THE BLUE EAGLE FROM EGG TO EARTH

By GENERAL HUGH S. JOHNSON

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 knew 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 contended 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 position 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 undisciplined view of 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 deep disagreement 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 been the beneficiary 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 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 passage from that greatness that 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 been the beneficiary to thank.

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 as green and fruitful, the skies are 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 bearing 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, clicking 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 with a 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 concealed 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 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 preempted 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 (Continued on Page 68)
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THE BLUE EAGLE FROM EGG TO EARTH

(Continued from Page 7)

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 or dream of it. 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 his remarks anything that is 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 life.

I do admire them; especially their bankers. Sir Henry Holden, who for years was at the head of the Midland Bank, was a very 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 in the name of the bank. He was quite for his own amusement, a translation of some ancient Greek writing. I could not reach him, there was 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 this was when I was an undersecretary.

Lord Revelstoke, of Baring Brothers, was another London banker who had my high regard. Mr. Stillman admired him, and confined himself to his work. Lord Revelstoke always entertained me at his house in London, and I have a strong opinion in the character of the governors of the Bank of England. I recollect my first meeting with him. It was sometime before 1907. He said to me, "I think the idea that it would be a good thing for large American banks to carry in their portfolios as much of British consols, and so, in any period of strain, to be in a position to borrow money in London against consols. No matter who had been there before, I felt I'd 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. We did it to consolidate their loans into one type of obligation, and this was the thing called a consol; it was the premier security 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 so much of this as a paper case of a consol; so when you bought their name was registered at the Bank of England opposite the amount you owned. Well, I arranged to have consols registered in the name of my bank, and then I sold to other banks our certificates, thus permitting these others to share in the few millions down the road. 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.

We had moved into the new building late in December, and about three weeks afterward, on January 12, 1909, I was in Paris. Mr. Stillman, who was in Paris, became chairman of the board. My new salary was $50,000. I was forty-five years old. I was one of the very few men who could become the head of the country's biggest bank.

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 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 had been the case. I was in New York a week before the consolidation of banks that would rob the National City Bank of its enviable first position. I was very good at all that. 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. Spence. The next will appear in an early issue.
and employment, but one company after another, in savage wheatish 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 brought us into the maestron went on for four years. The great share-the-work movement started by Walter Teagle helped to arrest deterioration, 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 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, and the Old Deal advocates persistently overlooked. That does not argue any effort to distribute wealth. When you try to 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 wheatish competition and disproportions among great masses of purchasing 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 the working week and to increase wages to maintain purchasing power. The whole idea of shortening hours and raising wages has been attacked on an insufficient basis.

"The principal element of cost in any article is the labor cost. Increases in that cost make higher payments to those who 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." "The Balanced—Production Goal"

I am fully aware that theoretically so much of this discussion as 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 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 and controlled production of agricultural power as among many segments, and they have proved to have been far from wrong. It is an unsupported by nothing that prices have increased as fast or as fast as wages under NRA.

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. NRA did not favor more spread 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 injunction to support the idea of a thirty-hour week with no decrease in weekly wages, indiscriminately applied. Its proponents say: "You still have 15,000,000 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 written, because they only require 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 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 stages 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 agricultural 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 salaries, wages, pensions, profits, or insurance. To what full extent that 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.

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January 19, 1935

currency control. Interest and incomes would be secure! The farce is supported 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. Hence, in a period when prices of farm products, farm prices and other income to balance so drastic a change as would follow the depression, four-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, however, labor cost is $300 a month, and the three sell only $300 a month, that labor cost is 10 per cent of their total sales. If they sell $1,000 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, 1930, and the sequel to NRA, was due to the monetary policy, fear of the AAA processing tax and a too great expansion of increased costs due to NRA.

Nevertheless, it would be just as foolish to deny that the advocates of NRA want to achieve anything at all on their side of the argument as it would be to say that the principles just described demand the elimination of the state. The truth lies in between. This middle course—as I shall try to show—is the real doctrine of NRA.

"There is no one method of limiting production. It is an economy of scarcity while we want 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 that by raising labor costs by reducing man power, increases consumption through lowered cost. Now, NRA exercises control over all machinery and all industries—this is the foolish New Deal "economy of scarcity"—in AAA and NRA—"anathema manuacturae".

