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THE BLUE EAGLE FROM EGG TO EARTH

By GENERAL
HUGH S. JOHNSON



General Hugh S. Johnson and New York Officials in the Reviewing Stand for the Giant NRA Parade on Fifth Avenue, New York City

PREFACE

NRA was the greatest social and economic experiment of our age. It was necessarily a process of trial, error and correction. Mistakes were made. The experiment would be without value if those mistakes were not stated and discussed. This narrative endeavors to do that. It is a constructive criticism with suggestion for improvement. This effort requires frank and forthright discussion not only of NRA but, in every case where NRA affected, or was affected by, other departments or administrations, then of those other Government bodies. I wish it were possible to keep personalities out of these pages. I have tried to do it and could not. To this end, for three weeks after the manuscript was finished, I stewed over it, revised it again and again, and had some of the most loyal friends of the Administration go over it with me, but in the end I could not take their advice in full.

Their principal argument was that any such inclusion would hurt me, both by making me unavailable for further public service and by creating an impression of "whining" and "sour grapes."

Perhaps so; but my final conclusion is that NRA transcends any personal welfare, and certainly my own.

NRA is a public and not a private matter. I think certain aspects of it are threatened and that it was stopped in its progress by the contrivance of persons—perhaps with the best intent in the world—but, in my opinion, with detriment to the public interest.

If I do not know more about NRA than any person living, I have been remiss. There is a vast public uncertainty and inquiry about NRA. If I know anything which I think the public should have for fair appraisal and protection of NRA and omit it from

this narrative, I shall be guilty of public misrepresentation on a vital matter of national concern. There is an overwhelming reason why I cannot leave undone this thing which I ought to do.

Whatever may properly be criticized about NRA, it created 2,785,000 jobs at a desperate time and added about \$3,000,000,000 to the annual purchasing power of working people. It did more to create employment than all other emergency agencies put together, and it did so by creating normal jobs everywhere and without drafts on the Federal Treasury. All other agencies had billions to loan or give away. NRA gave nothing. It took. It imposed sacrifices. Everybody likes Santa Claus. Nobody favors Simon Legree. Consequently, NRA made powerful enemies.

NRA did much more than this. It abolished child labor. It ran out the sweatshops. It established the

principle of regulated hours, wages and working conditions. It went far toward removing wages from the area of predatory competition. It added to the rights and the freedom of human labor.

Now, it is simple to say "created nearly 3,000,000 jobs"; "ran out the sweatshops"; "abolished child labor" and so on, but it is not easy to measure, it is impossible to exaggerate the human value of these things—to temper despair, to restore hope, to awaken the conscience of a country, to give back to 12,000,000 people the pride and decency of independent living—words cannot define nor even thought appraise the meaning of these benefits. It is for this reason that I regarded NRA as a holy cause. Perhaps I am overzealous or even fanatic on this subject, but I feel it so intensely that I will fight for it. I have sacrificed, and will sacrifice, for it. No personal interest—neither my own nor another's—can stand in the way of anything which I think will help it.

For reasons which I shall state in these columns, I think that NRA has been put to sleep, that the Codes are being allowed to languish, that the Blue Eagle, without which it cannot live, is dying, that the principles on which the whole plan proceeded are being ignored, and, worst of all, that control of its policies is passing to people who opposed them from the beginning.

Believing all this earnestly and sincerely, I cannot be silent, if speaking will help. I know speaking can do much. NRA came into being through an appeal to the public by the President in which he truly said conscience and opinion were its only supports. Our people rose almost as one man and made its principal tenets effective in every cranny of this country in four months' time. Public conscience and opinion are still all there is to support NRA, but I think they are enough. That is why I thus appeal to them.

I shall make only one complaint in these articles, and that is that the issues upon which NRA lapsed into its present desuetude were never made with me during my incumbency. I was executing NRA under specific written orders. Nobody ever contested those orders. Nobody ever came nobly to the grapple on any cleavage of policy or opinion. On the contrary, although I frequently raised the question whether my course was wrong, my action too headlong, my voice too vehement, I was never checked or advised to slow, stop or divert.

Men and Methods

FURTHERMORE, I want to make it very clear that I criticize only two persons in these pages.

I do not impugn their motives. They must have thought they were right. But I do arraign their methods in this—that these issues deserved to be raised, to be debated, to be resolved in plain view and beyond question.

For too little acumen, for too great complacency in not making issues and taking them to the White House, I blame myself bitterly.

Nowhere in this narrative will the most diligent reader find any criticism of the President, either expressed or intended to be implied. It will not be found because it is not there, either in this writing or tucked away in some obscure corner of my heart or mind. It is necessary for me to say this because I know that there will be attempts to impute it from some of the circumstances related.

I am in such deadly earnest about NRA that if I had such a criticism, I would either make it or else not write this—probably the latter—because NRA is only one part of a great social advance for which the world has the President to thank.

I have no criticism, for it is only plain justice to say of Franklin Roosevelt that I never stood at any crossing of the ways, I never took a firm position, I never raised a major issue, I never even made



Presiding at a Press Conference



A Wartime Photo of the Author

a mistake or committed one of my many blunders, I never in an emergency took summary action not previously authorized, that he did not back me to the limit.

I do not mean that I agreed with all his policies. As shall here be made clear, I didn't. I do not even mean that I agreed with all that was done in respect of NRA. It is in just this

respect that I must take the greatest blame. I did not make issues at several critical points where I should have made them.

For all the harm that flowed from that omission—and sometimes it was great—the fault was mine alone. No principal executive can be expected to divine issues that are not presented. Clairvoyance is no proper attribute of a leader.

Some of the things for which I should have fought, and did not fight, seemed at the time not worth a quarrel. Others were worth a quarrel, and I knew it. I shall call attention to each such incident in this narrative.

On five several occasions I felt that I should resign from NRA, and on four I tried to do so. Toward the end, my personal affairs were in such state that I had to do so. All this resides in black and white on the face of the record, so that my leaving or not leaving NRA is no part of this argument. I had to leave.

Nor is the outward form of reorganization any part of the argument, because that form is almost exactly as I had planned it.

The whole difference of opinion is that I believed that what NRA required was adherence to its principles and reorganization only for the purpose of

passing from the phase of Code making to the phase of Code Administration, and I did want to stay long enough to see that change complete. The idea that prevailed was not a change from phase to phase but a paralysis of NRA with an apparent attempt to make a new one.

On this I had no chance to make an issue, as shall be related in a later article.

I did not realize all this when I laid down my charge. I thought the reorganization was to proceed on developed principles. I was even a little enthusiastic about it. It has only recently become clear that such is not the case. It is for this reason that the latter part of this manuscript had to be recast in fighting chapters instead of just remaining a narrative philosophy.

The Decline of Common Sense

THERE is something about this depression that doesn't speak well for what we call our common sense. We have suffered for five years. And for what? The fields are just as green and fruitful, the skies are just as blue as they were in the 1929 boom, when everybody was going to get rich and poverty was to be no more in the land. The birds and the beasts seem to be faring about as well as ever—except those in care of men—and, so far as one can see just riding through, there is nothing much the matter with the country, until we get to the Lords of Creation, the vaunted human race.

If we saw a squirrel starving to death in a knothole in his nut-filled hollow tree, we wouldn't believe it. And yet here are 125,000,000 people, granaries full, factories shut, but with millions of workers idle and hungry and shabby and afraid of the future and of everything and everybody about them, and money galore in banks and depositories. It just doesn't make sense. It is too much like a dark huddle of

jungle savages dying, by swarms, of Asiatic cholera, because nobody ever told them to wash their hands before eating. It is a shocking thing.

Although tariffs and selective taxes and Adamson Acts and many other devices affect the natural laws of supply and demand, during the depression and up to March 4, 1933, few legislative steps were tried and the argument was: "Let things alone and they will get all right, because they always did, and because you cannot interfere with natural laws." That is the same philosophy that kills the savages. It is the philosophy that opposes vaccination for smallpox or the use of a parachute when you jump out of a balloon. We can and do daily interfere with natural laws. It is fair to say that if we had let things alone, in a few weeks longer we would have had to call somebody in—the undertaker and the riot squad.

