and former Secretary Stimson and many other experienced leaders believe should be done in a war preventive way, because national opinion would not accept such steps. The arms embargo is only one of these.

Thus the ultimate formation of American foreign policy rests in the hands of the people. According to all observers, their mood is mingled anti-war and anti-Hitler. They are struggling to maintain the things for which America stands, and whether these can be preserved on this side of the Atlantic alone or are dependent on the preservation of world civilization is the great unresolved problem which alone can clarify the trend of America's foreign policy.



## Foreign Policy Through the Years

With the founding of the United States, America improvised its first foreign policy. It was concerned entirely with self-preservation. The new nation wanted to be left alone. It wanted peace.

Hardly had the wheels of the new nation been set in motion, however, before this policy of self-preservation was put to the test. France became involved in war with Britain.

President Washington acted quickly. To avoid involvement in Europe's struggle he issued a proclamation of neutrality. Americans were forbidden to join any of the warring powers. They were warned not to carry contraband to any warring nation.

This was America's first foray in foreign policy. America could proclaim its neutrality. Could it maintain it?

The Napoleonic wars made it practically impossible to maintain neutrality. Jefferson, seeing that trade might involve the country in war persuaded Congress to pass the Embargo law. It lasted two

years. By 1812 America was at war with England.

America had hoped that war might solve the nation's trade problems. It failed to do so. Rather it left unanswered that shadowy issue of the freedom of the seas and the rights of neutrals.

About a decade later the United States startled the world with another foray in foreign affairs—the Monroe Doctrine. Self-preservation was expanded to mean preservation of the freedom of the Western Hemisphere from European meddling. America recognized even then that to preserve itself, its horizon might have to be wider than its own borders. It was not yet a world power. Yet its outlook was expanding.

Young America quickly grew up. It expanded rapidly. And as it expanded southward and westward it began making its power felt elsewhere than in the Western Hemisphere. The addition of Louisiana, Florida, Oregon, Texas and the rest of the West to the United States forced America into contact with European powers. The acquisition of Alaska, Puerto Rico, Guam, the Philippines,

Hawaii and the Panama Canal Zone precipitated the United States into the world picture as a world power.

And then came 1914. Again, as a hundred years before, the United States tried to stay neutral while protecting its rights. And again those neutral rights drew the country into war. But that was not the only reason why America entered the World War. America was also fighting for an ideal—that same ideal for which its forefathers had fought, for which they had fled the Old Country. They had a vision of a world enjoying democracy as they did in the States. They envisioned a world order that would insure peace on earth.

But when the fighting ended they forsook the ideal. They thought they could step out of the world picture that they had so tremendously helped to create. They failed to realize that they had become the world's greatest power. Instead they tried to shake Europe's dust from their feet and return to pre-war policies. And so we have the 20's with Harding preaching "back to normalcy," with Coolidge out-Teddyding Teddy Roosevelt in backing the American dollar.

When Washington delivered his Farewell Address he urged political isolation on the new-born nation. But the conditions that provided the background for his utterances almost a century and a half ago have entirely disappeared.

As this short sketch has tried to point out, America has continually refused to be isolated politically down through the ages. It has stepped in and out of the world political arena at will, moved at times by imperialistic ambitions, at other times by a powerful idealism. Call it a conflict of selfishness and altruism. It is nonetheless a conflict that has colored American foreign policy continually. It must be reckoned with.

## Pertinent Quotations

Washington: in his Farewell Address.

"Tis our true policy to steer clear of permanent alliances with any portion of the foreign world."

Jefferson: First Inaugural Address.

"Peace, commerce, and honest friendship with all nations,—entangling alliances with none."

Jefferson: Writings, volume 15, page 436.

"I have ever deemed it fundamental for the United States never to take active part in the quarrels of Europe."

Monroe: in the "Monroe Doctrine" message to Congress.

"The American continents . . . are henceforth not to be considered as subjects for future colonization by any European power . . . We should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety."

Coolidge: on landing of Marines in Nicaragua.

"Our government has certain rights over and certain duties toward our citizens and their property wherever they may be located."

Franklin Roosevelt: in First Inaugural Address.

"In the field of world policy, I would dedicate this nation to the policy of the good neighbor—the neighbor who resolutely respects the rights of others

—the neighbor who respects his obligations and respects the sanctity of his agreements in and with world neighbors."

Wilson: in an address at Des Moines, Feb. 1, 1916.

"America can not be an ostrich with its head in the sand."

Theodore Roosevelt: in address at Minnesota State Fair, Sept. 2, 1901.

"There is a homely old adage which runs: 'Speak softly and carry a big stick; you will go far.'"

## Read On—

Readers of this course will find the following list of magazine articles useful as sources of detailed information on this current topic.

### Magazines

Can We Stay Out of the War?—by Arthur Krock in New York Times Magazine Section, Sept. 17, 1939.

A frank discussion of the forces that work for and against America's involvement in Europe's war.

War Confronts America—by Erwin D. Cannam in the Monitor's Magazine for Sept. 23, 1939.

A case presented for United States trading with belligerents on a cash-and-carry basis.

The Corner Stone of Our Foreign Policy—by Cordell Hull in Vital Speeches, Aug. 15, 1939.

The question of peace and neutrality.

Giddy Minds and Foreign Quarrels—by Charles A. Beard, Harpers for September, 1939.

A sturdy defense of isolationism, of letting Europe and Asia work out their own salvations.

What Would America Do?—The Economist, Feb. 18, 1939.

A pre-war British view of what America would do in case of war. Worth while reading today.

President Roosevelt's Message to Congress—in the Christian Science Monitor, Sept. 21 or 22, 1939.

The President's plea for change in the Neutrality Law delivered before the special session of Congress.



## U. S. Defense: A Policeman for the Americas

Our setting is a wood-paneled library. Before a crackling fire sit a group in comfortable chairs, talking informally. Chairman of the discussion is VOLNEY D. HURD, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman speaks:

"Defense of the United States has been raised since our discussion the other day on Pan Americanism. It is apparent that most Americans think of defense in terms of the United States and its possessions. On that they base their satisfaction with the Army, Navy and Air-Force expansion. Yet as we pointed out the Monroe Doctrine means the United States defense forces must actually take care of the entire Western Hemisphere plus the Pacific possessions.

"Today the British and American Navies are of practically the same strength by mutual agreement. Both countries have large areas to defend in coastline and ocean stretches. Both normally have small armies. That army point is the key. It says more plainly than words that the great stretches of water around these nations are natural defenses, requiring no first cost or upkeep.

"Of course, the British situation has changed. Today the English Channel is only a few minutes wide by air. So Britain even with peace will need hereafter a much larger air force to defend itself and probably a larger regular army to meet continental problems."

**Question:** "I note that most of the American Navy is kept in the Pacific. If it is as competent as you say, to take care of both coasts, isn't its concentration in the Pacific an admission that more strength is needed there and that by the same token it isn't strong enough to take care of the Atlantic?"

**Answer:** "You will note on the map that the distances to be covered in the Pacific are far greater than in the Atlantic. That means many more vessels are required. Also the Panama canal is supposed to be the solution to the Atlantic needs with such concentration in

the Pacific. If a situation arose in the Atlantic the fleet could come through the canal to take care of it. That is the theory."

**Question:** "Isn't it odd that the American fleet is primarily in the Pacific where England has major possessions but few naval forces, while the Atlantic is practically left to the British to take care of?"

**Answer:** "You have touched on a much discussed point. Certain politicians have charged a secret agreement between the British and American Navies for such joint patrol. Actually no such agreement is necessary. The Atlantic is bordered by big naval powers which are friendly to the United States. So why try to keep the Navy there when it is needed in the Pacific where the same conditions do not prevail, particularly with the canal available as a shuttle?"

**Question:** "Many Americans opposing aid to the Allies say, 'let's wait until they come over here.' How could they come over here?"

**Answer:** "The American defense plans call for the Navy to stop potential invaders. So 'they' couldn't come over here unless the Navy was conquered. With a big Navy this is not expected."

**Question:** "But suppose there was a coalition of European navies bigger than the American? Suppose that England and France fail in this war and that Germany in the peace treaty should take over their navies. Couldn't this force make American invasion possible?"

**Answer:** "You raise a point which many pacifist-minded Army and Navy men have brought up, but with little open discussion as it seems a little melodramatic. But it is inherent in the question you bring up—what if they come over here—particularly in view of the present war."

**Question:** "But isn't the coast defense able to stop landings?"

**Answer:** "It is impossible to defend the entire coast with guns and men. Look at its length on the map.

But the British military expert, Liddell Hart, points out that the airplane has made landing operations extremely hazardous if the country to be invaded has a strong air force. The American air force is being rapidly expanded and should be a major second line of defense backing up the Navy. A fleet crossing the Atlantic would be vulnerable, with such distances, to shore-based aircraft who could undoubtedly damage the lines of supply for the invading army."

**Question:** "But is the Army big enough for such an emergency?"

**Answer:** "The United States, fortunately, as an industrial country, has vast resources to back up a mechanized army. Now the Army can be greatly increased in effectiveness, without adding more men, by mechanization. Again America's vast railroad and highway system would make this army highly mobile so, again, its effectiveness would be extended. But it is important that the mechanization be thorough and that the Army work together regularly in its largest units in order that it will become the efficient force the American plan of defense calls for."

**Question:** "I notice that France has a single defense head, to bring naval, army and air forces into effective co-operation. Why hasn't the United States such a setup?"

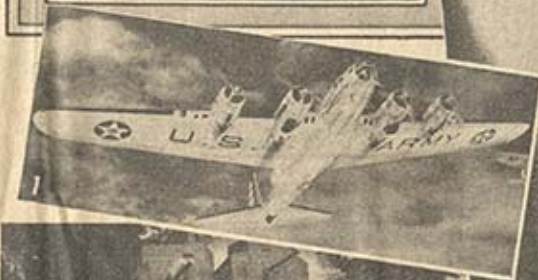
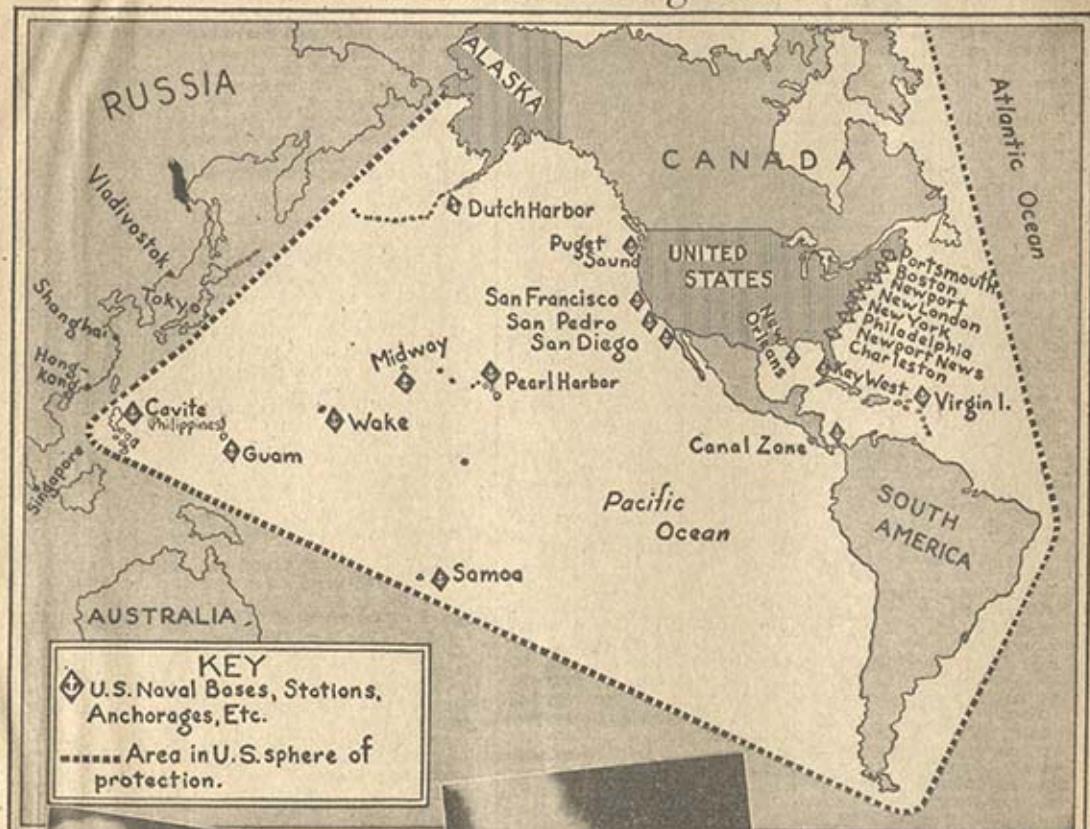
**Answer:** "You touch on a sensitive point to many military men. The reason why is that Congress has not arranged to have such a change made. There is an honest conviction among individual branch officers that the efficiency and esprit is greater with separate forces."

**Question:** "Mr. Hurd, what is the Washington view of the United States defense setup today?"

**Answer:** "Your chairman wired the Washington bureau of the Monitor for a detailed answer to that question and Saville R. Davis of our Washington staff undertook the assignment. You will find his answer just below on page 27 of this Fireside series."



# Uncle Sam's Far Flung Defenses



Staff Artist: Wide World

## America's Mantle of Protection Covers More Than a Hemisphere

America wants a strong national defense. That consists primarily of a strong navy. The naval bases strewn along the shores of the United States and far out in the Pacific

assure Americans that any opponent will be met not at the water's edge but far out to sea. They also assure protection to those regions guaranteed by the United States.



## (R)'s and (D)'s See Eye to Eye on an Armed U. S.

By Saville R. Davis

"We seek to keep war . . . from coming to the Americas," said President Roosevelt in his fireside talk, thereupon ordering large increases in the Army and Navy personnel. "We must arm forthwith," said Alfred M. Landon, endorsing the Roosevelt moves as titular head of the Republican Party. Senator Borah, veteran leader of the isolationists, said that adequate armed strength is something the nation "must provide."

They all want a strong national defense.

In fact, there is probably more national unity on this one subject than on any other of primary importance in these churning times. The average American, forming his opinions over the breakfast-newspaper or sitting by his radio, has seized on every straw of disarmament in the last two decades as a straw of hope. But he seems to recognize primitively and instinctively that disarmament is something everyone has to do at the same time; that now is no time for anyone to be weak when others insist on being strong and threatening.

### Defense Characteristics

Here are some the reasons, then, why national defense is a national policy today in the fullest sense of the word:

1. Defense is insurance against attack from anyone. Already there are signs that this insurance works. In the first World War, Germany wantonly attacked Americans and their trade on the high seas because it thought the United States wouldn't and couldn't fight. Today, with what the President calls a satisfactory state of preparedness, Germany has scrupulously refrained thus far from provoking the United States except in the case of the *Athenia* which remains a mystery and hasn't been repeated at the time this is written.

2. Defense is preparation for entering war. During the last war, the United States was woefully unprepared and General John J.

Pershing and his staff resolved that this should never be the case again. Congress agrees, because the costs and the dangers of involvement which result from national armament are considered to be less than the costs and dangers of being caught unprepared if the nation should be provoked into war, or should decide to enter the war.

3. Defense is naval offense. Naval experts the world over are now agreed on the "doctrine of the command of the seas," which the United States largely ignored in the first century of its existence. This means that a purely defensive navy, with ships scattered along the coast to protect harbors and commerce raiders sent out to do the fighting on the high seas, is useless by itself. You have to have a main fleet of capital ships, capable of going wherever the enemy fleet is, engaging it, and defeating it, in order to gain command of the seas. Otherwise the enemy will do just this, and hold you at its mercy on the seas.

### Army

4. Defense is an Army which blankets the coastlines. Where the main fleet of the Navy moves anywhere, the Army must stay everywhere within the nation, ready to deal with even remote danger of conflict.

5. Defense is not national but hemisphere defense. It is not a fiction that the dictatorships have used every tool of penetration to gain friends in Latin America, where naval or air bases could be won.

6. Thus defense is diplomatic as well as military. While the Army and Navy build a Gibraltar for ships of sea and bombers of air at Puerto Rico, and bring the chief of the Brazilian general staff to Washington, the State Department is charged with the duty of keeping Latin American nations friendly to the United States rather than hostile and hence potential allies of a European enemy.

7. Defense is officers and men. The officers today are of high caliber but there are too few men for

the needs which have been outlined. The President has taken partial steps to fill the deficit as shown in the 'Naval Strength' table, page 28.

### Resources Board

8. Defense is equipment. Today the President has a Civilian War Resources Board of some of the country's leading industrialists, bankers and planners already functioning, as compared with the agonizingly long time which it took Woodrow Wilson to get his famous War Industries Board going in 1917. An army is as strong as its supply lines. And today the various services know exactly what factories would produce what, in time of war, and the factories themselves have complete plans for whatever changeover of equipment, staff, etc., would be necessary.

When Admiral Harold G. Stark became administrative head of the Navy this summer, he said to reporters: "This is the people's Navy." He meant it. This is the Navy which will do what the people tells it to do. And the Army likewise.

And so it is that national defense is the people's own business. It has been substantially enlarged, though not hysterically or without reasonable limit, because the President and the Congress consider that the people are agreed on this point.

Thus, in studying this subject, we arrive at the final and all-embracing issue: The Army and Navy and Air forces, and all the establishment behind them, will be converted into weapons of offense only if the American people so order. They will guard the Americas, only, or they will enter Europe to join the stop Hitler movement, according as the nation decides. The fact that preparation has not yet extended to the full scope of war mobilization is a strong indication that President and Congress and people hope they will be able to confine their strength to the purposes of defense, and not have to use them actively. But the ultimate decision is not yet as to whether it will be defense or offense.



## Uncle Sam's Navy: First Line Defense

Naval bases constitute America's first line of defense. They are also outposts for offense. A glance at the map above indicates how, when strategically located, they can guard a continent.

Suppose we glance at those naval bases which are in the Pacific—present as well as proposed ones. The principal base on the West Coast is at San Diego. Others are located on San Francisco Bay and Puget Sound. But it is really at Pearl Harbor in Hawaii that Uncle Sam has been outdoing himself. He has poured about \$130,000,000 into that Navy stronghold in the last 20 years, making it—on the authority of George Fielding Eliot—"the most formidable maritime fortress and naval outpost in the world."

The Navy has other bases in the Philippines, at Guam, and in American Samoa. But restrictions under the Washington naval treaty have, until recently, prevented improvements in those outposts.

Guam, you will recall, was much in the headlines during the last session of Congress. After heated debate pro and con Congress finally decided to drop the matter. It had too much dynamite—for it could easily be interpreted as an affront by Japan.

### Guam

The issue of Guam, however, is one that cannot be decided on its own merits. It is tied to the problem of the Philippines. At present the United States is re-

### Mars' Bill

Figures on national defense expenditures of various countries must be taken with a grain or two of salt—or gunpowder. Their accuracy is always open to question. But for better or for worse we present what we believe to be fairly reliable estimates on defense expenditures in recent years for the larger powers. (Figures are given in millions of dollars.)

	1934	1935	1936
United States	710	965	1,065
Britain	480	850	1,700
France	580	835	1,090
Germany	380	3,600	4,400
Italy	260	920	530
Russia	1,000	4,000	5,400
Japan	270	310	1,750

### Wars and Men

The United States fought in the following major wars. The number of troops engaged in each struggle gives an indication of the length and intensity of the fighting.

War of Independence	1775-84 (est.)	325,000
War of 1812	1812-15	525,274
Mexican War	1846-48	116,557
Civil War—North	1861-65	2,128,948
South	(est.)	1,000,000
Spanish War	1898-99	280,564
World War	1917-18	4,057,101

### Naval Strength

Figures on American defense strength these days are almost out of date before they are published. Figures on the composition of the American Navy, however, are perhaps the least ephemeral, for ships can't be built in a day. The following table of American combatant ships as of the beginning of 1938 plus appropriations later reveals the approximate strength of the Navy as it will be when expanded, barring additions.

	Number	Tons
Capital ships	18	630,000
Aircraft carriers	8	175,000
Cruisers	46	413,000
Destroyers	144	228,000
Submarines	56	82,000
	272	1,528,000

responsible for their defense. Does that responsibility continue after 1946, when the Islands are supposed to attain their independence? Guam is tied up to the answer to that question—and no one in Washington has answered that yet.

And speaking of Guam and the Philippines, one must clearly perceive their implication to Japanese imperialism and expansion. They intercept Tokyo's sea route southward toward the Indies, toward Malaya, toward Singapore. Should the American Navy find it expedient to cooperate with the British and French Navies in the Pacific at some future date, the fortification and defense of those outposts of American interest might well be the "shoe" on which the fortunes of war would depend.

Let us now shift quickly to the Atlantic. There, Uncle Sam has four major fleet bases—at Boston, New York, Philadelphia, and Norfolk—as well as several minor ones—at Portsmouth, N. H., Washington, D. C., and Charleston, S. C. But the country's only major naval air base is at Hampton Roads in Chesapeake Bay. In the Caribbean the United States has

### Defense Budgets

What have the Army and Navy been costing Americans? Here are a few rough yet representative figures of military and naval expenditures of recent years.

	Army	Navy
1910	\$156,000,000	\$130,000,000
1915	173,000,000	142,000,000
1918	4,850,000,000	1,279,000,000
1919	8,996,000,000	2,602,000,000
1920	1,611,000,000	736,000,000
1925	255,000,000	356,000,000
1930	323,000,000	374,000,000
1935	269,000,000	321,000,000
1936	377,000,000	391,000,000
1937	353,000,000	497,000,000
1938	400,000,000	570,000,000

only one major naval air base in the Panama Canal Zone. There is an outlying air base in the Virgin Islands. The purpose of defense in this area of course is protection of the Panama Canal. Unless or until Uncle Sam gets his two-ocean navy the defense of that cut is essential to American safety.

### Panama Canal

The approaches to the Caribbean from the Atlantic are guarded by naval stations at Guantanamo—between Cuba and Haiti—and by possession of Puerto Rico and the Virgin Islands.

Puerto Rico, however, has greater possibilities. As some people say, it has the makings of an American Gibraltar. With it fortified the United States could meet attackers miles from the Canal. From it America could take a long step forward in defending the entire hemisphere in its southern stretches.

A topic that always raises a debate in any discussion of defense of the Panama Canal is: should another canal be built through Nicaragua?

The United States has the right to construct such a canal, even the right to establish a naval base on the Pacific coast of Nicaragua. Would it be better defense policy to build a two-ocean navy or to build another canal? Could Uncle Sam defend two canals if he couldn't defend one successfully? These are questions that need debating. And that is something for you Fireside members to do.

### Read On—

Readers of this course will find the following list useful as sources of detailed information on this current topic.

### Magazines

**The United States Checks Its Defenses—** In *The Christian Science Monitor Magazine*, Dec. 28, 1938.

**Joseph C. Harsch and Quincy Howe discuss the two critical issues: What Are American Vital Interests? and A Navy Adequate for What?**

**The Ramparts We Watch—** Condensation of the book by George Fielding Eliot in the *Reader's Digest* for February, 1939. Sea power second to none is the key to American security, this military authority believes.

**Frontiers of the United States—** By A. Lawrence Lowell in *Foreign Affairs* for July, 1939.

A plea that the United States stake out limits in the Atlantic and Pacific to include islands it would be unwilling to see pass to other owners.

**Wanted, A Sane Defense Policy—** By O. G. Villard in *Harpers* for April, 1939. Discussion of the question, what is America prepared to defend and what should it be prepared to defend?



## War: A Mammoth Job 'At Home,' Too

Our setting is a wood-paneled library. Before a crackling fire sit a group in comfortable chairs, talking informally. Chairman of the discussion is VOLNEY D. HURD, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

War Economy is a rather dull phrase. What it really means is the effect on business, industry and finance of a war—things which in turn affect every single person in the country going to war. The soldier or sailor is the front line of the war. The rest of it reaches back deep into all phases of a country's life.

You might think of the armed forces as the mouth of a great river. Back of this are major river branches, each served by minor river tributaries. The littler rivers in turn are fed by creeks and brooks, first big brooks then the little ones running from some spring. Now this vast network is absolutely essential to a war. Without each minute tributary playing its part the mouth of the river will not be up to its full capacity—and war demands the complete effort of a country. Nothing less will do.

It is essential to keep this picture in mind during a war. A neglect in so doing will throw current topics quite out of focus. First we have the army and navy. For every man at the front in an army there are a number of men behind the lines. This fighting man must be kept in operation. He must be fed, clothed, supplied with arms and ammunition and helped when disabled in battle.

All this means a tremendous set up, a set up operating under the difficulties of insufficient highways and railroads, insufficient storage space—the whole under the perpetual threat of air and artillery bombardment. Thus the costs are tremendous, the organization staggering!

Question: "Mr. Hurd how can a country take on the problems of supplying such a demand?"

Answer: "In today's major wars

it means a major dislocation of the country's business. Industry is suddenly called upon to produce several times its normal capacity. It cannot afford to build new plants just for a few years of a war in most cases. And it faces expensive changes in production which take time and money."

Question: "How can concerns get the labor which such a demand would call for?"

