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The Outlook for Business  
in the United States

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MR. ELY: Now, while the tables are being moved, some of you will remember that the question period at our last dinner was a very lively and interesting affair, and an instructive experience--so much so that we are going to do it again tonight, and after General Johnson who will be the final speaker has finished his address, then we shall be glad to have questions from the floor.

Every question should be as brief as possible. It takes brains and perhaps character say much in few words. Let us therefore see how well represented in this gathering that type of man is, when the questions are pointed. Make them hot, and get to the point by the most direct road, and when you are through, stop, and not afterwards.

Now Mr. Cravath, our President, will take the helm.

Introduction

Paul D. Cravath, President

Ladies and Gentlemen: No one can doubt the interest of our subject tonight, "The Outlook for Business. Before we tackle that subject, we subject, we are to do honor to our guest, Mr. James G. McDonald, who is not required to speak on the subject of the evening.

Mr. McDonald has been in the public eye for many years, and most of you know about him. He is now one of the Editors of "*The New York Times*", and he, in form years, performed a most useful public function as head of the Foreign Policy Association. I introduce Mr. McDonald.

First Speaker

James G. McDonald

Editor, *New York Times*

Ladies and Gentlemen: I don't blame Mr. Cravath for forgetting about the Foreign Policy Association. As a matter of fact, I am on this program tonight under false misunderstanding. Mr. Ely, who is the perfect program maker, realizing that the subject of "The Outlook for Business in the United States" is not too cheerful a one these days, asked me to speak on the European situation to brighten up the meeting. If I do not succeed, it is the fault of the subject, and not the speaker.

As we meet tonight, Europe is experiencing what is euphemistically called a breathing spell. In reality, it is a period in which the Fascist dictators are free to consolidate their recent gains, won by intrigue, coercion and force; while the democracies, though straining their resources to rearm, are unable to agree upon any basis for an effective front against further aggression by the totalitarian states. The British Conservative Government, having forced Eden's resignation and skeptical of all proposals for collective action to discourage international brigandage or to punish

it; continues to follow the will-o'-the-wisp policy of seeking by the grant of substantial concessions, to persuade Mussolini and Hitler to be good. And our own Government, if we are to judge by Secretary Hull's letter to Raymond Leslie Buell, of the Foreign Policy Association, published this morning, has no intention now of meeting straightforwardly the challenge of the isolationists. Breathing spells, such as the present, are made to order for the dictators.

The question that comes up most in the mind of us tonight is this: Can the peace of Europe be maintained? Can the peace of the world be made secure?

The vital question is not so much whether the peace can be maintained as whether the victorious march of the dictators can be stopped, and can it be stopped peacefully--or will it go on until it is stopped by war? As a matter of fact, however, those of us whose business it is to follow European affairs closely are today, if we are frank with one another, in grave doubt to the answers to most of the immediate and pertinent questions.

Are the Germans at Brenner Pass a surprise to Mussolini as it was to us, or has Hitler offered him compensation in Spain or in the Mediterranean? I have my guesses as to the answers, but your guess is as good as mine. Will it be Hungary as the most convenient route to the oil and other resources of Rumania or of Czechoslovakia? I don't know, and I expect most of you don't know, but if it is Czechoslovakia, will the Czechs resist, and will they fight? My guess is yes, but if the attack is delayed some months, and the opportunity for pressure from within and without is present, there may be a different answer.

Now these are all vital questions, and if those of us who write on editorial pages or sign columns in the newspapers were to tell you the truth, we would say in our writings as we do sometimes from the platform that we do not know, but it would be very embarrassing to fill columns and to write editorials if one confessed thus frankly to his lack of certainty.

And what of Austria? It is a great mistake to think of the Austrian invasion as an isolated phenomenon. It is not. Hitler's invasion there is the current culmination in a chain of unchecked aggression. That conquest is the legal sequence, both of earlier acts of Nazi defiance, and of the progressive deterioration of the International conduct since the autumn of 1931.

On the fateful September 18<sup>th</sup>, 1931, when Japan began its conquest of Manchuria and initiated its successful defiance of the League of Nations, of the United States, of the whole system of collective security, the foundation of international order was seriously undermined. Two years later Mussolini's conquest of Ethiopia, and his successful defiance of world public opinion and the weakened institutions of international cooperation was the logical next step. Then followed naturally the intervention of the non-democratic states in Spain, and last summer Japan, taking advantage of Europe's absorption in its own efforts to avoid the spread of the Spanish conflict beyond the Pyrenees struck again in China.

Once more on the flimsiest of pretexts and in violation of unequivocal treaty obligations, twelve days ago Hitler followed in Austria the successful precedent of aggression in the East and in the West, and as the Nazi leader contemplates his next move in the fulfillment of his program in Mein Kampf, be it against Czechoslovakia or Hungary, he has the satisfaction of knowing that he is unlikely to encounter the United resistance of the democracies.

The attack on Austria illustrates perfectly the prevailing Fascist subversive technique. Think back four years, February, 1934. Dollfuss, the little Napoleon, at the command of Mussolini, destroyed for all times the unity of Austria by plunging it into civil war by his attack upon the socialists and the democrats. And a few months later, in July, 1934, Dollfuss died from an assassin's bullet, the assassins Austrian Nazis closely associated with the Nazis in Germany. And a few years later Hitler at Berchtesgaden presented Schuschnigg with the ultimatum: "Either permit legally the overthrow of your regime, or face the certainty of civil war as an excuse for invasion." When Schuschnigg, desperate, sought through a plebiscite to test the will of his people, Hitler took it as an excuse and moved.

And what next, Czechoslovakia or Memel, Danzig or Hungary? It doesn't much matter; the ultimate objectives of Hitler are clear. They have been written so that anyone can read, unless perhaps he be a benevolent minister of foreign affairs in Great Britain.

It is quite clear, first, the incorporation in the Reich of all neighboring Germans. That means the dismemberment of Czechoslovakia, the recovery of the Corridor and dismemberment of parts of Poland, portions of Belgium of France, of Switzerland, and of Italy, too. That letter of Hitler to Mussolini explaining the sudden appearance of the German troops at the Brenner was a classic, a strange mixture of threat and obeisance. In it he said, “No self-respecting power can tolerate the mistreatment of its own people bound to it by ties of blood and history by a neighboring country.”

But could Mussolini have forgotten at that moment the 250 to 300 thousand Germans in the Austrian Tyrol? Probably not, incorporation, then, in the Reich of all of the Germans, European German, political and economic, the old dream of Imperial Germany revived and strengthened. The objectives are clear. They are not open to debate. Hitler only occasionally goes through the forms of denying them. And at what cost? The regimentation of all the people, the destruction of political, cultural and religious freedom; the debasement of minorities, including the Jews.

What is happening in Austria today is merely a reproduction, at a heightened tempo, of what has been taking place in Germany in the past five years. In five weeks the Nazis will do in Austria what they have been doing more gradually in five years in Germany, destroying the basis of life for 250,000 people whose only crime is that they happen not to be what is called Teutonic.



The great problem before us tonight, and which I cannot undertake to even do more than suggest tentatively a solution, is this: Seeing the prevailing tendencies which unchecked just as certainly as tomorrow's sun will rise, are dragging Europe into war, can they be checked? Can the democracies unite in time? After all, there is a great deal of unnecessary defeatism about this situation. The democracies are fundamentally strong, the dictatorships are fundamentally weak. Great Britain, France, and the United States together have three-quarters of the world's gold, one-half of its shipping, one-half of its steel, three-fifths of its oil, and seven-eighths of its industrial capacity. United, the democracies need not fear, and that union depends upon the actions or the non-actions of two powers, Great Britain and the United States.