We have mechanized our industries and specialized our people. Families are no longer self-contained, economic units that can be put on wheels and trundled into a new environment to start things over again. Our nineteenth-century safety valve of cheap or free new lands and a constantly expanding country has ceased to exist. The old order of our frontier days is gone forever, and by no man's designing. All this has brought benefits, but it has also brought great griefs. The roaring, clacking engine of our industry and commerce has become a vast and highly active machine of which no individual is more than an integrated part. Each performs a specialized function. In most cases, living income comes as a matter of determination by a power with whom there is no bargaining in any true sense. The individual worker accepts the wage scales decreed by employers and is thankful, and his separation from the particular ratchet in which he revolves may be a tragedy. At his doorway there is no longer an open road to high adventure in a new and brighter country, and even if there were such a road, his specialization has unfitted him to take it.

Depression's High-Water Mark

IN MARCH, 1933, we had almost achieved economic collapse. Of the credit and product and hoarded reserve of domestic industry and labor and agriculture—indeed of all our people—too much had been concentrated on production, too little on distribution and consumption. The people's financial resources were thus squandered, either through their own unwise investment or the equal madness of their bankers. The results were a grotesque speculative structure of values; an elephantine production and service plant; a creeping paralysis of consumption and employment which began as far back as 1926; a decay of agriculture which began even further back, in 1921, and an interior cavity in domestic absorptive and resisting power which started coincident with

this diversion and impairment of the proper income of all people, but which was concealed until 1929 by an expansion of all kinds of credit—an expansion like a bubble, the skin of which became so thin in 1929 that no power on earth could have saved it.

If you want to know where the consuming power of America went, you need only look around you and see it congealed in icebergs of unnecessary building and unneeded plants, and in the dead leaves of the worthless securities which financed them, and our fatuous foreign loans. Suppose that, instead of so freezing such vast sums, a prudent part of them had been distributed in wages and dividends or conserved in cushions of credit invested in more stable securities, does anybody doubt that we would never have suffered this Gethsemane?

But suppose anybody had foreseen it all in its precise and exact value as late as 1928 and, seeing it, could have convinced the nation? What could have been done about it as the law then stood? Precisely and exactly nothing—except, perhaps, to have precipitated an earlier and slightly less violent collapse. Why? Because our law and institutions were such that neither industry, nor labor, nor banking, nor finance could effectively act in unison.

But no prophet crying in the wilderness could then have convinced the country. Old slogans would have killed new thoughts. "Let nature take its course"; "rugged individualism"; "competition is the life of trade"; "combinations to restrain it are unlawful"; "liberty of contract," and so on *ad nauseam*.

Well, if we could not have avoided the collapse under the old rule of "let us alone," it is certain that we could not have attempted a rescue without a complete change of formula when disaster left us stunned and helpless. How could we reverse our situation? Obviously, by a plan to obliterate its causes—an amendment to the rule of *laissez faire*. We were face to face with an effective demonstration of the fact that economic development had outstripped our political system, and we had to act at once.

In such a state of industrial organization as had grown up here, rugged individualism may have been rugged, but it was not individual. It was unchecked independence of great groups. It may have been rugged individualism for these groups, but it was not so for the man who works, or the consumer. The great economic machine had no

governor. It moved under no restraining influence and, when eventually it creaked and slowed and came to a stop, it was so poorly assembled that all the king's horses and all the king's men have not as yet been able to put it together again.

Permanently in a New Era

IN MARCH, 1933, we could no longer afford to sit and do nothing about millions upon millions of frugal hard-working people who had been cut off from their livelihood. We could no longer say, "Let them work out their salvation." Economic and mechanical progress has outstripped political progress and taken that salvation completely away. Any political system has failed when people can no longer live under it by their own efforts. For five years a very large proportion of our people have not been able so to live. We must substitute for the old safety valve of free land and new horizons a new safety valve of economic readjustment and direction of these great forces. There is no other alternative to shipwreck. The need for immediate and effective action is still upon us, and the need for wise direction will always remain. We are permanently in a new era.

Up to 1933, we thought that both our industry and our agriculture could

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funny—so that idea did not flourish. Nevertheless, there is a great deal to be said for British practices. English bank directors pay much more attention to the operations of a bank than is the case with a board of directors in America. English directors are apt to be at their bank for luncheon.

In a London bank the luncheon will be on a sideboard, so that you may pick out what you wish to eat. There will be fine old silver with a proper polish on it; appreciative eyes will detect in that silver a delicate blue that comes with age. The hallmarks, for those who can read them, will reveal that this silver may have been used by hungry men who interrupted their eating to complain against the rebel Washington. We began serving luncheon in the City Bank, and, of course, a great many banks have that sort of thing nowadays. But we were proud because we were one of the first. There were other nice British influences about us. Personally, I was addicted to The London Times. I have been reading it for thirty-three years. I think I read more columns in it than I do in any single American newspaper. That is rather a curious confession for one who once gave all his energy, mental and physical, to the Chicago Tribune. I have read The London Times because I have always found in it better and more succinct accounts of foreign affairs. I have read it for its editorials, written by men who have mastered their subjects; for the proceedings of Parliament—of which I have read pages and pages, as compared with the thousands of pages of the proceedings of Congress that I have not read. The Times knows how to report a speech. We do not report speeches. We compel a speaker to write something in advance, and we pick out from that any paragraphs that are a little sensational. Whenever an Englishman does any thinking, he writes a letter to The Times. Distinctly, when I have finished reading

a copy of The Times, I have the feeling that I have been in contact with true British thought.

I do admire them; especially their bankers. Sir Henry Holden, who for years was at the head of the Midland Bank, was quite a good friend of mine. Always when I was in London—and I was frequently—I would see him; he would visit me when he was in America. There were others too. I remember going into the office of Walter Leaf, a distinguished London banker, and finding him, during what might have been supposed to be the busiest hour of his day, pecking away at a typewriter rather slowly. He was making, quite for his own amusement, a translation of some ancient Greek writing. I thought of James Loeb, then, and of the love of the classics that had impelled him to retire from a partnership in Kuhn, Loeb & Co.

Really, there is a great deal of significance to that. Sadly enough, it is our national characteristic to devote ourselves entirely to work, in the erroneous belief that some day we shall do what we wish to do. The time to do that is now.

Lord Revelstoke, of Baring Brothers, was another London banker who had my high regard. Mr. Stillman admired him; he was interested in Mr. Stillman. Lord Revelstoke always entertained me at his house in London, and frequently in the company were the governors of the Bank of England. I recollect my first meeting with him. It was sometime before 1907.

I had conceived the idea that it would be a good thing for large American banks to carry in their portfolios a certain amount of British consols, and so, in any period of strain, to be in a position to borrow money in London against consols. No matter what happened in America, we would, I felt, be able to offer the finest collateral that there was in the money world. I had talked over the idea with Mr. Stillman. It had appealed to him. He had not

known much about consols, so I went to London to study the consol market.

What the English did was to consolidate their loans into one type of obligation, and this was the thing called a consol; it was the premier security, an obligation of the British Government. Next to gold itself, a consol was the safest thing into which one might transmute a fortune. Surprisingly enough, there was no such thing as a piece of paper called a consol; when you bought them your name was registered at the Bank of England opposite the amount you owned. Well, I arranged to have consols registered in the name of the City Bank, and then I sold to other banks our certificates, thus permitting these others to share in the arrangement. We sold a good many millions of those certificates, but consols declined a little, and we found that we had lost a little money through an investment in the world's supreme security. However, that was how I met Lord Revelstoke.

Well, we had moved into the new building late in December, and about three weeks afterward, on January 12, 1909, I was elected president. Mr. Stillman, who was in Paris, became the chairman of the board. My new salary was \$50,000. I was forty-five years old. And in six moves from overalls I had become the head of the country's biggest bank.

Of course, I am proud that I was able to do that, but I have never ceased to wonder whether I was able to do it because I was Vanderlip, or because I was an American. However, in those days I had other matters to worry about. As it happened, there was brewing a scheme to create in New York a consolidation of banks that would rob the National City Bank of its enviable first position. If I was any good at all, I had to block that, even if J. Pierpont Morgan was behind it—and he was.

