THE ONE-MAN DEPRESSION

An eminent critic's vigorous view of the business man's case against the President

BY SENATOR

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NEVER before did the United States make so precipitous a nose dive into depression as it did from mid-August, 1937, to the beginning of 1938, losing practically all that had been gained in the five-year fight from the low of the old depression.

Securities listed on the New York Stock Exchange went off $22,000,000,000. Four million people went off payrolls—a direct loss, if each of them earned $1,000 a year, of $4,000,000,000. It would seem conservative to estimate that this second depression up to now has cost the American people $100,000,000,000—about $800 for every man, woman, and child in the nation.

The outstanding fact of the second depression is plain. It was caused by one man—the President of the United States. The public has felt this right along. It has been obvious that the policies peculiarly personal to him have wrought the ruin, although there has been hesitation in bluntly stating the fact.

The United States was less successful in her emergence from the world-wide depression of 1929 than the other nations. She alone had used an excessive amount of artificial respiration. Reliance upon the spending of public money to maintain her position had lessened her initiative and had piled up a huge debt. When, in 1937, the United States, the richest in resources, took another plunge, not one of the others came along.

Our industrial production in 1937 had climbed back to 98 per cent of what it had been in 1929. In five and a half months it slid down to 68. At the two ends of a similar period Germany had registered 119 per cent of 1929 and had climbed to 120. (League of Nations figures are used, since that agency is disinterested.)

Britain, in the middle of 1937, was 121 per cent of 1929, and at the end of the year went to 127. Sweden maintained 153 per cent. France started at 71 and rose to 85. Canada went from 99 to 98.

During this period we had lost 33 per cent in textile production, while Germany gained 10 per cent and France 33 per cent. We had lost half of our production of pig iron (a basic commodity in gauging industrial activity), while Germany and Britain had gained. We lost two thirds of our steel production, while that of both these nations increased. Automobile production was cut squarely in two in the United States. Across the border in Canada, demand increased production 10 per cent.

Some influence peculiar to us had held us back in our emergence from the old depression. Something other nations did not have had plunged us into the new.

We had a government which, at the initiative of a single individual, was making many experiments. It was attempting to regulate all manner of activity, to control what had hitherto been regarded as the private affairs of all the people. And it had declared war on one particular group of the people—the business element—and this, too, was at the insistence of one man. At the moment of returned world-wide prosperity the head of this government was giving rein to his penchant for regulation and his hatred for the one group that was anathema to him. He was resorting to the politically expedient policy of attacking numerically small groups, such as the rich, that he might gain the approbation of numerically large ones, such as the poor and the moderately well-to-do. This policy may drive to cover the money that might be used to employ the poor. It may bring hard times on the well-to-do or the whole public. It has done just that in the present circumstances.

The President had assumed the very difficult task of regulating prices. He had held that they were too low. He took many steps aimed at raising them. Now they had gone up and, of a sudden, in 1937, he pronounced them too high. He issued warnings. Industry was keyed to a high pitch and very sensitive.

This was its first jolt.

A little later the requirement for reserves in the federal reserve banks was suddenly doubled. That is done when the government wants to stop expansion by making money harder to get. It is a warning that the government thinks a boom is on the way. It amounts to clamping on the brakes until they scream. It is therefore a very alarming warning to business.

The other nations took no such action and yet escaped bad consequences that might have come from a boom. Here we had a President who wanted government to control all details of the national life, taking an action that time proved not merely unnecessary but harmful. He began also his program of sterilizing the incoming gold, keeping it out of the banks where it might be a basis of credit.

Pump priming, the idea of spending our way out of the depression, had been the particular (though adopted) favorite brain child of the President. For five years the billions, sixteen of them altogether, had been flowing lavishly. Obviously not appreciating the delicacy of this moment of attaining a new prosperity, he chose it, above all others, to announce that he would shut down suddenly on government spending. He did not really do so. The appropriations for 1938 were a billion above those of 1937. But he led industry to think that this government purchasing power was to be withdrawn. That warned industry to expect a sudden loss of business.

BUSINESS had formed the habit of retaining certain undistributed profits as a reserve fund in case of emergency. But the government, at the personal insistence of President Roosevelt, had taxed these undistributed profits out of existence. Industry had to figure more closely, otherwise it would soon be out of funds—bankrupt. Plants began to shut down in appalling numbers.