And what of Great Britain today? Britain today stands in almost an identical position with that which it held in July, 1914. Then the aggressive powers wondered what Britain would do, and Sir Edward Gray refused to tell them what Britain would do. Today, Chamberlain and Lord Halifax give the same answer.

A week ago, Lord Halifax, passing that historical room looking out over the parade grounds of the Horse Guards, speaking of Hitler's unexpected occupation, unexpected for him, occupation of Austria, said, "Horrible, horrible; I never thought they would do it."

Everybody who followed Hitler's words knew that if it was not then, it was only a little later.

How like the words of Gray were these words of Halifax. As Gray looked out as the lamps were

being lit over the park, when war had been declared and he said, “Tonight the lights are going out over Europe; they may not be lit again in our generation.” The lights went out in Europe in 1914, in very large part because Britain then, as today, refused to say in time what it would do. But after all, we are Americans, and it is not our responsibility to tell Britain what to do. But, I take it as American citizens we have a right to tell our government what we think it ought to do.

I suspect that some of the speakers tonight will have their say about domestic affairs. So, in my closing moments, I want to have in mind about our foreign policy. In the first place, we must remember that America has a very large responsibility for the deterioration of the peace system following the war. It was built upon the principle of American cooperation, and we reneged. We came home and left Europe to itself. In the second place, the United States looms so large; it is so powerful, economically, financially, politically, that whether we do or do not do something profoundly affects the course of world history.

Our inaction can be just as decisive as our positive action. We cannot be neutral. I mean we cannot avoid affecting deeply the course of events even if we do nothing.

And in the third place, our own security is deeply involved. But what is American foreign policy? Within the last few days we have had two eloquent speeches, one of them by the Secretary of State, and the other by the new Ambassador to London. But when you have read them through, you do not have a very clear picture. Mr. Hull told us of the danger of contagion,

violation of law in one part of the world leading to violation of law elsewhere. True! He spoke about the danger of the policy of seclusion, leading to chaos. True! But then what? Mr. Kennedy warned his British audience against two possible mistaken views. One, that America would not fight unless invaded.

That view, of course, evoked applause from the British. They were glad to know that we might fight even though we were not invaded. But in order that they might not be lifted up too much, the ambassador said, “But you must also remember that we might, that we could remain aloof.”

Not much help in those speeches in defining American policy. It is in the first place, I take it, the good neighbor policy, excellent, perhaps some of you may feel that we are overdoing it a little in Mexico and Cardenas is taking advantage of it, but with that possible exception, we are all for it.

Rearmament as rapidly as possible to be able to defend ourselves, economic cooperation, the Hull Treaties with nineteen democratic powers, and pending the very important negotiations with Great Britain for a new treaty: financial arrangements with Britain and France for the stabilization of the currencies, and arrangement participated in by Belgium Switzerland and Holland--all of these financial arrangements with the democratic powers--excellent, as far as they go. But on the fundamental problem of world organization, we say nothing. We will make no commitment.

I venture to make two suggestions. First, the withdrawal, the modification of the Johnson Act. Not our friend, General Johnson's act, but another distinguished publicist who does not always see eye to eye with our guest of the evening.

That act today precludes financial assistance to the great democratic powers, and leaves the way open for financial assistance to the dictator states except Italy. It is an absurdity in today's state of the world, and as a step towards world organization, a minimum gesture on our part, is the modification of the Neutrality Act.

Today that act forces the government to hold the balance even between the victims of aggression and the aggressors. It is an absurdity in today's situation.

But then there are some people who say it is foolish to talk about American cooperation abroad; today, the prevailing view is isolationist. I agree, particularly in my part of the country, Ohio, Indiana, the heart of America. But I am convinced that if we were faced once again as we were in the midst of the World War, and if we were once more convinced that Britain, the British Empire, France and the principles for which those powers stand, were gravely in danger, we would do again what we did then.

My plea is just this: That we should be intelligent enough and courageous enough to face the realities of the international situation and to do in time what we can in order that we may contribute towards that union of forces of the democratic powers of the world.

So that the answer to our fundamental question will be that the dictators and the forces of aggression can be stopped peacefully in time. (Applause)

PRESIDENT CRAVATH: Our next speaker is one of the most interesting men in the world. He led the first Russian revolution that ended the Czarist regime. For six months he was the head of the Liberal Government of Russia that attempted to introduce a democratic regime in that country.

When the Bolsheviks seized power, he disappeared wisely, (Laughter) and was not heard of for six months. It happened that at that time I was in London on a war job, and I remember very well when Kerensky, after his mysterious disappearance for eight months, when most people thought he had been killed, he made a magnificent and sensational appearance in London on the platform of a great labor meeting at Albert Hall, which he addressed in Russian, and although probably not one person out of a hundred in the audience understood a single word, by sheer eloquence, he swept that great audience by storm, with the greatest triumphs of eloquence I have ever witnessed.

I think I will tell about my only meeting with Mr. Kerensky, which occurred at that time, and which I am sure he has forgotten. I was naturally curious to meet the great Kerensky, and a friend who was in charge of the remnants of the Russian embassy arranged a meeting at 10 o'clock one evening at a house in St. John's Wood.

Those of you who know London know that St. John's Wood is a mysterious part of London. My appointment was for ten o'clock in the evening. It happened that that evening I was dining with a prominent hostess and during dinner I explained to her that I would have to leave before the guests left the table, and I told her why. She said, "You are not going to meet Mr. Kerensky?" I said, "Of course, I am." Aren't you afraid?" "Why should I be afraid?" "Well, he is a dangerous man to be associated with." (Laughter)

And perhaps he was, because the Soviets had put a price on his head and people wondered whether his life would be safe even in peaceful London.

About a quarter before ten I said good night to my hostess and left the dining room. As I went out she said in a strong voice that everyone heard, "Mr. Cravath, be careful, don't get murdered."

In spite of that warning I went to the address in St. John's Wood, and rang the bell; was received by a young woman who took me up three flights of stairs to a small reception room. She said that Mr. Kerensky was detained by an interview with Lord Milner at the War Office and might not be

back for an hour or two and she offered me the choice of waiting until he came or having a later appointment. Being energetic, I said I would wait. Then she left the room and closed the door and snap--out went the lights, and thee I stood in darkness - and I sat there for two hours. And if you have ever stat in a strange dark room you know what impossible thoughts come to one. I could not shake off the memory of my hostess' warning not to get murdered. (Laughter) Well, about midnight I heard the click of the turn of the door knob and I jumped up, I confess, almost in fright. The young woman came in and said Mr. Kerensky had come and would receive me. And we had a most interest talk.

We must realize Mr. Kerensky is not a Bolshevik in the remotest sense. I would suspect the government he sought to establish in Russia would have been modeled under our government. He has been a profound student of world affairs, and while I am not certain he would talk about the Outlook of Business for the United States, I am sure he will have very interesting things to say.

Mr. Kerensky. (The audience arose and applauded)

Second Speaker

Mr. Alexander F. Kerensky

When Mr. Ely kindly suggested that I come and address this Club, the first and wholly natural reaction was to ask myself, why was I called? What could I say to a gathering of men, weathered

and experienced in the practice of economics, about the “Outlook for Business,” which as I gather is the concrete and specific object of this discussion?

And then, on second thought, I was led to feel that perhaps my presence here was not a mere accident, that the very fact of my being called upon to address you, is significant in that it reflects the new order of things, that particular novel inter-reaction between politics and economics, which arose out of the Great War and which at present confronts mankind with burning questions, on the proper answer to which depends nothing less than the future of human progress and civilization at large.