Answer: "That is a real problem. It has been made worse in the United States in previous wars by the volunteer military system. Men who were badly needed in industry rushed in to face combat. Other men who could have taken their places in the trenches, could not replace their skill in the shop. Even with conscription the greatest care must be taken to see that industries keep their full supply of skilled workers."

Question: "Then the war does add greatly to employment?"

Answer: "In some ways. But remember that while arms production goes forward most other things go backward. Consider England today with its restrictions on motor travel and theaters; its blackouts, shutting off all business; passenger pleasure travel, hotels and restaurants barely operating. All these things mean unemployment. And workers in these lines may not fit at all into munitions production."

Question: "What sort of things must industry turn out in a war, mostly shells and powder?"

Answer: "It's far more complicated than that. Figure out what a big city needs. Then remember that your army is the equivalent in size of a big city. Now men are men and they must have most of the things they need in peacetime such as clothes, shoes, underwear, all kinds of food, recreational materials for rest area sports, razors, pens, pencils, paper and so forth. Add to this their arms. The United States would have very few arms on hand to go into a major war. So all these would have to be manufactured—

hundreds of thousands of automatic rifles, machine guns, steel helmets, trench mortars, hand grenades, bombs, tanks, airplanes and ammunition for these units."

Question: "Are these things more complex today than during the World War?"

Answer: "Much more so. The planes cost three to ten times as much and the tanks are needed in such huge quantities that they become a major item of manufacture—all because of the marked trend toward mechanization of armies. Now this brings up another point—oil. It is estimated that a country at war needs about three times its normal peace time amounts of gasoline and oil to keep the mechanized forces moving. I saw a figure the other day where a small unit of the French army mechanized force required 265 gallons of gasoline for every mile it moved forward!"

Question: "Then the industrialized country should have a marked advantage in a war today?"

Answer: "Yes. Yet England, France and Germany are all industrialized. But Germany is lacking in sufficient supplies of oil—and with the mechanized armies that is all important. A war can quickly be lost because of lack of oil. Hitler's seizure of Poland, its pressure on Rumania, and its current deal with Russia were largely motivated by the need of getting great additional quantities of oil from sources not open to attack by the French and British.

By the same token if Russia came into the war the value of its huge army might be questioned since Russian industrialization has a poor record so far.

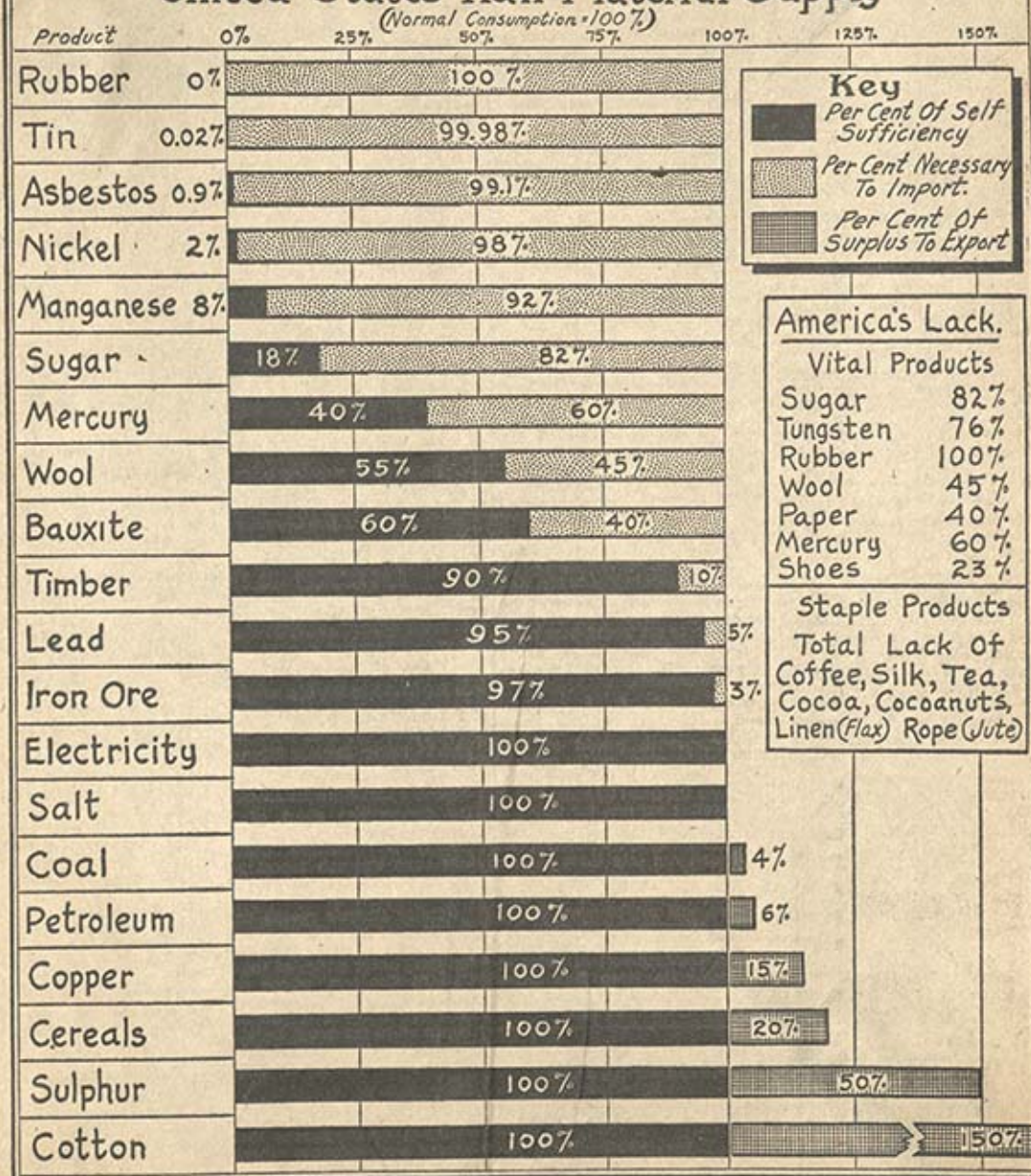
Question: "Who pays the war costs?"

Answer: "The people, in the end. The war is financed by extra taxes and loans, the latter to be repaid in peace times. And now meet Harold Fleming, the Monitor's staff economist in New York, our guest today, who will give you a fuller picture of war economy as an American problem."



## Even Uncle Sam Is Not Self-Sufficient

## United States Raw Material Supply



By a Staff Artist

America's Supply of Essential War Raw Materials



## Entire Economies Mobilized These Days

By Harold Fleming

Modern war is so all-devouring of the substance of a warring nation that it is generally considered necessary for the Government to control virtually every part of the nation's economic life in order to win the war.

This bureaucratic control extends far into the intricate mesh of the delicately adjusted commercial and financial life of a modern nation. It involves the control and often the rigid fixing of prices; the allocation of raw materials to essential industries and the denial of these materials to the rest; and the expert manipulation of the credit system so as to get the maximum movement out of the circulating medium without suffering the usual difficulties which attend its abuse.

It was not always so. As the system of free credit, laissez-faire, and unregulated prices, gradually evolved out of medieval society in the fifteenth and sixteenth century, successful war-making generally involved a relaxation of state controls rather than their tightening. The prince who made war had to borrow. There was no one to borrow from except merchant-bankers.

It was only within the last two centuries that war came to involve the first of the now standard war-time techniques—the abandonment of the gold standard. A nation at war generally financed as much as possible by bonds and the rest with paper money whose issue was promptly followed by sharply rising prices. Efforts to curb these rising prices were generally harsh but inadequate, for governments were weak, communications slow, wars brief, military service voluntary and patriotism a matter of choice.

### World War

Modern methods of war-time economic control really began to develop only during the last World War—and then only slowly. Britain embarked on the war under the slogan "Business as Usual." The gold standard was not abandoned

### They Say—

War requires that the industry of a nation be mobilized as well as its manpower. Some quotes:

**Marshal Foch:** "Modern war, since Napoleon, uses, recklessly, of course, all the means at its disposal. It has but one method, the act of force."

**Bernard Baruch,** who geared America's industry to its military machine in the World War: "Industrial mobilization means the arrangement of a country so that fighting men can get what they want in men and materials, when and where they want them."

**Von der Goltz** in his "The Conduct of War": "The best military organization is that which makes all the intellectual and material resources of the nation available for the purpose of carrying a war to its successful issue."

**Scott Nearing:** "Modern war must be immoderate, waged to the limit of material resources and manpower—only thus can victory be assured."

for many months. Price control was only gradually extended even over military essentials.

When the United States entered the first World War in 1917, a modern set of war-time economic controls was set up in this country with comparative speed. This was probably the result of British experience, plus the knowledge which we had acquired between 1914 and 1917 of the intense strain which a prolonged war can put upon a national economic machine.

### U. S. Speed

Whereas it had taken Great Britain years to develop an efficient control system, the United States geared its economy to fit war-time demands within a month. Today the countries participating in the Second World War have adopted control within a few days—or virtually where it left off in the last war.

Britain has already abandoned completely any pretense of a gold backing to her currency. "Anti-profiteering" regulations already

limit wholesalers' and retailers' mark-ups.

Modern wartime economic controls, in a sense, put everyone into the army. They blur the line which used to demarcate the military from the civil life of a nation. In another sense they convert a free economic system into a part of a totalitarian state. Thus most of the controls adopted by the so-called "democratic" countries, which are better called "republican" or "parliamentary," for the duration of the war, are remarkably similar to control methods set up in the totalitarian countries some years earlier.

### Permanent Controls?

They represent the subordination of private freedom and initiative to the common effort, the abandonment of private systems of well-being and security for the common security.

During the World War, these controls were inaugurated in this country with great misgiving, on the universal assumption that we abandoned freedom of commercial and industrial action, as we abandoned freedom of speech and of personal movement, for the sake of a common effort to assure them in the future—i. e. to make the world safe for democracy. And they were promptly abandoned after the armistice.

However, the control patterns then created, and shortly abandoned, have been slowly rebuilt in peace-time. War seems to hasten historic changes—toward laissez-faire, long ago, and toward more government control, today. If we went to war now, government control would immediately become more pervasive than ever before. This is the principal reason why many people, including most of American business, hopes that we will not go to war and thus, in attacking autocratic-democratic principles of government in central Europe, invite them here. The fear is that government controls set up in this country for another war would not be so willingly dismantled as for the previous one.



## U. S. World War Example

How a government takes control of the industrial resources of a country in time of war and seeks to prevent the diversion of economic energy into any channel not thought essential to the war, is well illustrated by the example of the United States in the World War. The following steps were taken:

1. A Council of National Defense was set up in Washington in the summer of 1916, almost nine months before America entered the war, which developed the working outlines of United States war-time economic controls.

2. The War Industries Board was set up within two months after war was declared, as a clearing-house for the government's war-time needs. It was a civilian agency co-operating with the army and navy for the control and direction of industry to war needs. Its function was not only to act as purchasing agent for the armed forces but to direct the operation of industry and the movement of commodities so as to get their maximum continuous output for war purposes.

3. The Shipping Board was then set up to buy, construct, and operate ships for the government, and the Emergency Fleet Corporation to allocate ships and cargoes.

4. In August, 1917, the Food Administration was organized to enforce conservation, control commodity movements,

and co-ordinate purchases, exports, imports, and transportation.

5. The Fuel Administration began fixing coal prices and controlling the movement of fuel, in the same month.

6. The Railroad Administration took over operation of all the railroads in the spring of 1918. It eliminated competition, introduced more efficient operating methods, and cleared up the existing terminal congestion, which private management had tried but failed to do away with.

7. Through various financial devices the country's credit system was expanded and made available to the government in the form of a greatly increased buying power.

8. Maximum prices were fixed on all essential commodities to prevent "profiteering and speculation," and the credit available to the stock market and to corporate borrowers was rationed by a special semi-official committee of bankers in Wall Street.

9. The War Industries Board rationed out essential raw materials and fuels to various industries in order to turn those factory wheels most essential to the conduct of the war.

## U. S. Stake Abroad

What is America's stake in Europe? That question can't be answered in dollars and cents, for more than American dollars are involved. America's political and social philosophy—its way of life—is tied up in Europe's tangles. But its European sales market can be figured. Here are some of the more important products of the United States sold to Europe, the sale of which is bound to be disrupted by war, disturbing American economy.

**Cotton.** Of America's \$1,178,000,000 crop something under a fourth of it would be expected to go to Europe, roughly \$270,000,000 worth, with Britain taking the lion's share and Germany and France following.

**Petroleum.** The value of the petroleum produced in the United States is around \$2,643,000,000, and while about 14 per cent would normally be expected to be exported, Europe would take less than half of that amount, or about \$160,000,000 worth.

**Wheat.** America's \$971,000,000 wheat crop is mostly consumed at home, with only 3 per cent, or a little under \$30,000,000 worth, finding its way usually to Europe.

**Iron and Steel.** Of America's \$5,669,000,000 iron and steel production, only about 8 per cent normally finds its way to Europe, or about \$45,000,000 worth.

**Autos and Parts.** The value of America's total production exceeds \$5,200,000,000, and while about 7 per cent of it may be exported less than 2 per cent goes to Europe, or about \$90,000,000.

## United States Forms War Resources Board

Planning ahead for any future war-time emergency is the duty of even the most peace-loving nation. In the United States, 92 officers in Washington and key manufacturing cities have been working on a "master blueprint" for industrial mobilization since 1920.

A War Resources Board was formed on August 9, 1939 as successor to the War Industries Board of the World War period. It is composed of civilian leaders in the fields of economics, engineering, and industry who give their services free of charge. The function of the Board is to advise and co-operate with the permanent Army and Navy Munitions Board, which is in charge of industrial mobilization, and with various other government agencies, in perfecting plans for putting the United States on a war-time footing.

The Board was set up as a move to impress Germany and Italy and to stop further aggression; but in time of war it can become an executive agency to help carry out the program of economic control. It has already reported several times to President Roosevelt.

Members of the War Resources Board are:

1. Edward R. Stettinius, of U. S. Steel Corporation.

2. Karl T. Compton, of Massachusetts Institute of Technology.

3. John L. Pratt, of General Motors Corporation.

4. Harold G. Moulton, of Brookings Institute.

5. Walter S. Gifford, of American Telephone and Telegraph.

6. Gen. Robert E. Wood, of Sears, Roebuck and Company.

The Board at the moment is in eclipse in Washington. Its personnel was too closely tied up to Morgan and du Pont interests to be good politics at a time when Congress is debating war neutrality. But there is little doubt but that should the United States become involved in Europe's war the Board would be quickly called back into action.

## Read On—

**War Economy**—a book which has just appeared by Leo M. Cherne. It is recommended for businessmen in particular since it outlines government plans for mobilizing industry in case of war.

**Preparing Civilian America for War**—by H. J. Tobin in Foreign Affairs for July 1939. A story of the planning going on in the United States to turn that nation's normal economy into a war machine, of the agencies that will spring up when war is declared.

**Taking Profit Out of War**—in The Christian Science Monitor Magazine of June 1, 1938.

## Economic Strength

America's economic strength—what is it? It's a composite of a lot of things—of population, merchant vessels, railroads, automobiles, raw materials. It's an imposing picture when viewed by itself. It's even more imposing when compared with that of other nations. Here is its strength in round rough figures:

Population .....	130,000,000
Merchant vessels—tons ..	12,000,000
Railways—ton miles ....	360,000,000,000
Registered autos .....	30,000,000
Crude petroleum—tons ..	190,000,000
Gasoline—tons .....	67,000,000
Fuel oil—tons .....	73,000,000
Coal—tons .....	494,000,000
Iron ore—tons .....	41,000,000
Pig iron—tons .....	42,000,000
Steel—tons .....	57,000,000
Refined copper—tons ..	900,000
Refined lead—tons .....	467,000
Wool—tons .....	230,000
Butter—tons .....	1,150,000
Margarine—tons .....	200,000
Wheat—tons .....	28,000,000
Rye—tons .....	1,500,000
Beet sugar—tons .....	1,700,000
Cane sugar—tons .....	500,000

These production figures are based on the highest annual output chalked up during 1936-1938.



## People on the Move: A Major U. S. Force

Our setting is a wood-paneled library. Before a crackling fire sit a group in comfortable chairs, talking informally. Chairman of the discussion is VOLNEY D. HURD, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"After class Tuesday a member asked what became of European immigrants in America; did they stay in one spot, did they move as a tribe, and what effect did this movement have on the country. And that opens up the whole interesting question which is ordinarily listed under the uninteresting title of 'Population Movements in the U. S.'"

"Here is a vital force. Not only the immigrants but the native-born Americans move like resurgent tides, and their movements are considered by some as almost revolutionary in their effect. Immigration has practically ceased yet the tides continue unabated."

Question: "What is the reason for all this movement?"

Answer: "It's usually poverty of some sort. Industrial employment falls off, poor lands fail to produce any more crops, floods, droughts and dust come into play. Then people cast their eyes over far horizons, hoping for something better. Also there are those who seek a richer life than they find in limited areas. They seek adventure and romance, or power and success—sometimes both. Besides there are the migrant workers moving regularly through different territories to get seasonal work on farms and ranches."

Question: "Do certain regions produce more children, constituting a sort of rising tide which then seeks to find a lower level elsewhere?"

Answer: "That puts it rather well. A major movement is due to this question of what is called 'natural increase,' namely, an excess of births over deaths. We shall use that term hereafter. Your rising tide finds no hope for employment in the high 'natural increase' areas

and moves on. This is particularly true of the areas known as the Southern Appalachian Highlands, the Cotton Belt and the Great Plains region."

Question: "How much natural increase is there in such regions?"

Answer: "Well, during 1930-34, for instance, these areas, with but one third the total national population, actually supplied 55 per cent of the nation's natural increase! This is extremely important. It means this marked increase is coming from the regions with the lowest standards of living, the most limited educational facilities and the least economic opportunity."

Question: "The frontiers used to take care of a lot of this excess. Are they really gone?"

Answer: "The best answer to that is that in 1930 more than 1,650,000 persons born west of the Mississippi River and more than 3,000,000 persons born south of the Mason and Dixon line were living east of the river. Now the frontiers have always been west. A strong westward trend has taken thousands from these same areas. Yet today we find nearly 5,000,000 people who have gone east or north. Presuming they seek new opportunity we can assume that in the majority of cases they would hardly have gone to such overpopulated industrial areas, marked by increasing unemployment, unless they felt that the frontiers of the west had really gone."

Question: "Then, has all westward migration ceased?"

Answer: "Oh, by no means. There has been a trend from the east across the Alleghenies into the Ohio and Mississippi River Valleys, the prairies, the Pacific Coast and to the dry-farming areas in the Great Plains. After all, you can hardly stop the momentum of the historic American drive west."

Question: "Isn't there some logical way of attacking this question so that such restless shifting need not continue, causing continuous social and economic adjustment?"

Answer: "Well, in 1938 the National Resources Committee proposed a series of solutions to 'overpopulation and under-opportunity' in certain areas. First, the Federal employment service should aid the free movement of workers from agricultural areas not up to standard. Secondly, the Government should secure this move by buying up the land and taking it 'out of circulation.' Thirdly, new enterprises for these areas of lack should be developed, including diversified agriculture. To expedite sale of these new products artificial barriers between states should be removed and freight rate differentials and tariffs overhauled. Fourth, immigration should be restricted so long as the rural areas can supply the population for expansion needs. Finally, power, housing and transportation should be developed away from the cities so as to encourage residence wherever there are new opportunities."

Question: "It is often said that the so-called native American white stock, that is, the Anglo-Saxon, Scotch-Irish colonial stock, is dying out, what with all the immigration the United States has had."

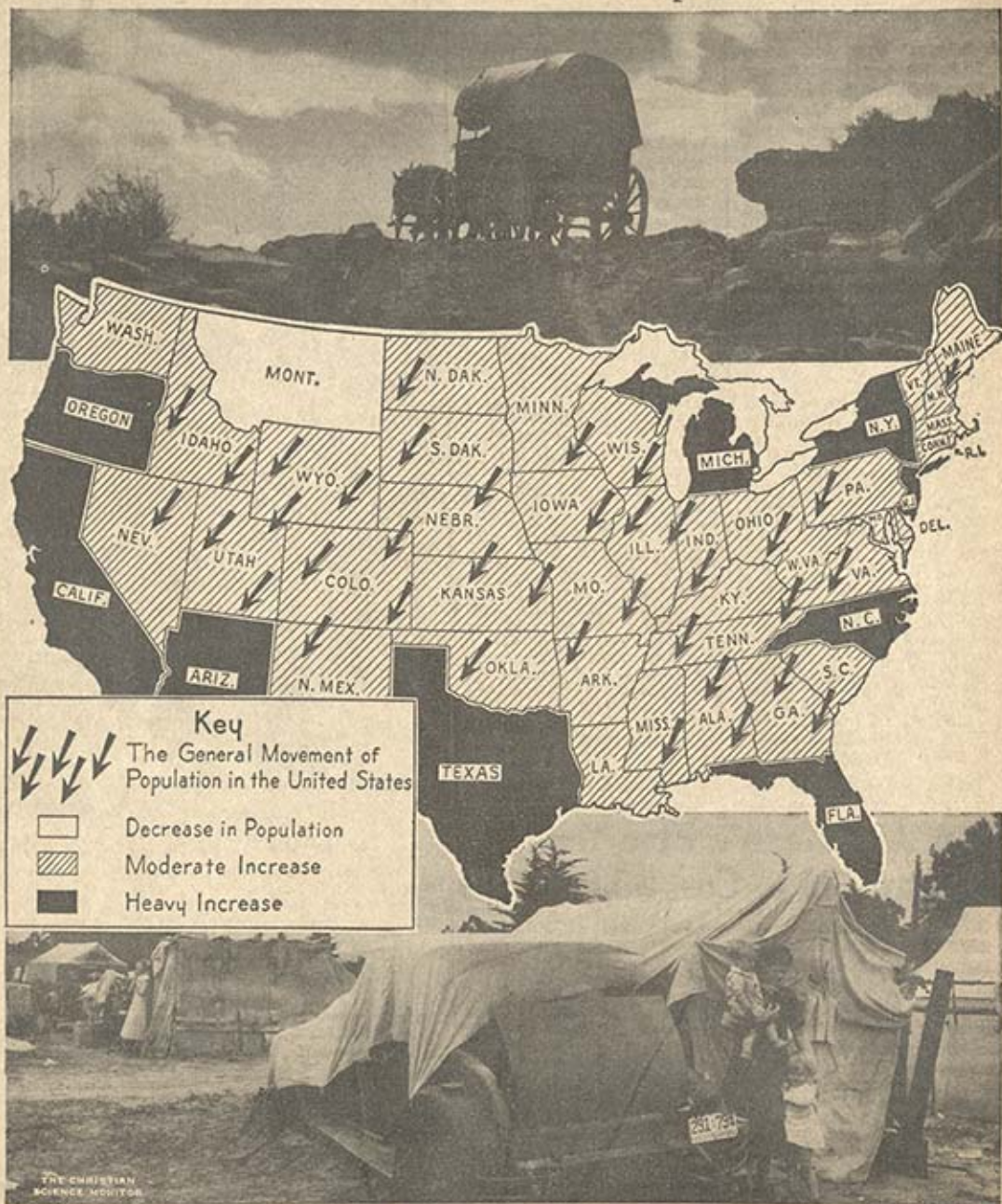
Answer: "Far from it. While decreasing in some of the largest cities, it is increasing at a good rate throughout the Middle West and West and is actually increasing more rapidly than the newer, so-called 'foreign' stock in the South and in the Mountain States."

Question: "How well are the so-called foreign groups actually being assimilated into the United States—and what is their place in this problem?"

Answer: "Our guest speaker today has been making a long study of this subject and will answer your question, along with other extremely interesting details on this pertinent subject. He is Joseph G. Harrison, of our New York staff, and you'll find his comments just below on Fireside page 47."



# 'Southwest' the Course of Empire Flows



THE CHRISTIAN SCIENCE MONITOR

Galloway; By a Staff Artist

## The Open Road Continually Calls Americans

The flow of foreigners into the United States has been through the eastern ports westward. The flow of Americans has been south as well as west as the country expanded in that direction at the expense of Mexico.



## Restless Shifts of People Changing America

By Joseph G. Harrison

Most Americans would be surprised if they were told that a revolution—a very profound revolution—was taking place in the United States right under their noses. They would immediately visualize Nazis "heiling," Communists "boring from within" or braintrusts destroying "the American way." But the present American revolution is nothing like that, for it's silent and unspectacular—except in its implications. It's a revolution in population, and what its final result will be nobody can say.

Perhaps the one thing that's most easily recognizable about America's population is its unequalled diversity. Whereas America was once overwhelmingly British, except for the large numbers of Negroes in the South, it is now a home for half a hundred different strains. This in itself is a revolution—one whose presence aroused fear and animosity for more than a century, but which now is generally accepted.