The capital-gains tax had been passed also. If a man wanted to start a sugar mill, for example, he figured on selling some stock he had been holding and drawing dividends from for twenty years. Happily it had increased in value. But he found that the capital-gains law took such a heavy slice of that increase that he could not afford to sell. He had to pass up the new business.

In the old days a man would risk a million to make a million. If he made a million now, the government would take approximately $800,000 of it in income taxes.

Finally had come the Wagner Act, leaving strikes and upsets in its wake, making it impossible to estimate future labor costs. Under it the National Labor Relations Board was established as an executive agency of the federal government directly under the President.

He appointed three persons with partisan views as members of the Board. They built up a staff, a substantial number of whom at least were haters of employers and partial to one particular group of organized labor. This agency constitutes itself as the accuser, the investigator, the judge, the jury, with the federal government back of its authority to decide all issues between the employer and employee. Its acts have been rankly discretionary against one great branch of labor, and in almost every instance against the employer. The employer today can hardly as much as confer with his foreman lest he be charged with trying to influence labor policies in his plant. Whatever employees he may discharge for whatever reason may appeal to the Labor Board and are practically sure of reinstatement. The troublemaking minority, which is always present, have the driver's reins.

The Wagner Labor Relations Act should be amended so as to protect the rights of both the minority and majority of labor, the rights of both the employer and the employee, and, last but not least, the inherent right of every free American—the right to work.

We are all consumers. If industry is badgered and kicked in the face by unjust methods of arbitrating the differences between employers and employees, it must either close up or price its products so high as to be prohibitive. Unquestionably the administration of our labor difficulties by the National Labor Relations Board is one of the basic causes of the present depression.

Just when labor had won the victory of the generation —the right of collective bargaining, upon which it could have built a prosperity never known before—it has found itself seized by this radical group and hurried into excesses. As a public man who has fought for the cause of labor all his life, I am fearful of the combined effect of depression and radicalism upon the labor situation. If labor should lose the fruits of its victory, the cost in the long run might be the greatest of them all.

Even after the slide had started, the President harassed public utilities until they laid off all developments, even replacements. Government funds were used to finance power and other business enterprises in competition with private business. He dealt in such terms as "economic royalists" and "chiselers." A special session of Congress was called to deal with such disturbing subjects as wages and hours, more regimentation of agriculture, reorganization of the government in the interest of placing more authority in the hands of the Executive. In the depths of the depression he proposed antitrust proceedings which business feared might go to any extreme.

It is a strange thing that anybody should lose sight of a thing so simple as the fact that men go into business for one thing—to make money. When their businesses cease to make money they get out of them. Here in the United States the prospect of winning has been so decreased that men have withdrawn from the game. That is what has brought on the depression.

And when you look this rather simple situation directly in the face you are bound to arrive at the conclusion that one man, the President, is responsible for practically every element that has contributed to it. It is his depression. Four million more men are out of work because of him. The deplorable condition of American industry, the loss of her position among nations, the $100,000,000,000 total shortage, all are due to him.

This is admitted by almost everybody but Mr. Roosevelt himself. After the decline had reached a low equaled only in 1932, had flattened out but refused to rally in the spring, he still kept his mind hermetically sealed to the facts. He still refused to accept any program except that of pouring out government money in pump priming.

THE public watched the mounting expenditures. In 1933, $3,000,000,000; in 1938, $8,000,000,000. And they had failed. We were still deep in depression.

Now the dominant personal characteristic of Mr. Roosevelt, that of stubbornness, asserted itself. Though the heavens fall he would hold to his course.

Business, though greatly chastened, knew that it could save the situation, given a chance. The banks were full of money anxious to get to work. Production was far behind. Replacements had been neglected. Housing alone could employ as many men as pump priming. Public utilities would like to put a million to work; the railroads could use another million. Factories were ready to reopen. Innumerable new enterprises had been waiting.

Some held that cessation of White House attacks on business would be sufficient to start the flow. Wise observers were inclined to believe, however, that we would have those attacks as long as we had Roosevelt. Even if they ceased, this would not be sufficient to release the jam. There were physical obstructions in the way. The Congress attempted to remove some of these when it proposed the repeal or modification of capital-gains taxes and undistributed-profits taxes. These were steps in the right direction. There are many others to be taken, however, the most crying of which, probably, is the manhandling of the Wagner Act and the National Labor Relations Board. A captain of industry must be put in command of his ship before he will put to sea.

A rift in the sky of depression may be reported. But the master cloud is still floating about.

The President, the nation is given to understand, is most anxious to ascertain the real cause of the depression. He can find it in any mirror.

Liberty

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