To those who may have anticipated to hear from me something very practical and real about foreign investments, about that or other aspects of international trade or world credits, may I say with all conviction, that there is nothing which in its immediate reality and practical importance surpasses the fact, that there are at present working in this world certain general ailments, which poison and undermine at their very roots the very premises of steady economic progress, thus eclipsing and threatening the outlook for business on a world scale. It would seem therefore, that business could render no better service to itself than by licitly and earnestly taking into account what has come to pass, and by making up one’s mind as to how the issue is to be practically faced.



Mr. Chairman, a deep and significant change has taken place since the War between politics and economics or, figuratively speaking, between “homo politicus” and “homo economicus,” between the “political” and the “economical” man. In the past, throughout the XIX Century the accepted notion was, that politics was subservient to economics, and that political structures reflected primarily the prevailing economic order. Whether right or wrong, nothing is left of such contention. The social and psychological effects of the devastating tornado of the War, which shook the old world at its very foundations, are far deeper and tragic than most people realize. A momentous feature is, that “homo politicus” has rebelled against “homo economicus.” Throughout these last decades, Mr. Chairman, in different countries and under different aspects, the social and national passions released by the War, have impelled peoples to political paths, which are incompatible with the lessons of history, with the natural features and tendencies of men.

In those by-gone days the common ideal was Liberty. The luminous goal, towards which all people seemed to be string, was a free democratic order, within which man, secure in the enjoyment of his inalienable rights, was free in his economic pursuits.

Also natural economic evolution was rapidly welding the different national units into an economic entity in step with the unifying ties which grew out of the common humanitarian aspirations and common culture.

In those by-gone days moreover emphasis in the economic field were primarily of “production.” The demand on the whole was ahead of the supply. The dominant economic urge was to develop productive forces. In that again a change of the deepest significance has taken place. The advances of science and technology have solved the problem so far as production is concerned. The technical revolution and the reorganization of the world since the war on a machine basis have endowed mankind with a productive capacity capable of supplying every human being with means for an abundant and comfortable life. The problem has become essentially one of distribution or better to say of circulation and consumption, Indeed to make use of the technical resources it is imperative to insure an uninterrupted and rising rate of consumption of the goods produced by the people at large and any interference and disturbance in these processes of absorption of the goods is bound to lead to violent concussions and to inevitable crisis.

Mr. Chairman, a basic paradox seems to be dominating our life, a paradox senseless and intolerable in its very essence. With all the technical means at its disposal, humanity has failed to put its house in order and one economic crisis follows on the steps of another, dislocating the well being of society, depressing the standards of life, increasing unemployment and misery.

One paramount feature in this whole situation seems to have escaped the vision of observers. The functioning of that most complex economic structure, which constitutes the present productive and consumptive apparatus, requires as an indispensable premise political and social stability. Only in the absence of fear, only when secure in the assuredness of the coming day, can an

individual exercise his economic functions and enjoy the economic opportunities to a degree which is essential and imperative for the uninterrupted functioning and progress of the economic whole. The fact Mr. Chairman now is that none of the stability, none of the continuity, none of the psychological surroundings essential for economic progress are possible outside of a solid democratic order irrevocably based on individual liberty and on freedom of economic initiative.

(Applause)

Now Gentlemen, the dominating feature of the last decades of world history is, that the essential foundations of economic welfare are being destroyed by willful determination of the “political man,” who has raised the banner of rebellion against the natural laws of cultural development, and by fanatically discarding the natural conditions of liberty and freedom, is setting back the XX Century to medieval conditions of barbarism, imposing on mankind continuous warfare of all against all. What is the use of all the technical progress? How can one be assured of any continuity in distribution and consumption, when all certainty regarding the next day has vanished, and when life for the peoples is unfolding under the constant threat of armed conflict, with the ever-present ghost of fratricidal civil war. All the richness in natural resources and in industrial equipment cannot save a country from economic degradation as long as the whole fabric of international trade and world economic interrelations is subject to violent and sudden concussions, and while one country after another may suddenly be plunged into medieval isolation and surrounded by the artificial and unnatural barriers of political and economic atrophy. In fact, how many of you gentlemen present must have sensed the force of the economic

impacts which suddenly struck when barriers were unexpectedly erected around different countries in Europe and the Far East? My contention accordingly is, that the greatest danger with which the business outlook is threatened, rests in the rise and triumph of political dictatorships, in the advent and establishment of the so-called totalitarian systems. When speaking of the totalitarian systems, I refer to the both brands with which the world has become familiar. I mean equally communistic despotism as well as the dictatorships of fascism and Nazism. I hold that the totalitarian state whether left or right, by destroying liberty and doing away with the freedom of economic initiative and pursuit, undermines the basic main-spring of human economic activity and thus fatally condemns the world to economic retrogression.

I am fully conscious of the fact, that in many cases certain industrial circles had welcomed the advent of disciplinarian government, in the blind hope that “law and order” was to protect them from the spectre of anarchy and would reinstate to industry that particular type of control of economic life, which they had enjoyed in the bygone days of the pre-war era. Alas, as events unfold, these circles are being brought to realize, that present day dictatorships which seek and reap this power in a demagogic appeal to human passions and fanaticism, are using economics only as a means for unlimited domination, as a tool for unrestricted totalitarian autocracy. A sad counterpart on the other hand is offered by shattered illusions of the toilers, of those workingmen who in time did succumb to the dazzling promises of a communist millennium only to find out in reality that the so called dictatorship by the proletariat turned out to be an unlimited despotism,

which in cruelty and autocracy of its rule finds no parallel except in the Asiatic satrapies of ages ago.

The fact is that man, in a totalitarian state, whether of the left or right brand, becomes a pawn, a slave addicted to misery and obedience, with no recourse and no appeal for the defense and protection of his natural economic, political and human rights. The experience which the world has witnessed through these trying years would seem to warrant a statement, which in fact one could set as a basic maxim to guide in the days to come.

Economic and political freedoms are organically interconnected. There can be no economic progress and no prospective outlook for business outside of the framework of political freedom just as there can be no real political liberty outside of a system basically founded on free economic initiative and pursuit.

If the purpose of civilization and the aim of human progress is a hope for a happy and abundant life for all, it can be rightly said, that there can be no happiness and abundance outside of freedom, and that political and economic totalitarianism inevitable condemns mankind to a miserable and impoverished existence.

Gentlemen, a situation has this arisen, where business, where the economic man, cannot and should not remain passive towards the doings in the political field. Moreover it is not possible to

uphold the economic welfare of any one particular country in a blind indifference towards the offensives which totalitarian dictatorships are waging against the freedom of the world. The question is not, whether business may succeed in land that or other clever deal in Nazi Germany or Communistic Russia, but in the major fact that the totalitarian systems, whatever their names, are destroying the very main springs of economic well being on the world scale.

Time has come to realize the import of these plain facts and to assert with all earnestness that there is no permanent outlook for business or for any economic progress outside and without the reassertion on a world scale of the principles of individual liberty, of individual initiative and individual responsibility. Indeed, the present day man, as a working unit, requires freedom to sustain his energy, just as a mechanical engine requires fuel.

Present day industry, in its unprecedented technical complexity, demands from the last man a degree of initiative and personal responsibility, unknown and unheard of in the days of the pre-war era. And the plain truth is that these indispensable faculties of initiative and responsibility can live and flourish only in a man that is free.

Mr. Chairman, I maintain that a man, who is free, is unthinkable outside of Democracy, outside that natural political and social order, which assure man security of the coming day, which would guaranty the inviolability of human life and human rights, which would warrant the free pursuit of spiritual and material creation. I earnestly wish that businessmen throughout the world would

understand the fundamental truth, that the economic problem which the world is facing, cannot be solved without the return of the whole of humanity to the paths of natural and normal development, without the re-establishment of freedom on a world scale. I should like to impress upon you further, that the resurrection of political barbarism imminently sets back the economics of the world as a whole. Totalitarianism, whether of the communistic or fascist brand, carries but one promise, "Socialism of beggardom."