These foreign-born and their children, despite the problem they created in many urban areas, have become Americanized with a rapidity that has astounded observers. With immigration reduced to a trickle, and with old age reducing the number of foreign-born each year, great sections of the country, especially in the industrial Northeast and Great Lakes region, have lost their foreign atmosphere, quickly becoming indistinguishable from areas inhabited by the native-born. And the recent defeat of many political machines that fattened on immigrant ignorance shows that the change is internal as well as external.

### Federal Study

Holding the belief that the only population problem America had to face came from the foreign-born, some economists have taken a rosy view of the future as they contemplated this process of Americanization. Others, however, have looked elsewhere, warning that other problems, bigger problems, may be ahead.

In a comprehensive study issued last year the National Resources Committee pointed out that an increasingly large portion of tomorrow's population was coming from those areas least prepared to give them the education necessary for a successful democracy. It revealed that the problem of a large child-population and of inadequate school facilities was particularly acute in the 14 states of the South, where 30 per cent of the population was annually producing nearly 50 per cent of the nation's natural increase, i. e., excess of births over deaths.

It is axiomatic that natural increase is frequently largest in those areas where opportunities are least and ignorance greatest. In this connection it is interesting to learn that while the rich states of the Northeast with their superb school systems well able to cope with many more children have a birthrate so low that a stationary or declining population is expected soon, the 6,000,000 or more inhabitants of the Southern Appalachians with their inadequate schools have a rate of increase sufficient to double their number in 30 years if there were no migration from the area.

### Mexicans

The case of the several million Mexican immigrants and their children is much the same, their rapid rate of increase making them an increasingly important element from California to Texas and as far north as Colorado.

Still another problem that has attained a sudden magnitude is that of the hundreds of thousands of Americans who have been forced to roam the country seeking new land and a meager living. This is true of the great migration of Dust Bowl refugees to the Far West, of the movement of poor Southern Whites and Negroes to submarginal farm lands and of the attempts of stranded lumberjacks to farm the rocky soil of the "Cut-over Region" of northern Michigan and Minnesota.

Where this shifting population

will finally settle is an unanswerable question at this time, but it is apparent that it constitutes an explosive element that America must aid either out of compassion or self-interest.

### Negro Problem

Of all the population questions in the United States, however, perhaps the most perplexing is that of its 13,000,000 Negroes. Once almost entirely located in the South, in postwar years they flocked north in great waves that drained the cotton fields of many a deep South county. Now crowded into Northern slums they bitterly complain that they are "the first fired, the last hired," while in the South itself, still the home of 79 per cent of America's Negroes, the rapidly increasing white population is reaching after jobs once traditionally reserved for Negroes.

Meanwhile, a still further change in America's population has been going on, carrying with it incalculable social implications. This is the steady aging of the population, with its increase in older people and its decrease in youth. In Civil War days persons over 65 years of age formed but 2.7 per cent of the population, whereas today they form 6.3 per cent and are expected to form 12 per cent by 1980. Not only will this mean a drop in the educational load and rise in the need for old-age insurance and aid, but it should result, we are told, in a growing national conservatism and in a population that should reach its peak in numbers about 40 years hence and then begin a gradual decline.

So at present the major trends in America's population show that it is becoming both older and more homogeneous as its birthrate declines and its foreign-born disappear, that large numbers of its citizens are still moving or looking for a chance to move in the hope of bettering their near-starvation economic lot and that its growth is being increasingly recruited from regions where economic, cultural and educational standards are low.



## Excerpts From Uncle Sam's Diary

**May 13, 1607.** Hundred Englishmen land at Jamestown. First English colony on Coast. Spring flowers cover warm, beautiful land. Settlers take things too easy. Colony will dwindle almost to nothing, but finally develop into stable, cultured society, supplying many great leaders.

**August 19, 1619.** Hot, depressing day. Little Dutch man-of-war casts anchor at Jamestown, sells 20 weeping, struggling slaves. By 1790 these Negroes will have increased to 757,000, constituting a fifth of whole U. S. population; by 1860 will be 4,500,000; by 1939, 13,000,000. To children of whites, buying them, this transaction will cause unmeasured suffering and cover the flower-bedecked Virginia plains with human war losses.

**1620.** English young women arrive Jamestown, to become wives of lonely settlers. Comely, energetic, self-reliant. Will conquer country. Will help create civilization more favorable to women than any ever existing before. By 1939, daughters of these women will own a larger proportion of America's wealth than women ever possessed in any other land.

**Dec. 11, 1620.** 102 English arrive at Plymouth Rock. Weather cold. Land bleak, covered with snow. Biting wind. Only half these settlers will survive winter, but their descendants, along with descendants of colonists who join them, will form the foundation of the most powerful nation on earth.

**1626.** Tiny company of sturdy Dutchmen settle on Manhattan Island. "Welcome noble champions of freedom, but watch your step." Fierce fighting ahead. This will be a new people, a new state. As Americans—not as Dutchmen—these settlers will help make it.

**1638.** New type people have come. Light-haired, square-headed Swedes. Found colony in Wilmington. Hope to make New Sweden. Seek freedom. "Freedom you may have, my children, but not New Sweden. You will soon be attacked by those Dutch in New York, then swallowed up by English in New Jersey. After that all you Dutch, Swedes, English, will be swallowed up by America."

**March 4, 1681.** Colony of broad-hatted, large-waisted, noble-faced Quakers founded today. Their territory owned by a Mr. Penn, who got it as payment on an old debt King owed his father. Into land of hard-working, strong-willed, high-souled, money-making Quakers will flock hundreds of thousands equally hard-working, serious-minded Germans to form nucleus of second most important racial element in America.

**1682.** Fearless La Salle, after exploring Mississippi, claims whole valley for

resplendent Louis XIV. Twelve years ago French founded colony in Detroit. In 1718 French under Bienville will found New Orleans. All this courageous work will be only for America—not for kings or emperors.

**1707.** This is 100th anniversary arrival first English settlers—still only half million in whole country.

**1740.** George Washington is 8 years old. There are 1,000,000 settlers in America.

**1749.** Colonists start over Alleghenies. Group of Virginians granted 6,000,000 acres in Ohio.

**Feb 10, 1762.** Nine Years War ended. New barrier removed. French today agreed to relinquish everything east of Mississippi. America can expand.

**Dec. 20, 1803.** Momentous day. American flag run up, Central Square, New Orleans. Ohio has become a state. America has bought all territory westward to Rockies. Two young explorers, Lewis and Clark, are about to start exploring vast Northwest.

**Dec. 3, 1818.** America gets new flag. Twenty-one stars already. Illinois came in today. Stagecoach road laid out, clear to Ohio. For seven years steamboats have run on Ohio River, for two years one has circulated on Great Lakes. One crossed ocean in 25 days. Speed age has dawned. America growing rapidly; 9,000,000 inhabitants. Center of population in eastern West Virginia.

**1821.** Americans occupy Florida. The rounding out continues irresistibly.

**1823.** Stephen F. Austin given grant in Texas, by Mexico. Daring step. Expect trouble.

**1836.** Trouble came. Texans fight on half-dozen fronts. Win. Declare themselves masters of territory bigger than Germany. In 100 years will number 6,000,000 people.

**1837.** Pioneers already settled Michigan; becomes 26th state. Settlers have found end of Oregon Trail, are building homes in wilds. Scouts and peddlers establishing themselves in Santa Fe. Mormons will soon go over deserts to Utah. Covered wagons go into Kansas.

**1846.** California has its Fourth of July. Declares itself independent. Floods of adventurers will sweep in to find gold. Some will stay to raise golden wheat. Others will come to raise golden oranges. Flood won't cease for century. By then 7,000,000 population.

**1858.** First mail service to Pacific Coast; 25 days from St. Louis to San Francisco. America has 31,000,000 people. Reached peak of increase, 36 per cent in decade. Will now grow more slowly. Center of population in Ohio. Will stick there three decades.

**1860.** Tidal waves of immigration pouring in. Irish flood reached peak 10 years ago. Million came in single decade.

German stream mounting. Will reach peak in 1890, million and half coming in one decade. No Italians yet. At turn of century two concurrent streams will sweep in, bringing 2,000,000 Italians, 1-600,000 Russians in single decade. Peak year, 1907, will bring million and quarter immigrants.

**1890.** Sixty-three million Americans already. Center of population reaches Indiana, will not leave for half century. Distribution of Americans almost stable. Half remain permanently in northeast corner, fifth in southeast, only a third care to venture west of Mississippi. New York already has 2,500,000 inhabitants, mostly new Americans, as always. Chicago is pressing toward 2,000,000; Detroit has paltry 200,000; Cleveland towers over it. Multitudes of the 7,500,000 Negroes move northward.

**1930.** Immigrant stream almost stopped. Rate of population increase slows. Population center barely moves two miles a year. Already 123,000,000 Americans. Racial pattern fixed, but colors constantly running. About a fourth of 12,000,000 Negroes settled in North. Fourth of all Americans foreign born or children of foreign born. Most settled in California and northeastern states. Majority inhabitants of principal cities are new Americans.

All these groups are my children. All are finding their places. All are Americans, building America, proving to themselves and humanity that men of all races and traditions can live together as brothers.

## U. S. Immigration

For over three centuries Europeans have been coming to America. In fact, every continent, almost every island, has helped in populating the 3,000,000 square miles constituting the United States. Here are some rough figures giving the immigration to the United States by nationality between the years 1820 and 1936:

Albania	2,800	China	280,000
Austria & Hung	4,138,300	India	9,700
Belgium	153,000	Japan	277,200
Bulgaria	65,400	Turkey in Asia	205,300
Czechoslovakia	111,000	Rest of Asia	36,900
Denmark	334,000		
Estonia	1,200		
Finland	18,300		
France	568,000	Total from Asia	861,000
Germany	5,238,800		
Great Britain	4,241,800	Canada	2,957,400
Greece	427,000	Mexico	768,400
Ireland	4,188,500	West Indies	46,900
Italy	4,492,400	South America	117,600
Latvia	2,200	Rest of America	40
Lithuania	7,200		
Luxembourg	800		
Netherlands	249,000	American total	2,890,240
Norway & Sweden	2,018,000		
Poland	497,300	Africa	25,300
Portugal	354,500	Australia-New Zld.	93,700
Romania	155,800	Pacific Islands	10,600
Russia	3,342,000	Not specified	254,000
Spain	188,900		
Switzerland	392,100		
Turkey in Europe	153,300		
Yugoslavia	33,400		
Rest of Europe	21,300	Total	243,600
		European total	22,435,100
		Grand total	37,330,040



## Lobbyists: Neat Neutralizers of Democracy

Our setting is a wood-paneled library. Before a crackling fire sit a group in comfortable chairs, talking informally. Chairman of the discussion is VOLNEY D. HUND, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"The bombardment of Washington by mail, radio and telegraph due to the arms embargo issue has brought forth obvious cases of unfair pressure on the Senators and Representatives—such as the same wire from the same person signed with several different names. You have asked about this practise as a subject of discussion—so here it is.

"Pressure groups are usually found at the seats of legislative government. In the United States they have a special authority dating back to King George III of England. You may remember that the founding fathers of the United States sent protests to the King only to have him refuse to receive them. That caused great indignation. It is hard enough to make a good case. When the King won't even listen then fair government is impossible.

"So when the Constitution was drawn up it included a safeguard against any such a thing happening in a democratic United States—namely, the right to petition. It guaranteed that everyone with a grievance could ask Congress for a redress. That is a broad gate. Designed for the average voter, it has become the broad highway for thousands of lobbyists."

**Question:** "Who do most of these lobbyists in Washington represent?"

**Answer:** "Well, the serious ones are propertied groups. Now, that property belongs to what are called big interests—public utility groups, patent medicine manufacturers, radio, steel—in fact any business big enough to support a lobbyist. Then there are the reformer groups of one sort or another, usually well-intended but not always in a sound

cause, labor, education, veterans and other what might be called non-propertied groups. It is the propertied groups which generate the greatest pressure."

**Question:** "I have often noticed that an apparently worthy bill quickly drops out of sight in Washington while a questionable one goes through with little trouble. Would that be the effect of lobbying?"

**Answer:** "Almost invariably. Every bill has its interested followers or it would never have become a bill in the first place. The importance of that bill to a group and its effect in dollars and cents is likely to gauge the size of the pressure effort.

"For instance a wages and hours bill is scheduled. Senators from say a southern state with low labor costs immediately hear from manufacturers in that area who see any changes in wages and hours as seriously affecting their business.

"The Senators and Representatives go into action and do their utmost to prevent the bill from passing. They will trade with other Congressmen, you vote for my bill and I'll vote for yours, to gain a following. Likely as not such an overwhelming opposition develops that the bill is killed."

**Question:** "In other words a small business group or even a small congressional group can kill legislation which might favor the country as a whole just to protect their own personal interests?"

**Answer:** "Exactly—and that is the reason that lovers of Democracy feel that pressure groups are the most serious threat to true democratic government. Government by pressure groups means that it is not government of, by and for the people of the country as a whole."

**Question:** "How about such a case as the embargo repeal?"

**Answer:** "There is a group seeking to prevent repeal of the em-

bargo. It has many sincere and serious supporters. Now, unfortunately, these make a fine front behind which less sincere advocates with selfish interests may get in their work. They may appeal over the radio with a tricked-up version of the case which quickly convinces a voter who before this has probably not given the idea much thought. The speaker appeals for wires being sent to Washington. Off go the wires.

"So far so good. But knowing that most listeners wouldn't trouble to write, special wires are worked up and small groups of supporters of the speakers, more like political workers, will get off a bunch of them with all sorts of names taken from telephone books and directories, certain that so few people will really write or wire that such messages will be accepted as bona fide.

**Question:** "How about special commissions. Do they get pressure, too?"

**Answer:** "They do. And sometimes the commissioners are in a difficult spot. I know of a lawyer who represented a number of firms in Washington, presumably and rightfully looking out for their interests. This man was made a commissioner before which those same firms had to appear. Would he be able to be impartial?"

"And further since, when he was through as a commissioner, he must get back into practise again and seek clients among his old firms or new ones then appearing before his commission, would he not be influenced by that economic consideration? That is just another angle of this complex case.

"By the way, for a real analysis and naming of names I refer you to Kenneth G. Crawford's new book, 'The Pressure Boys.' And now Erwin Canham, Chief of the Monitor's Washington Bureau, will speak as our guest today on the Washington view of this pertinent subject, on Fireside page 71.



## *Government By and Under Pressure*



By a Staff Photographer; © Harris & Ewing

### Telegrams, Letters, Lobbyists Flood the Capitol

It's pressure from the right, pressure from the left, pressure from within as well as without, when Congress takes up any controversial subject for legislation. The Congressman's diffi-

cult task is to distill from this pressure, propaganda, pleading, the real purpose of the American majority for general rather than special interests.



## Despite Labels, It's Still Pressure

By Erwin D. Canham

Pressure groups, lobbies, or other methods of bringing the power of a given interest to bear on government, spring from one source: the constitutional right of petition. The makers of the American constitution, federal and state, well-remembered that George III had refused to receive their petitions; therefore they guaranteed that every citizen or group with a grievance had the right to ask Congress, or a state legislature, or even an administrative official, for redress.

Existence of the right of petition makes it very difficult for the states or the nation to make progress against the evils of pressure by devising methods of legal regulation or other control. The basic remedy seems to lie solely in building up a greater interest, a greater pressure; the interest of the whole people and the general welfare as against a selfish corporation, industry, or group mobilized by some of the many methods of contemporary demagoguery. Thus reform will probably be a long and difficult process.

But there is no need to despair. Pressure groups are constantly over-reaching themselves and exposing their own greed and knavery. Counter-balancing factors are growing up. The greatest of them would be a keener and better-organized consciousness of interests and real power by the middle classes, who have all too often been cat's-paws for selfish forces generally from above.

### Solutions

But exactly how the middle-classes should set about self-organization—by which is not meant drawing a class line in the United States, but rather simply emphasizing the broad general interests of the average man—is very difficult to define.

Some believe in the efficacy of white-collar unions standing midway between industrial or financial

plutocracy and organized labor, but turning the balance in favor of a more democratic distribution of income. Others would approach the problem through profit-sharing methods, gradually drawing the middle groups into a democratized management of industry. Others persuasively suggest the co-operative movement by which middle groups and organized labor alike could consolidate their interests but without dominance by labor racketeers.

These are all tremendous suggestions, quite impossible of answer within the compass of this article. There are, of course, far more radical methods suggested which need not concern us now. However, the problem of checking the debasement of democracy by organized pressures remains a grievous challenge to all Americans, and here is a skeletonized summary of some of its phenomena:

### Profit Motive

1. Lobbying, old-fashioned and new, in behalf of corporations, associations, and other private-profit forces. This is perhaps the most familiar brand. Washington has an army of some 6,000 lobbyists, men and women. They are virtually all in the position of lawyers paid to defend a client: anxious to make out the best possible case for their employer, thinking very little of the public interest, and sometimes not scrupulous as to their methods. Even the most honest ones are concerned with only one side of the case. This is their right, but who is to present the other side? Who is to represent the whole people?

2. Lobbying in behalf of organized business, organized labor, and organized farmers. Some of these lobbies are closely connected with the previous grouping. Their power is often great with individual legislators, and in some government departments; but of course they need a generally favoring national administration to be able to dominate as they have done in the past in

tariff and tax making, and other vital issues.

Organized labor's day in court came with the present Administration, and until the unions broke into two factions labor was second only to the farm lobby in national power. But with the A. F. of L. often latterly aligned with big business against the Administration, and the C. I. O. belligerently plunging to the left of the Administration, labor has lost much of its ability to secure or block legislation and insure friendly administration of laws.

### Farm Power

The farm lobby, too, has been split but not so grievously. It can usually get anything it wants from Congress except rain in season. A combination of farm and labor lobbies, which has rarely been obtained and has never fused, would be completely dominant.

3. Lobbying for causes. There is, of course, some blurring between this group and the two listed above. But broadly speaking the peace lobby—whether for organized security and repeal of the arms embargo or for pacifism and isolation—is interested solely in its cause. So was the old prohibition lobby, which is now paying little attention to Washington and soundly building on a local-option basis.

Some of the cause-lobbies have been among the most spectacular: Rev. Charles F. Coughlin is a current example. So are the various "isms" which occupy a whole field by themselves but sometimes descend on Washington to try and influence legislation.

The only conclusion is that Democracy needs awakening to combat the never-sleeping power of selfish interest. Government is too often at the mercy of greed and prejudice except at these intervals and in those places where courage and civic conscience cry out by and for the whole people.



## Present-Day American Pressure Groups

Important Pressure Groups active in Washington and in State Capitals during the past twenty years:

### Professional and Labor Groups

The Chamber of Commerce of the United States aims to concentrate public opinion on "questions affecting the financial, commercial, and industrial interests of the country at large through local organizations." Its direct influence on New Deal legislation has been considerable, particularly in the matter of the NRA Codes and the banking, monetary, labor, and agricultural policies of the government. It is strongly opposed to the Federal Public Works program which, it claims, competes with business.

The American Association of Manufacturers is active in the field of tariff and labor legislation and seeks to prevent government interference with business.

The American Federation of Labor, the Congress of Industrial Organizations and the Railway Brotherhoods work to procure economic benefits for their members by what they regard as the "American Plan" of wage bargaining. Their legislative committees are among the strongest influences that bring pressure on legislative bodies.

Trade Associations, such as those of the wool growers, cotton, oil, lumber, coal, meat-packing, and sugar interests, seek to put through protective tariffs or prevent federal or state regulation of prices and production.

The American Bar Association promotes uniform legislation and the improvement of tax administration in all states. The Bar Association holds a particularly strategic position because about 50 per cent of the members of all legislative bodies are lawyers.

The American Association for Social Workers promotes legislation aiming at higher personnel standards among social workers and improving their economic position.

The National Education Association sets professional standards for teachers in all states and works for their welfare. It seeks Federal aid for schools, a Federal Department of Education, and has sponsored Child Labor legislation.

The American Engineering Council is interested in establishing a National Department of Public Works, revision of mining laws and higher pay for technical employees of the Government.

The American Medical Association has been active in promoting pure foods legislation, and has co-operated with Better Business Bureaus in combating questionable advertising.

### Farmers' Pressure Groups

The National Grange has worked for the bettering of farm prices and the regulation of freight rates since the 1870's.

The Non-Partisan League was a farmers' pressure group in North Dakota

but became a political party and won state elections.

The Farmers' Union is similar to the Grange and has been especially strong in the cotton belt.

The National Farm Bureau, active since 1920, helped to organize the agricultural bloc of Senators from farm states.

The Milk-Producers' Federation has been particularly active in opposition to the New Deal attempts to regulate dairy prices.

The Pure Milk Association has figured prominently in the Wisconsin and Illinois milk price controversies.

### Women's Pressure Organizations

The General Federation of Women's Clubs is working for world peace, civil service reforms, pure-food laws, social and child-labor legislation, and moving-picture censorship.

The National League of Women Voters and the Women's Joint Congressional Committee represent many local women's organizations in Washington. They seek

### State Lobby Control

Although the United States still has no Federal lobby law, some states have taken lobbyists in hand and regulated their activities. Here are the lists of those that have and have not.

**States Having No Laws**—Though some may have general "corrupt practices" provisions in their constitutions.

- |             |                 |
|-------------|-----------------|
| 1. Arkansas | 7. New Jersey   |
| 2. Colorado | 8. New Mexico   |
| 3. Delaware | 9. Pennsylvania |
| 4. Illinois | 10. Vermont     |
| 5. Iowa     | 11. Washington  |
| 6. Nevada   | 12. Wyoming     |

**States With Semi-Control**—That is, those relying on "corrupt-practices" provisions for control of lobbies.

- |              |                   |
|--------------|-------------------|
| 1. Alabama   | 8. North Dakota   |
| 2. Arizona   | 9. Oregon         |
| 3. Louisiana | 10. Tennessee     |
| 4. Michigan  | 11. Texas         |
| 5. Minnesota | 12. Utah          |
| 6. Missouri  | 13. Virginia      |
| 7. Montana   | 14. West Virginia |

**States With Laws**—Those requiring registration of lobbyists but no financial reports:

- |               |             |
|---------------|-------------|
| 1. California | 4. Kansas   |
| 2. Florida    | 5. Maine    |
| 3. Idaho      | 6. Oklahoma |

**States With Laws**—Those requiring registration of lobbyists and financial reports as well:

- |                  |                    |
|------------------|--------------------|
| 1. Connecticut   | 9. New Hampshire   |
| 2. Georgia       | 10. New York       |
| 3. Indiana       | 11. North Carolina |
| 4. Kentucky      | 12. Ohio           |
| 5. Maryland      | 13. Rhode Island   |
| 6. Massachusetts | 14. South Carolina |
| 7. Mississippi   | 15. South Dakota   |
| 8. Nebraska      | 16. Wisconsin      |

to enlist public opinion in support of legislative measures "of special interest to women."

The Women's International League fights imperialism, forced labor, economic nationalism, dictatorship, and Fascism.

The Daughters of the American Revolution work for censorship laws, isolation, and "keeping America American."

The Woman's Party, with its plea for equal rights, and the Woman's Christian Temperance Union, with its emphasis on prohibition legislation, also play an important role in the Washington lobby.

### Religious Groups

The 212 religious denominational groups in the United States have from time to time brought considerable political pressure to bear on Congress. They promote, in general, social welfare activity, improvement of labor standards, child-labor legislation, educational preparation for marriage, temperance movements, penal reforms, racial tolerance, world peace, and free speech, free assembly, and free press.

### Temperance Organizations

The Anti-Saloon League, supported by the Protestant churches, was most active in putting through the 18th Amendment, while the Association Against Prohibition worked on Congress for repeal.

### Army Groups

The American Legion and the Veterans of Foreign Wars have exerted great effort toward securing the passage of war pension bills and bonus legislation. Their influence is strong in shaping American foreign policy. Their stand today is for "keeping America out of war."

### Did You Know—

That Hugo Black, before his Supreme Court appointment, tried vainly to get lobby control legislation on the Federal statute books?

That it was Charles Evans Hughes' insurance investigation in 1905 which led to the exposure of lobbying practices and started the enactment of many state lobby control laws?

That in 1783 a group of disbanded soldiers organized the first mass pressure drive on Congress in objection to pay-off provisions, forcing it to adjourn to Princeton?

That the Credit Mobilier scandal connected with the building of the Union Pacific centered on the distribution of stock to Congressmen in return for legislative favors?



## Recovery: Will the Present U. S. Boom Last?

An informal group weighs today's news and its meaning. Chairman of the discussion is VOLNEY D. HURN, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"You have brought up a poser for discussion today—'Recovery in the United States.' Since even the experts dare not predict, certainly an amateur cannot—so let's make the reservations now that we are dealing in the future with guesses based on apparent trends—and nothing more.

"News of a business spurt is evident on every hand. The war is generally given the credit. The question is whether the boom is just due to war alone, or whether the war has acted as a trigger to release recovery forces which were well on their way before war started. Our discussion is timely. It was just 10 years ago yesterday that the New York Stock Market crashed and in five days had dropped the United States from a period of super-prosperity to the beginning of a period of deep depression. Also the new Wages and Hours Act goes into effect this week, which will be felt in increased business costs."

Question: "Is business really picking up?"