Editor's Note—This is the sixth of a series of articles by Mr. Vanderlip and Mr. Sparkes. The next will appear in an early issue.

THE BLUE EAGLE FROM EGG TO EARTH

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depend on foreign markets to sell their products. We did not admit that, if only we could give the agricultural half of our population a fair price for its products, we could create, in our own back yard, one of the richest markets for industry in the whole world. We did not fully realize that, if only we could see to it that the working segments of our population get a fair wage for their labor, we could create in our own country the best market for our farm products that we could expect if we combed the whole round earth.

We did not concede that we must try to balance production and consumption and that the best way to increase both is to push them up together. The way to do that is to try to balance and correlate the income of great groups. We must not let too much of profit and the people's credit and savings run into unwise speculative obligations of debt for the purpose of increasing production. We should try to direct more of it toward the uses of distribution and consumption, so that farmers and workers and all producers can constantly consume more and more in order that there may be more employment, more business, more profit, and that the people of this bountiful country can enjoy to the full the fruit of

their own labor and the resources which are now locked away from them. We did not act on the principle that it is the depressed and backward economic areas which topple the structure of prosperity, make depressions, and that the exploitation of any class is a downward drag on the progress of the whole people.

If we could have perfect balance among all producing segments—agriculture, capital, industry, workers in industry, the services, and the segment engaged in transportation and distribution—there would be almost no limit to our consuming capacity. Of course, that is Utopia and can never be attained. My only point is that all law, all administration and all popular effort should be directed toward that goal instead of away from that goal. I think that the essence of the New Deal is to point toward that balance. I think that the essence of what preceded the New Deal was to point away from that balance.

Savage wolfish competition without any direction whatever has proved to be one of the most destructive forces in our economic life. When it got savage and wolfish enough, it began immediately to gnaw upon the living standards of wage and salary earners, and

that happens to include over 80 per cent of our population. When times are fabulously good, the great prosperity of the few filters down to the many and tends to obscure this tendency. But in normal times, and especially when a depression such as that which began five years ago comes upon us like a blight and millions of men begin tramping the streets, looking for any kind of work that will afford a crust of bread for their families, the whole aspect changes.

Plants, finding a scant market for their products, begin frantically to seek for any possible method of reducing prices, and the most obvious methods of all are to reduce wages, speed up machines to produce more in a shorter time, and extend the hours of work to the limit. Most humane employers do not want to do this, but a single great competitor can force it, and, like a rotten apple spoiling a whole barrel, one plant or one locality which adopts this method can bring it eventually to a whole industry.

That very thing was the worst of this depression. It began to have its destructive effect almost immediately in 1929. Early in 1930, President Hoover made strong efforts to arrest the dizzy downward spiral in wages

and employment, but one company after another, in savage wolfish competition for the rapidly declining business, cut wages and lengthened hours. As each did this, its competitors were obliged to do likewise, until all did it in industry after industry. This descent into the maelstrom went on for four years. The great share-the-work movement started by Walter Teagle helped to arrest destitution, but unless share-the-work is accompanied by increased wages for the shorter week, it is simply an enforced contribution to relief funds by the class least able to contribute. Another thing, apart from savage competition—too great a share of prosperity went to too few people. Just because a man has a million dollars, he doesn't actually consume very much more than a man who has a thousand dollars. The very rich do not buy forty dollars' worth of ham and eggs for breakfast. If we want to preserve economic activity, we must find a way to let everybody buy at least a half dollar's worth of ham and eggs. This is the same old theory that 1000 men with ten dollars each is a better market for any product than one man with \$10,000 and 999 men with nothing at all, or even than 500 men with five dollars apiece, and 500 with fifteen dollars each. This is a point of vital importance, which the Old Deal advocates persistently overlooked. That does not argue any effort to distribute wealth. When you try that you only distribute poverty. It does mean an effort to distribute opportunity.

The Thirty-Hour Week

When the President's Recovery Program finally got under way, employment and wages in this country were at a low point. Savage and wolfish competition and disproportions among great segments of consuming power were starving us in plenty, freezing us in warmth, and destroying us behind bulwarks of financial strength.

The most obvious, immediate way to erase the effect of the depression on wages and hours was the NRA project to decrease hours, to speed work and to increase wages to maintain purchasing power. The whole idea of shortening hours and raising wages has been attacked on this argument:

"The principal element of cost in any article is the labor cost. Increases in that cost by higher payments to those benefited simply increase price to the whole people, whose capacity to buy is already so limited that it may be assumed that they are buying all they can. The result can only be reduction in the tonnage of consumption, and hence of manufacture, and hence of net employment."

There is no doubt in the world that there is much here to give us pause. Doctor Sachs and I considered it prayerfully when we blocked out the NRA program. We relied, however, on PWA to activate the heavy industries at once and thus increase the total number of available purchasers. We relied on AAA to increase farm purchasing power immediately, and thus still further add to the number of purchasers. These, added to NRA additions, would so far increase volume that we thought—and I still think—the increased labor cost would be absorbed without much increase in price. The President specifically asked industry to take this gamble. But we also relied on the principle just mentioned—that many men with a little each is a far better market than one man with much and all the rest with nothing.

In other words, the argument against NRA just quoted would be stronger if everybody had a job. It doesn't make much difference to a man who has nothing at all whether the price of what he wants is high or low. We did not favor mere spreading of work with no increase of pay, for a reason already stated, but we did believe—and I still do believe—that a prudent and scientifically determined shortening of hours with no diminution of weekly pay can create new consumption which—even though the price be higher—will make far more tonnage than would be the case with fewer people with small employment and a vastly greater number with none at all. "Believe" is a weak word. It's a dead moral certainty. I must hasten to add that this implies no support to the idea of a thirty-hour week with no decrease in weekly wages, indiscriminately applied. Its proponents say:

"You still have 10,000,000 unemployed and you have not re-employed as many as 5,000,000 by all your efforts. This work must be divided and workers' incomes must be increased. NRA can't do it under the Codes as now written, because they only cut the work week from fifty-two to forty hours. 'Tain't enough! We are going to apply the thirty-hour week to every company in this country by a statute. That will employ everybody, and with everybody employed at high wages, there will be both production and consumption, and prosperity will return with a rush."

This would be tantamount to a 25 per cent decrease in hours and a 33 1/3 per cent increase in the labor element of all costs. When you carry that 33 1/3 per cent through all states of production and distribution, you would get somewhere near a 30 per cent increase in price, and unless you put on rigid maximum price control, a much greater increase. But you would not by this means have increased the purchasing power of the 40 per cent agrarian population. You would have decreased their consuming power, and so would you have decreased the consuming power of foreign customers and of everybody in this country to the extent that they depend on profits, salaries, incomes, professions, rents, pensions, or insurance. To what full extent this reduction of available market might go, it is impossible to say, but it seems probable that the net result would be a sudden and catastrophic decline in consumption, production and employment.

The Balanced-Production Goal

I am fully aware that theoretically so much of this discussion as opposes the indiscriminate thirty-hour week is applicable to what NRA has done, but there is this overwhelming difference. We did not pick our figures out of the air. The efforts for improvement under NRA and the Blue Eagle were a result of exhaustive studies by Doctor Sachs, extending over years and brought up to date of the then-existing economic conditions, especially with reference to farm prices and the general industrial situation. They were designed to attain and preserve a balanced economy of production and absorptive power as among many segments, and they have proved not to have been far from wrong. It is an untruth supported by nothing that prices have increased as fast or as far as wages under NRA.