It is very essential, that there be no misunderstanding as to the meaning of the term "freedom," which I have been using. When stating that freedom of economic initiative and pursuit is the indispensable basis of economic development, I am far from preaching a return to those particular forms of freedom, or better to say, License, which characterized the far distant epoch of early capitalism. The broad concepts of social justice and social security have come to stay and have become an organic part of the concept of democracy. Moreover the very complexity of present day social structure and the tempo of technical process make it imperative that the interests of the whole, expressed by government and primarily by organized public forces, would prevail over the possible selfish aspirations, of particular groups. The totalitarian states have taken upon themselves to solve this complexity by suppressing freedom altogether and by enforcing a system of state capitalism or better to say bureaucratic serfdom.

In fact, the rise of a self-sufficient and omnipotent bureaucratic caste, wielding unlimited regulating power against which the individual stands powerless and helpless, is particularly

characteristic of the present state of affairs. The repugnant picture of dictatorial management has naturally prompted a strong reaction against the idea of any rationalization or regulation of economic relations. This of course is an equally dangerous and non-constructive extreme. Obviously there can be no return to the order which prevailed in the XIX Century. The psychology of the new man is basically different. It imperatively assumes that the interests of the particular groups should be subject to the welfare of the whole. However, the prospects of a democratic solution of this vital problem, must not lie in the creation of omnipotent bureaucracies, but should spring from a free and effective cooperation of the different life groups, which organically participate in the main functions of present day life.

With all earnestness do I state, that nothing less than the future destinies of humanity depend on whether the free peoples of the earth show themselves able to find adequate and efficient forms for a rational and well regulated economic life, based on the precepts of individual liberty and individual initiative, forms and ways which will confront and effectively challenge the bureaucratic capitalism of the totalitarian dictatorships.

Mr. Chairman, democracy is on the defensive. Free government, the aged principles of human and economic liberties are being fiercely attacked and partly shattered. To the fanatical onslaughts from the right and from the left, the free peoples of the world must oppose a united front, a supreme determination to preserve free government and the eternal principles of human rights. Never before has the world passed through a crisis as deep and momentous as at present.



Democratic thought and philosophy must face the issue with a new courage and determination, prepared to discard many of the customary shibboleths, many traditional and outlived prejudices and words. The most imperative necessity is that all and every class and group, who continue to cherish freedom and human rights, should find the strength and the will to rise above their own small selfishness in a consecrated endeavor to save the common cause. It is not sufficient just to watch, even with indignation, how others are destroying and mutilating human life. The forceful dynamics of the dictatorial groups must be brought face to face with an equally dynamical creative impulse on the part of those, who have faith in the concept of a free man in a free country.

If the democracies of the world, including those of the Americas, will fail in re-establishing the reign of liberty throughout the world, mankind will not only never emerge from a continuous economic crisis, but in time will inevitable drift into a new armed conflict, a catastrophe which as matters stand will mean the eclipse and destruction of civilized life, a return to the dark ages.

Mr. Chairman, Gentlemen, there is but one hope which bars the way towards this tragic and dismal prospect. That is the eternal beacon of human freedom. And I must say that in these tragic times you people have a great international responsibility because now the United States is the strongest fortress and defender of freedom.

.....The audience arose and applauded.....

MR. PAUL D. CRAVATH: I am sure that in listening to Mr. Kerensky's interest address, it occurred to us all how different it would have been for the history of the world during the past twenty if his government had prevailed in Russia.

Our next speaker is from Washington where he is supposed to sit very near to the throne. Apart from his close association with the President, Mr. Stanley High is entitled to our respect for his other achievements. He has been a distinguished editor and journalist who is the founder and for many years the President of the Good Neighbor League. It is a great pleasure to introduce Mr. Stanley High. (Applause)

Third Speaker

Mr. Stanley High

President, Good Neighbor League

Mr. Cravath, and Ladies and Gentlemen: I can see I have got a number of things to set right, because the place where I sit is not quite the place Mr. Cravath has located me, and I feel acutely the company and the consciousness of my place here, speaking on this kind of a subject, because I am neither a businessman nor an economist. It is possible that that is why I was invited to speak. However, I gathered that I was here chiefly to act as a sort of foil to General Johnson. But I am glad to serve the General in any way I can--yet I have a hunch that being a foil for him is going to be quite tough on me.

But, in the course of the pleasant instructions I received about my speech tonight, I was told to raise my voice on behalf of the New Deal. I am flattered that I should have been chose. I don't know whether there are more articulate people available anywhere than there are now at Washington, and why Mr. Ely should have chosen me at something more than cost, when these others might have been obtained at cost, is something I do not understand.

And I am surprised too, and I suppose Mr. Cravath will be surprised to know, that this is sort of autobiographical--I am not one of the chorus any longer, nor could I even play around any longer with the chorines.

There is this to be said about the New Deal Organization, and General Johnson knows it better than I do--when you are in the New Deal Organization, you are in all over, and when you are out, believe me, you are out all over. Of course in some cases the process varies--sometimes there is a tapering off--you are sort of eased out of the picture. In other cases it is an abrupt process. I imagine the easing out process is easier. But the latter was not the method followed in my case--I got out very much as I would like to die--all at once. But it wasn't a very pleasant experience while it lasted, but there was never any doubt in my mind or in the minds of anyone else and, looking back on it, I would say that I have had no more feelings of having regret than they have of having any regrets.

But I think I got out just in time. I have had, in the past, some pride of having had, in a sort of a post script way, something to do with some of the things which happened before I got out. I should hate to have had much to do with some other of the things that have happened since I got out.

I am now going to proceed with my New Deal speech as Mr. Ely would say. I am not going to talk, primarily about today's legislation or tomorrow's speeches, or maybe I should say today's speeches, which may be terrible, and tomorrow's legislation, which might, possibly be worse, but I want to talk, if I can, about some of the perspectives I think we need bring to bear upon the long-run picture in which we are involved, and I think that in getting that kind of a perspective it is essential as an introductory step, that we should begin to put politicians and political parties in their proper place.

As Americans, or as human beings, generally speaking, we have got to have a goat, and politics and politicians provide the goat. They are cushions, as it were, between the sore spots and the external world. They are the excuse upon which we can conveniently fall back.

But I think it is important that in a democracy neither political parties nor political leaders are essentially creative forces. However much we may blame them for the evils or the good that materialize they are essentially merely the implements for something far more fundamental.

I think that it is a superficial analysis of the New Deal or Roosevelt, or the Democratic Party-- whatever that is--it is a superficial analysis to ascribe to them what has happened in the last five years. I know, and anybody who knows a few more than the first things of the Democratic Party know perfectly well that the Democratic Party was not the creator of the thing we are now talking about, and in which we now find ourselves. It is the product of something that started a long time before, and precisely the same thing applies to Roosevelt. If it had not been Roosevelt then it would have been somebody else, and that other person would have been pushed forward by the very same ground swell that pushed him forward--of course he does some incidental shoving.

Now this force that is in back of the New Deal, and which in my opinion has made the New Deal tendency inevitable and irresistible--the force in back of it is made up essentially of two things, neither new in the history of the Western World, but relatively new to us in as far as we have had to give them practical consideration.

The first of these forces is obviously I think, the consequences of the concentration of our industrial civilization. Now this dispute which has come to the fore in the last five years, involved in this that we call the New Deal, is something that began a long time ago, in American history. It started in the dispute between Hamilton and Jefferson--and as is often the case in such political disputes, they compromised, and therefore neither side won. We seemed however, to accept the Hamiltonian system in our economic organization, and to accept the Jeffersonian

system in our political organization. We have consistently enlarged the borders of participation in the running of our political life, and have become increasingly democratic.