These academic critics call themselves the Apostles of Plenty.

Lavor-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 unaltered. If in fact it is true that any opposition to it opposes the irresistible march of human progress and would be forever at a disadvantage, eliminations of employment should certainly be examined carefully as long as millions are still tramping the streets. The enemy of man, but a next little form of torture ending in murder—not unknown to the interdepartmental critics—lies about in the tube when his stomach is already full.

It is simple historical fact that shortening the workday means higher wages—without any NRA at all—have been a constant comcomitant of increased use of automobile since the beginning. It is a weekly hour a week down to about half that on the advent of NRA.

As long ago as 1926, no less a radical individualist than Herbert Hoxie could see the nation at Boston that, after increasing the productivity of 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 export it or suffer famine. And that was at a time when we were getting so close to "two cars in every garage" that the automakers are calling 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 imposed the extra burden of Codes. "Let's look at them first, and if the Government, in consultaion with the industry, feels that 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 in the period in that kind of a job could fail to agree with Mr. Hoover's 1928 prophecy—not without this remarkable period.

I don't know how many thousands of thousands of men required to get off all these millions of thousands of pounds of stone implements—monkeys now throw concrete; how many tens of thousands to smoke cigarettes; how many thousands to use gunpowder; how many hundreds to the French 75. But I do know how many years it was from ten years to twenty years, and it was from ten years to twenty years, from the time that the great to the time that the great discoveries en masse were made, and, as compared with those early aeronauts 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 conscience added to the technical conscience, with the mass of classified knowledge behind them, rolling up like a snowball, the things which are just now on the horizon to boost the present per-man rate of production are appalling in their threat. Man, as never before, is living in the thousandth and the millionth of a second.

Economic progress has hopelessly outdistanced political advancement. and scientific improvement is far beyond them both. It is a badly unbalanced team and it must be supervised. Continued shortening of hours is continued, but it is a necessity. Continued use of machinery and processes replacing more and more men is inevitable. But we can't let any uncontrolled effort of either or both proceed without a new setback. Let us balance one to the other and use such flexible supervision as is consistent with the exigencies of time. Economic progress has hopelessly outdistanced political advancement, and scientific improvement is far beyond them both. It is a badly unbalanced team and it must be supervised.
The Saturday Evening Post

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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 suggestions that the New National Recovery Act as amended to permit industrial organization and self-government by co-operation. The public interest in the matter was served by those laws was to be protected by providing for a revocable Government permit for any industrial or economic trust or combination which, without such permit, would be illegal under the Antitrust Acts. The permits would be withdrawn in case of misuse, which is very prevalent, but it ran into this snag:

What political authority could be

introduced to revoke such permits? The Federal Trade Commission had been set up with some such thought in mind, and the idea was that it would become more of a policeman and an auctioneer than an administrator. It was manned by officials of the legal or academic type rather than by men adept in business, labor and consumer problems and having a little more than a lack of concept of economic necessity. It was urged that these circumstances had turned aside the original idea of its creation and that some similar supervisory unit would arrive at the same end. It was alert to tell industry what it could not do. It would not say what it could do. The slightest cooperation, planning or industrial control was proscribed at peril. To this policy, philosophy lay behind the idea that action of that body are repressive of cooperation 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 whether that law was amended by NRA. We shall speak of that in another place.

Several resourceful alternates of the commission so far as the post-war proposals, the principal one being the High Court of Commerce and Labor already mentioned. It was that the Supreme Court in business and labor that the Supreme Court maintains in law and generally. It was not to be made so desirable and honorable a post that the very eldersonate of business, labor and economies would aspire to it just as it was the lot of the least one who was 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 interested in the high moralism of the High Court of Commerce. The war heritage of organization and co-operation in industry and trade remained, and the administration of it by remaining influence, and informed by no common purpose for the public good.

The breakup of organization of industry began to work as we came out of the depression of 1921, moving toward the 1929, and the fantasy of economic whoopee which preceded and induced the collapse of 29 and the succeeding four years of economic hell. In all these years, without any concerted Code of Fair Competition.