Agricultural purchasing power had already advanced, exports had been made easier and imports harder by the

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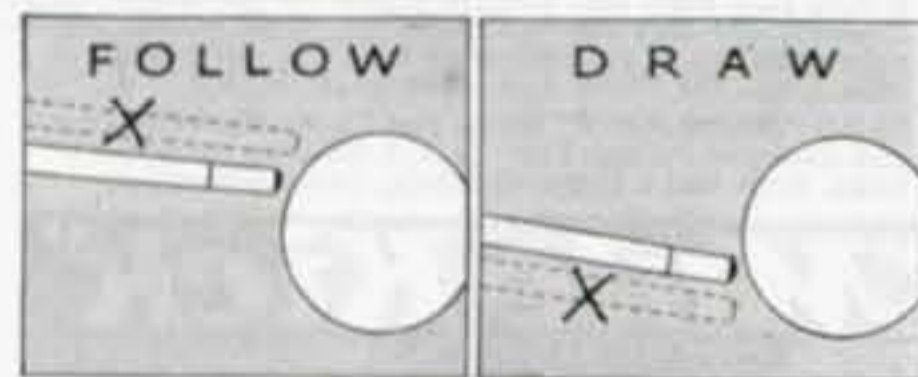
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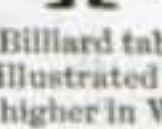
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currency control. Interest and incomes were being restored by the banking policy and the new loan laws. PRA and NRA did no more than to try to bring wage earners abreast of the rest. But there is now no similar advance in farm prices and other income to balance so drastic a change as would follow a thirty-hour week with forty-hour wages throughout all industry.

The second principle which the quoted criticism of NRA overlooks is that the increase in labor cost occasioned by NRA is by no means a constant percentage of total cost. If I have three clerks in a store at \$300 a month cost, and if the three sell only \$3000 a month, that labor cost is 10 per cent of total sales. But, if I sell \$30,000 a month, it is only 1 per cent of total sales. Exactly the same principle applies to manufacture. Therefore, if by spreading purchasing power we can increase volume of trade, it by no means follows that cost or price will increase as fast as purchasing power and, as a matter of fact, it has not done so, although a rather rapid speculative rise in prices during June and July, 1933, almost ruined NRA. It was due to the monetary policy, fear of the AAA processing tax and a too great apprehension of increased costs due to NRA.

Nevertheless, it would be just as foolish to deny that the advocates of let-us-alone have anything at all on their side of the argument as it would be to say that the principles just discussed are the end of the story. The truth lies in between. This middle course—as I shall try to show—was the real doctrine of NRA.

Critics also say: "Any method of limiting production is unsound. It is an economy of scarcity while what we want is an economy of plenty"—and then they tear into provisions in NRA codes limiting machine hours, usually citing the extreme case of some individual manufacturer who had suffered, but neglecting to mention the thousands who have benefited. They add, "Every new machine which lowers cost by reducing man power increases consumption through lowered cost. Now, NRA exercises control over new labor-saving machines—that is the foolish New Deal 'economy of scarcity'—in AAA and NRA—*anathema maranatha!*"

These academic critics call themselves the Apostles of Plenty.

Labor-Saving Machinery

Of course, labor-saving machinery does reduce costs, but it also reduces employment, and, even if it raises the wages of those who remain employed, it leaves mass purchasing power lower. In the long run, I will admit that any opposition to it opposes the irresistible march of human progress and would be futile. But explosive and disruptive eliminations of employment should certainly be examined carefully as long as millions are still tramping the streets. Water is necessary to a man, but a neat little form of torture ending in murder—not unknown to the military—is to force about a gallon into him through a tube when his stomach is already full.

It is simple historical fact that shortened hours and higher wages—without any NRA at all—have been a constant concomitant of increased use of automatic machinery, beginning with 96 hours a week down to about half that on the advent of NRA.

As long ago as 1928, no less a rugged individualist than Herbert Hoover told

the nation at Boston that, after increasing our per-man production in industry by 40 per cent in a few years, we were producing more than we could consume at home and that we would have to sell to export—"or else." And that was at a time when we were getting so close to "two cars in every garage" that we were almost ready to call in the carpenters—a time when inflated purchasing power was at its maximum. NRA has taken the position that some regulation of new labor-saving devices is advisable, but it has never prohibited new installations. It has only said, in an insignificant number of Codes, "Let's look at them first, and if the Government, in consultation with the industry, feels that they would now do more harm than good, let's postpone them."

Science at Top Speed

For several years prior to NRA, it had been my job for Mr. Baruch to keep in contact with new processes in industry from a purely practical point of view. No man who had lived through those years in that kind of a job could fail to agree with Mr. Hoover's 1928 Boston prophecy—not with his remedy of export trade.

I don't know how many thousands of thousands of years man required to get off his all fours; how many more hundreds of thousands to use polished-stone implements—monkeys now throw coconuts; how many tens of thousands to smelt metal; how many thousands to use gunpowder; how many hundreds to the French 75's. But I do know how many years it was from telegraph to wireless and from steam engine to motorbus and from gas to electric light, because these far greater advances were all in my lifetime, as compared with those early aeons of such slight progress. Scientific improvement is a movement not merely progressing—it is accelerating at terrific speed. And now, with research and scientific institutions multiplied and the scientific population raised to the tenth power, with the mass of classified knowledge behind them rolling up like a snowball, the things which are just over the horizon to boost the present per-man rate of production are appalling in their threat. Man, as never before, is "heir of all the ages, in the foremost files of time." Economic progress has hopelessly outdistanced political advance, and scientific improvement is far beyond them both. It is a badly unbalanced team and it must be supervised. Continued shortening of hours will continue to be a necessity. Continued use of machinery and processes replacing more and more men is inevitable. But we can't let any uncontrolled effect of either or both produce a new setback. Let us balance one to the other and use such flexible supervision as NRA to prevent a catastrophe.

The economy of plenty is not plain sailing. We have had it in agriculture ever since the war, when, in order to feed our Allied friends—who will not now pay even for what they ate, much less for the consequence to us of our efforts for them—we increased our production of cash crops to an astonishing degree. We had plenty with a vengeance when they stopped buying. The theory of the Apostles of Plenty is that that disaster resulting from too much surplus will starve out the surplus-producing acres down to a balance of supply and demand—but in twelve years it hasn't!

And if it did—what? Must we go through an indefinite period of peonage

and destitution while starvation proceeds to balance the account? The farm tragedy in the United States is one of the most sickening chapters in our economic history. We can't sell more bread than people will eat, or make women go back to five and six petticoats to consume our cotton. Production of surplus beyond consumptive requirements has always destroyed price. Destructive price destroys wages, which destroys consuming power, which again destroys price, down to the very depths of the 1933 pit.

Neither is it true in industry that excess productive capacity dries up when bankruptcy overtakes the marginal producer. Somebody simply buys up the ruin at a slaughter price, and thus, relieved of much of the overhead of interest, depreciation and taxation, goes merrily on producing at a new cutthroat price. Why, I know one old buggy plant that has been through liquidation over and over again. It still runs and, most appropriately, it is now making hearses.

The Apostles of Plenty must temper their doctrine. The answer is not to produce as much as you can at the lowest cost you can get, even if that low cost comes out of wages or too abruptly out of employment. That simply starts the descent into the economic Avernus—cut employment, cut consuming power, cut production, and so, cut employment again. We simply must supervise these trends.

Always the answer is "balance"—balance of supply to demand, balance of prices at fair exchange parity throughout the whole economic structure, and balance of benefits among great economic areas. You cannot even move toward this balance in the modern economic muddle without some direction. NRA offers one way to get that supervision in industry, just as AAA offers it in agriculture. These statutory makeshifts are not the final answer. Everybody knows that. They are hasty and imperfect. But the very heart of the New Deal is the principle of concerted action in industry and agriculture under Government supervision, looking to a balanced economy as opposed to the murderous doctrine of the savage and wolfish competition and rugged individualism, looking to dog-eat-dog and devil take the hindmost. This Utopian balance will never be achieved. But every plan should try to achieve it instead of trying to prevent it.

Teamwork and Control

Anyone who will take the trouble to work out the curves of any of several basic commodities charted for price and superimpose them over a period of years will observe that in normally prosperous times they draw together like a hard-twisted rope, but, in periods of exaggerated depression, or boom, they begin to spray out like separate strands of frayed rope. The exchange value of the commodities of lower price has been impaired, and this immediately impairs consumption of producers in that group, and so drags down price and production of all. It really makes little difference whether prices and wages are high or low, so long as they fluctuate uniformly and together. When they fluctuate together, the exchange value of each man's efforts is preserved and all can enjoy the fruit of their efforts. When they do not fluctuate together, the exchange value of the laggard group is depressed and the depression of one

(Continued on Page 72)

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(Continued from Page 70)

great segment can pull the whole structure down. In our present shattered balance, five years have shown that we cannot depend solely on rugged individualism and "let us alone" to restore balance. We cannot get along without teamwork and control. With this thought in mind, both AAA and NIRA were written and administered. They may have departed at times and in places from these principles, but they never departed very far, and at least they knew what they were trying to do and—right or wrong—went some distance up the road toward the goal of doing it.