On the other hand, in our economic development we have had a concentration and an ever-developing concentration of control. So while we have had a democracy politically, we have had an oligarchy economically. One of these days, Jefferson prophesied, we would be obliged to face that very issue, and when that time comes we will have to settle it once and for all. We will either be an oligarchy or we will be democratic. And in the developing economic system, it seems to me that perfectly naturally, and as no indication of the perversity of those who lead in our development, we established what might be described as a “drip-system” of economics.

You probably know how coffee is made, by the drip system, and it makes very good coffee, too. We have been saying all along that if you legislate for the salvation of prosperity at the top, a fair share of that prosperity will by the law of gravitation, drip through to the bottom. That has been the history of economic legislation. But you will discover that in the last 50 years it has been ten times as hard to get legislation for the bottom as it was to get it for the top, and it is with that sort of issue in our economic system that we are now confronted.

For many years we escaped the consequences of this concentration of industrialism, and this oligarchy, because of two things: In the first place because of the size of the country. By that I

mean, if people in New England, for instance, did not like the conditions, they could lift stake and go out West and start all over again. That is because we were an unexploited nation.

Then there is a second safety valve: We had, constantly moving in, and at the lowest economic level, an almost unrestricted tide of immigrants. They were on a lower level economically than we would ever have been satisfied with. In fact, my own grandfather, my own grandparents, came in to this country as part of that economic tide--they didn't stay at that low level very long, but they were a part of that cushion between those who had been here longer, and the worst of our concentrated industrialism.

And with the World War or before the World War, it became apparent that these avenues of escape were no longer possible--that we could not run away from the consequences of this problem any longer. Immigration began to be cut off, and unexploited territory ran out. So we found this problem squarely in front of us--to determine how we could find new escapes and new ways out, that formerly had been provided by these other means.

That is the first point to bear in mind; it seems to me, what seems to me to be an irresistible tendency in American living.

The second thing is that we have been committed during all this 150 years of history to all these processes of education and enlightenment. We have had public school education, the radio, a free

press, free discussion, and as a result of these things, people, the level of intelligence of the people, has risen, and questions have increased, and the discontent with things at the level of which people have had to live has increased. I have been frequently asked if I do not think it would be a good thing to reestablish proper qualifications for the right of franchise in the United States. And there is always the implication that on certain economic levels in the American life there seems a serious lag in intelligence. I wish I was as sure of the clear-headed necessity of the middle class people as I am with some of the working class people I have recently come in contact with. And if you want proof of how soundly the working class thinks, look at the last ten years.

If middle class America had suffered in the same way the things that lower class Americans have had to face, I doubt if they would have borne them with the same degree of patience.

The questions are altogether too pertinent to escape. During the last campaign I made several speeches for a certain one of the candidates. In one case I was in a small city in the Middle West. I soon discovered that it was an audience made of social registrites, mostly women and we were in one of the best hotels in the City. But at any rate I was there and I made the speech I saw I was scheduled to make, and before the end it was apparent that they did not like it.

At the end of the meeting they asked if they could ask questions. And they put me on the spot for a half an hour, and it turned out to be a hot spot. Over in the corner I saw one waiter at the



beginning of my talk, but before I got through there were seven waiters standing in the corner. When I finished one of them said, “We have heard what you had to say, and what these women had to say and we want you to know the folks in the kitchen are all for you. It seems that people in America on that level are making up their minds and the pattern they are making up is not merely our pattern but this increasing intelligence which seems to me the second force which makes this thing irresistible. Well, the consequences of such a force in our economic order are of course new for us, and the question that naturally confronts us is, what can we do about it?”

It is interesting to discover that there has been a parallel development in at least one other nation, along about 1900, in Great Britain. The industrial classes partly because of the system of education and partly because of the operation of the industrial system caused an acute necessity for the working classes of England to take part in political life, and there appeared the Fabian Society which gave expression to proletarian Great Britain.

Because of this stirring and unrest, and these unsatisfied aspirations, there arose a British labor movement that went into politics. It is interesting not primarily that it was a labor party, but a liberal party, and in those days Mr. Lloyd George was their leader. You all remember in 1910 when he was laying the foundation of England’s new deal, and how he took the issue involved into the social legislation, and how the power of the House of Commons increased, and it is enlightening to notice the same things with the same fever that one sometimes hears in the United States is somewhat analogous.

When the World War came on the British Conservative part which year after year had fought these ne tendencies woke up to discover that this was not an opportunity to be turned back. Therefore the British conservatives were faced either with the contingency of fighting this tide or of taking it over, and running it, and making it obedient to its constructive desire, and the constructive desires of the British people. They chose the latter course and the result is today that the British Conservative Party is now the custodian of the New Deal and which before the War had been condemned in the Labor Party.

The political result is that the British Labor part has been practically eliminated and the Labor Party in Parliament is not a serious factor, and they therefore have the most soundly organized labor movement in the Western world, and the most workable security system in addition, and in my opinion, at least, democracy and capitalism in Great Britain are on sound foundations, sounder than in any great nation outside of the United States, and this is because British conservatism discovered that here was something that could not be broken up but could be managed. The question ahead of us is whether or not that is likely to happen here, Well, I think there is a need for it to happen here.

We have had for the last five years prophetic administration, and there is indeed a place in all history for prophets.

GENERAL HUGH S. JOHNSON: How do you spell it?

MR. HIGH: My own feeling is that we need more of both at present, and I think we can pause in our condemnation of Roosevelt and the New Deal on the management side and say he has done a good job on that score.

That is why at this present moment I think conservative management is the thing which is called for. I haven't anything very significant to offer by way of suggestion as to how that can be brought about, but I have one or two ideas as to certain things which seem to me to be highly desirable if conservatively minded American business is to begin to function as it should function in giving executive and efficient management too many of the desirable things which have been established in the last five years, and the first of these things that seems to me to be necessary is that business in the United States might very well give evidence of its belief that there is more to the matter of government than the size of the individual's tax bill.

Now, I don't like high taxes any more than anybody else does, and I am very sure that taxes may be a very hampering economic influence in the present state of the country. I am not sure but that taxes may be a hampering influence, and that uncertainty is far more hampering than the actual size of the tax bill we are obliged to meet.

Nevertheless, it is an erroneous idea to believe that the mere reduction in taxes necessarily means better or safer or sounder government, and it is a superficial conviction to go ahead on the assumption that all we should ask from our government is a tax bill that is kept down to the minimum.

In our kind of a highly articulate and increasingly intelligent society there are some things far more costly than high taxes. Breadlines are more costly, the tenements are more costly, child labor in the long run is more costly than high taxes. (Applause) There are a great many things that it would be perilous for us to sacrifice merely to accomplish the reduction of taxation. I think that one of the first things conservative America might do would be to broaden its governmental horizon a little bit and include in its concern some things other than those things which are merely related to the reduction in the tax bill that annually we are obliged to pay.

Then in the second place, I think we might also, as my presumptuous suggestion--as a qualification for this essential leadership, I think we might also broaden a bit our conception of what apparently we think is contained in the Bill of Rights.

Now the general impression that I get in too many circles is that the only right that is guaranteed in the bill of Rights is property rights. Well, that is there, and for one, I thoroughly believe in property rights. I have got more rights than property, but I believe in it nonetheless.

But when people throw up their hats, however, and get in a great stew and lather and get themselves excited about property rights, I am ready to join them in all the hullabaloo, but after it is over, I want to ask them how willing they are to throw up their hats and get just as excited about certain human rights. (Applause)

Whether those who are alarmed because their property rights are threatened are alarmed about a variety of other social evils and economic sore spots that exist in our American civilization, the trouble with a lot of the people who shout about property rights is that that is the only kind of rights they do any shouting about.