We had supervised co-operation in the form of the need 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 any longer any sentiment for the old slogan of "let us alone" because all knew that Government intervention was necessary. 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 were the slogans of the early 1920's, and following the formative days of individual pioneering—nothing else would have been possible—but it did not work when we had to maintain the crisis and after the war reorganization of trade and industry—it had become a relic of old and things turned out, a very dangerous one.

"Let us alone" and every man for himself has always been true 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 retained it.

The Old Open Road

At the adoption of the Constitution almost everybody worked for himself—the boot-and-shoe industry was the village male, the housewife and the townsman; the steel industry was the forge and the smithy; the cement industry was the candle maker, and on up through the whole gamut. In such a scene we invented the doctrine of rugged individualism.

This condition lasted in the Mississippi Valley until the Civil War. Even then as in 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, or milk a cow and slaughter a hog—that is a need for sympathy, doles, or regulation of industry when things went wrong.

But then came the World War that condition began to vanish. No free and fertile lands remained. Men everywhere were already specialized. Colonies of city men turned to the dried farming country of the High Line of the Northwest, had to be rescued from

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 or freeze or starve for a month. In a great depression like this, there is little for the modern specialist to do but perenial to 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

great segment can pull the whole system together, five years have shown that we cannot depend solely on rugged individualism and "let us alone" to get along without teamwork and co-operation. We cannot get along without teamwork and control. With this thought in mind, both Al Smith and NRA were operated and administered. They may have departed at times and in places from these principles, but they never departed from the desire they knew what they were trying to do and—right or wrong—we went some distance up the road in the direction of doing something along with the old competitive system.

The Antitrust Acts Ignored

The old honeycomb machine of the United States couldn't produce things fast enough in this race to destroy every other's, 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 battle royal became an expansion of all working toward the sound of the guns.

We did not repeal the Antitrust Acts. We simply ignored them. That the competitors pooled their resources, their trade secrets, their facilities. Industry organized themselves into cartels and figures with the speed and almost the precision of a highly drilled chorus on a musical-comedy stage, and Government and Labor, already mentioned. It was the dignity in business and labor that the Supreme Court maintains in law and generally. It was not to be made so desirable and honorable a post that the very elderstatesmen of business, labor and economies would aspire to it just as it was the lot of the least one who was 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.
alternative for millions if we go back to the old way of doing business.

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

I need not repeat here the statistics of that vast coalescence—the growth of the chain-store system crowding out small shops; the expansion of facilities in great gangs of industry eliminating lesser factories; the death struggles of the survivors, reflected by corporate identities, 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 and medical clinics. There is no question about it—the war showed the way, and the unchecked flight from economic individualism had been so far by 1929 that any reasonable projection of the curve of its trend would have shown in ten years a total 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 ever, but the public does not want and cannot afford competition of bankrupt stocks, and it is now protected against the filimblim 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 good profit. There is a curious, almost mad-dening 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 the law 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 NRA ought to be repealed tomorrow. It doesn't mean a thing.

But both NRA 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 underrun 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 impeachable economic warfare. That became a problem 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, workers by piecework and child labor, and other cases which will be described at another place. Where they are forced, by NRA, to pay living wages, they cannot continue to exist. They say, therefore, that NRA oppresses them. But 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 the trade-off argument for the return of the seandalous 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 any price policy as long as there is no de­gradation of human labor, and if they were entitled to them they would be fatuous to accept them, because the principle is admitted, it ap­plies to all human labor, and all human labor consumes. Nor are consumers willing to seek the benefits 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 cannot be a bleaching of the dog-eat-dog rule of the Antitrust Acts. This does not mean that there is no combination or even from this policy and that his remarks are really ad­ressed to the few abuses or excep­tions from it, but if such is not the case—and while it is not an argu­ment—to quote 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 co­author of the very price-policy which he finds wrong. It is justified by a scalding emergency—the threat­ened destruction of the whole agricul­tural structure of which we have been told. All of which led me to say in passing that there is no more thoughtful and moderate-minded man in the Admin­istration than my friend Wallace.