Answer: "The figures all indicate it. Let's first get a yardstick for measuring this spurt. The Federal Reserve Board uses the average industrial level of production from 1923 to 1935 as a standard. Putting this against the mid-September industrial production in the United States we find a reading of 110—that is, a business increase of 10 per cent over the average of the yardstick years. Now let's use this stick a little more. Probably the boomlet of 1937 is the best to refer to. We find with our yardstick that, at its height, it measured only 118. In fact, business is picking up so rapidly that already, since the mid-September figures, it may be 118 or better, instead of 110.

"In other words if you were get-

ting \$50 a week and that was raised to \$60 it would be the same relative gain. Naturally this is making business men as happy as such an increase would make you happy."

Question: "Do the economists think this recovery will last?"

Answer: "A recent poll of the leading American economists reveals that as a group they believe a substantial recovery in business should last some time. Just how long depends on many things, however."

Question: "You spoke of the war starting this boom. Just how much credit is due to the war?"

Answer: "The upturn started some months before war broke out. Naturally with a load already rolling, a small push counts more than it would for a load standing still. So the war gave the new boom quite an impetus. But it was an aid—not the cause."

Question: "Would you say this recovery was self-generated? I mean by that— isn't it possible that a depression just wears itself out and that then recovery just comes along of its own accord?"

Answer: "That brings up the question of the natural life of a depression. That, in turn, depends upon the nature of the creature. Did this depression just wear itself out and then an upturn start? Was it then a ten-year depression by nature? I don't think we can say that with any assurance.

"That, by the way, recalls the statement of the English economist, John Maynard Keynes, when asked how long the depression would last. He pointed out that there had been one depression which lasted 800 years—the decline from the later Roman Empire to the revived prosperity in Medieval Europe after the Crusades. How could we have estimated the length of that depression—or whether or not it ran a natural length or was stopped by other factors?"

Question: "What do you consider some of the reasons, besides the war, why business should pick up?"

Answer: "Well—and remember this is just my own thought on the subject—a lot of rough edges have been eliminated from America's economy. Business men generally—underline that 'generally'—are becoming more social-conscious. They realize they have obligations to society. The depression and the New Deal have taught them the pursuit of profit is only part of the job. Labor laws, social security laws, relief laws and the regulation of security and commodity markets have undoubtedly smoothed out certain inequalities that marked the prosperity of the 20's. The country may have gone down into the valley but as it starts to climb out there are signs it has learned many needed lessons. These things may seem restrictive to any businessman who shortsightedly wishes to return to 1929—but the great majority want no such false existence and are happy to have a steady growth dependent on bettering the lot of the workers—who, in the last analysis, it must be remembered, not only produce the goods but consume them too."

Question: "You spoke of the war helping business pick up. If as you say the recovery was on its way and the war only aided it, then the war suddenly ending shouldn't end the recovery spurt too, should it?"

Answer: "I should say no. I believe that business men already feel that the war has been oversold. The Allies aren't fighting the same kind of war they did 25 years ago. They are proceeding cautiously, from limited pocketbooks, instead of dashing in with reckless, overpriced buying, false enthusiasm and confidence of a few months only of war. Since there is no mad rush for supplies, then business is growing without these orders.

"And now I am going to turn you over to a real expert on the subject—our guest speaker today—Mr. H. B. Elliston, the Monitor's Financial Editor, columnist and a well-known economist in his own right—on Fireside Page 83.



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Answer: "The upturn started some months before war broke out. Naturally with a load already rolling, a small push counts more than it would for a load standing still. So the war gave the new boom quite an impetus. But it was an aid—not the cause."

Question: "Would you say this recovery was self-generated? I mean by that—isn't it possible that a depression just wears itself out and that then recovery just comes along of its own accord?"

Answer: "That brings up the question of the natural life of a depression. That, in turn, depends upon the nature of the creature. Did this depression just wear itself out and then an upturn start? Was it then a ten-year depression by nature? I don't think we can say that with any assurance.

"That, by the way, recalls the statement of the English economist, John Maynard Keynes, when asked how long the depression would last. He pointed out that there had been one depression which lasted 800 years—the decline from the later Roman Empire to the revived prosperity in Medieval Europe after the Crusades. How could we have estimated the length of that depression—or whether or not it ran a natural length or was stopped by other factors?"

Question: "What do you consider some of the reasons, besides the war, why business should pick up?"

Answer: "Well—and remember this is just my own thought on the subject—a lot of rough edges have been eliminated from America's economy. Business men generally—underline that 'generally'—are becoming more social-conscious. They realize they have obligations to society. The depression and the New Deal have taught them the pursuit of profit is only part of the job. Labor laws, social security laws, relief laws and the regulation of security and commodity markets have undoubtedly smoothed out certain inequalities that marked the prosperity of the 20's. The country may have gone down into the valley but as it starts to climb out there are signs it has learned many needed lessons. These things may seem restrictive to any businessman who shortsightedly wishes to return to 1929—but the great majority want no such false existence and are happy to have a steady growth dependent on bettering the lot of the workers—who, in the last analysis, it must be remembered, not only produce the goods but consume them too."

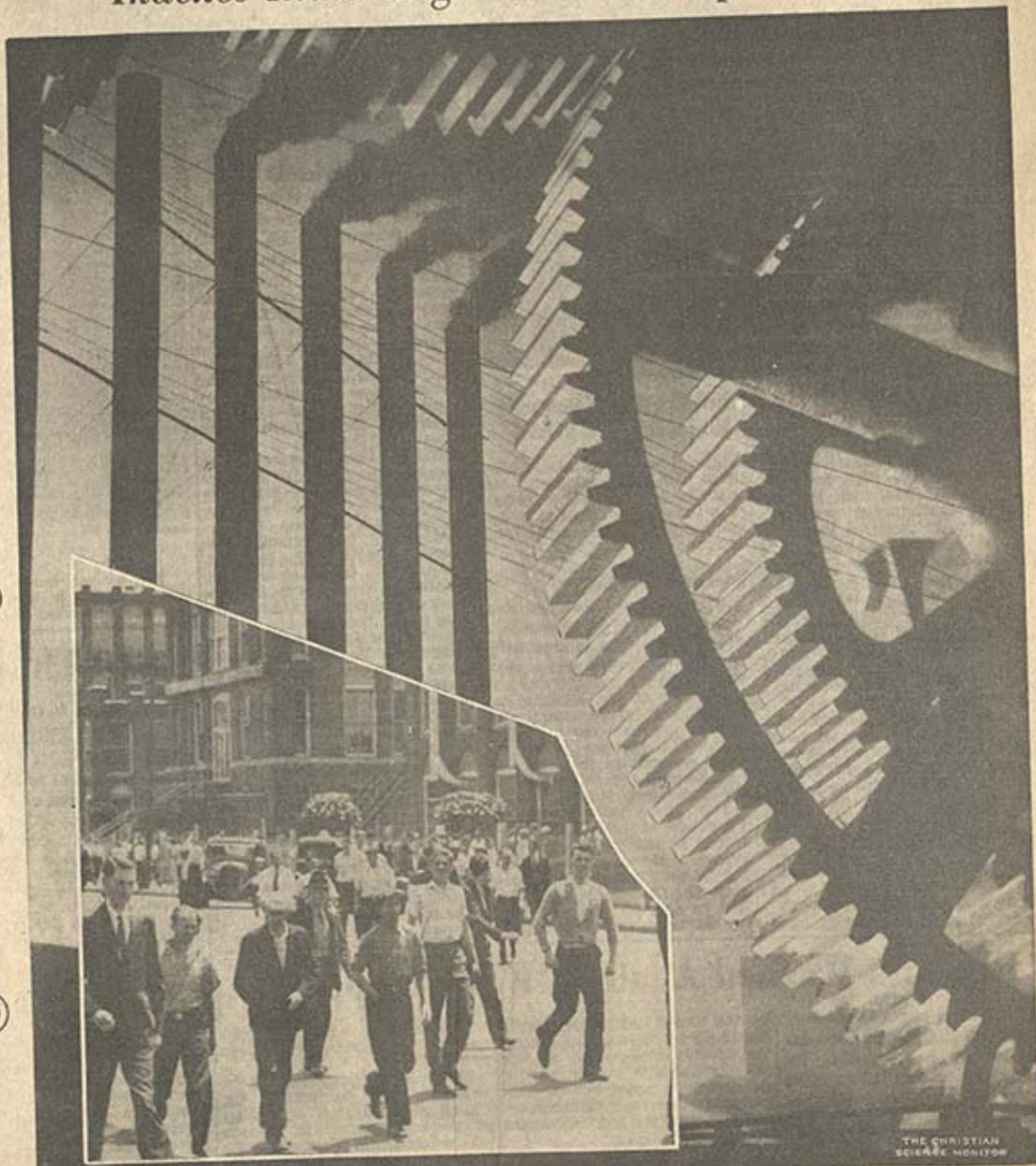
Question: "You spoke of the war helping business pick up. If as you say the recovery was on its way and the war only aided it, then the war suddenly ending shouldn't end the recovery spurt too, should it?"

Answer: "I should say no. I believe that business men already feel that the war has been oversold. The Allies aren't fighting the same kind of war they did 25 years ago. They are proceeding cautiously, from limited pocketbooks, instead of dashing in with reckless, overpriced buying, false enthusiasm and confidence of a few months only of war. Since there is no mad rush for supplies, then business is growing without these orders.

"And now I am going to turn you over to a real expert on the subject—our guest speaker today—Mr. H. B. Elliston, the Monitor's Financial Editor, columnist and a well-known economist in his own right—on Fireside Page 83.



## Indexes Indicating Industrial Improvement



REUTERS; KEYSTONE

### Smoking Chimneys, Turning Wheels, Men With Jobs—Recovery

Industrial production, after falling off during the first quarter of 1939, was increasing for several months before the spurt brought on by the war. Is that improvement solidly established

or is it war induced? Is it primarily dependent on actual war or the prospects of war? While the wheels turn, economists debate the issue.

THE CHRISTIAN  
SCIENCE MONITOR



## Business Outlook: Best During New Deal

By H. B. Elliston

Right now the country is in the early stages of business recovery. How long it will last is a question which has been complicated by the European war. The war gave a fillip to production, prices, and activity in general. Nevertheless, it was no more than a fillip, since the business situation was all set for revival when war came.

How do we measure recovery? There are many indexes: employment, prices, production, and so on. Budget officials in Washington pick out industrial production when they are trying to figure out the yield from taxation a year and eighteen months hence. This yardstick is as good as any, and better than most. Factories turning out more goods are outward signs that people have more money or more confidence to buy them and that persons are being re-employed to make them. Let us follow, then, the practice in Washington.

### Recovery Relative

An index of individual production is put out by the Federal Reserve Board. In September it stood at 110. That means nothing in itself, but the person who uses these figures knows that it is a percentage. It is 110 per cent of the 1923-1925 average.

Now there might seem to be no particular credit in the fact that industrial production in the United States is only 110 per cent above the 1923-1925 average. That was 15 years ago.

A 10 per cent rise in 15 years is, surely, nothing to boast about. No, it isn't. But recovery is a matter of more immediate contrasts, and you will see how the figure has risen when I add the indexes way back to April of this year. In that month the figure was 92, in August 102. When the index jumped to 110 in September, this was a great spurt, for an advance of 8 points in the index is the greatest jump in a single month since December, 1936.

Maybe the sharpness of the rise was due mostly to the war. Fears

of war hold down production, but when uncertainty is removed, and war is on, then production is stimulated. For instance, at the outbreak of this war American factories began to lay in new supplies, particularly of steel—the theory being that war buying would put up prices. Consequently the output in the steel industry has shot up most spectacularly. In the first week of September output was 63 per cent of capacity; now it is over 90 per cent.

War business has been over-rated as a help to the American economy. In late September the stock market bounded up on such rosy anticipations. But the rise in stock prices was due to expectations that the present conflict would follow the 1914-18 pattern. There is no such analogy. In copper, in oil, in wheat, and in many other things, the British Commonwealth is in a much less dependent position. To be sure, the United States will be drawn upon for supplies, but not to the same extent as in 1914-18.

In a way this is an insurance against a hectic recovery. War-time recovery is followed by peacetime deflation. Both business and the Administration are on guard against any such spurious revival. They want recovery to stick. Accordingly they not only have a new outlook toward war business; they

are guarding against excessive "inventories," or stocks on hand, and against the putting up of prices beyond consumers' capacity to pay. The new quest is for stability—perhaps one ought to say dynamic stability. It is a word that came into fashion with the New Deal.

### Ups and Downs

And yet it is curious that stability has proved a will o' th' wisp since it became the Holy Grail of the New Deal. Late in 1937 the United States suffered the sharpest recession on record. In June, 1938, there was an equally sharp recovery. Look at the figures of industrial production (per cent of 1923-25 average):

August 1937	117
December 1937	84
June 1938	77
December 1938	104

One reason for these ups and downs has been the perennial conflict between business and Government. In the new rise there is evidence of much less misunderstanding. Congress proved the bridge between the two, and last session provided relief from taxation and from interference. This has revived the spirit of business enterprise. The outlook is correspondingly much better than it has been since any recovery started in the present Administration.

### 'Pros and Cons' on Prosperity

There is no royal road to recovery. Innumerable barriers block the pathway to prosperity. Here are a few of the debatable subjects that have from time to time been publicized as hindering American recovery from the '29 depression:

**Federal spending.** One group says it must continue as a prop to recovery. Another group says its very existence blocks private investment.

**Federal taxation.** One group says that heavy taxes help redistribute purchasing power so that all can buy. Another group says that

heavy taxes take away the capitalists incentive to seek profits.

**Labor feud.** Most groups agree that labor peace would considerably advance the bargaining power of labor as well as reduce disputes.

**Monopoly.** Some defend it as a means of protecting certain plants which might otherwise have to close; others accuse it of raising prices and therefore cutting production.

**Agriculture.** Some would get rid of surpluses by letting prices drop until surpluses disappeared; others would limit production to eliminate surpluses.



## Uncle Sam Rides the Business Cycle

### 1837-1842

A depression set in during the presidency of Martin Van Buren. Its causes: Overspeculation in the future of the Mid-West.

Too much borrowing by Southern cotton planters for land and slaves. Three crop failures in a row. Withdrawal of gold by England. Shortage of gold reserves as backing for the United States currency.

The recovery period lasted five years. Major contributing factors were:

Establishment of a United States Treasury to stabilize the currency. Reduction in the price of land in the West.

Beginning of railroad building in the Middle West.

The first beginnings of the iron and steel industry as well as coal mining. Return of normal crop years.

### 1847-1852

In the term of office of President Polk came a second economic depression, caused again primarily by overspeculation, this time in the railroads. Crop failures contributed.

Recovery was speeded up by following conditions:

The discovery of gold in California and in Australia in 1848, which opened up new domestic and foreign markets.

New markets due to the Crimean War in Europe.

Manufacturing boom in those branches which supplied equipment for the pioneers and miners going to California.

Development of United States steam navigation, which successfully competed with British lines.

### 1857-1860

Under President Buchanan overspeculation in railroads and in Western lands once more caused the failure of large banking firms. Excessive commercial and industrial development, and the assumption of large debts by the farmers also contributed.

Recovery came as a result of:

Resumption of railroad construction and industrial expansion on a more prudent scale.

Reduction of 5 per cent in the high tariff and an extension of the "free lists," loosening up international trade and bringing the United States closer to free trade than at any time in history.

### 1861-1862

The usual dislocations of the national economy brought on by the war between North and South caused a brief depression in 1861. Northern bankers lost the money owed them by Southern planters, and industry and agriculture suffered because the men joined the army. A "cotton

famine" caused a depression in England too.

Recovery was a quick process and was encouraged by the following factors:

Entrance of women into the factories. Influx of immigrant labor from Europe.

New use of labor-saving machines, especially in agriculture, i. e., mowers, threshers, and horse rakes.

Adoption of the Homestead Act of 1862 which permitted Eastern farmers to move to richer farms in the West.

Boom in the war industries, especially textiles and munitions.

Poor harvests in Europe permitted grain exports.

### 1873-1879

Due to wartime expansion, the productive capacity of the factories and mills outstripped the needs of the American markets during the presidency of U. S. Grant. Over-confidence in the future caused too much borrowing and the whole period after the Civil War was known as the "Gilded Age." The direct cause for the depression was a banking panic in Vienna in May, 1873, which caused much of the money invested by Europeans in America to be withdrawn.

Recovery was slow in coming. It was helped on by:

The adoption of a Resumption Act by Congress which put United States money on the gold standard.

The rise of the National Grange as an organization to help the farmers market their products profitably.

Reorganization of industry on a more efficient and modern basis.

### 1893-1896

The long depression in Europe which had begun in 1873 did not permit European gold to enter the United States, and a shortage resulted due to large expenditures by the administration of President Benjamin Harrison.

Recovery was aided by:

The financial measures of President Grover Cleveland who borrowed 3,500,000 ounces of gold from J. P. Morgan & Co., as a backing for the currency. Once faith in the money was restored, recovery was easy.

A central banking system and improvement of the credit system strengthened business.

The development of the brand new electrical industry affected also various subsidiary industries.

The discovery of gold in South Africa and Alaska helped increase exports.

Successive good harvests helped the farmer.

### 1907-1908

Overspeculation by one or two trusts caused a brief panic during the administration of President Theodore Roose-

velt. A run on the banks resulted at a time when the banks were really sound and industry was flourishing, and only the lack of cash on hand in the banks to meet the demands of the depositors gave the appearance of a depression.

The speedy recovery was brought about by:

Borrowing gold from Europe to meet the emergency demand.

Adoption of the Aldrich-Vreeland Act, permitting National Banks to print money in time of need. [This led in 1913 to the introduction of the Federal Reserve System which does not permit unnecessary panics such as that of 1907.]

### 1920-1922

President Harding had to deal with a post-war depression of large proportions. Europe stopped demanding American goods, the grain of the farmers remained unsold and industrial stagnation set in. Prices remained high, however, and the people in protest stopped buying. The farmers, who had borrowed heavily during the World War, were worst hit. Labor wages remained high, but unemployment increased.

Recovery was not long in returning because:

By 1923 Europe began to recover, and to buy from the United States with money loaned by the United States.

Increased application of scientific methods to business and industry, which increased the productivity of the worker by 25 per cent.

The rise of the automobile industry which alone created about 4,000,000 jobs.

The return of the railroads to private companies.

## Read On—

**The Great American Experiment**—by Sumner Slichter in the Atlantic for April 1939.

Economic diagnosis of the New Deal; a criticism of its policy of discouraging both savings and investment.

**The American Destiny**—by Walter Lippmann, condensed for The Reader's Digest of August 1939 from Life.

Plea for Americans to awake from their bewildered indecision to the economic riches surrounding them.

**The Perils of Recovery**—by Sir Arthur Salter in the Yale Review for Winter, 1938.

A discussion of the paradox of recovery based on armaments.

**America Unlimited**—by William Hard in the September 1939 Reader's Digest.

Way to prosperity pictured as through lower prices—a co-operative drive to that end by all elements of society.



## Want a Career? Consider the Civil Service

An informal group weighs today's news and its meaning. Chairman of the discussion is VOLNEY D. HURD, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"The most important business in the United States should call for the best intelligence and leadership in the country. That business today is the Government of the United States—meaning all its branches down to cities and towns. Yet it has been criticised as not only being not the best—but second or third rate. A major hope for better government is Civil service—and will discuss that today.

"Civil service aims at government without patronage—and there is not a single citizen of good intent who does not wish patronage and all its attendant evils were well out of the way. Civil service is steadily increasing, doing away with patronage jobs—but the problem of making the civil service itself so good that patronage effects are not felt is still a problem."

**Question:** "I understand a common term for civil service is the merit system. That means hiring and maintaining people on merit. Does the emphasis on this indicate that civil service is not always operated on the merit basis?"

**Answer:** "I am sorry to say yes. The purpose of a system may be lost through poor machinery and operation. That is what has happened in much of civil service. Why, in many states there is no legislation to insure a real civil service."

**Question:** "Then the first step is legislation that will insure honest merit as a measurement for getting a job?"

**Answer:** "Yes. And a second step is setting up a competent personnel agency to operate the system."

**Question:** "Won't the effectiveness of your civil service be governed by the civil service commission you appoint?"

**Answer:** "Naturally. Systems alone, whether for full government

or lesser branches, are never any better than the men who run them. Therefore any system must be assured of having good appointees. Now in civil service commissions the first thing you run into is commissions which are made up of members of the two leading political parties. That's bi-partisan. Yet if there is anything civil service requires it is non-partisanship.

"Your commission members should be known adherents of the merit principle. They should be people who have had plenty of practice in handling people, in personnel management."

**Question:** "I've heard of pretty good civil service commissions which failed to do much of a job. So you can't hang all charges of inefficiency on the commissioners."

**Answer:** "No, indeed. The best commission, for instance, must have the proper tools to work with. In fact you have put your finger on an important point—for one of the greatest problems is the under-financing of commissions. Unless your commission has money enough to hire expert personnel talent, to hire expert examiners and sufficient clerks to keep new and modern examinations coming along—then they cannot do a good job."

**Question:** "Are civil service commissions necessary?"

**Answer:** "No. There is quite a movement on foot to have the executive of a city or state hire a first class professional personnel director to handle civil service. Put this position on a professional basis, which means guaranteed work with a minimum of political interference, and you could attract directors who could vastly improve our governmental operation."

**Question:** "With all the civil service jobs there are, I don't ever seem to have heard much about them outside an occasional bulletin in the Post Office, which I seldom visit. How are people recruited for the service?"

**Answer:** "Again a score for this

group. That is another weak spot in the system. There is little proper publicity given it. The politicians know about the jobs. Few other people do. The politicians have their candidates on hand for the tests and with a narrow field to choose from, their favorites get in. A typical case of manipulation by a commission in this respect was in Chicago where the law demands the advertising of civil service jobs. An ad was run. Where? In a little paper in the outskirts! Naturally hardly anybody read it and the politicians' candidates took the exams and went in."

**Question:** "Couldn't the school systems help? Yet I don't recall public schools having much to say about civil service?"

**Answer:** "They certainly could. There is an amazing lack of co-operation between these two agencies, both paid for by the same government. Close co-operation with the schools would insure a fine choice of personnel from which to choose government workers—and school systems could be altered to provide special training along these lines, thus attracting the kind of clean-cut young people who are needed in government."

**Question:** "But isn't civil service too limited, still too politically influenced to attract the right kind of youngsters?"

**Answer:** "In some places, yes. Undertake the reforms we have mentioned, put all positions under civil service so that promotion would be insured and political influence eliminated, and you would be opening desirable careers for desirable people. The whole country would benefit from such strengthening of the civil service."

"And now I want to introduce our guest speaker for today, Richard L. Strout of the Monitor's Washington Bureau, a specialist on civil service, whose rare ability to humanize Washington news has made him most popular with the Monitor family—on Fireside page 87."



## *The Merit System Makes Progress*



Wide World; © Harris & Ewing

### **Working for the Government Depends on More Than Pull**

Civil Service examinations have become a mark of the merit system. Here we have three reasons for America's present commendable—though far from perfect—system of public administration. Top: Promotion examinations for rank of Deputy Chief in New York City's Fire Department. Center:

U. S. Civil Service Commission: (Left to right) Arthur S. Flemming, Mrs. Lucille McMillan, and Harry B. Mitchell. Bottom: Typists taking civil service examinations. Such tests assure competent activity in non-policy-making government positions.



## Uncle Sam's Political Plum Tree

By Richard L. Strout

One warm day in July, 1881, President James A. Garfield was passing through the Baltimore & Potomac railroad station in Washington. He was unguarded and moved along casually. He had taken his oath of office just four months before and had been hounded since, almost without cessation, by office seekers who knew that the best way to get a government job from the victorious party was to apply to a Congressman or a Senator or the President himself.

Suddenly a man named Charles Guiteau, whose appeal for a job had been rejected, stepped out and shot the President. He lingered on for two months, and then succumbed. The Nation was stunned by the event. That was the real start of civil service reform in the United States.

That was 58 years ago. Since then there has been a gradual but slow advance in governmental personnel appointment methods. It is interesting to recall that just about the time that civil service got its impetus in the United States a similar movement started in Great Britain. Up till then English offices were just as full of nepotism as the United States. But in 1870 Gladstone issued a famous order-in-council which abolished the old system almost at a stroke. England set up a civil service which is today one of its proudest possessions.

### Recent Progress

The slow growth of the same ideal in the United States makes dreary reading compared to the quick victory in England. The comparison with England shows the tardiness of the growth, for even today the United States is far behind all other English-speaking democracies in this basic reform which determines so much the moral level of government.

Recently, however, stirring events have betokened civil service improvement. Unfortunately, many of the States are about as bad as they

originally were. Pennsylvania, for example, which is the second largest State in the Union, has never had a real civil service law. Tens of thousands of the State workers are appointed by the Governor, just as they were in Garfield's day and before. When the Democrats won at Harrisburg with the New Deal, State business was slowed down by the overturn in thousands of technical jobs. With recent Republican return of control the situation was repeated.