Now, it is the history of revolutions, I think, that no revolution I know of was ever begun because the society got careless of property rights; revolutions always started when societies get careless of human rights, and that is particularly the case where in a society you have got a constantly rising level of intelligence.

I think we need to increase the area of our excitability and get excited in some other aspects of relationship than those we relate to the things that we possess.

And then, finally, I think there is one other thing that might be pertinent, and that is that we might likewise somewhat broaden our own individual contacts. It would be a very desirable thing, I think, if American conservative leadership could every so often take some sort of an

economic expedition over its accustomed economic horizons into areas for people who live on other economic levels, live and try to move and have their being. It would be a very salutary experience.

I am sometimes amazed at the unsophistication, the disqualifying unsophistication of some of my conservative business friends. I live in a little town out in Connecticut, and I know just what they do, because I have done it with them. They get up every morning and get the same train and sit down next to the same person whose prejudices can absolutely be counted upon; they read the same newspaper, they can be depended upon in every situation to stay put. They go home at night reversing the same process, but not changing the prejudices or ideas. They spend the weekends at the same sort of a club, and from one year's end to the next they never shake out of that excessively limited environment.

Well, now, believe me, if conservative business is going to provide the kind of leadership for an awakening America than that America needs, it will not be until it is more familiar with the thoughts that are stirring and the aspirations that are alive and the movements that are underway in the areas beyond the little economic circle in which we happen to like to live, and therefore, I would make that as a suggestion.

I don't believe that American institutions or that Americans as people have yet become so inflexible that it will be impossible to adjust, as England once adjusted to this sort of a moving

tide on which we are these days. I think that America is a young enough country to continue to face forward.

Another one of the speeches I made in the campaign was in the company of a senator from the South. If you know anything about senators from the South--well, senators in general--you will know about the kind of oratory to which many of them are addicted. It is the kind of oratory which drags in the scriptures and Shakespeare by the scruff of the neck whether the speech needs it or not. Well, this man was speaking on the program, or I with him, and he dragged in the scriptures and Shakespeare and had them strewn all over the place. Well, it was a very moving speech, and he worked up to a very moving climax, and at the climax he got his wires a bit crossed and he called on his audience and said, "Now let's give three cheers for the President of the next United States."

Well, he was all off, a long ways off, and we all enjoyed the joke, but as I thought about it afterwards, it seemed that it wasn't a half bad idea. (Applause) that if we are aware enough of what is transpiring today and what is possible tomorrow, and if we are sensitive enough to the forces that make that thing irresistible, then it is altogether possible that we will not turn back and elect a president of 1920, or 1910, or 1900, but in 1940 and in every succeeding year we will elect a President of the next United States, and in all those periods the next United States will be a better place than the last United States has been. (Applause)

PRESIDENT CRAVATH: If Mr. Stanley High is as far outside the New Deal breastworks as he thinks he is, I am sure the Economic Club will vote unanimously for his recent statement.

(Applause)

General Hugh S. Johnson requires no introduction to the Economic Club or to any other American audience. (Applause) We may be sure he will tell us just what is on his mind, and that he will earnestly believe all that he says to us. (Laughter and Applause)

General Johnson.

.....The audience arose and applauded.....

Fourth Speaker

General Hugh S. Johnson

I don't know why Stanley High thought he was selected to be a foil to me. As a matter of fact, he and Mr. Kerensky have made my speech for me, and I hesitate to repeat it, because it is almost along the same line.

One thing, whatever you may say about Franklin Roosevelt--and I know many of you say much-- (Laughter)--you must give him credit for this, that he awakened this country to the necessity of the majority fortunate enough to take care, under modern conditions, of the majority who are



unfortunate, rather of the minority who are unfortunate. (Laughter) but any idea that I have--- hell, I invented it. There isn't any question about that in the minds of any people here, but the argument that I make as Mr. Kerensky made very eloquently, is to use that necessity as an excuse for changing the fundamental principles of our political and economic system to wander over into some vacuity is the curse of our present situation. (Applause)

I was assigned two subjects. In one letter from Mr. Ely, I was to discuss: "Can Government Spending Stimulate Business?" and in another, "The Outlook for Business." One subject controls the other. If the Administration goes back to its original policy of a budget balanced by economy, then the outlook for business is excellent. If it sticks to the heresy that colossal debt is a blessing, drunken-sailor squandering a gift of God and high taxes, the way to the more abundant life, then I have no subject at all -- The Outlook for business-- there ain't any.

Which will it be? I don't know. Even since Congress declared some independence, it didn't vote any economics. It is an astonishing thing to me. In five years the only success the President has had in recovery was on the reverse of the spending theory. He went into office thoroughly convinced that the only way to break the depression was to restore the tremendous impetus of millions of private initiatives seeking to launch their money, their intelligence and their effort in the hope of making a reasonable gain and keeping a reasonable part of it.

That, I think, was intrinsic in Mr. Kerensky's speech. Along about the time of the Declaration of Independence, Adam Smith wrote the Wealth of Nations. At that time there was revolt across the

Old World from any kind of domination, because the world on the economic side was in the grip of the so called mercantile theory, and on the political side it was on the side of despotisms of various kinds, and the whole world was revolting from it because of superior education and advancement. The American Revolution was absolutely step by step with the revolution in economics, that we must free the initiatives of everybody.

Now that thing immediately resulted in a revolution, bloody revolution in many places, but as frequently results the pendulum swung from the freedom obtained by revolution to what happens afterward, it began to result in despotisms, despotisms in economics, as Mr. Kerensky suggested, controlled by despotisms in politics--but in this country we sat here and wrote a charter that both political and economical freedom should be guaranteed by a Constitution, and I think that is what Mr. Kerensky meant. The speech he made here tonight might have been made to you by either Thomas Jefferson or Alexander Hamilton, because the theory was the same. (Applause)

I recall very well, that just as the New Deal came in, a gentleman who died in Gary, Indiana, the other day, called Dr. Work, announced that he had heard rumors in Washington that Mr. Roosevelt was only Kerensky, that somebody else was coming later. Dr. Work died too soon.

I remember also, that sometime earlier a man died in New York whose name was Mr. Sheehan, and he was one of a team called Gallagher and Shean, who devised a little formula for discussing various public subjects about Mr. Gallagher and Mr. Shean, and on that subject I can only paraphrase slightly that on Mr. Kerensky, you ain't heard the half of it. (Laughter)

Mr. Roosevelt in the beginning of 1932 and the start of his campaign had no faith in the advice that anything government could do by some easy magic could equal what could be accomplished if only we could banish our overwhelming cautions among 125,000,000 individual American. He wanted to release their energies and their imaginations in the primal urge of every man, which is to produce more and to have more, to bulwark the future for himself and his dependents.

Anybody who doubts that should re-read the candidates great speech before the Common wealth Club at San Francisco. Read the budget speech at Pittsburgh, in 1932. There he said that “taxes are paid in the sweat of every man who labors.” He warned that the rocks that have wrecked too many liberal governments have been fiscal heresies of money magic--condemned by the political history of the whole world.

He pointed out absolutely necessary reforms in our existing system with an almost uncanny clarity. But the distinguishing element in the 1932 speeches was that, while we proposed uncompromisingly to cut those cancers out, we did not propose to depart one inch form the fundamental principles of the economic incentives which had lifted the country immeasurable above the levels of the rest of the world--individual initiative activated by the hope of individual gain.

I don't need to guess about the sincerity of that conviction. I know. I sat in the councils that outlined that economic program. There for the first time, I heard faint piping's of the heresies which later supplanted it. In those days Supreme Authority merely laughed them to scorn.

It was a great and goodly season. I was convinced then and I maintain now that the original New Deal, as outlined in the 1932 Democratic platform and campaign was and still remains the true charter of recovery.