This idea of spreading purchasing power, elevating groups of depressed consuming power for the health of the whole, to the end of enormously increased production and prosperity—indeed, to the sole avenue of escape for our system from bitter destruction—that idea is not new. A recent book of the Brookings Institution is heralded as upsetting these theories of NRA. It actually supports them. It showed among other things, that 1/10 of 1 per cent of all American families enjoy an income greater than 42 per cent of all American families, that 21 per cent of all families received 4 1/2 per cent of income, and that 71 per cent received less than the average. There is nothing new about this. NRA was conceived on similar statistics. But this does not argue that we should rush to produce as much as we can. It argues that we should try to iron out these disparities as quickly as we can, and thus increase our power to consume, for this is the only way our productive capacity can be utilized.

You can't float a ship without water, and you don't sell goods to the busted part of any community.

Before going further with this narrative, it will be well to consider briefly the evolution of the philosophy on which NRA was based.

Before the war, American business was a honeycomb of watertight industrial compartments. Each cell was jealously guarded. There was a maximum of competition and a minimum of co-operation. Ruthless and untempered competition was decreed by the Sherman and Clayton Acts. The war changed that. The world went mad. The nations entered a contest to see which could pour the greatest mass of its young manhood and the largest amount of its money and property into the fire in the shortest space of time. That was the way to win the war.

The Antitrust Acts Ignored

The old honeycomb machine of the United States couldn't produce things fast enough in this race to destroy everything. We had to scrap it. And in the short period between April, 1917, and November, 1918, we literally tore it apart and put it together again. On the call of Government and under the pressure of patriotism, the old individualist battlers royal became an organized squad, all marching toward the sound of the guns.

We did not repeal the Antitrust Acts. We simply ignored them. Competitors pooled their resources, their trade secrets, their facilities. Industries organized themselves into groups and figures with the speed and almost the precision of a highly drilled chorus on a musical-comedy stage, and Government took charge of both production and consumption and, to a large extent, prices. It poured forth such a flood of production for the

uses of war as the world had never seen in one country. It won the war.

Woodrow Wilson dispersed the 1918-model industrial-control mechanism with a single edict before the year of the Armistice was out. But much of the change in the underlying pattern of trade and industry which had resulted from it remained. The country had learned that co-operation and organization pay. It had learned that high wages and short hours create wider domestic markets—richer than any market to be sought elsewhere in the whole world. It was freely said: "If co-operation can do so much, maybe there is something wrong with the old competitive system."

The Federal Trade Commission

As the war administration broke up, its chief made a memorandum suggesting the possibility of a High Court of Commerce and Labor for peace, and a few men who had seen it all made specific suggestions that the Antitrust laws be amended to permit industrial organization and self-government by co-operation. The public interest intended to be conserved by those laws was to be protected by providing for a revocable Government permit for any particular act or course of conduct which, without such permit, would be illegal under the Antitrust Acts. The permits would be withdrawn in case of abuse. That idea was very prevalent, but it ran into this snag:

What political authority could be entrusted to issue and revoke such permits? The Federal Trade Commission had been set up with some such thought in mind. The assertion was made that it had become more of a policeman and an inquisitor than an administrator. It was manned by officials of the legal or academic or political type rather than by men adept in business, labor and consumer problems and having little more than a legalistic concept of economic necessity. It was urged that these circumstances had turned aside the original idea of its creation and that any similar political supervisory unit would arrive at the same end. It was alert to tell industry what it could not do. It would never say what it could do. The slightest co-operation, planning or industrial control was practiced at peril. To this good day, the policy, philosophy and action of that body are repressive of co-operation and, though it is of great value in its own field and will always be required in that field, it could not in its present concept add anything to the attainment of a balanced economy. It must be made very clear that I do not criticize this. The commission is carrying out the law of its creation. There is still a conflict of opinion as to how far that law was amended by NRA. We shall speak of that in another place.

Several resourceful alternatives were suggested to carry out the post-war proposal, the principal one being the High Court of Commerce and Labor already mentioned. It was to have all the dignity in business and labor that the Supreme Court maintains in law and generally. It was to be made so desirable and honorable a post that the very elder statesmen of business, labor and economics would aspire to it just as the very cream of the legal profession aspires to the Supreme Bench.

By the time this idea developed we were in the very backwash of the high idealism of war. We were on the road to "normalcy" and little green Washington houses and little black bags and Teapot Domes and Ku Klux Klans.

Bootlegging, hi-jacking and racketeering had begun. Nobody seemed to be seeking the rarefied atmosphere of any High Court of Commerce. The war heritage of organization and co-operation in industry and trade remained, but subject to no restraining influence and informed by no common purpose for the public good.

The hold-over war organization of industry began to work as we came out of the depression of 1921, moving toward the 1928-1929 fantasy of economic whoopee which preceded and induced the collapse of '29 and the succeeding four years of economic hell. In all those years nobody again mentioned Codes of Fair Competition.

We had supervised co-operation in the war because we had to have it or suffer defeat. There was a "let us alone" gang then also, but we swept them into the ash can and there was no longer any sentiment for the old slogan of "let us alone" because all knew that Government intervention was the sole salvation. When that pressure was gone, "let us alone" rebounded into light and became the guiding principle of Government administration from the depths of 1921 to the giddy peaks of 1929.

"Let us alone" and unhampered individualism worked well enough during the formative days of individual pioneering—nothing else would have worked—but it did not work when we had to meet the war crisis and after-the-war reorganization of trade and industry—it had become a relic of old days and, as things turned out, a very dangerous one.

"Let us alone" and every man for himself is one thing when every man can be for himself, but it is a very different thing when progress has organized it out of existence, but statutes still retain it.

The Old Open Road

At the adoption of the Constitution almost everybody worked for himself—the boot-and-shoe industry was the village cobbler, the textile industry was the housewife and the weaver, the steel industry was the forge and the smithy, the electric-light industry was the candle maker, and so on through the whole gamut. In such a scene we invented the doctrine of rugged individualism.

This condition lasted in the Mississippi Basin until the Civil War. Even then, as small factories and group employment invaded the valley, there was always an escape for a man out of work. The road to free lands in the West was always open and—most such men still being aware of how to plant and reap a crop, build a log or sod house, skin or milk a cow and slaughter a hog—they had no need for sympathy, doles, or regulation of industry when things went wrong.

But even preceding the World War that condition began to vanish. No free and fertile lands remained. Men were already specialized. Colonies of city men, transported to the dry-farming country of the High Line of the Northwest, had to be rescued from famine.

If you set a modern white-collar man and his family down on a rich virgin prairie with a team and tools, they would starve to death in a month. In a great depression like this, there is little for the modern specialist to do but perish from tramping the streets hungry or else to ask for charity. That is not the American heritage of liberty. It is liberty to starve—and it is the only

alternative for millions if we go back to the old system.

In the postwar rush toward more mechanization, greater industrial centralization and more refined specialization, to the average small merchant, artisan or clerk, rugged individualism ceased to mean anything but disaster.

I need not recount here the statistics of that vast coalescence—the growth of the chain-store system crowding out small shops; the expansion of facilities in great groups of industry eliminating lesser factories; the death struggles of the survivors, reflected by corporate returns, even at the peak of 1929, showing 50 per cent of industrial establishments operating in the red; a constant contraction of independent establishments of every class; even the professions tending toward service in great legal department stores, engineering associates and medical clinics. There is no question about it—the war showed the way, and the unchecked flight from economic individualism had gone so far by 1929 that any reasonable projection of the curve of its then trend would have shown in ten years an almost complete elimination of any kind of living in the United States—except possibly in agriculture, and that is doubtful—which would not have come from investments, wages, or salaries.

The Antitrust Acts

There is now much talk about the desirability of a return to the good old Antitrust Acts and the safety of the Federal Trade Commission. They talk about the mild control of NRA as encouraging monopoly, oppressing small enterprise, and thus threatening people with economic serfdom. We shall discuss some of these things in detail later; here it is enough to say that NRA will have to move on a broad front, and at terrific speed if it can beat that record of the destruction of individual enterprise made under the full force of the Antitrust Acts, the negative powers of the Federal Trade Commission, and the most active business period in our history.