In the Federal Government, however, there has been great progress. One can either be an optimist and point to recent gains, or a pessimist and point to the time it has taken. Let us be optimists and review some of the recent victories. And while doing so, let us examine a very curious circumstance that encourages this great reform by an amusing and devious route.

### Devious Reform

Where there is fairly frequent rotation in office under spoils, the incumbent office-holders always desire to be safeguarded from discharge when their protectors lose power. Thus it has happened in American history that many good party men have been "blanketed-in" to civil service just before a presidential election. Mr. Taft blanketed in 50,000 at one time—mostly Republicans. This means that they get permanent jobs free from discharge, without taking competitive examinations. But when they resign for one reason or another, the jobs stay under the merit system.

The other political party has always complained against "blanketing-in" incumbents, but has universally followed the same rule itself when in power. And so, by this natural rule of self-preservation, American civil service has made its growth. Once a job is civil service it is always civil service, is the rule. Most Congressmen and all Presidents are glad to have patronage problems reduced, which take so

much time and produce, as it has been said, among every 10 applicants for a job—"nine enemies and one ingrate".

Coming down to the New Deal, then, at the start 467,000 out of 583,000 Federal employees were under civil service, or a ratio of 80.1 per cent when Mr. Roosevelt took over. Then the trend toward Washington centralization gathered headway and vast new armies of office holders arrived, mostly political appointments. By 1937 532,000 were under civil service out of 842,000 jobs, or a ratio of only 63 per cent. Republicans charged Mr. Roosevelt with wrecking the civil service.

### Hatch Law

But with the second Roosevelt term the old process of "blanketing-in" revived. Mr. Roosevelt has recently put into effect an order which covers under civil service nearly every Federal job not specifically exempted by Congress. Furthermore Congress a year ago passed a law putting 14,000 first, second and third class postmasters under civil service, removing this great political pie-counter from the easy reach of politicians.

The Hatch bill has also just become law, removing Federal office holders from political activity. And the high cost of Government everywhere has made the public "civil service minded" (which is another way of saying economy-minded) so that half a dozen states and dozens of cities have suddenly passed merit system laws. At the end of June, 1939, 620,832 out of 920,310 Federal workers occupied classified civil service jobs, or 67.7 per cent.

There is today a great impetus for reform. Federal reorganization has helped matters in Washington, and an able Presidential Committee under the chairmanship of Supreme Court Justice Reed, of which Mr. Justice Frankfurter is also a member, is now exploring methods for raising standards for the army of workers already under civil service extension today.



## Government Service Through the Years

### Civil Service

This term first originated to designate the British administration of India. It was first applied to governmental administration in England in 1854 by Sir Charles Trevelyan. So that, while civil service as a practice antedates Sir Charles in modern history, the term as applied to modern conditions is less than a century old.

The entrance of professionalism into public administration is really of recent time. However, traces of civil service can be found in the history of ancient and classical states.

### Egypt

Ancient Egypt had its body of officials as can be gleaned from the story of Joseph's stay in Egypt. The country required extensive and constructive administration of government. There was land to be registered; public works to be undertaken; judicial offices to be established; directors of wheat stores to be chosen.

Thus a body of public servants was developed, a professional body of officials established. Their technical preparation might be nil, their appointment might be for social or political reasons, yet as professional executives or sub-executives they can properly be termed civil service employees.

### Athens

Athens, in contrast to the Egyptian system and present civil service systems, never developed such a body of officials. As Democracy's first champions, that at first seems peculiar. But it was that very passion for Democracy which prevented that city-state from developing any civil service in the modern sense. For in democratic Athens there was no professional body of officials.

All offices—administrative, legislative, judicial—were open to all. Not "every man a king," but "every man an official" if he wanted to stand for election. With slaves to do the work, and with a city small enough to be administered easily, such a plan could work.

### Rome

In the early days of Roman history, civic administration was quite similar to that of Athens. But as Roman authority expanded it became necessary for administrative labor to be specialized. It was no longer possible for amateur officials, though duly elected, to administer such a far-flung empire.

Emperors appointed their local administrators, their city prefects, their census takers, their superintendents of aqueducts. They picked their governors of provinces. A body of public administrators appeared, most patronage appointments to be sure, yet still a body of professional officials.

## State Service

For 17 years, from 1920 to 1937, no state adopted a civil service enactment. And for the 37 years prior to that only eight states had at lengthy intervals become civil service conscious. Then suddenly in 1937, four states passed civil service laws. In 1939, four more states followed suit. During the short space of three years almost as many such laws were passed as in the preceding half century.

Here are the 17 states and the respective years in which they adopted civil service requirements:

1883 New York	1937 Tennessee
1884 Massachusetts	1937 Michigan
1905 Wisconsin	1937 Connecticut
1905 Illinois	1937 Maine
1907 Colorado	1939 New Mexico
1908 New Jersey	1939 Minnesota
1912 Ohio	1939 Alabama
1913 California	1939 Rhode Island
1920 Maryland	

Other states are considering the issue, and while they may have adjourned without any action this year, the topic is generally expected to be raised again—with even more vigor.

## Men or Women?

There are both men and women on Uncle Sam's payroll. Men predominate. Here are percentages for men and women employed, as a total, situation in the District of Columbia, situation outside:

### Persons Employed: 920,310

Men	81.2 per cent
Women	18.8 per cent

### Situation in Washington

Men	60 per cent
Women	40 per cent

### Situation Outside the District

Men	84.5 per cent
Women	15.5 per cent

### Agencies Where Women Predominate

Treasury
Civil Service Commission
Home Owners' Loan Corporation
Veterans' Administration

## Read On—

**Improved Personnel in Government Service**—In The Annals of The American Academy of Political and Social Science, January, 1937. Collection of articles on spoils and democracy, the development of a professional public service, new techniques of public personnel administration, the reform movement.

**Merit System Gains and Losses**—By Richard Lee Strout in The Christian Science Monitor Magazine for Oct. 12, 1938.

Discussion of gains made by civil service advocates, including outlook for future.

**Civil Service**—Encyclopedia of The Social Sciences, Volume III, Macmillan, 1930. Historical study of civil service combined with discussion of problems of modern civil service.

## Facts and Figures On U. S. Pay Roll

The World War swelled the ranks of those employed by Uncle Sam. But the peak reached then was still below the present peacetime peak swept in by the New Deal.

1918 force reached	917,000
1939 force totaled	920,310

What percentage of Americans are employed by the government? Associate Justice Reed recently quoted a figure: 7 per cent of the Nation's employables.

Attorney General Frank Murphy in a speech this summer startled the Nation with the following figures on government employees—figures including all workers, whether employed by town, city, state, or Federal Government:

Total government employees—4,000,000.
Total of yearly salaries—\$8,000,000,000.
Cost to average family a year—\$200.
Share of family income so spent—13 per cent.
National government employees—300,000.
Their total yearly income—\$1,500,000,000.
Employed by local governments—3,000,000.
Their total yearly income—\$4,500,000,000.

When thinking of Federal Government personnel one is apt to include any person that is in any way connected with the Government. But the civil service figures published by the Government generally include only those employed by the Executive branch of the Government. That is, those employed by the Legislative or Judicial branches, or by the Military or Naval forces of the United States are excluded. Also omitted are the employees of the District of Columbia Government, as well as youths on the CCC.

Here are recent figures on Federal Government employees:

1918—917,000	1932—586,200
1922—527,500	1934—685,500
1926—514,600	1936—831,100
1930—565,700	1938—852,000

Cities, as well as states and the National Government, have gone in for civil service laws. And like the states it is only of late that cities have really taken up civil service seriously.

In the more than half century from the passage of the Pendleton Act in 1883 to 1937 the average ratio of new civil service laws for cities was 16 every 2 years.

In the last two years interval that figure leaped to 37; and it is continuing at that rate.

America's roll call of civil service reformers includes the following pioneers:

**George W. Curtis, 1824-1892**, founder of Civil Service Reform League, 1881.

**Carl Schurz, 1829-1906**, President of National Civil Service Reform League in 1892.

**Dorman B. Eaton, 1823-99**, Civil service reformer, drafter of Pendleton Act, the basis of U. S. civil service.



## The South: Untold Resources Await Tapping

An informal group weighs today's news and its meaning. Chairman of the discussion is VOLNEY D. HUMB, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"One of the most interesting regions of the United States is the South. Outside of associating it with southern songs, cotton fields and soft drawling voices, most people outside of it know little about it. This lack of knowledge was suddenly broken last year when President Roosevelt told the conference on Economic Conditions in the South that the South is the United States' No. 1 Economic Problem—but a problem of and for the Nation as a whole.

"We spoke in our Fireside series of the remarkable strength that has come to France through a state of balance. Its just the opposite state which is the cause of the South's difficulties—unbalance—and which in turn adds to the unbalanced condition of the United States in its present struggle with the effects of ten years of business depression.

"The South's economic situation is brought to mind by a subject we covered yesterday—Colonies—for it is sometimes described as a colonial economy."

Question: "Could you explain that before you go further?"

Answer: "A Colony begins as an investment by a mother country, it accumulates only small financial amounts of money and as new opportunities arise they must be financed from the outside. Thus the system depends almost completely on a mother country source.

"The South, impoverished after the war between the states and primarily unbalanced because mostly agricultural, has been forced into this position. The Industrial Northeast has financed it and thus controlled it—and, as in colonies, the profits have not stayed at home but have been exported to the investors. Thus the accumulation of money by the South for its own financing becomes most difficult."

Question: "Then it isn't that the South is inherently poor?"

Answer: "No, indeed. In fact it's potentially one of the richest areas in the United States, if not the world. It has wonderful farm lands of all kinds, large timber resources, enormous potential waterpower, and even a rapidly increasing population to take care of the labor needs which the developing of these things demands."

Question: "It seems that with such agricultural potentialities even Northern capital could not have prevented proper development of the land, or didn't people want to try hard enough?"

Answer: "They have tried too hard with insufficient money and knowledge in many cases. For effort, look at the hard-working tenant farmer, often not making 10 cents a day working other people's land.

"No, the real reason is that in keeping with the traditional American practice it has been a case of taking the cream and neglecting the milk. The soil was so rich that a single crop that could be converted into cash, mostly cotton or tobacco, was grown year after year. And, remember, that quick profits were necessary where there was no reserve money for better handling. The result of this has been to weaken the soil and open it so that rain washed away valuable soil resources."

Question: "Wouldn't fertilizer restore this?"

Answer: "Fertilizer is a great help—but it can't give everything back to the soil. Why, as it is, the South, with one-fifth of the national income, pays three-fifths of the national fertilizer bill! Fertilizer costs money, so down go the profits. Here is an interesting figure from a Government report. It says that 27,500,000 tons—if you can imagine that much—of nitrogen and phosphorous compounds are leached out of southern soil and sent down the rivers to the sea every year!

And those are the things needed for good crops."

Question: "Would some other kind of planting prevent this?"

Answer: "Yes, and the Government is trying to spread the information as fast and far as possible. By growing grass, soy beans and other crops such losses can be greatly reduced. One recent study showed that a single acre of typical corn land, which encourages the same kind of waste as cotton and tobacco, lost 127,000 more gallons of rainfall in a single year than a similar field planted to grass. That's just one acre. Multiply it by millions and you can see what happens. Certain crops will restore the soil. If the farmer did not have to cash in on all his land every year, he could plant these and prevent this soil loss. Finally, remember, soil loss is not just income loss, but capital loss, gone forever."

Question: "I remember in our population discussion that you mentioned the excess population of the South and the limited education available there. Could you tell us something about that?"

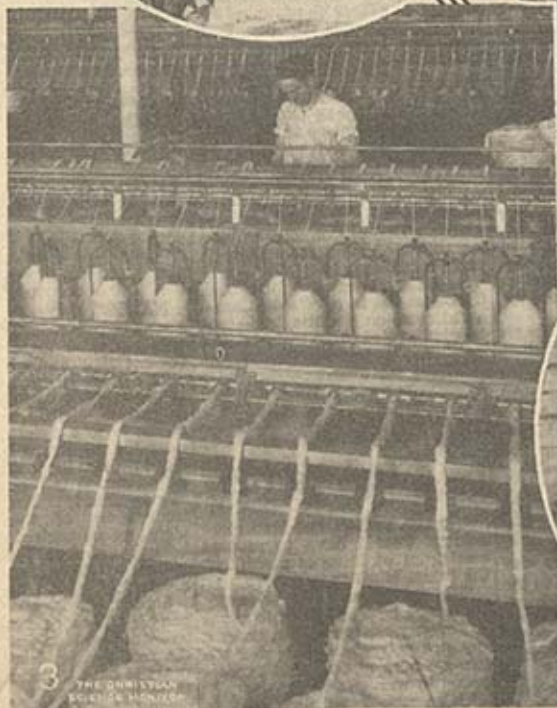
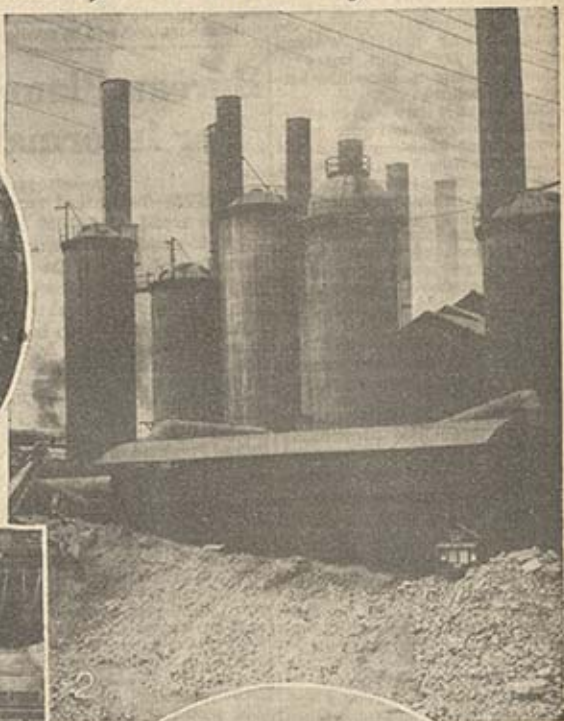
Answer: "That is a crying problem. The South has a very low income per capita. Even in 'prosperous' 1929 Southern farm people received an average gross income of only \$186 a year as compared with \$528 for farmers elsewhere. The South must educate one-third of the nation's children with one-sixth of the Nation's school revenues.

"What hope has the future? Industrialization, making the South a balanced region, promises to bring prosperity, better education and money for better farming, among other things.

"And now we must get on to our guest speaker who will give you on page 95 information on much of the ground we have been unable to touch in the time available—Mr. Nate White, of the Monitor's staff, who recently returned from a several months' study trip to the South."



## Land of Dixie, Cotton, and Industry



Galloway; Kerstone; Wide World

### Where Past, Present, and Future Meet

Cotton was King in the South; but it is that no more. The trend toward industrialization is slowly rounding out the economy of Dixieland. Here we have: 1. One of the old colonial homes in the Evangeline country. 2. The furnaces of a

steel mill at Birmingham. 3. Slubbing machines in a Gainesville, Georgia, textile mill. 4. Cotton pickin' on President Roosevelt's farm in Georgia, though it looks like siesta time for this youngster.



## The South's Problems Are America's Problems

By Nate R. White

About no other region in the United States has there been such an aura of romance, imaginary tradition, and misconception as about the South.

The ante-bellum South was gay, extravagant, romantic. But it tread on hard economic forces which were far from superficial. The present-day South is sobered, businesslike, progressive, intent on building a new world for itself. It too is being based on hard, economic facts.

It is foolish for Southerners or others to continue to cloak the South in flimsy romanticism; and those who are well acquainted with America and the South are the last to cover that region with such a veil.

The South and the Southerner are determined today to make a "go" of business, home, and State. Such uncoverings of graft and political looseness as were exposed in Louisiana this year are merely the workings out of this new attitude in the South, an insistence that "things must be right" and "things must come right."

In order to make things "come right" for America, President Roosevelt, in his oft-quoted paragraph about the South, said: "It is my conviction that the South presents right now the Nation's Number one economic problem, the Nation's problem, not merely the South's. For we have an economic unbalance in the Nation as a whole, due to this very condition of the South. It is an unbalance that can and must be righted for the sake of the South and the Nation."

### The Nation's Problem

This statement deeply aroused the South. It hurt regional pride. It was called "politics." Yet sober-thinking Southerners freely say that the "President is right." They point out that he did not pin the problems on the South but on the Nation. He recognized that many of these problems actually were imposed for one reason or another

on that region in the building of a Nation.

Number one Southern problem has always been the United States' protective tariff, whereby Southerners sold their goods on a world market and bought their manufactured material on a protected market.

Number two problem of the South today is lack of credit. This traces back to the Civil War, as do many of the South's problems. There simply was no capital after the war. Just in the last quarter of a century has wealth begun to return to the Southerner. Such capital as was invested in Southern industry came largely from other regions. Again to help the Nation as a whole the South today must have capital. It must have industry.

Number three problem of the present-day South is believed to be the inequitable freight rate structure of the Nation. Many prominent Southerners place it at the top of the list—even above the tariff, since the cotton subsidy has served to offset to a degree, disadvantages of the tariff.

### Tariff Issue

Under the present freight structure, it is practically impossible for Southern producers of many commodities and many manufactured articles to sell to the populous regions of the North and East, where more than half of America's consumers reside, because of the internal "tariff" due to the freight structure.

In other words, the national structure is so framed that not only is Eastern industry protected from dumping of foreign goods by a high protective tariff, but it is also protected from competition with Southern products by a high protective "tariff" in the freight rate structure.

There are many legal phases to this freight-rate controversy, and it is impossible to simplify them. Suffice it to say that the Interstate Commerce Commission has recognized the inequities of the system

and has ordered an exhaustive inquiry of the structure with the intention of equalizing it.

Number four problem of the South, closely related to all others, is the agricultural system. Because the South chose more than a century ago to pin its fortune to cotton, it is still clothed in its tatters. Cotton is still the South's money crop. But cotton keeps its position only through an expensive national subsidy, subject to variations of political power. Tied to this one-crop system are many of the problems of the Negro, the underprivileged white, and Southern finances.

### Negro Problem

If present programs in the South to diversify crops, establish industry, find new uses for cotton, and speed up the slow agricultural areas to the tempo of a mechanized age, are steadily advanced and widely spread, there is hope for the South to win more of the national income and incidentally to raise the national income. In this as in all the other problems, the South as a major unit in the Nation needs national co-operation and help.

Number five problem of the South is the Negro, principally because it is difficult to mingle large numbers of two races in the same areas, without economic and racial questions arising.

The Negro problem gives emphasis to another national issue—education.

The Negro needs educating, but he is poorly equipped to pay for his education. White people must pay the taxes for the dual educational system.

Against the imposing list of Southern problems are, of course, the South's many rich advantages—a people almost 99 per cent Anglo-Saxon in origin, individual, imaginative, and resourceful; vast natural resources as yet unexploited; a temperate climate, so that in some states grazing for live stock is possible 11 months out of the year; low taxes; good roads; and industrial frontiers open to vast expansion.



## Bai Ganyu and Reuben Go South

Bai Ganyu is a Bulgarian gardener from Gorna Orehovitsa, Bulgaria. He lives in a fertile, thickly-settled area, where exceedingly industrious peasants intensively cultivate tiny farms, from which they extract a great amount of beautiful and luscious edibles.

They are among Europe's best truck gardeners and take as much pride in their tomatoes, peppers, egg plants, and melons as the Louvre does in Mona Lisa.

As master among masters is Bai Ganyu, meaning Uncle Ganyu. He says if he had enough helpers he could turn the whole world into a garden. He has a son, Boris, who settled in America 20 years ago, and is now a high school teacher in Houston, Texas. Uncle Ganyu recently came to see his son, who unfortunately couldn't meet him at New York, so Reuben, a farmer from Kansas and a friend of the Ganyu family, played host; he greeted Uncle at the port and went south with him. In order to be proficient in his guiding, Reuben read a "Report on Economic Conditions of the South," written exclusively by Southerners.

### Farming

As the two clod-hoppers traveled through the South on the train, Uncle Ganyu stared eagerly out of the window. "Wonderful country!" he exclaimed, adding the question, "Plenty of rain?"

"Two-thirds of all American land with a 40-inch rainfall is here," answered Reuben, remembering his book.

"And is the soil good?"

"The soils of the South are the most widely varied in America. Alabama, for example, has seven major types and 300 sub-types. No other region offers such diversity," Reuben quoted.

"And woods, too, look at them!" exclaimed Ganyu as the train sped through the forest.

"A third of the land is wooded. Two-fifths of the nation's forests are here. This is the world's chief source of naval stores," commented Reuben, recalling page 6 of his book.

"A paradise!" shouted Bai Ganyu. "Even better than Bulgaria. Why didn't our fathers found Gorna Orehovitsa here!" Then after further observation he added, "But the people seem poor; no flourishing villages."

### Low Income

"Yes, they are poor. America's poorest people live here. The average income is about half that in the rest of the United States. Other American farmers earn \$528 each a year; a southern farmer \$186," Reuben explained, quoting page 21.

"Well, how's that?" asked Ganyu in consternation. "Poor people in paradise! Does some one rob them?"

"No, but their paradise isn't rightly used!" Reuben suggested.

"Do you mean they don't raise things?"

asked Ganyu, eager to get his spade into the wonderful soil.

"Not enough things! They import four-fifths of what they eat and wear," Reuben recited.

Ganyu was speechless for a moment. Then he exploded, "Imagine living in Paradise and going to an outside grocery store to get your food and fig leaves! Don't the Americans like land?"

"Well, they aren't very good to it," Reuben had to admit. "Since we Americans came into the South we have 'ruined beyond repair' an area of ideal farm land almost as large as Bulgaria."

### Tenant Farmers

"Don't the peasants try to save their farms?" Ganyu asked, unable to believe that men could sit by and see their fields and gardens destroyed.

"There aren't any peasants like you Bulgarians," Reuben explained, "or like Germans, French, and Danes, who own a piece of land, live on it for decades and love it as a family home. Here 53 per cent of the farmers are tenants. A third of the tenants move every year. The land for them is only a seat at a restaurant table. Coming today, going tomorrow, they don't care what happens to it."

"They have comparatively few farm animals, are short on eggs, don't raise anywhere nearly enough hay, still less oats. Many common vegetables are rarities in many southern farming communities. Malnutrition is prevalent. People are constantly leaving the South."

"Imagine people going hungry in Paradise and moving out!" Ganyu commented in despair.

### Ganyu's Plan

Then he began to tell what he'd do. "You wouldn't believe what I and my gardeners could do with this land. We'd have little villages of neat, white-washed, red-roofed houses strung thickly along the streams. Every day you'd see the country sides covered with gaily-dressed families singing and working in their own fields."

"We'd have red peppers hanging in strings from porches or in festoons on white-walled houses, there'd be potatoes in pits, fruit hanging in the attic, wheat or corn in the bins, braided strings of onions in the cellars. Grapes would cover sunny hillsides, every little valley would be checkerboarded with the red of tomatoes, the soft green of cabbage patches, the gorgeous purple of shapely egg plants. We'd grow mountains of cucumbers, squashes of every shape and color would gleam through the corn, whole valleys would be fragrant with the scent of melons."

"That's just poetry," Reuben expostulated, at Uncle Ganyu's lyrical outpouring.

"Maliko Milo!" ejaculated the Bul-

garian peasant, which literally meant, "Mother, Dear," and went on, "It's not poetry at all. It's what I've done all my life. All Bulgarians do that. We love land. We work for years clearing rocky hillsides. We rotate crops, caring for each patch of ground as a housewife for her parlors. Yet our land is not rich as yours here. Our climate not so kind."

All too soon we reached Houston. Bai Ganyu took his thick, well-filled, hand-woven, striped saddle bags from the baggage rack and placed them over his shoulder.

"They look heavy," Reuben remarked.

"Eh, heavy," admitted Ganyu. "Baba Penka (Grandma Penka, his wife), sent some rose leaf jam, some green walnut preserves, some dried goat's meat, a hunk of sheep's milk cheese, some hand-knit socks, and fancy handspun towels to Professor Boris and his 'Bulka' (bride)."

Mr. and Mrs. Professor were at the station, waiting for Bai Ganyu, their father.

R. H. M.

## Read On—

### Magazines

**Second Reconstruction**—By Robert W. Desmond in *The Christian Science Monitor Magazine*, March 23, 1939. The South looks ahead to a better time economically, and if any man deserves credit for that it would seem to be Dr. Charles Holmes Herty, industrial chemist.

**Industrial South**—In *Fortune* magazine for November, 1938.

This so-called economic problem number one pictured as economic opportunity number one.

**The South Plants to Prosper**—By Nate R. White in *The Christian Science Monitor Magazine*, Sept. 23, 1939.

An account of the Plant to Prosper movement in the South that indicates better days for tenant farmers and sharecroppers.

### Books

**Southern Regions**—By Howard W. Odum, University of North Carolina Press, 1936.

A scholarly and valuable composite picture of the South, its problems, peoples, and programs.

**A Southerner Discovers the South**—By Jonathan Daniels, Macmillan, 1938. A Southern liberal tours the South and presents a penetrating evaluation of that much-discussed region.