I had no business taking a job in the First New Deal; I also had lost mine in the cataclysm. Nobody was more confident than I that, under the policies then proposed, I could get it back. This country was going places. But, having helped to plan some of it and being so starry-eyed about the principles of it, it was impossible to reject a request to be part of it.

There has never been a more glorious experience than the "Hundred Days" -- the glorious first few months of the First New Deal. We were going fearlessly to write off the paralyzing losses of the great delusion of 1929. We were going to liquidate our debts for dead horses. We were to convince private initiative that, as the President said, the only thing to fear was fear itself. We were to do that by a billion dollar cut in the regular expense of government--25%, looking toward a balanced budget. We were to carry out the most solemn pledge of the campaign, given to induce the support of Carter Glass, that there would be no interference with the platform

pledge of a sound currency at all hazards. Nobody was going to starve but spending was to be limited to self-liquidating projects--money safely loaned, not money incontinently squandered. Lewis Douglas was Director of the Budget. He launched himself into that Holy War as into a new Crusade. The President and he courageously carried out the budget policy to cut 25% in spending. This coupled with inspired action in closing the banks and sequestering the private supply of gold to maintain the public credit thrilled the country with confidence. Stagnation of private business ceased.

Results were without precedent. The jump in all indexes--production, prices, employment, car loadings--all were the greatest in the shortest period of time in our history. There was hardly anybody who did not come to believe that a deliverer had been anointed. We were on our way.

I don't know exactly what happened in mid year 1933. I was too busy with a bear I had by the tail--or rather an eagle. But I do know that the voices I had heard faintly piping in the 1932 campaign were clearly becoming dominant. According to them, economy was a mistake. General business trends should be managed by government. It could be done through a new fiscal necromancy,--not by balancing the budget but by unbalancing it. Colossal public spending could take up any remaining lag in private spending and bring full prosperity at once.

Debts were not to be liquidated and losses taken. A controlled credit inflation could blow life back into putrescent dead horses. By cutting the gold content of the dollar, all prices could be immediately restored to the 1926 level.

The automatic new control of business was to be a debt of between forty and one hundred billion dollars, created by deliberate federal spending. This was to be forced upon the banks in exchange for the savings of the people. Instead of a curse it would prove a blessing. “Debts of the Government,” says this philosophy, “are credits of the people.” This debt can be used as a sort of piano keyboard to play under the hand of government almost any economic tune desired.

When times get too good and too much activity results in high national revenue, you can sock on heavy taxes, retire part of the debt. This restricts bank credit and slows up booms. When times get bad, you reverse the process. Increase the debt. Force it on the banks. This instantly creates a vast new credit and easy money. This in turn pulls a period of renewed prosperity.

This complete reversal of the 1932 policy began to develop about mid year 1933. It was not clear and complete then. But a disturbing change was clear. Its first symptom, the repudiation of the gold clause in bonds--simply stopped the recovery swing of the Hundred Days like a stone wall. It never came back again.

After that recover churned up and down it was encouraged by the overwhelming election of 1936. The country confidently expected an “era of good feeling.” All economic indexes point up again in early 1937. They also were stopped by the revelations of the first half year that the advocates of these heresies were seated more firmly and riding harder than ever. The government Reorganization Bill--the court packing plan--the proposed regimentations of industry by the Black-Connery bill and of agriculture by the new AAA bill--the 7 TVA’s proposal--insistence on spending and business paralyzing taxes--the general tactics of lambasting business as the villain of the plot by practically every Administration utterance.

It stopped the 1937 recover. As the 1933 recovery had been the swiftest and greatest in our history and had been stopped by a blundering reversal of policy so the 1937 demonstration of a policy of continued restrictions of initiative and reliance on governmental magic--resulted in the sharpest and deepest drop in our history.

The 1937 developments are a piteous tragedy. Why, when the President went into office in January 1937 with an unprecedented support of a majority of nearly all classes and on a great wave of hope and confidence, he could have led this country to almost any heights of recovery. He could have had almost any reform within reason and within the tradition of our institutions. He could perhaps have gone down in history as our greatest President save one.

As it is, the new and unsuspected program of the first four months of his second term shocked the country, halted our advance, lost him control of the Congress and pushed recover back into an abysmal depression contrary to economic trends in all the rest of the world. Political tragedy for him--economic tragedy for us all. How can such tremendous shifts in the helm of state be explained?

For the same reason, I think, that the rapid 1933 recoveries of 1933 and 1937 were halted by sudden revelations of unsuspected policy. The President is like Huck Finn's father, who, according to Jim, always had two angels whispering in his ear--a white one and a black one. He never got very far on the course toward a brighter day under the advice of his white angel that the black one did not horn in and undo it with a word.

What is the outlook for business? It depends on which angel now has the ear of Supreme Authority. Right after inauguration, I wouldn't have called the little group that was putting their ideas over with machine gun rapidity black angels--rather pink, I think. But they were certainly making policy. Just now their voices are hardly heard on the hill. The Senate is beginning to function --without too much pressure either. And most of the Senate leaders believe more in the orthodox First New Deal of 1932 and much less in more recent heresies.



It is true that the Senate hasn't done anything to reduce spending but it is also true that most of these Senators believe that four billion dollars of pump-priming isn't going to make up for the lag of 40 billions in national income. (Applause)

Naturally, spending of four billion dollars by government, to increase the income of the distressed or unemployed, results in that much added spending by the lower income classes and to that extent stimulates business. Nobody denies that.

But the trouble with our economy is not a lag of four billion dollars in the established pre-depression measure of American business.

It is a difference between the 80 to 90 billions of production which are necessary to absorb jobless and the 45 to 50 billions we are enjoying now.

We know that with 90 to 100 billions of income, unemployment will be negligible because we have experienced that. But it is becoming clearer every day that no amount of possible government spending can fill that gap. That can be done only by releasing the private capital and initiative of millions of Americans.

I think that leading Senators are convinced that such private initiatives cannot possibly be released under the exotic policies I have discussed--excessive, punitive and unscientific taxation-

-attempting credit inflation by manipulation of a grotesquely mountainous debt--constant kicking around of business--continued uncertainty as to whether we remain devoted to the fundamentals of a capitalist or profits system--or whether we are chasing some Fascist or Communist vision of production for use and not for profit and state operation of our whole economy.

The outlook for business depends on one single thing, to clear the air of these doubts and to get our feet back on the solid ground of the economic experience and wisdom of the ages. That clarification, I believe, rests largely with the Senate and in my observation the leading Senators do not need any lectures on the ancient verities. The real question is whether political pressures and party loyalties will control their economic wisdom.

When I speak of the timidities and cautions that are damming up millions of initiatives which, if activated could add the needed forty billions to our national income I am not speaking of wealthy men and big money. Big money never ceases to earn. In times like these it retreats into tax-exempt securities and non-productive investments instead of launching the kind of venture needed to restore recovery. But after all, it is a relatively small part of the whole. I am not discussing it at all but the far greater pool of billions in cash and potential credit which remains idle through these massive uncertainties. I am thinking of hundreds of thousands of small merchants and manufacturers who have let their shelves and their stockrooms grow bare because they fear what may be around the next corner. I am speaking of workers, farmers and even people on relief--everybody who has one nickel to rub against another--who prefer to wear

overcoats another season and get dilapidate shoes half-soled rather than to take a dime out of reserves against some rainy day.

This may seem small in each individual case but in the bulk of a people of 130,000,000 the combined effect is like the drying up of all the millions of grass-root rivulets from the valley of the Rosebud to that of the Red River, whose annual discharge goes to make up the great volume of water which the Mississippi discharges into the Gulf.