There is a school—I had, inac­curately, almost said "of thought"—in NRA that I have denounced since I left it which insists that any provision against predatory price slashing is "econom­ically unsound" and "unenforceable" as a remedy in case it

What NRA Was Striving For

My good friend, Henry Wallace, in his lucid book New Frontiers, registers some disagreement with NRA policies. He claims that the price stabilization without unlimited in­quistorial powers in Government over all business 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. It was not just a fair price fixation as hard as I did in the Petroleum Code and in many other places. Petroleum was a special case. All they needed was price stabilization. That amount of stabilization was to be stabilized without any consideration obtained in Ruminous 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 accessible to the public and to competitors as stock or commodity exchanges. There should be a general rule against preda­tory price slashing. Above all, there should be a fundamental principle that consistent sales below cost are at least prima-facie evidence of a destructive tendency and an un­justifiable tendency appears, any member can complain to the Code Authority which, with Gover­nment representatives, after investiga­tion and public hearings, if such a tendency appears, any member can complain to the Code Authority which, with Gover­nment representatives, after investiga­tion and public hearings, if such a tendency appears, any member can complain to the Code Authority which, with Government representatives, after investiga­tion and public hearings, if such a tendency appears, any member can complain to the Code Authority which, with Government representatives, after investiga­tion and public hearings, if such a tendency appears, any member can complain to

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That is—and since the beginning, consistently has been—the sum and substance of our price policy on control. If it has changed, I do not know. As I have said before, there are spe­cials 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 history as the biggest price-fixing and ever completely reseed 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, and that this is the standard rule.

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, if not illegal. As pre­viously remarked, if it is, NRA would have to be better abandoned, because every Code to a combination in restraint of trade.

But these combinations are not of themselves monopolistic. A monopo­listic combination is an easy thing to con­ceit. But whether a combination is monopolistic or not is a question of fact. Code combinations are not com­monplace. They are open to a whole industry on a large scale, with large 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 not made.

NRA contended that neither price fixing or price controls practiced by NIRA are under the ban of the Antitrust Acts, unless they are monopolistic or are oppressive in a fact. Some of NRA's enemies, on the other hand, say that price fixing or any combination is inherently monopolistic. That, of course, means that the fact of a monopolistic or not is known as NIRA is simply a nullity.

They go much further and insist that 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—'the Code, 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 go on with as there is no hinhition in the Bill against it. It is thoroughly understood by business men generally that this is the effect of the amending of these Codes."

I have never heard any able lawyer dispute this conclusion.

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Prices and Production

Wallace is also right in saying, in effect, that you cannot act to stop any of the production that has some control over production. During the war we had the most effective price control in the history of the world. There we had complete power over both supply and demand.

However, organized industry under a wel­administered Code will control production. It can do so where agriculture, unorganized and in some states monopolistic, cannot. No industrial producer who knows all about the produce and inventory situation in his industry cannot go to overproduce and drive the face of an unmanageable surplus and a downward price trend. It will not necessarily require any quota sys­tem or some other device to control 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 phanta­sia.
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 aplenty, but the planning was done by executives of vast corporations. Even that might have saved us, but there were too many plants with no cohesion, economy, coordination, or control, and with no regard for industry as a whole, or labor as a whole, or the country as a whole, but only for the competitive victory of the particular industrial unit—rugged individualism of gigantic artificial, corporate persons, but not 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 maintain the buying power of the rich domestic market which the war changes had created on their own doorsteps. They literally starved the market to death.

This has been recently denied, and the denial backed by a brief letter shoring 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 the 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 consumption 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 accept with any statistical assurance. It burned the candle at both ends in that it destroyed the consuming power of the American market by eneogizing it in bricks and mortar at the same moment that it was destroying the earning power of industry itself by overproducing its productive facilities. It was sheer, stark madness, and it was a direct and inevitable result of the antitrust legislation.

Take the steel-coin 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 any responsibility 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 legal obligation. They could not have saved themselves, because any company could be haggled 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: “Roof 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 R. M. Baruch said in his Senate testimony:

I am not speaking of “overproduction” which is a mere correlation 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 case. They had to be forgotten during the war to enable the country to defend itself. When they came back to power 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 ensnare 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.
I ONLY GET WHAT'S THERE

(Continued from Page 15)

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 mechanized 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.