**Report on Economic Conditions in the South**—June 22, 1938.

The report which led President Roosevelt to term the South the Nation's number one economic problem.



## U. S. Industry: A Success Without War

An informal group weighs today's news and its meaning. Chairman of the discussion is VOLNEY D. HURD, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"After being educated for 25 years that business men are anxious for war because of possible excess profits, the resistance of American business to the present war has come as a surprise to most of the public. Since our talks on War Economy and War Costs you have brought up this question. So let's talk about it a bit.

"There are a number of reasons why business men don't want war—and not altruistic ones either—as follows:

"1. A war brings heavy taxes that wipe out potential profits.

"2. A war may cause rapid expansion in equipment which is left on the businessman's hands after war to become obsolete, wiping out much of any profits made from the war.

"3. Dictatorial government, made necessary by a war, chokes off the very freedom of action which has made American business grow to its present greatness."

Question: "Has there ever been a time when business was held down by the government other than during a war?"

Answer: "Yes, although it dates back to when the United States as we know it was a collection of British colonies. Growth of industry was discouraged by Britain for England wanted to develop her own home industries and keep the colonies as suppliers of raw materials, particularly farm goods, and markets for her own home industries. That was a colonial economy, the same situation the South has faced since the War Between the States, as we mentioned in our discussion on the South three days ago. In those days Acts of Parliament actually forbade the setting up of mills and factories in the colonies."

Question: "I suppose the American Revolution ended that state of affairs?"

Answer: "Yes, it did. But it did not free business from restrictions. This time, however, the restrictions were of a different kind—tariff lines between the various states. Why getting goods across the colonies was as complicated as shipping them across Europe before the present war started.

"That, incidentally, was one of the prime reasons for forming the United States. When the colonies saw what they were running into, sometimes with feelings running so high as to almost cause war, they got together to form a federation. It was hard because it meant each one had to sacrifice some of its sovereignty. But they made this sacrifice and the United States was the result."

Question: "When did American industry really first start rolling?"

Answer: "Strangely enough it was a war that gave American industry its first boost. No, it was not as you suspect, war profits. In fact it was a war thousands of miles away, war carried on by another man who sought to impose a type of peace on Europe by conquering it all for himself—Napoleon. This war tied up England so that the new nation in North America started industries to take the place of the interrupted trade between itself and the Mother Country."

Question: "What forces are playing an important part in American business growth at present?"

Answer: "There are many, of course. Two of the most outstanding are migration—businesses on the move—and decentralization—business breaking up into smaller units which are in turn scattered far afield. Business is moving about more than ever before in the country's history. In fact any good business man today has to be alert to movement. It's like a football game. Knowing where the other fellow is is the first rule if you are going to make a goal. So with the business

man. If he doesn't find out where his competition is he may suddenly find he has waited too long where he is and that his competitor, in a better location, is undercutting him. Cities and towns take advantage of this trend to make special offers to bring new business in, hoping thereby to relieve unemployment and heavy taxes, at the same time making the town or city wealthier and more important."

Question: "Isn't decentralization related to this other migration?"

Answer: "Yes, that's a case of not moving the entire company to meet competition, but breaking of a section to function separately for better marketing. This includes solving freight costs which often can be cut by decentralization.

"A good case is that of fruit canning. The largest California company has 75 separate canning plants. Thus the fruit need not be handled much or carried far, avoiding damage or deterioration. However, this also affects the cans themselves. The can manufacturers found it a lot cheaper to ship sheets of tin plate to the coast and make cans there than to ship thousands of space-taking finished cans. The two leading can manufacturers have 50 plants each spread throughout the United States."

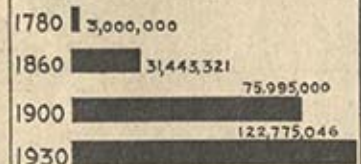
Question: "Certain industries like automobiles and rubber, I suppose must stay in one place?"

Answer: "Even they are decentralizing to some degree. Labor is one of the reasons. By spreading out their plants, many big companies hope to be less vulnerable to labor stoppages. Located only in one place, their plant is literally a bottleneck which labor can often easily tie up. Labor and lower shipping costs are without doubt dominant factors in American business decentralization today. And now we will have our Monitor New York staff economist, Mr. Harold M. Fleming tell us how American business has made the entire world turn to study it with admiration—on Fireside page 107."

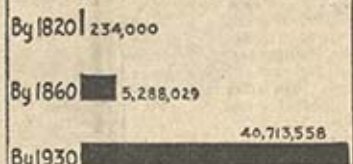


## The Epic of American Industry

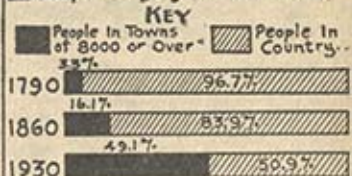
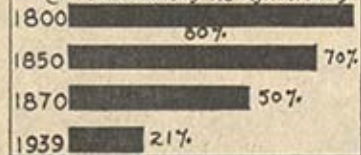
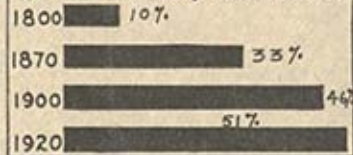
## I Population Grew With Industry



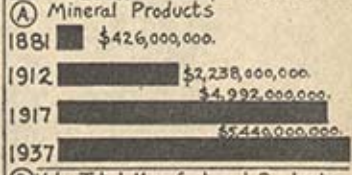
## II Immigrants Came With Industry



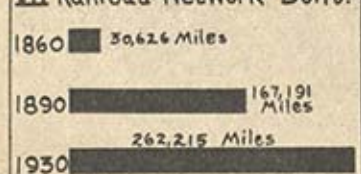
## III People Segregate In Cities

IV Cease Working At Agriculture.  
(Per Cent Working At Agriculture)V Flock Into Factories.  
(Per Cent In Industry, Trade, Transportation)

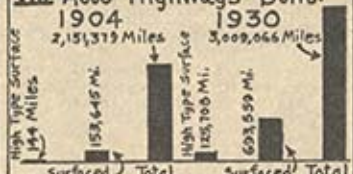
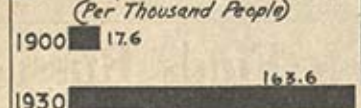
## VI Production Leaps Forward.



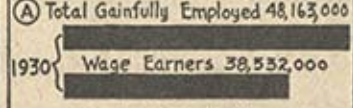
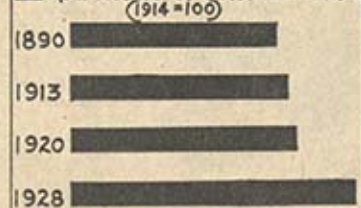
## VII Railroad Network Built.



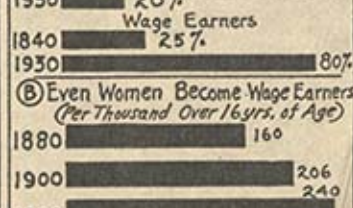
## VIII Auto Highways Built.

IX Telephones Installed.  
(Per Thousand People)

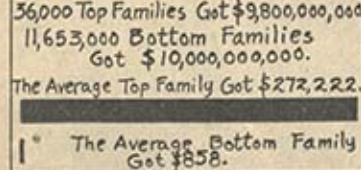
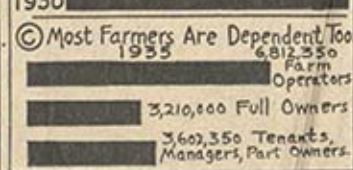
## X Wage Earners.

XI Real Income Of Workers Increase  
(1914=100)

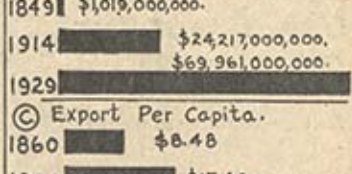
## XII Income Distribution 1929.



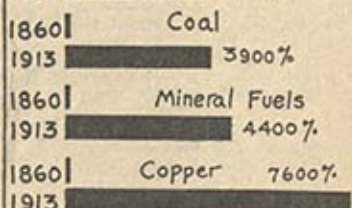
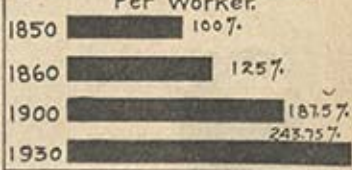
## XIII Income Distribution 1929.

XIV Even Women Become Wage Earners  
(Per Thousand Over 16 yrs. of Age)

## VII Value Total Manufactured Products.



## C Export Per Capita.

D Production Of Heavy Metals  
And Minerals. (1860=100%)E Increase In Productivity  
Per Worker.

By a Staff Artist

## Industry Leaves Its Mark on American Society

These graphs reveal America's shifting society, the trend from agriculture to industry, from farm to city.



## U. S. Industry: Wonder of the Modern World

By Harold M. Fleming

American industry is the envy of the world. Europeans and Asiatics who affect to despise American politics show ceaseless interest in American industry. Let any foreign nation become dissatisfied with its industrial achievements, and presently a mission from that country will be visiting the industrial centers of the United States. Whole replicas of large-scale American industrial units have been set up in Russia, and American engineers hired to set them in operation, though the Russians profess to believe that a nation as alert as to build and run American industry can still be stupid politically.

Yet foreigners rarely understand the sources of our industrial strength. Imitate the end results they can, but keep them in operation they usually cannot.

One reason is because they fail to see that American industry is constantly moving in two opposite directions—toward mass production, and toward individual specialization. Typical are not only the gargantuan American blast furnace, the giant rolling mill, and the Broddingnagion automobile assembly line, but also the vast number of specialists, woodshed supply shops, independent consulting engineers, research departments, and other manifestations of the eccentric thinker working in odd corners at long hours to supply the assembly-line behemoth with essential minutiae or to prepare a product which will challenge the assembly-line's supremacy in the open market.

### Misunderstandings

Mass production is but the economic counterpart of technical diversification. The great assembly line could not live without the little machine shops or vice versa. Foreigners generally see only one or the other aspect of the American industrial economy.

An equally important source of foreign misunderstanding of American industry is the trend of politi-

cal thinking today, both here and abroad. American industry has developed its mighty throb as a result of two things. First is the freedom of industrial adventuring from bureaucratic or political control. Petty state tariff-making bodies have never until recently hampered it. Second, and more important, has been freedom from even national bureaucratic interference. Never before in history has there been such an anarchistic economic system. Never before has there been such a great area in which the Government has been strong enough to maintain almost unbroken civil order, yet kept too weak to interfere in the industrial, commercial, technical, and financial adventuring of its citizens.

The nearest approach to the American plan in this respect has been the British system in the last hundred years, that is, during the laissez-faire or Victorian era. It is no accident that laissez-faire has coincided historically with the swiftest advance in the industrial arts in recorded human history.

### No Caste System

The ancient societies had rigid economic codes; so did medieval society, and so has every economic system outside the stamping ground of nineteenth-century economic man.

But there was one major difference between the American and the British background for industry. That was the comparative absence of the caste system in America—a system whose spirit is diametrically opposed to that of a successful industrial society.

The caste system discouraged the rise of creative industrial adventurers from the rank of workman into the ranks of management. It discouraged the plowing in of corporate earnings into further business expansion. And it pressed down the standard of living of the "laboring class" so that the potential of the industrial system was constantly increasing beyond domestic purchasing power; British

goods couldn't be sold in Britain and an expensive foreign policy had to be maintained for the development of foreign markets.

In America imaginative men were able to rise from the ranks; corporations were nursed into size on their own profits; and the presence of the open wilderness continually took the pressure off wages and permitted them to rise and absorb the rising national output.

### Reason for Growth

The social institutions which permitted the growth of American industry are so natural in the thinking of Americans that they are usually taken for granted. First is free competition, with the State interfering only to the extent of enforcing contracts. Second was the invention of the limited liability corporation, and the enactment of laws permitting charter without special legislative act. The limited liability corporation made possible the gathering up of the savings of many people in a single venture, and encouraged the venturing of money even by small groups, by limiting their liability to the extent of their investment.

Although experience every ten or twenty years indicated that most of the money invested in industrial enterprise was ultimately lost through competition, depreciation, and obsolescence, the hope of profit continued to lure personal savings and reinvested corporate earnings, and this investment continually lowered production costs and increased the output of American industry.

For the mine run of industry, in a competitive system, the continual improvement of property was merely a process like that of the Red Queen and Alice in "Through the Looking Glass," of running hard in order to stay where they were. Open competition continually forced industry to hand on to consumers the benefits of lower production cost in the form of lower prices.



## Rip van Winkle at Our Fireside

A very earnest gentleman with a long beard and beautiful white hair appeared this morning and asked if he might sit a while at our fireside. "Do you know who I am?" he asked.

"Surely," we answered, "you're Mr. Rip van Winkle. We hope you're feeling fine after your long sleep."

"I thank you for your good wishes," he answered. "Perhaps I'm not so sleepy as people think. As a matter of fact, I'm trying to help wake people up. I want to talk to you about the influence of industrial development on America."

"You've come to the right place, at the right time," we answered.

### U. S. "Vision"

Then Mr. van Winkle, after gently stroking his shaggy beard, began to talk. "This country of ours is a dream," he said, "but not of sleepy people, as you think I am; rather of very wakeful, active ones. We once had a vision of independent, self-reliant families. The foundation of prosperity and the bulwark of freedom was to be individual ownership of a house, field, and gardens in a small, beautiful, rural community. But a very different America has come into being."

"How is it so different?" we asked our guest.

"In every way," he went on. "For example, in population. Two full centuries after the first Colonists landed we remained a very small nation of scattered

agricultural communities. By 1790 we were still fewer in number than the inhabitants of present day Switzerland. But now we are the largest nation in the whole western world."

### Living Habits

"But mere volume is not the main aspect of our population problem. Distribution is even more important. At the close of the Revolutionary War there were only six places in the United States containing 8,000 inhabitants each. Ninety-five per cent of the people lived on farms or in villages. But now half of the Americans live in towns with more than 8,000 people, 60 per cent in towns of 2,500 or more, and only 22 per cent on farms."

"See how that will affect our politics?" our amiable guest continued. "In 1910 we had 100 rural to 86 urban voters; in 1920, 100 to 114; now 100 to 142. Our destinies are in the hands of men and women living in masses."

"And my story isn't ended even yet," our guest went on. "Industry segregated not only people, but property, too."

### Property Class

"Washington was a rather typical early American. By visiting Mt. Vernon you can see how he lived. Most contemporary Americans, though poorer, lived as the father of their country. Probably four-fifths of them owned property. They were self-reliant, dwelling in their own homes, working on their own land,

or in their own shops, and when needing extra helping hands they helped one another. Now most Americans are essentially property-less. About half own their own houses, but only a fifth their means of livelihood. Eighty per cent are wage earners."

Rip van Winkle was very thoughtful. But not so thoughtful he couldn't talk. He went on, "Another source of independent livelihood might be handicraft, home industry, artisanry. But we have no artisans. A shoemaker sells factory shoes. A baker sells bread which others make."

"We might fall back on commerce and business. But here the field for independent people is also very limited. A little man finds it hard to run a corner grocery in competition with chain stores. Most of us must work for others."

"Well, that isn't really so bad, is it, Mr. van Winkle?" we asked.

### Living Standard

"No," our guest replied thoughtfully, "a chauffeur now lives better than George Washington. Industry has vastly increased the national income and greatly raised the standard of life. Americans get along well. Industry performs a grand service. But we dare not become its slaves."

"Certain it is that industry has crowded most Americans together in vast masses, and made them employees of other people. That is exactly opposite to the America we dreamed of in my youth. It may be better. That depends on you."

Then our guest arose and with great dignity prepared to depart.

"I'm coming back in 1880," he said. "There will be 155 million Americans then. I hope you'll all be happy, living as brothers, producing good things with joy, sharing them with equity, using them with wisdom."

"We'll do our best to make a good America," we promised.

R. H. Markham

## Read On—

**New Co-operation in Industry**—By Lewis H. Brown in the Atlantic for Nov. 1939. Industry seen as awakening to need of improving social relationships.

**Industry on the Move**—Number 2 of a series of reports on business prepared for executives by Business Week. Why and where plants and industries are migrating.

**Speeding Up American Industry**—By Tully Nettleton in The Christian Science Monitor Magazine, Oct. 14, 1939.

The war has prodded American industry to go places and do things.

**Business Looks Ahead**—By Sumner H. Slichter in the November, 1939, Atlantic. Discussion of American economic situation, stressing danger of "bottle necks."

## U. S. Industry During 300 Years

### Colonial America

Before the American Revolution, industry had hardly advanced beyond the household stage. Lumbering, shipbuilding, production of naval supplies such as tar, rosin, and turpentine, fur trading and tanning, fishing and whaling, and the weaving of some linen, wool and cotton cloth were the main industries.

The itinerant craftsman plied his trade from house to house, and in the villages the blacksmith, the gunsmith, the harness maker, the cabinet maker and other craftsmen had set up their shops. Grist mills and sawmills were to be found in larger towns, but they in no way resembled the modern factory.

### Pre-Civil War

The first American industry to emerge from the handicraft stage and introduce the factory system was the textile industry. It sprang into being during the War of 1812 in New England and the region around Philadelphia. The plants were driven at first by water power, but by 1840 half of the factories used steam.

The iron industry was the next to become important. The use of iron in textile machinery, in plows and in other agricultural implements were the main

stimulants. The rapid growth of the railroads was also an important factor.

The average factory employed 90 workers, of whom many were women and children, and working hours were often "from dark to dark." Most concerns were owned by an individual, a family or a handful of stockholders, and were operated with an average investment of \$7,200. Much of the capital came from England.

### Since 1850

The period from 1850 to the present day is characterized by the transition from the small scale factory to the large scale industry using the assembly line.

Large scale operation was made possible by: better machinery, efficient management, quantity purchases of supplies, decreased cost of competitive salesmanship, and the profitable use of wastes and by-products.

The most important new industries are oil, iron and steel, copper, ready-made clothing, large scale meatpacking, aluminum, automobiles, electrical equipment and airplane manufacturing. The ownership of industry passed from a large number of small competing groups to corporations representing a large number of small stockholders.



## Taxes: They Turn Pocketbooks Into Sieves

An informal group weighs today's news and its meaning. Chairman of the discussion is VOLNEY D. HURN, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"Our subject today is always news—judging by the amount of conversation it makes. And it would make more if so many people didn't think they were getting away with practically no taxes. The few who pay income taxes—only about one out of every 37 persons—know they pay taxes. There are a few of the 36 left who pay a few small taxes. But there are millions who figure they pay no taxes.

"To these non-taxpayers the government never seems as close as to those who figuratively feel the collector's warm breath behind them at certain times of the year. Forming the majority of the voters, nevertheless, these non-taxpayers, when increased government expenditures come up, are not likely to examine them very critically. They may say, 'The government always has paid out a lot and nothing has happened. It can probably pay out more and still keep going. These are hard times, so it's justified. After all, the rich and the big corporations should be able to take care of these extra costs.'"

**Question:** "That brings up a question which has long puzzled me. Why should people who will never feel the burden of taxation be allowed to vote expenditures?"

**Answer:** "Am I right in assuming that you speak of a condition in which there would be millions of people who pay no taxes at all—and that therefore all these million in turn would be forbidden to vote? As you can see for yourself that would fly directly in the face of what we accept as Democracy.

"Now actually there is no such thing as people who pay no taxes at all. The millions who do not pay income taxes, all pay through hidden taxes—and what a heavy tax bill that can be is shown on our chart, Page 130."

**Question:** "But your latter point makes it democratic to vote according to tax payments, doesn't it? You say everyone pays taxes? Then everyone would be able to vote and there you would have your democracy."

**Answer:** "Not quite. Democracy not only means that everyone of proper age and ability shall vote, but that they shall vote equally! Remember that the keystone of Democracy is equality. Now where would be the equality where one voter had a \$300 voting credit and his neighbor a \$50,000 voting credit?"

**Question:** "It seems to me that the point of this discussion is the fact that these millions who do not think they pay taxes are not as interested in the government as they should be—but that since they really do pay taxes they have a distinct interest in the government if they only knew it."

**Answer:** "That's right. Taxpayers' associations the country over are doing their best to educate people as to how much they pay in hidden taxes, so that they will have more interest in government. Probably one of the greatest problems in this tax question is the terrific time lag between expenditure authorization and the payment by the taxpayer—who, of course, pays all the bills in the end."

**Question:** "What do you mean by time lag?"

**Answer:** "If you press a telegraph key you should get an instantaneous click on the other end. If it took a minute for the other end to click, you would have a time lag of one minute. Or, say, pat a dog's head. If he wags his tail five minutes later, you would say he has a time lag of five minutes—or just didn't think much of affection."

"Applying this to taxes, if the government decided to spend some money with your approval and the next day a man called and you had to pay your share at once,

you'd soon be pretty careful about what you voted for. Instead, the payment route is very devious. You pay an income tax once a year—not conscious of how it was arrived at. Your hidden taxes are even less apparent. So you probably don't know about the costs of the goods they are buying.

"Finally, governments do what our thrift advisors tell us never to do—they run up great bills without paying them. This is achieved through loans. By borrowing a lot of money they can show the taxpayer a low bill at the end of the year. They seldom point out that the only reason it is low is because it's just been put into the future, that he will ultimately have to pay not only it but all the interest as well. So this much of the Government expenditure may have a time lag of many years as far as the taxpayer is concerned."

**Question:** "What can be done to change such a state of affairs?"

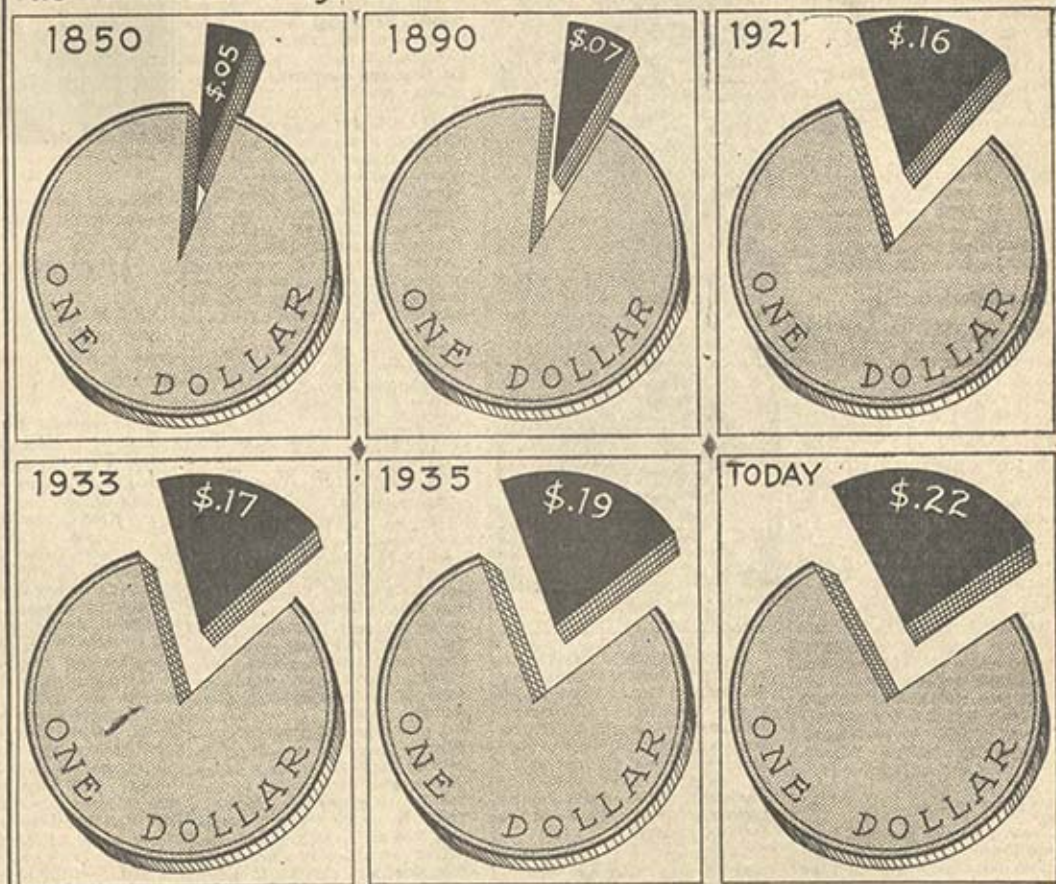
**Answer:** "There is no simple answer to such a complex problem, a problem which is based on that most variable of things called human nature. Just how we can cut down our time lag in a political world is hard to see. The elimination of loans would jump all taxes up. Add to this total the hidden taxes which would be taken out of hiding. Put these two items on our present income tax bill, spread it out so that the man making \$1,000 a year would have to pay as well as those making more, and you'd make some start in the problem—but you'd have the loudest protests you ever heard from a public suddenly made severely government-cost and tax-conscious. Who would the people appeal to? Their representatives. How? By telling them they'd better lower the taxes at once or else—"

"No. The United States is not ready for such Spartan steps yet, in my opinion. And now for our guest speaker. We have again the Monitor New York staff economist, Harold Fleming, who will tell you more about taxation on Page 131."