It is black on the record that the unchecked competitive plan under the Antitrust Acts was destroying small enterprise of every kind at a most astonishing rate. It is a shorter record, but equally certain, that NRA has exactly reversed this killing process. Competition down to reasonable cost is still as free as air, but the public does not want and cannot afford competition of bankrupt stocks, and it is now protected against the flimflam of being enticed into a store by a window display of some popular product being sold for half its cost, and then inveigled into buying other things at a good fat profit. There is a curious, almost maddening confusion in terms when superficial observers begin using the words "monopoly," "price fixing," "Antitrust Acts," and so on.

The Antitrust Acts prohibit combinations in restraint of trade. But NRA specifically permits such combinations, with Government sanction and supervision. There is not one single Code that is not a combination in restraint of trade, and if Codes are not permitted so to restrain trade, then NIRA ought to be repealed tomorrow. It doesn't mean a thing.

But both NIRA and the Antitrust Acts do prohibit monopoly—there is no question about that. The only real question that has been raised comes from the assertion that price agreements and combinations in restraint of

trade are of themselves monopolistic. That is the very heart of the question that plagues NRA.

Of course, price control can be used as a weapon of monopoly. It has frequently been so used, and that use of it was the very reason for the Antitrust Acts themselves. But that was price control downward in an effort to destroy competition, and practiced by powerful combinations for the specific and determined purpose of oppressing and wiping out small enterprise and individual initiative, and transforming all business in the country into a gigantic corporate cluster under private control—an unthinkable and intolerable result. No such thing existed or was attempted or could exist or be attempted under any Code. NRA price stabilizations were all for exactly the reverse purpose—to prevent cutthroat and monopolistic price slashing, to maintain small industry, to continue employment, to abolish economic murder. There is only a fragmentary element of cases where this is not true—that is, cases in which small industries can pay Code wages and actually undersell large ones, and whenever and as often as this happened, relief was given at once. There was never a more ghastly, nonsensical and destructive anomaly than the charge that price controls under NRA tended toward monopoly. The trend was in precisely the reverse direction. So far as that particular argument is concerned, it is a silly sophistry, inimical to the public welfare.

Furthermore, while there is price stabilization in many Codes, there is actual price fixing in only three or four cases, and in those, such as bituminous coal, it was absolutely necessary to support the labor dependent on that industry and to prevent bloody and implacable economic war. That became so apparent and unavoidable during the bituminous negotiations that I called the President's attention to it and obtained his personal approval of negotiations on that basis.

Sweated Labor

Of course, there are two other aspects of this subject which are rarely mentioned, but which are really matter for grave concern. In the first place, there are parts of industries which have been built up on low prices derived from sweated labor, such as sweatshops, dependents on home piecework and child labor, and other cases which will be described at another place. When they are forced, by NRA, to pay living wages, they cannot continue to exist. They say, therefore, that NRA oppresses them. But as to this, the President, in giving NRA its marching orders, took the bull by the horns. He said that no industry which depends for existence on less than living wages has the right to continue to exist. And on that phase of my administration I stand or fall. These were not only my orders; they were also my convictions. I will concede that all the regional differentials under NRA are not scientifically worked out. I know there is a wide field where readjustment is necessary. But that is no argument for permitting the return of the scandalous labor conditions revealed in NRA.

The second question is whether the consumer has a right to the lowest prices that any kind of competition can provide. The Antitrust Acts say yes. NRA says no. And there is the white-hot center of the dispute. Everybody is a consumer. Nearly everybody



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depends on some enterprise in the competitive field. Consumers are not entitled to low prices achieved by the degradation of human labor, and if they were entitled to them they would be fatuous to accept them, because once the principle is admitted, it applies to all human labor, and all human labor consumes. Nor are consumers wise in seeking the low prices of economic slaughter—especially at a time like this, when explosive and disruptive changes in the existing structure throw more and more people out of work.

On all these considerations, NRA came as a blessed alleviation of the dog-eat-dog rule of the Antitrust Acts. This does not mean that there is no competition or even any improper limitation of competition under NRA. It means only that competition must keep its blows above the belt, and that there can be no competition at the expense of decent living. The only price limitations in NRA, outside of three—or at most four—special cases, are limitations against making a practice of selling at less than cost of production for the purpose of destroying competition, and for preventing competition based on the degradation of human labor. This is a point so poignant, so important to the welfare of all people, so obvious and irrefutable, that it is a stark pity that there are no words strong enough or clear enough to make it crystalline and compelling.

What NRA Was Striving For

My good friend, Henry Wallace, in his lucid book *New Frontiers*, registers some disagreement with NRA policies. He thinks there should not be price stabilization without unlimited inquisitorial powers in Government over all books in industry. He also thinks that cost of production is not a proper basis for price stabilization.

With much of what he says, I agree, but not with all, and to make the difference clear, I am going to try to say exactly what I was striving for in NRA.

Nobody ever fought price fixing as hard as I did in the Petroleum Code and in many other places. Petroleum was a special case. All they needed was production control. That attained, price would take care of itself. The only price fixing needed there was maximum price fixing. Precisely the opposite consideration obtained in Bituminous Coal. In other words, there is no iron rule. But our goal was clearly this:

There should be no secrecy about prices. They should be posted openly. People can change their prices instantly and at will, but actual net prices at which goods are sold should be as available to the public and to competitors as are daily prices on the stock or commodity exchanges. There should be a general rule against predatory price slashing, with a fundamental principle that consistent sales below cost are at least prima-facie evidence of a destructive tendency and an unfair practice. When such a tendency appears, any member can complain to the Code Authority which, with Government representation, hears the complaints, and if subversive and unfair competition thus appears, then, in the industrial self-government to which NRA has always been dedicated, and under direct Government supervision to prevent abuse of the power, the Code Authority can order a stop to it. That order, after appeal to an administrative NRA tribunal, should be enforceable in the courts.

That is—and since the beginning, consistently has been—the sum and substance of NRA policy on price control. If it has changed, I do not know it. As I have said before, there are special cases and special emergencies, but this is the standard rule, and I make bold to say that when that policy is abandoned, NRA will have passed into the hands of its enemies and should be immediately rescued or else completely abandoned.

There is under NRA unlimited power in the Government to complain against and to investigate any instance where prices seem improperly high, with an adequate remedy in case it finds such to be the case.

I have an idea that my friend Wallace would not dissent from this policy and that his remarks are really addressed to the few abuses of or exceptions from it, but if such is not the case—and while it is not an argument—*tu quoque* applies to AAA; it is the biggest price-fixing attempt in the history of the world.

I do not say this in any critical sense, for, as he points out, I was co-author of the very price-parity formula on which he is operating. It is justified by a scalding emergency—the threatened destruction of the whole agricultural community as we have known it. All of which leads me to say in passing that there is no more thoughtful and moderate-minded man in the Administration than Henry Wallace.

There is a school—I had, inaccurately, almost said "of thought"—in NRA that has prevailed since I left it which insists that any provision against predatory price slashing is "economically unsound" and "unenforceable" and "rendered unnecessary by the wage-fixing rules." I fear that they have prevailed and that new NRA legislation proposed by the Administration will follow this so-called view. It is a ghastly paradox and I will fight it with all that I have to give. Here we have self-styled reformers echoing the shibboleth of some of the most reactionary influences in this country. It is a shivering inconsistency, explicable only by the almost bucolic innocence of practical business experience in its proponents and chief champions. Of course it is espoused by those of NRA who represent the most predatory of interests. For reasons already stated, if this academic fatuity is to prevail, NRA should be folded up and put away in lavender or—better and far different—set to guard the harem of rapacity incarnate. It will have been completely emasculated.

Prices and Production

Wallace is also right in saying, in effect, that you cannot act to stabilize prices unless you have some control over production. During the war we had the most effective price control ever known in economic history, but there we had complete power over both supply and demand.