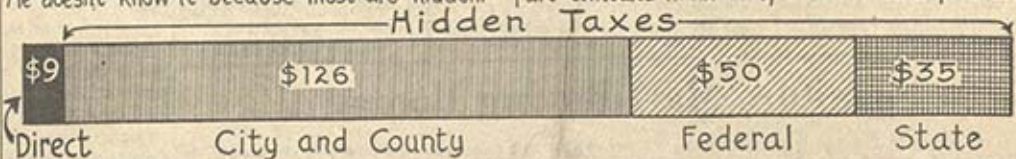


## Taxes, Like Topsy, Just Grow and Grow

The American Wage Earner's Dollar: What Part Goes To Taxes.



A man earning \$1000 a year pays \$220 in taxes. Only about \$9 are direct, recognizable taxes. The rest are concealed in his rent, food and other purchases.



By a Staff Artist

R. L. LANE  
ARTIST

### Government Does More and Government Costs More

What government takes in taxes it pays out to meet its bills. But remember the government is borrowing as well as taxing. If it paid its bills by taxing entirely, taxes would take about a fourth of the national income. Some people think they pay no taxes. As this chart shows, they pay them, even

though they are hidden in the prices of articles bought. But taxes by whatever name they are called are taxes, though they may "sell" better when going by another name. A crying need of today is for co-ordination of tax programs—Federal, state, and local.



## You Pay No Taxes? You'd Be Surprised!

By Harold M. Fleming

It has been said that the American people are determined to have the more abundant life if it takes everything they have.

So far things have not gone that far. The abundant life so far takes only about one quarter of the American income in taxes. Americans may consider themselves fortunate if they wish to compare themselves with Europeans, for the German Government, in its cannon-versus-butter zeal, has been taking over half the national income for its six-billion-dollar-a-year rearmament program, and since the war started the British income tax payer has been asked to contribute 37 per cent of his income as a "normal" tax (not counting what he may pay as a rich man for surtax or as a poor man on his sugar, bread, or other necessities). But if the American prefers to assume that Europe's problems are her own, and to compare his plight with his own past, he will find that he is paying today approximately twice as large a proportion of his income for taxes, direct or indirect, hidden or open, as he paid in the year before the World War broke out.

To put it statistically—and what discussion of taxes would be impressive without being statistical?—the take of American federal, state, and local governments in taxes in 1913 has been estimated as round 12 per cent of the national income, and for 1938 it has been estimated, on the same basis, at round 23.8 per cent.

### Income Tax

This may seem high. After all, the normal income tax is only 4 per cent, and the usual tax on a movie admission is only 10 per cent, while state sales taxes generally run round only about 2 or 3 per cent. How does the total, then, get so high.

It gets high for two reasons. In the first place, wealthy people pay enormous income taxes. For the top brackets they run as high as 75 per cent for the Federal surtax

alone, which on top of the normal tax makes 79 per cent, and that doesn't include the state income tax; and most wealthy people live in states which, like New York, lay a heavy hand on personal incomes. (Or it might be turned around to say that where personal incomes are high, the State government gets busy and collects.) The richest men in this country pay considerably higher income taxes, when state imposts are included, than they do in Britain.

These heavy personal income taxes, however, are not the chief reason for the big bite which taxes takes out of national income (which means out of the national average income). After all, the men who pay the 79 per cent Federal tax can be counted on the fingers of one hand; and if the total population of the United States were divided by one million and reduced to a village of round 140 souls, only five of them would even report to the income tax authorities, let alone pay income tax. Less than three would pay income tax.

### New Services Asked

The real reason why nearly a quarter of the national income goes through the hands of Matthews every year is that our ideas of what the politicians and statesmen should do for us have increased enormously, and they can't do it without money. Since the rich sources have been tapped to the limit, the poor man now has to pay. It seems pretty evident that the soak-the-rich or share-the-wealth principle of taxing according to ability to pay has already passed the zenith of its possibilities, and in recent years the tax increases have come out of the pocket of the average citizen.

Since the average citizen is a voter, and like most human beings very sensitive about the area of the pocket book, it has been necessary for politicians and statesmen to be adroit about this new necessity of taxing the forgotten man for the abundant life which the forgotten man craves. The result

is "hidden taxes," and a curious state of things in which the politician continues to put heavy emphasis on the volume of taxes he collects from the rich man, while at the same time most of the taxes actually come from the poor man, and every increase in taxes inevitably has to come from this poor man.

### Tax Increase

Your American citizen has to pay a tax to the Federal Government not only when he goes to a good show, as he is aware, but also when he pays his electric light bill, as he is not usually aware. The electric light companies get more out of him for the Federal, State and local governments than for their own stockholders; so do most industries except the most prosperous; even the telephone company collects about \$7.00 a year from every telephone as toll to the Federal Government.

In the last ten years practically every tax rate in existence has been raised. The normal income tax rate has been raised from 1½ per cent to 4 per cent and the surtax from 20 per cent to 75 per cent. Federal "nuisance taxes" have been imposed on movie tickets, fur coats, yachts, and chewing gum. Sales taxes, condemned by every economist a decade ago, have been adopted by the states so widely as to net some \$500,000,000 a year without effective public protest. And taxes have been imposed on payrolls under the Social Security Act by the states and Federal Government which are now the largest single revenue-yielders among the whole ingenious list of taxes. They are not hidden at all; but though they yield nearly \$1,500,000,000 a year, they are enthusiastically accepted by wage earners because they are supposed to be accumulating against old age and unemployment. Actually they are going for ordinary expenses and will have to be collected again when the old age and unemployment insurance benefits under them finally really come due in volume.



## What Should Uncle Sam Do?

Government costs money. And, naturally, the more government a country gets—or the more activities turned over or taken over by the government—the more it is going to cost. Some people favor a heavily socialized government; they want the government to take over many activities—present ones handled privately as well as new ones. Others believe that the less government the better; and would drastically curtail Uncle Sam's present activity. The more duties shoved onto the shoulders of the Federal Government, the more such government is going to cost—and the more citizens must pay in taxes. That should be clearly realized.

Each individual may have his own list of activities that he thinks Uncle Sam should be responsible for. It may differ from those of his friends or of his family. It may even vary itself over a period of time. Fortune magazine took a poll this summer of the things people believe government should do for them—that is, the Federal Government. Here are a few of them; and by comparing your own attitude with them you can quickly discover whether you stand with the majority—as polled by Fortune at that time—or represent a minority view.

1. **Defense:** 96 per cent believed it should provide an army and navy.
2. **Relief:** 69 per cent thought it should provide for all those who have no other means of subsistence.
3. **Work:** 61 per cent thought Uncle Sam should provide work for all who wanted work and couldn't get it privately.
4. **Utility regulation:** 49 per cent thought public utility rates should be regulated from Washington.

5. **Labor arbiter:** 35 per cent wanted Uncle Sam to act as judge in all disputes between capital and labor.

6. **Wealth redistribution:** 35 per cent wanted Washington to "soak the rich" by heavy taxes to redistribute wealth.

7. **Movie supervision:** 32 per cent voted to have Uncle Sam supervise movie production.

8. **Farm prices:** 23 per cent thought Uncle Sam should control farm prices by controlling production.

9. **School operation:** 20 per cent wanted Washington to take over and operate all schools.

10. **Army service:** 18 per cent believed every adult male should spend at least two years in the Army.

These figures would indicate that many persons believe the Federal Government is not doing enough governing. Others believe it is doing too much. That leads one to ask: does the American citizen think he is getting his money's worth from his taxes? On this question, too, Fortune has taken a recent poll. Briefly and roughly stated these were the results:

1. Forty-nine per cent of those asked thought they were paying too much for what they got in return.
2. Forty-two per cent thought it was a fair exchange of taxes for services.
3. Only a little over 2 per cent thought they were getting more than their money's worth from the government. The rest didn't know.

## Sources of Revenue In the U. S. for 1937

Taxes pay Uncle Sam's bills. They also pay the bills for local and State government. But what are the sources of these taxes? Here is a brief picture of the origins of revenue for the year 1937 in the United States. First the type of tax is listed, then there is given the amount collected that way by the Federal Government by State governments, by local governments. (Amounts given roughly and in millions.)

	Federal	State	Local
Gift tax	100	...	...
Auto tax	...	300	...
Customs	400	...	...
Death tax	300	100	...
Payroll tax	400	...	...
Sales tax	...	400	...
Tobacco tax	500	100	...
Gasoline tax	200	600	...
Liquor tax	600	200	...
Misc. taxes	700	500	...
Income tax	2,300	300	...
Property tax	...	...	4,300

## Federal vs. Local Taxes

It is not generally realized that State and local taxes constitute well over half of the taxes collected regularly from Americans. The Federal Government does not get the lion's share. Here are some figures that bring out that point. The percentage of national income that goes for taxes is broken down into Federal and State and local.

	% of Income	Federal	State & Local
1913	6.8	2.0	4.8
1923	10.6	4.4	6.2
1928	11.8	4.0	7.8
1929	12.0	4.1	7.9
1930	15.0	5.1	9.9
1931	17.3	5.1	12.2
1932	20.4	4.5	15.9
1933	17.7	4.2	13.5
1934	17.5	5.8	11.7
1935	17.6	6.4	11.2
1936	16.5	6.0	10.5
1937	17.6	7.2	10.4
1938	22.8	9.3	13.5

## Income and Taxes In the United States

In the last 15 years—that is, from 1913 through 1938—America's national income has risen, fallen, and risen again. The same ups and downs characterize the nation's tax collections. Here are some round figures on tax collections (Federal, State and local) and national incomes.

	U. S. Income	Tax Collections
1913	\$33,000,000,000	\$ 2,250,000,000
1923	68,000,000,000	7,250,000,000
1928	79,000,000,000	9,350,000,000
1929	81,000,000,000	9,750,000,000
1930	68,000,000,000	10,250,000,000
1931	54,000,000,000	9,300,000,000
1932	40,000,000,000	8,150,000,000
1933	42,000,000,000	7,500,000,000
1934	50,000,000,000	8,800,000,000
1935	55,000,000,000	9,700,000,000
1936	64,000,000,000	10,500,000,000
1937	70,000,000,000	12,300,000,000
1938	64,000,000,000	14,500,000,000

## Read On—

**Hidden Taxes**—by Morris S. Tremaine in *Vital Speeches* for March 1, 1939.

New York State's Comptroller urges public pressure on Congressmen for tax bills that will encourage business.

**A Primer on Taxes**—by W. M. Kiplinger, in the *Reader's Digest* for April, 1939, as condensed from the April Forum.

Another suggestion that Americans let their Congressmen know they want their taxes brought out in the open.

**Now You See Them, Now You Don't**—by Richard Lee Strout in *The Christian Science Monitor Magazine* for March 11, 1939.

Taxes, mostly invisible, take a fifth of the average person's income in the United States as the average Smiths accommodatingly prove.

**Taxation and Recovery**—in *Fortune* for May, 1939. A Round Table survey. Panel of business and professional men explore taxation and outline an area of agreement as well as list recommendations.

**Why Are They Tax-Exempt?**—by Tully Nettleton in *The Christian Science Monitor Magazine*, Feb. 25, 1939.

Opponents of non-taxable investments and incomes face a century-old tradition of government securities and services in the United States.

**Taxation and Investment**—by H. G. Moulton in *Vital Speeches* for June 1, 1939.

Explanation of taxation's effect on investment, particularly its effect on investment in new capital enterprises.

**What Taxes Are Doing to Business**—A Business Week report to executives (and to Congress), Dec. 11, 1937.

Facts and figures on taxation that interest the business man.



## Profit Sharing: Labor Becomes a Partner

An informal group weighs today's news and its meaning. Chairman of the discussion is VOLNEY D. HURD, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman Speaks:

"Current reports of business profits in the United States, following our discussion on Recovery a few days ago, has brought up several questions on profit sharing—so this seems a good moment to take it up. The idea of sharing profits appeals to the generous, humanitarian sense of everyone. Also it is seen as a possible answer to labor and business conflict, if it can be worked out.

"The fact is, quite a few firms practice profit sharing today. Also the United States Congress' monopoly investigating committee is still interested in the subject and spent weeks last year hearing about it from those for and against."

**Question:** "Could you explain just what profit sharing really means in practice? It sounds good but it might not be as good as it sounds."

**Answer:** "That friendly but critical approach is most helpful in tackling a problem like this. It is justified by fact—for many extra payment plans are called 'profit sharing' when they aren't that at all. For instance some firms call the giving of a \$10 to \$25 bonus at Christmas profit sharing. That's merely paternalism.

"Chief point in any definition of profit sharing is that a profit sharing plan must really provide that what is paid to the workers bears some definite relationship to profits. It works like a partnership, the workers getting more when profits go up and less when profits go down."

**Question:** "You speak of a partnership. Partners often receive profits in the form of stock or securities. Does that hold true in profit-sharing?"

**Answer:** "Yes. Some companies share in cash; others as you say,

But in either case the payments vary with profits, on a predetermined basis."

**Question:** "Mr. Hurd, what happens when there aren't any profits?"

**Answer:** "That's an important point. Without profits there is nothing to share. Now to carry the plan to its ethical and logical conclusion workers should be asked to share losses, as well as profits, with their employers. But employees don't like to sign up for that. Thus unless a company is well-established and shows steady profits, profit sharing hasn't much appeal to the workers. In fact labor has long opposed profit sharing."

**Question:** "That's most surprising. I should think labor would be just the group to want to share profits. Doesn't it mean an addition to labor's income?"

**Answer:** "In specific cases labor has approved profit sharing. But as a general thing labor leaders oppose it because a nice question of loyalties is involved. Labor unions depend upon union loyalty for their power. In a profit-sharing enterprise the workers' loyalty would tend to be with the company rather than with the union.

"Now if a labor union was just a company affair that would be all right. But remember that labor gets its power through its collective bargaining ability, through unions which are far bigger than any company, cutting clean across many companies. So loyalty to this large union, devoted to getting the most for labor at large, is more important from the labor leader's point of view than mere loyalty to a company. Thus labor leaders seek any extra profits there may be in the form of regular wage increases."

**Question:** "What does a company get out of profit sharing—besides being pleased that its workers are better off?"

**Answer:** "If you have a stake in an enterprise, or in its outcome, you are apt to do better work for that

enterprise than if you didn't. The same theory applies to profit-sharing. By giving workers a share in the profits it is hoped they will be more careful, more efficient and take more pride in their work. Also the thought of a coming profit tends to discourage quitting one job to go to another—and one of the costly things in business is the hiring and training of new workers."

**Question:** "Haven't we forgotten an important point in this discussion—that in our capitalist society profits really belong to the owners of a business? Labor is paid its wage. Profits, if any, rightly belong to those who own the business, the stockholders."

**Answer:** "Tradition says profits belong to the owners of the capital that takes the risk. Yet while capital may have first claims on profits perhaps, there is justification for giving workers a share in the earnings they helped create. It is often pointed out that if capital takes a risk in a capitalistic society, so does labor take a risk by working for concerns which may fold up."

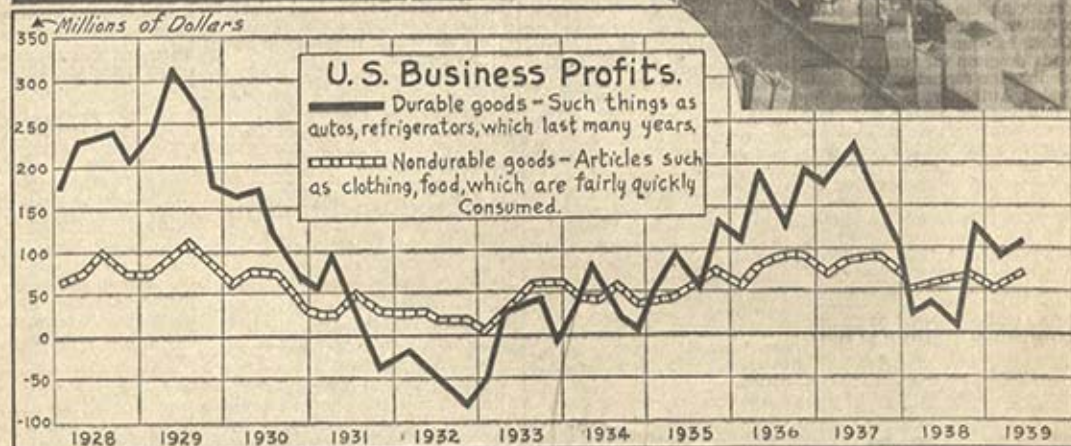
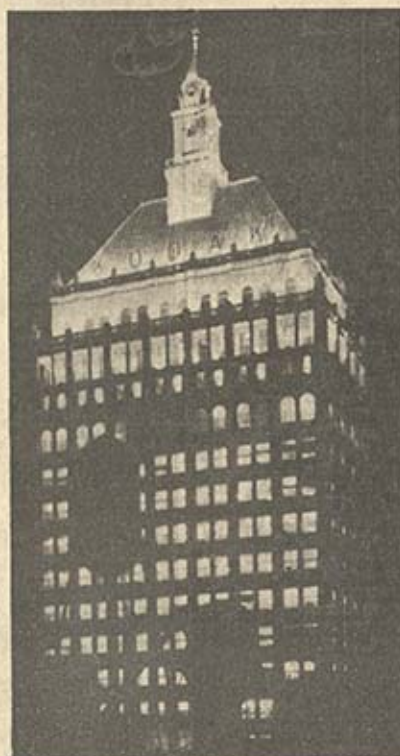
**Question:** "Judging from our discussion I should say that profit-sharing has distinct limitations as a program for American industry. Can one generalize as to just what type of business can best adopt it with success?"

**Answer:** "No definite field of production, or size of concern, has been identified as best suited for profit sharing, in a study made by the National Industrial Conference Board. Perhaps the best-known plan in the United States is that of Proctor and Gamble which has been going strong for 50 years. Then there are Sears Roebuck and Eastman Kodak with fairly successful plans."

And now, for our guest speaker today, we have Neal A. Stanford, a member of the Fireside faculty who has made many interesting contributions to these pages. He has rounded up some special information on this vital subject—on



# Profit Trends and Profit Sharers



Wide World; General Electric

## Companies and Their Employees Which Share Profits

The chart at the bottom shows the fluctuating characteristic of profits in American business. The division between profits of durable goods concerns and nondurable goods concerns indicates that in certain industries where profits fluctuate widely—perhaps going into the red frequently—profit-sharing plans would find it hard sledding.

At the top left is the office tower of the Eastman Kodak Company, Rochester, N. Y. At the top right a view of workers leaving the Bata Shoe Company in Zlin, Czechoslovakia. And below that is a view of workers in the West Lynn plant of General Electric. All three of these companies have been profit sharers.



## Profit Sharing: 'An,' Not 'The,' Answer for Business

By Neal A. Stanford

Profit sharing is no American fad. Americans were suddenly confronted with it last session of Congress when a Senate Finance Subcommittee put the subject in the headlines. But the practice itself is really of French origin. The French, it would seem, have a peculiar gift for organizing and instituting progressive social and democratic reforms.

There were isolated cases of profit sharing ventures in European history—even in American history—before the French reformists, following the French Revolution of 1848, consolidated the practice into a real movement. Albert Gallatin, Swiss-born American Secretary of the Treasury under Jefferson and Madison, is credited with instituting a profit sharing scheme in his glass works in 1794. A French insurance company in the 1820's tried sharing its profits with its employees. During the 1830's a few English and Irish farm owners toyed with the profit-sharing idea. But to the French must go the credit for moulding it into a real movement in modern dress. From Paris the idea spread—across the English Channel, across the Rhine, across the Atlantic.

### Origin of Plans

Edmé Leclaire, head of a French house painting concern, is considered the father of modern profit sharing. The reasons for his adopting such a plan were about the same as those which prompt employers today to go in for profit sharing. Give the workers some of the profits, he argued, and they will be personally interested in seeing that the concern makes profits. Also a chance to dip into profits will prompt them to economize on materials. It will act as an incentive for them to improve the quality of their work. Since they will be disciplining themselves, they will require less supervision. Costs will go down. Profits will go up. Shar-

ing such profits with the workers—who in a sense created them—therefore seemed entirely logical.

It was logical to Edmé Leclaire back in 1842. But his fellow employers were more than a little skeptical. Even his employees were not so sure it was all above board. They were suspicious.

But when the profits were distributed at the end of the first year, \$50 apiece above regular wages, the doubting workmen saw the light. As many such plans since, this first plan was criticized as being exclusive—since it covered only the higher paid workers. Leclaire remedied that by revising his plan. Every employee was given some of the profits—in proportion to his wages.

### European Plans

Other French firms tried it. French writers pushed it. French philosophers sponsored it. Still it made little headway in France. By 1889 there were only 120 profit-sharing plans operating in France. By 1924 the number had dropped to 75. Two factors—not always present—seem to be so very essential for its success: the wholehearted support of the plan by both management and labor; and the presence of regular profits that could be shared.

In Germany the system also had its literary promoters. It was also actually applied in certain instances. Perhaps the best known German profit-sharing plan was that adopted by the Zeiss optical works. Yet up to 1921 only 95 profit-sharing plans had been initiated in Germany. Of these, only 29 survived.

In England profit sharing met with greater success than elsewhere in Europe. Still it ran into a lot of trade union opposition—the unions feeling such plans enticed workers to quit their unions. It was also supposed to make them less willing to strike.

In England the plans had a habit of being transformed into co-partnership arrangements. Workers

were given stock instead of a share in the profits—the theory being that if they became part owners they would consequently become rugged defenders of capitalism. Profit-sharing schemes in England and Northern Ireland jumped from 125 in 1910 to 279 in 1920; and a decade later rose to 340. But depression years cut the number, so that in 1937 there were only 266 profit-sharing plans in operation.

Other European countries have seen attempts at profit sharing; a few in Italy, some in Holland, the Bata Shoe Company in Czechoslovakia.

In Europe the presence of profit-sharing devices was generally due to some urge for social reform. In the United States the appearance of profit-sharing plans was rather inspired by employers. Labor unrest in the 1870's and '80's stirred employers to search for remedies. Profit sharing seemed a possibility. Since then hundreds of firms have tried to get worker co-operation by introducing profit sharing schemes.

### U. S. Experience

The majority of them disappeared almost before they were inaugurated. Nevertheless there are still about 700 firms with profit-sharing plans. Some of these have decades of success behind them. Others are products of recovery. Experience would indicate that they are not suitable for all types of business or industries. It also indicates their success is as much dependent on socially-minded employers as on any plan's qualifications. Also, unless profits are fairly steady, profit sharing becomes an anomaly; for unless there are profits there can be no profit sharing. The thought of sharing losses is unacceptable to labor. That accounts for the heavy mortality among profit-sharing plans during depressions.

Profit sharing is no doubt "an" answer to America's social and economic problems; but one cannot say it is "the" answer—and it is only "an" answer under very specific conditions.



## A Few Samples of U. S. Profit Sharing

### Procter & Gamble

P. & G., which set up its profit sharing plan way back in 1887, for years used to pay a cash dividend twice a year to all its workers earning less than \$3,000 a year. Later instead of paying cash, employees were credited for their amounts.

As the plan operates today, the workers contribute 5 per cent of their wages to a central fund and the company adds an approximate 12 per cent. In six years these accumulations are worth in the company's stock a year's salary. From then on the worker gets both dividends on his stock plus a regular and rising bonus that may in 15 years reach 15 per cent. These bonuses are paid regardless of profits.

### Westinghouse

The plan in use here, set up in 1936, is both a profit sharing one and a flexible wage one. There is no attempt made, as in many plans, to invest the workers' share of profits for him.

The company averages its earnings over every three months' period and then for every \$60,000 of earnings over a fixed \$600,000, wages are increased 1 per cent. This "extra" is paid in cash monthly. The plan has the unusual feature that if income declines, wages decline in the same way they go up. But those getting less than \$125 a month are not affected. Employees in 1937 picked up an extra \$12,000,000 under the plan.

### Sears, Roebuck

Sears, Roebuck & Company instituted its profit sharing plan in 1916. The plan provides that all employees with one year's experience contribute 5 per cent of their income (up to \$5,000 a year) to a fund to which the company then contributes between 2 and 8 per cent of its profits. This "nest egg" is invested in company stock and held in trust for the employees.

There are about 38,000 workers con-

tributing to the fund. They have already put in about \$11,000,000. This, with the company's contributions, has increased the total of these savings to about \$43,000,000 in the current market.

### Eastman Kodak

Eastman Kodak organized its profit sharing plan in 1912, and has paid its workers a wage dividend every year except 1934. About 90 per cent of the employees get this "extra." It is paid according to the dividends the company pays on the common stock, and in proportion to each worker's earnings for the past five years.

Since its inauguration the plan has paid out about \$43,000,000 to the employees, above their regular wages.

### General Electric

General Electric's present plan dates from 1934, although from 1916 to 1931 it operated another plan. Workers then, who had had five years' experience, were simply awarded 5 per cent of their annual wage.

The new plan provides that after stockholders get 8 per cent, an eighth of the rest is distributed to the workers getting under \$4,000. They can take it in cash or in bonds. In 1937 the company distributed over \$5,500,000 under the plan; in 1936, about \$3,000,000.

### Sheaffer Pen

This company relates its profit sharing plan to employees to its payments to

stockholders. For each dollar a stockholder gets, each of the company's 1,300 workers gets in cash a sum equal to 3 per cent of his wages for the last half year. These payments are made just before Christmas and in the summer time just before vacations.

### Joslyn Company

This Chicago concern has been operating its profit sharing plan for 19 years. As its originator says, it is trying to make capitalists out of workers, by building up "estates" for them, giving them a voice in management.

All workers with three years' experience and getting under \$4,000 a year join the plan. Five per cent of their wages are put into a profit-sharing and saving fund. The company regularly adds 10 per cent of its earnings to the fund—with the condition that it is not to contribute at any time more than four times as much as the workers. With this fund a board of workers and managers buys company stock. Thus the workers become partners in the business and build up considerable "estates" which go to them on retirement.

## Britain's Experience

Profit sharing plans in Britain as elsewhere have shifted with the changes in business. But Britain's close count of its attempts at profit sharing make the subject there unusually easy to study. Here are a few figures on British plans, their permanency and prominence:

	Plans Started	Discontinued	Active in 1937
1880	35	33	2
1890	80	71	9
1900	78	70	8
1910	85	54	31
1920	164	97	67
1925	127	51	76
1930	86	36	50
1935	24	1	23

## Profit Sharers

A glance at the list of companies which have at one time or another adopted profit sharing plans reveals a wide variety of occupations. Here are lists of a few organizations where such plans are active and where they have become inactive:

### Active Plans

1. Elgin Watch Company, 1935
2. General Electric, 1934
3. Hammerhill Paper Company, 1916
4. Sears, Roebuck, 1916
5. Westinghouse Electric, 1936
6. Eastman Kodak, 1912
7. Nunn-Bush Shoe Company, 1917
8. Procter and Gamble, 1887
9. Wilmington Trust Company, 1936
10. Plymouth Cordage, 1912
11. Joslyn Manufacturing Company, 1918
12. Bird & Son, 1926

### Inactive Plans

1. Butler Brothers, Chicago, 1920-34
2. Dennison Manufacturing Company, 1919-1930
3. Endicott Johnson, 1919-1928
4. First National Bank, N. Y., 1917-30
5. Inland Steel, 1919-32
6. International Harvester, 1915-24
7. Western Union, 1920-30
8. Boston Consolidated Gas, 1906-30
9. The Emporia Gazette, 1916-27
10. W. Filene's, Boston, 1916-30.

## U. S. Pioneers

America got off to an early start in profit sharing. Here are a number of the first concerns that inaugurated profit sharing schemes in the United States:

- 1794 Albert Gallatin's glass works.
- 1869 Brewster & Co., N. Y. carriage builders.
- 1879 Peace Dale Manufacturing Company of R. I., woolen manufacturing. Plan lasted 11 years, longest to that date. Profit sharing increased earnings of workers 3-5 per cent.
- 1882 Pillsbury Flour Mills.
- 1882 Page Belting Company of Concord, N. H.
- 1886—N. O. Nelson Company of St. Louis. Also shared profits with customers to 1918.

## Profit-Sharing Strongholds

The various studies of profit sharing plans in the United States never include the same number. For while the number of plans in operation changes continually, students of them never sample the field the same way. In one recent study a breakdown of the location of the 193 plans studied revealed clearly their preponderance in the Northeastern part of the country:

New England	35
Middle Atlantic	53
South Atlantic	12
East North Central	56
West North Central	18
East South Central	6
West South Central	3
Mountain Region	3
Pacific coast states	3



## Old-Age Pensions: A Major U. S. Issue

An informal group weighs today's news and its meaning. Chairman of the discussion is Volney D. Hurd, special writer and Director of Broadcasting for The Christian Science Monitor.

### Your Chairman speaks:

"The resounding defeat of the California 'Ham and Eggs' and Ohio old-age pension plans at the polls has brought a number of questions on this subject. The old-age pension idea has made much headway in the United States since 1934, when the Townsend Plan started, successfully dramatizing this idea which has such a humanitarian appeal.

"Helping the aged is not a new idea. When the Townsend Plan started 28 states had been giving aid to people over 65 to 70, for many years. These were not large pensions, averaging around \$19 a month. Financed out of state taxes, they were thought of as a supplement to local charity and help from relatives. The Townsend plan has failed so far. Now we add the Ham and Eggs and Ohio plan to those which have failed to catch."

**Question:** "We can all assume that no one wishes to withhold help from aged people. With such a natural desire, why have all these plans failed to be adopted?"

**Answer:** "The issue settles down to one of where to get the money to pay the pensions. Most of the plans have financing ideas which at first glance look quite plausible. Even trained economists may come out for them on occasion. But the vast majority of economists, including the United States Government experts, have found huge flaws in all the plans to date."

**Question:** "Could you give us an example—the Townsend case, for instance?"

**Answer:** "The Townsend appeal for a \$200 a month pension to 6,000,000 people over 60 was first to be financed through a sales tax, a graduated income tax and an increase in inheritance taxes. Later

came the idea of financing it from a transactions tax. Since the United States does 1,200 billion dollars worth of business in prosperous years, it was figured a 2 per cent transactions tax on this would provide the 20 billions necessary to finance the plan.

"Experts point out that the mistake was in using the figure for business done, 1,200 billions, instead of the actual national income in good years, 80 billion. For example, a miner sells a ton of iron ore to a steel mill for \$10; the steel mill sells it as steel to a manufacturer for \$20. The manufacturer sells it as nails to a hardware dealer for \$30. The dealer sells these nails to consumers for \$40. Add up these figures and you have \$100.

"According to the Townsend plan, that would be \$100 to be taxed, and that is the kind of figuring that makes a total of 1,200 billions of business done. But there is neither the \$100 in the first instance, nor \$1,200 billions in the second, available for taxing. Taking the national income of 80 billions instead, you would have to have a 25 per cent tax on that to pay for your Townsend pensions."

**Question:** "I have heard something about a new plan. I believe it is called the General Welfare Federation. Could you tell us something about that?"

**Answer:** "That's about two years old. It seeks, through an amendment to the Social Security Act, to give all unemployed citizens over 60 a Federal annuity of \$30 to \$60 a month, to be financed by a 2 per cent gross income tax. Deductions are permitted from gross income of the cost of material used in the products of industry and of \$720 a year of gross income. It was brought to the floor by 130 Representatives—but its strength beyond those men is questioned. As you can see, this plan seeks to avoid what its leaders call 'crackpot' financing, by having a small pension compared to most plans, and financing this out of income taxes."

**Question:** "Since it is obviously impossible to raise all the money required for a generous pension, isn't there some other way of helping older people?"

**Answer:** "One idea has been presented which may merit consideration. It is based on two points: first, the difficulty in raising large pension amounts, and second, the idea that it does older people little good to just sit on their front porches, as it were, with no activity to interest them."

**Question:** "Does that mean putting older people back to work? If so, they are no better off than now."

**Answer:** "No. The thought is to organize older people into self-help groups where special kinds of work, pleasant and limited in quantity, could be set up to bring in some income. This would augment the small retirement pension now available, or likely to be in the near future. In addition to providing economic independence, this combination effort would give them new interests, keep them active and make life pleasanter. For years the Packard Motor Car Company has recognized this need and never lets an oldster go. He can come every day and putter around some special corner of the factory to his heart's content."

**Question:** "That plan is the first I've heard of which takes into consideration the mental as well as physical well-being of these people. Certainly that is an important factor when honestly examining the whole old age picture, isn't it?"

**Answer:** "It does recognize that happiness does not come by money alone—and we find that comment repeated as wisdom down through the ages."

"And now I see the time for our guest speaker has come. We have the pleasure of introducing the first woman guest speaker of the course—Mary Hornaday of the Monitor's Washington bureau, who will discuss the various old-age plans as she sees them from the vantage point of the Capital—on Page 140."



## Pension Planners and Pension Minded



Wide World

### Financial Security Is the Goal of America's Senior Citizens

(1) A crowd of between 10,000 and 12,000 Townsend Plan enthusiasts attending the Plan's convention at Cleveland in 1936. (2) Dr. F. E. Townsend, leader of the Townsend old-age pension movement, depression pioneer in the drive for bigger and better pensions. (3) Senator Sheridan Downey, Califor-

nian sponsor of the recently defeated Ham and Eggs Plan that promised the aged \$30 every Thursday. (4) A Ham and Eggs mass meeting at Oakland, Calif., taken a few days before the State election defeating the plan. Proponents don't accept these defeats and already are planning to continue the fight.



## Security for America's Senior Citizens

By Mary Hornaday

For 250 years most American families measured their security and prosperity in terms of things they could make and do for themselves. This was the ideal that conquered the wilderness at Jamestown and Massachusetts Bay. It was carried westward by pioneers in covered wagons.

Then toward the close of the last century, the free land and resources were all used up. In hardly more than a generation, Americans ceased to be predominantly a nation of country people. Instead of making a living, they found they had to buy it.

As the Nation shifted from a land economy to a money economy, the work of young people and "old folks" no longer had the same value in helping a family make a living. Children and old people who formerly earned their place at the family table could no longer do so. Families grew smaller; sons and daughters on which old people could lean became fewer and fewer.

So it was decided the "old folks," too, needed money to maintain the dignity and independence they had when they could earn their share of the family upkeep.

Starting with Montana in 1923, many states took steps to provide some security for their old people who probably would not earn again. By 1935, 28 states had laws for "pensions" or assistance to the needy aged. Most of the allowances were small and irregular, but they encouraged the elderly to stay in their homes or keep their self-respect when they shared the homes of others.

### The 1935 Law

When the depression came, state and local aid became more irregular, the need greater. So in 1935 the Federal Social Security Law was passed. This act established two distinct systems of support for the aged. It provided Federal grants-in-aid to enable states to broaden and extend their aid to needy persons over 65 years of age.

It also set up a system of Federal old-age insurance, under which many millions of workers will be able, after Jan. 1, 1940, to qualify for monthly benefits when they are 65 or over.

These two systems should not be confused. For old-age assistance, Federal, state and local funds are used to help people who are old and in need. The Federal Government contributes one-half of whatever the state pays to each person, up to a combined total of \$30 a month (\$40 a month after Jan. 1, 1940). Old age assistance grants today range from \$6 a month in Arkansas to \$32.43 in California.

Old age insurance, on the other hand, is designed to prevent future need among a large share of the Nation's workers. The kind and amount of benefit payments to which a worker or his survivors are entitled depend upon the wages he received which have been counted toward these benefits.

### Liberal Plans

A revision in the benefit formula voted by the last session of Congress changed the emphasis of the old-age insurance program from systematic savings for old age to a minimum subsistence income for the retired worker and his dependents and for certain of his survivors. Formerly benefits were to be related only to earnings. Now a worker's family responsibilities are taken into consideration as well.

Many old people are dissatisfied with what the Government has done for them. It was their insistence for more generous aid that led to amendment of the Federal Law before it had really been tried.

But still many "old folks" are not satisfied. They have thought up many plans of their own and taken them to Federal and State capitals with pleas for their adoption. Most flourishing advocates of more liberal pensions are the Townsendites, followers of Dr. Francis E. Townsend, retired California physician, who has linked pensions with a proposed national recovery plan. By means of a tax

paid on all transactions, Dr. Townsend claims his plan would eventually furnish all persons over 60 with \$200 a month. Last June, the Townsend plan was defeated by the House of Representatives, on its first legislative test, by a vote of 302 to 97, leaving its advocates to move their operations back to the Congressional districts in preparation for the 1940 elections.

### Finance Trouble

Meanwhile, California and Ohio voted this week on proposed state old-age pension plans, designed by their promoters to usher in a new era of happiness for all. The California plan went far beyond a mere pension program and included money "reform" and other revolutionary changes. The American Association for Social Security, prime movers in the enactment of a Federal law, said that the "ham and eggs" plan in California and the Bigelow constitutional amendments in Ohio would jeopardize the future of old-age protection in those two states if passed. They drew this conclusion not only from analyses of the two plans, but from experience in other states where somewhat similar pension programs have been experimented with. About four months ago Texas enacted a heavy-paying program in partial fulfillment of promises made by Gov. W. Lee O'Daniel before his election, but thus far the problem of providing funds for it has been ignored.

In the one state where open-handedness in pensions has made the greatest inroads—Colorado—the aged have not only never received the \$45 a month promised, but the taxation features of the program have had serious disruptive effects on state and local finances.

"Old folks" in America are searching hard nowadays for that gleam of security and independence that lured their forefathers to the New World. Whether they will find their goal in government aid without breaking the national treasury remains to be seen.



## After 'Ham and Eggs'—What?

Two great American states again this week voted down pension plans which go far beyond levels that experts believe the down-trodden taxpayer can afford, and venture besides in fields of social and monetary experimentation. In Ohio it was the Bigelow Plan, a \$50-after-60 proposal based on a whopping land and income tax. In California it was the Ham and Eggs Plan, a \$30-every-Thursday payment in stamp scrip, coupled with a revolutionary state bank, a 3 per cent gross income tax, and an administrator-to-be bank, a 3 per cent gross income tax, and an administrator-to-be endowed with sweeping powers.

### More Plans?

Nobody believes that these two defections will end the outcropping of plans which to most of their critics are "crack-pot." The Ham-and-Eggs Plan was rejected last year; now it has been beaten again; but the single tax proposal was on the ballot in California for the better part of a generation—from 1911 to 1938—and required an organized opposition effort to defeat it nearly every time. So now, California, and many another state, look forward to bitter and costly campaigns against this scheme or that until the sound progress of economic reform and prosperity shall once more have come within hailing distance of human needs.

### Objection

The objections to the Ohio and California plans were manifold, but the simplest is economic. To pay \$50 a month to every person in Ohio over 60 would, according to state tax officials, have cost \$310,000,000 a year. Proponents, of course, advanced a much lower figure. But the official estimate could not be ignored, and it is about double what the State of Ohio is spending for all purposes at present. Thus, however attractive the objective, it

seemed to most voters—the outcome would indicate—that the State simply couldn't raise the wind.

### California

In California, some critics figured that the \$30-every-Thursday would cost \$1,560,000,000 a year—assuming that you couldn't make something out of nothing and that the stamp scrip ultimately would cost somebody their face value. Proponents would divide the above figure in half, and also claim that the money would be paid—in effect—out of the wind produced by the velocity of new business. However, \$30 every week to everybody in California over 50, who qualified, is obviously a whopping bill and so the common man, when he sat down to think it over, probably concluded that the State just couldn't afford it.

Beneath the Ohio and California Plans is a broad streak of "monetary reform." The Rev. Herbert S. Bigelow, father of the Ohio proposal, is attached to "managed currency" projects, and several of the Ham and Eggs leaders in California have long labored to increase the circulating medium and "break the power of the banks."

### Other Schemes

Thus these pension plans are the latter-day heirs of the free-silver and populist movements of the late nineteenth century, with touches of Henry George

and Major Douglas of Social Credit fame and the technocrats and most of the other monetary reformers of a parlor time. Nowadays, however, their political power is mobilized under the banner of the radio. Whereas Henry George could only get to his audience slowly and through the printed word, without arousing them all at the same time under a banner and a political program, today's money reformist leaders reach for a microphone and their appeal is multiplied many fold.

### A Bryan Needed?

In short, it might almost be said that what this branch of the pension or money-reform movement needs is, say, a Bryan to take action through today's mechanized method of mass mobilization. So far, leaders of these movements in most states may accurately be described as pedestrian in their appeal—and yet they have gone far with the voters.

On the other hand, social security through what experts take to be the sound and workable framework of the State and Federal systems is making steady progress. Perhaps it is a race between this progress as it reflects general economic conditions, and the advent of a man on horseback with a microphone.

Erwin D. Canham

## Read On—

**Who Pays the Pensions?**—By Farnsworth Crowder in *Survey Graphic*, July, 1938. Critical study of Colorado's "little Townsend plan" in action.

**Old People: A Rising National Problem**—By Roy Helton in *Harpers Magazine* of October, 1939.

Suggestion that aging seek happiness and satisfaction in social and self-help societies instead of promoting untried economic experiments.

**Merchandising Miracles**—By Joseph Alsop and Robert Kintner in *The Saturday Evening Post* for Sept. 16, 1939. Breezy discussion of Sheridan Downey and the pension business.

**Security for the Aged**—Group of articles in *The Annals of the American Academy of Political and Social Science* for March, 1939.

Volume devoted to "Appraising the Social Security Program" contains specific articles on old-age assistance, insurance against old-age dependency, and America's provisions for old-age security.

**"Ham and Eggs" in California**—By John B. Canterbury in *The Nation*, Oct. 22, 1939.

Historical and critical approach to California's latest pension scheme.

**More Security for Old Age**—A Twentieth Century Fund report by its Committee on Old-Age Security, 1937.

An exhaustive and scholarly study of the problem of old-age security, including a program for action.

## State Old-Age Aid

As explained by our guest speaker, Federal, state and local funds are combined in America's old-age assistance program. The monthly amount per recipient in each state varies. Here are the latest figures for July, 1939, for such aid in the 48 states and the District of Columbia:

## Growth in Aid

Since 1923 the states have really become serious in providing for their aged. The expansion of old-age assistance since that time is shown in the following table.

	No. of laws	No. of Number aided	Average Monthly benefit
1923	2	518	\$7.98
1924	2	723	12.41
1925	4	817	14.86
1926	5	1,165	16.46
1927	7	1,250	15.37
1928	7	1,500	16.42
1929	13	10,650	16.73
1930	18	76,600	19.01
1931	18	102,900	20.78
1932	29	115,550	19.25
1933	30	235,300	14.53
1934	41	408,500	15.57
1935	42	1,103,800	15.73
1936	50	1,579,900	18.86
1937	51	1,783,400	19.30

Ala. ....	\$9.43	Mont. ....	17.85
Ariz. ....	26.39	Nebr. ....	20.71
Ark. ....	6.00	Nev. ....	26.55
Calif. ....	32.43	N. H. ....	23.51
Colo. ....	32.21	N. J. ....	19.62
Conn. ....	26.79	N. M. ....	11.85
Dela. ....	10.96	N. Y. ....	23.70
D. C. ....	24.83	N. C. ....	9.93
Fla. ....	13.14	N. D. ....	17.71
Ga. ....	8.12	Ohio ....	22.61
Idaho ....	21.47	Okl. ....	17.66
Ill. ....	19.36	Ore. ....	21.39
Ind. ....	17.25	Penn. ....	21.31
Iowa ....	19.95	R. I. ....	19.03
Kan. ....	17.52	S. C. ....	8.18
Ky. ....	8.66	S. D. ....	17.46
La. ....	10.58	Tenn. ....	10.13
Maine ....	20.36	Texas ....	14.15
Md. ....	17.36	Utah ....	20.84
Mass. ....	23.24	Vt. ....	15.13
Mich. ....	16.46	Va. ....	9.61
Minn. ....	20.71	Wash. ....	22.11
Miss. ....	7.37	W. Va. ....	13.25
Mo. ....	18.85	Wis. ....	21.27
		Wyo. ....	23.10



## If Wishes Were Horses, Where Would We Ride?

### It Is 1960

The United States has grown stable, secure, balanced.

Its population has reached 150,000,000 and is almost stationary. The torrent of immigration has stopped. Our restlessness has disciplined itself. Our tumultuous floods have gathered within channels and the vast mighty majestic stream of American life moves serenely forward.

### Gold Rush Over!

And that brings only gain. Gold-rushes caused instability. They fostered a passion to get something for nothing. They helped make us unsteady, impatient, irresponsible. We tended to establish a gold-rush economy. We turned America into a mine and tried to grab its wealth.

We scorned natural forces and imagined we could vote ourselves into wealth. When there was no more gold in the gullies we attempted to pick it out of state treasuries by decreeing ourselves \$30 every Thursday. Due to our gold-rush spirit the soil and forests of new America are more depleted than those of old, old Europe. But now we know gold doesn't grow on trees or on ballots.

### Cynicism Goes Too

By 1960 we find our way back to a bit of reverence and unapologetic idealism. We outgrow the "smart Aleck" stage, and come to see how very disagreeable an "ugly duckling" it is. At the same time we perceive how immeasurably boring it is to play at being "tough." We see how weak men are, whose chief claim to virility is their use of vulgar language, and how emasculated a vocabulary is which constantly tries to be "he-man-ish" by using strong expressions.

So we lay off the grinning mask of cynicism, withdraw at times from the torrent of life, and, unashamed, seek the deeper, higher, purer, nobler values our hearts have always yearned for.

### We Work Out Rules

We also make another great discovery. Our eyes are opened to a wonderful revelation. We see we are poor in the midst of riches, that we have turned beauty into squalor and driven away security with fear. We see we have too little because each tried to grab too much.

We realize, too, how completely the economic basis of our American life has changed. We see that nearly half of all our wealth came from capital, as interest, rent, dividends, profit. And that the use of almost all this capital is in the control of a few people. So we establish a responsible stewardship for the control of our wealth. As a consequence we are all much happier. Fear flies away. The ardor of life remains.

### No One Left Out

America abounds in good things. We can all live abundantly. We find a way to

do it. All share in production, and together we create so much that there is enough of everything for all, even after the ages of 50 or 60 or 70. But it is not a "hand out," or gold-rush or treasury raid or a slip of bogus money. It is the equitable distribution throughout life of the product one creates during the working years of life. Other countries do that; we shall do it best of all—because our land is the richest. We have about 45 per cent of the wealth of the whole world.

### Not Streamlining

A fish is an admirable creature, but an aquarium is not the highest school of aesthetics. Anyhow the most pleasing fish (the ones we keep about the house) have frills, lace and ruffles. The streamlined birds we most admire have colored adornments.

So in spite of modernists, and notwithstanding smooth cement, graceful glass and shining steel, we'll retain our laces, curls, our flower gardens, soft hedges, turrets and wall paper. The barer and more fish-like our working life becomes, the more dawn, roses, velvet and lyricism we'll seek in our leisure time.

### More Speed

That goes without saying. Trains will retain their present speed, but autos will go faster and airplanes much faster. Many more people will travel by air. Airports will be greatly improved; airships will be enlarged and made safer. A thousand miles an hour will be a common thing. Between breakfast and noon people will go from San Francisco to New York. They will think nothing of going from Chicago to Moscow in one day—if they have the money.

### Housing Transformed

Bad houses in America are as much of an anachronism as kerosene lamps. Both will disappear. The men now idle will be employed in building pleasant homes, and in lighting America's last dark houses with electricity. There is nothing Utopian about this. It would be an offence to believe that rich America cannot accomplish what poverty-stricken Vienna has achieved.

### Smaller Cities

Vast agglomerations of populations will tend to disperse. Nearly 30,000,000 Americans are now crowded into an area smaller than the state of Maryland. A large proportion of the immigrants who have come here since 1900 have settled in a small number of already congested districts. Our great cities grew very rapidly. We became a cosmopolitan people. Now there will be a slow movement toward smaller towns. The U. S. center of population, however, will not appreciably change.

### More Sources of Energy

This process, however, will not be very rapid, because the indirect sources are still very satisfying. Oil is still too abun-

dant; in certain areas there is too much electricity; the soil yields more food than can be sold; there is a flood of cotton; so there is still no incentive to get energy direct from the sun and air. Substitute wood and rubber will be produced. Substitute silk is already here. We could use synthetic sugar, but we can import real sugar so very cheaply, it would be a waste of energy to devise a substitute.

### More Music and Beauty

Any traveler is struck by how much more European youth are interested in music, painting, world literature, world thought than American youth. We Americans have all been children, much occupied with our gadgets, games and gold rushes. Also with laying railroads and erecting wonderful buildings. We have been thrilled with our machines. They were our poetry. Now, as the rush of life abates somewhat, we shall probably seek to create beauty, music, color and to seek romance in high spiritual adventures.

We shall be deeply ashamed of our hideous billboards and chagrined to recall that we enthusiastically based our spiritual and artistic life on selling things. We shall be astounded that our artists could have talked of "selling Shakespeare" and that our whole broadcasting system is tied up with marketing things, as though beauty and poetry were a device for selling soap.

### There Will Be Peace

In 1960, one sees the foundations of a world order. We may hope the war of 1939 will have ended without great destruction of life. The German army seeing that an offensive against France would be terribly costly and perceiving that even in case of victory it would only leave an exhausted Europe at the mercy of Bolshevism, may have eliminated Hitlerism and created a basis for a European understanding. The German part of Germany will have remained intact. The Slav part of Czechoslovakia and the Polish part of Poland will have been restored and a European equilibrium established. America, seeing the impossibility of isolation, will co-operate more and more with other peace-loving States.

### A New Patriotism

Vain, childish worship of the flag is superseded by a supreme, aggressive loyalty to all the flag stands for. The world's most powerful nation, by its deeds, interprets Americanism as meaning brotherhood, justice, co-operation, beauty, care for the weak, perfect liberty in order. The flag shall be as a voice in a temple saying, "I have called thee in righteousness and will hold thine hands and will keep thee and will give thee for a covenant of the peoples, for a light of the nations, to open blind eyes . . . and free those who sit in darkness."

R. H. Markham