However, organized industry under a well-administered Code will control production. It can do so where agriculture, unorganized and in some six million separate units, cannot do so. No industrial producer who knows all about the price and inventory situation in his industry is going to overproduce in the face of an unmanageable surplus and a downward price trend. It will not necessarily require any quota system to attain the end of controlled industrial production. All that is needed in industry is full, accurate, complete and honest information on prices and

inventories. With that in hand, we shall never see another such phantasmagoria as we saw in 1928–1929.

It is not so in agriculture. Who can persuade—who can herd into one corral—the individualistic, the obtuse, the recalcitrant among 6,000,000 separate farming enterprises, however well informed?

There is no great mystery about costs—much as the accountants may dispute. Every able manufacturer knows not only his own costs but, in close approximation, the costs of his competitors.

In the NRA policy as I have defined it, an effective stop to monopolistic price cutting and preservation of small enterprise will follow price posting as a matter of course.

The Monopolistic Charge

The net of all I have just written is to urge that price fixing is not necessarily monopolistic, and under NRA it is not monopolistic at all. But there remains the other assertions that any combination in restraint of trade is monopolistic in and of itself. As previously remarked, if it is, NRA had better be abandoned, because every Code is a combination in restraint of trade.

But these combinations are not of themselves monopolistic. A monopolistic combination is an easy thing to concoct. But whether a combination is monopolistic or not is a question of fact. Code combinations are not conspiracies of a few companies. They are open to a whole industry on absolutely equal terms to great and little companies. It would be impossible to create a combination of that kind that could be monopolistic. It might be repugnant to consumers' interest or be otherwise objectionable. But the word "industry" comprises all competitors in a particular field, and if all competitors in an industry operate under the same Code rule, that rule could not possibly be monopolistic.

NRA contended that neither price fixing nor fair-trade practices authorized by NIRA are under the ban of the Antitrust Acts, unless they are monopolistic or oppressive in fact. Some of NRA's enemies contend that any price fixing or any combination is inherently monopolistic. That, of course, means that the deliberate act of Congress known as NIRA is simply a nullity.

They go much further and insist that price fixing was not authorized by NIRA. Senator Borah says this specifically. If any man ought to know the contrary to be the case, he is that man. On this subject, on the Senate floor, four days before the law was passed, he said:

"This, therefore, is the situation—trade associations may meet and formulate Codes, and these Codes may contain combinations in restraint of trade. The Codes may fix prices. I take it, therefore, that it is proposed to leave free power of Code makers to do these two things, and if they see fit to fix prices by the Codes, there is no inhibition in the Bill against it. It is thoroughly understood by business men generally that this is the effect of the amendment."

I have never heard any able lawyer dispute this conclusion.

But to return to our story. During the whirling, centripetal, industrial period between the war and the depression, the rapid growth of domestic demand due to postwar higher wages and shorter hours, encouraged the creation of bigger and bigger industrial units,

greater and greater industrial capacity, and vast profits accrued—not to "little fellows," but on paper, at least, to those great economic clusters. There was economic planning a-plenty, but the planning was done by executives of vast corporations. Even that might have saved us, but there were too many plans, with no cohesion, coordination, or control, and with no regard for industry as a whole, or labor as a whole, or even for the country as a whole, but only for the competitive victory of the particular industrial unit—rugged individualism of gigantic artificial, corporate persons, but no rugged individualism of any natural personal except in his rôle as a servant of master within them.

A Market Starved to Death

And because, for each of them separately, there was no incentive, or even any leeway, to do otherwise, they separately plowed so much of gross profit and the people's savings back into increasingly excessive capacity and distributed too little of it as wages and dividends to sustain the buying power of the rich domestic market which the war changes had created on their own doorsteps. They literally starved that market to death.

This has been recently denied, and the denial backed by a bristling marshaling of imposing figures showing how little accumulated surplus in industrial balance sheets would have aided consumption if it had been distributed. They are entirely beside the point. They neglect to say how much of popular savings and credit was also thus frozen.

The biggest and most expensive industrial plant or apartment house or office building in the world is a liability instead of an asset—worth less than zero—unless it can earn money. It can only earn money if it can maintain a profitable market for its product. If there are too many of them in any given market area, none can earn money. It is destruction of earning power rather than destruction of assets which destroys wealth. It is possible to destroy wealth by too greatly accumulating assets. In the period of 1922-1929, nonexistent earning power was capitalized by withdrawing or withholding money—consuming power—from the public and freezing it forever into the steel, bricks and mortar of an astonishing excess capacity to produce in practically every industrial and commercial activity.

The record of this lunacy is too recent and too astonishing for any economist to attack with any statistical abracadabra. It burned the candle at both ends in that it destroyed the consuming power of the American market by congealing it in bricks and mortar at the same moment that it was destroying the earning power of industry itself by overcapacitating its productive facilities. It was sheer, stark madness, and it was a direct and inevitable result of the antitrust legislation.

Take the steel-plow industry as a single example which could be paralleled by a hundred others. There is one plant in Moline, Illinois, which could turn out all the steel plows required by the whole of American agriculture. Yet that capacity is multiplied no less than ten times in the United States.

Nothing like that could have happened if, during that crazed period, the industries of this country could have taken counsel and united action under

Governmental sanction and supervision. It happened because they were doomed by the law to unchecked and uncontrolled competition—doomed by the law not to take common counsel, not to regard each industry as a unit, and not to regard the country as an economic integer in which every citizen had an interest and every employer an obligation. They could not have saved themselves, because any company that lagged in the fight for a new capacity, constantly increasing production, and the other fellow's market, would go to the wall. The laws of the United States simply said: "Root hog or die. Devil take the hindmost!" and the devil took it all. "The bigger they are, the harder they fall," and this structure first became monstrously big and then fell with a crash that shook the whole world.

A volume has been published by a private institution for study of economic trends which affects to show that there is no overcapacity to produce all that the people of this country want to consume. Of course, in a state of perfect balance among various economic segments, there is hardly any limit to what this country could consume of some things. For example, it could not consume more than it needs of wheat, or animal fats, or tobacco, or drugs, or agricultural products generally.

But this is altogether beside the point. We are so far from equitable balance among various segments of our people and there are so many barriers to the exchange of goods and services that it might as well be said that if we had 200,000,000 more people here, we could consume as much as we could produce with our present capacity, as to say that there is no overcapacity, because if such and such other facts were present, we could consume all that we could produce. These facts are neither present nor immediately attainable. There is an overwhelming excess of productive capacity in this country, and its presence can also be charged as a crime of laissez faire under the Antitrust Acts. As B. M. Baruch said in his Senate testimony:

I am not speaking of "overproduction" which is a mere correlative of "underconsumption." I mean excess productive capacity. I mean the vast plants which, though idle now, sometimes seem to me like masked batteries of machine guns, waiting to lay down a new barrage of production whenever buying reappears. We must find means to control production, especially of farm and mineral output. It is a stupendous development throughout the whole world—sugar, silk, rayon, wheat, rubber, coffee, tin, iron and copper. I know of no exception.

An Essential for Recovery

You can't have recovery without amending the Antitrust Acts, because you must prevent a repetition of 1922-1929. You can't do that without control, and you can't have that control under antitrust legislation. Those acts have failed in every crisis. They had to be forgotten during the war to enable the country to defend itself. When they came back to memory in 1919, they set the stage for what happened up to 1929. They contributed to the boom and they were helpless in the crash. Without amendment following the principles of NIRA, they will go on, as they did, to create the very condition of monopoly and erasure of individualism which they were conceived to prevent, and in the future, as in the past, they will have to be abandoned in any crisis, economic or military.

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Unless so amended, they have no place in the mechanized, highly organized and integrated civilization in which we live. There is no more vital and fundamental issue before the country than whether we are going to control modern scientific and industrial development to our use or suffer it to our destruction.

The only force that can control it is industrial self-government under Federal supervision, and the only plan that was ever presented through which that control can be applied is NRA. If we scrap NRA, it will be just like releasing on a roomful of school children a flock of mechanical man-eating Frankenstein monsters, irresistible and

ravenous. If we follow and develop and perfect NRA, it will be like harnessing them, putting brains into their brazen skulls and driving them in a powerful team to pull us out of the mud of this morass.

Editor's Note—This is the first of a series of articles by General Johnson. The next will appear in an early issue.

I ONLY GET WHAT'S THERE

(Continued from Page 15)

politician in town could be found there. I didn't get a line on anything important the first day, though I did get some fairly good shots for the column, of the various politicians seeing to it that their constituents got sufficient service to insure their votes for the gang. Nothing spectacular, but informative to those people who had never known of things like that.

The next day I began prowling around the City Hall, sticking my nose as inconspicuously as possible here, there and everywhere. I knew I'd be able to get enough good shots to keep my column interesting, but what I wanted was something big. My technique was simple. Walking along the corridor, I'd pick an office that looked interesting. I'd open the door and start walking in. If I saw at a glance that the people in the room presented an interesting subject, I'd snap them. Then, with a dumb look, I'd excuse myself, mumbling, "Excuse me. I thought this was the Department of Weights and Measures," or something like that, and close the door. In the corridor, I'd slip my hand under the vest, rewind the shutter, and I was set for another. Nothing to it, thanks to the Minny. That's the beauty of these miniature cameras.

I toured the whole building, going into each department and even the courtrooms, and while the photos I got were a good study in what goes on, I didn't get anything or even a lead to anything really sensational, and that's what I needed. The nearest I came to what I wanted was in a shot I got of the mayor and Boss Muller having a private tête-à-tête in the mayor's own office. That was kind of funny.

The main entrance to the mayor's office was through the outer offices, in which were his secretaries and assistants, but there was a private unlabeled door down the corridor which led directly into his office. This was only used by those in the know. One day while looking for something entirely different, I opened the door, which by some accident was unlocked. The mayor and Muller were sitting with their heads close together. I don't

have to tell you that my fingers moved that release down immediately. I excused myself by telling them what I was looking for, and they directed me to the right door, not knowing that they'd been snapped. That shot went a long way toward getting me back in the colonel's graces, but not quite far enough.

"That's more like it," he exclaimed as soon as he spotted it, "but everyone knows that Murphy and Muller work hand in hand. Now, if you could get us something that would be as damaging to them as the picture of Daniels was to us —"

Yeah, but try and get one. The fact is that the gang was acting like a bunch of kids with Christmas only a week off. I'd gumshoed around till my feet ached; I'd even spent several days shadowing Murphy all day and most of the night, but if you took his schedule for those days as an example of his character, you'd think he was the original early-to-bed-and-early-to-rise bird conscientiously seeing to it that the "peepul" got better government than they deserved. Finally, after I'd been playing politics in my column for more than a week, the colonel called me off.

"That's pretty good work, Flash," he grudgingly conceded. "But politics as steady fare isn't the kind of diet that will keep them coming for more. You'd

better spend a few days working some other line."

I did. In the meantime the Citizens' Committee had smoked out a candidate, and this time a good one. Sewell Stringer was one of the outstanding business men of the town, with a good record.

"Not a bad guy," Mac admitted when we found out. "The gang can't find anything on him except a swell record as a business man and trustee of the museum; but then, with you around, Flash, to help them dig something up like, maybe, a love nest somewhere, I guess the gang won't have anything to worry about."

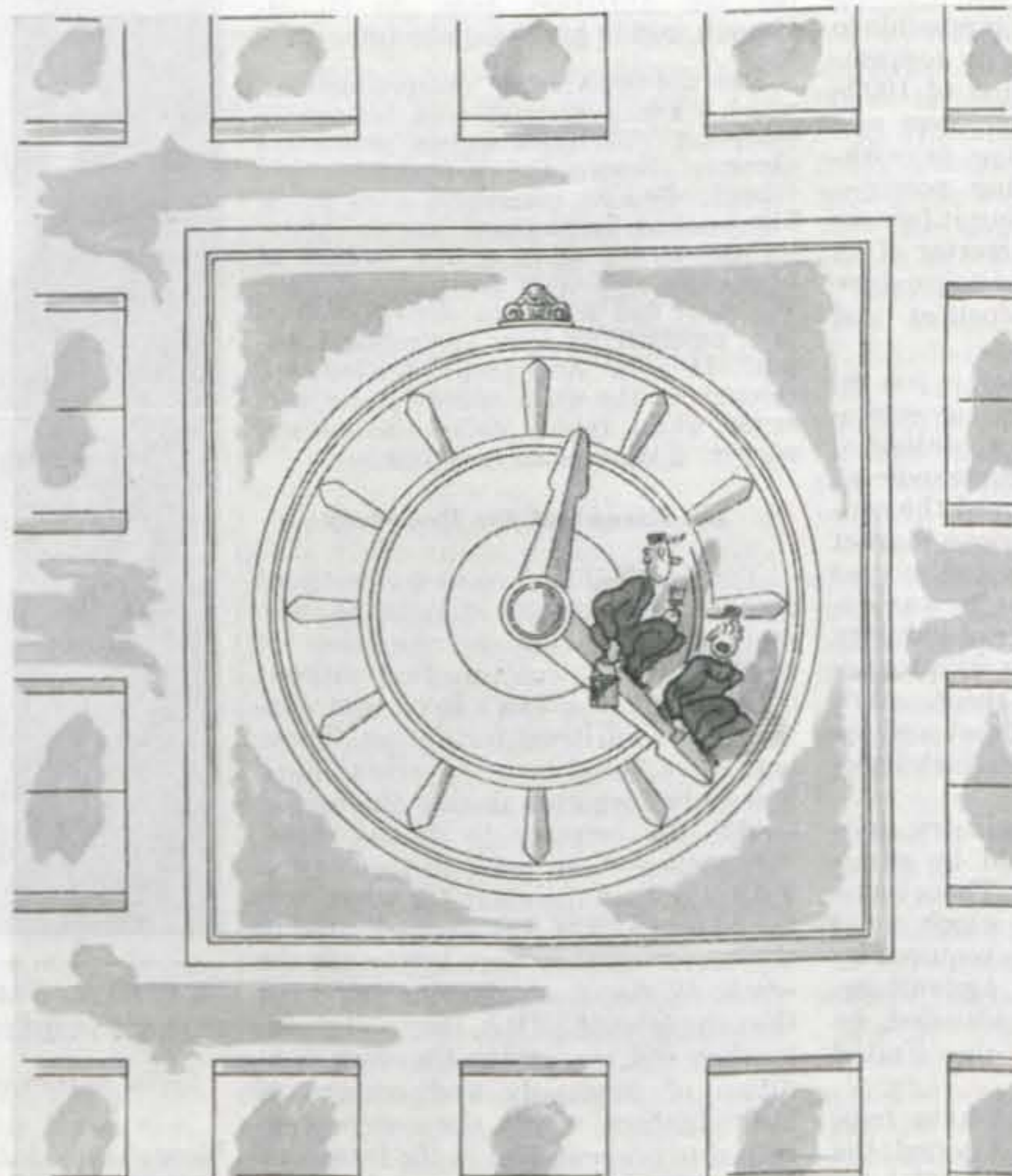
The first thing I did was to run over to Stringer's office to get a good look at his pan. I was going to play safety first from now on.

It was only a couple of days later that I decided to feature a Burlesque for my column; so, with one Minny under the vest—I'd found the dodge so good that I was carrying the camera around always as part of my costume—and the other in its case, I arrived just about eight P.M. on the sidewalk before the Garter and Stripes.

I'd bought my ticket and was standing near the entrance with a casual, hanger-on air, taking shots with the concealed Minny of the arrival of the customers, when up rolled a big shining

Ricci. The thing didn't click in my mind for a second, but when it did, I lost practically all of my nonchalant casualness. There was one, and only one, Ricci like that in town, and that one belonged to Golly Mike Farr, Public Enemy No. 1!

The Ricci pulled up at the curb about the time my mouth lost its gape, and when the doorman opened the door, I was a casual, mildly interested hanger-on again. Out stepped Bugs Hartz and Morry Rose and a couple of other gorillas, and finally, Golly Mike himself. I got his pasty mug with its piggish eyes at exactly the moment when his foot touched the sidewalk and, rewinding as inconspicuously as I could, took another of



DRAWN BY DOUGLAS BORGSTEDT

"I'll Give Him Just Five Minutes to Show Up With That Ladder —"

(Continued on Page 78)