The revolt of the Little Businessmen in the conference with Uncle Danny Rope, which some newspaperman called “Snow White and the 700 Dwarfs”, should not have been as surprising as it was. They know what the matter with them, and so does John L. Lewis know what the matter is with labor. In his much criticized British broadcast, he said words to the effect that to restore our prosperity, capital must be permitted to gain, as well as labor, or there wouldn't be any re-employment.

I have been criticized for these views by some former New Deal associates in some such way as this: “Why are you so concerned with the profits of business? Why don't you do something about the wages of labor, the prices of farmers, and relief for the unemployed?”

There you have the typical slant of the Third New Deal. They “do something about” this burning misery by pouring oil on the flames that cause it.

I began the fight for farm equality in 1921. I fought for the great advance in labor in N.R.A. I organized W.P.A. for 220,000 unemployed in New York City. And I have no such ownership in business as would push me one way or the other. In the views I have expressed, my only interest is in the unemployed, the worker and the farmer. But I am convinced beyond argument that the only way they can be relieved is to reactivate this profits economy of ours. It is physically impossible for government to relieve them by inordinate taxing or spending. On the contrary, that kind of taxing and spending, coupled with the other policies to which they are joined and which I have named--those policies to which they are joined and which I have named--those policies prevent and will continue to prevent their relief because they are the very policies which have partly paralyzed our millions of initiatives and prevented restoration of the lost 40 billions of national income which they must have to be happy.

Yes, government spending can stimulate business four billion dollars worth. But that stimulation, and the burdens that go with it, stimulate four billions and restrict forty billions. The bet on that philosophy against the ancient doctrines that peopled a howling wilderness of continental extent in the history of the human race--is exactly what those figures indicate--about 40-to 4, or 10-to-1. That is the kind of horse we've been playing. That is the trouble about the President's Gainesville speech. He says the policies helped the one-third of the under privileged, in five years of their operation, and one hundred and fifty years of American progress under the true ruling to show that he hasn't helped the underprivileged one third at all. These ancient principles

are their true friends, not his heresies, as these vie years and their continued suffering have amply proved.

Would a change back to the First New Deal restrict the great reforms of this administration in banking, agriculture, labor or the exchanged? Not under a single head. It would rationalize, but not restrict them. For the sake or upon the excuse of one, or all of them, it is not necessary to abandon the gas that makes our engine go--private initiative in the hope of gain.

It is the fashion to say that there are other countries far ahead of ours in social progress. We needed an awakening to our obligation to the less fortunate but this business about European systems which have been kinder to their people than ours is a howling joke. I will not go into dreary statistics more than to say that with something like 7% of the world's population, our people enjoy for 60% to 80% of the world's conveniences, such as automobiles, electricity, and telephones, radios. Our relative consumption of food and necessities surpasses the average of the earth by 80% and of our nearest competitors by 40%. Our people, 130 million, have a purchasing power equivalent to that of 500 million Europeans; of a billion Asiatics.

Doubtless we can learn from many countries but not, I believe, enough from any to change the essentials of an economic and political system which has done so many times more for our people than any of those systems has done for theirs. Our plan is not perfect, but if we have anything to learn from them the lesson is to let them along forever.

To return to my assigned subjects: “Can government spending stimulate business?” The answer is: “Not nearly so much as it can retard business.”

“What is the Outlook for business?” It is precisely the outlook for throwing these cock-eyed brainstorms out the window and acknowledging the simple principles upon which we have grown great.

Are they being acknowledge at all? By the Administration, grudgingly. By Congress, which is closer to the people and reflects more accurately this growing conviction, yes, and much more emphatically and generally than we realize.

You can see something of this in the whole history of the growing Congressional revolt since early 1937. An Administration reflects such change in public opinion, slower than Congress but in the end it is bound to follow.

The most heartening present sign is the tax bill. I believe that Senator Harrison will report back a bill that reflects the best accounting and business experience that has been put before him. The capital gains and undistributed profits tax, if not completely eliminated, to save somebody’s big face, completely, will be so emasculated that nobody can much complain about their restriction on initiative.

I don't like to pose as a prophet, but I am sure that any political government must follow popular opinion. I think the dark advising angels are being thrust by the very logic of circumstance, like foolish prophets forth and hence that we have turned a corner toward a distinct improvement.

(Applause)

....The audience arose and applauded...

PRESIDENT CRAVATH: Having had four speeches instead of two, as we usually have, we have less time for questions than usual. But we have some time. Mr. Ely has the questions. I will turn the meeting over to him.

#### QUESTION AND ANSWER SESSION

MR. ELY: Do you believe the American people would stand for Roosevelt's candidacy for a third term?

GENERAL JOHNSON: I can tell better in 1940.

MR. ELY: Mr. McDonald, Will Hitler oppress and persecute the Catholics in Austria as he has done in Austria, or rather, in Germany?

MR. McDONALD: I see no reason to doubt but that Hitler will do in Austria only more rapidly, what he had done in Germany.

MR. ELY: Mr. McDonald, Where can the Jews who are compelled to leave Austria, if they can get out of the country, hope to find refuge?

MR. McDONALD: There is not available anywhere in the world refuge sufficient to care for 200,000 Jews from Austria, not to speak of the 350,000 remaining in Germany, or the oppressed hundreds of thousands elsewhere. The only solution is for public opinion and the consciousness of the world to require that Hitler and other anti-Semites should recognize the elementary principle of humanity that men, irrespective of race or religion, have a right to live where they are.

MR. ELY: Mr. Stanley High, Does President Roosevelt really aim at dictatorial power?

MR. HIGH: that depends on whom you talk to. I think Mr. Roosevelt has something just short of a messianic confidence in himself, but his aiming for dictatorial power I think is always tempered by his political sense, sensitiveness, which realizes that there are some things which even under a Roosevelt regime the American people would not tolerate. (Applause)

MR. ELY: Here is a person question. Mr. Stanley High, Did you write the President's Fireside talks, and why? (Laughter)



MR. STANLEY HIGH: No, No.

MR. KERENSKY: Do you think that the purge by Stalin shows that there are strong revolutionary forces at work beneath the surface in Russia?

MR. KERENSKY: Yes.

MR. ELY: Would your life be in danger now, if you went back to Russian territory:

MR. KERENSKY: Yes, sure.

MR. ELY: Mr. High, Can you name a single indication in England in which wages real, or money, are as high as in this country?

MR. HIGH: I don't think it is an adequate answer to our problem, our human problem to describe the difference between ourselves and other nations. Our problem is not to determine how much better we are off than other people, but to determine how, in terms of our resources and our enlightenment, how fully we are doing all we can to lift our people to the highest possible level regardless of how higher that level may be than of other nations.

VOICE: Really I want the right to answer that. Dr. High stood here and said that England has the best organized labor situation, he praised the relationship between British capitalists and British labor, and he indicated that American industry wasn't fit. I demand to know exactly in what indication that is true, in terms of wages. Let us have facts.

MR. HIGH: I don't feel very melodramatic, and I did not know, I mean, I am not aware--I didn't have a written manuscript--I am not aware that I indicated even remotely the belief that American business is not--I simple tried to say that we are now confronted, that conservative Americans and businessmen are not confronted with precisely the same problem that confronted conservative businessmen in England 25 or 30 years ago.

It is not only my hope but my belief that American businessmen will take over and make as good in this irresistible force as effectively as the British conservative party took over that force and managed it in Great Britain.

MR. ELY: Mr. McDonald, Do you think that Hitler's next move will be to annex or at least dominate Czechoslovakia?

MR. McDONALD: I remember the warning of General Johnson about the fates of the prophets. My own guess, however, is that Hitler will not in the near future, move to conquer or dominate Czechoslovakia, for two reasons: First, because in all likelihood the Czechs would fight, and if

the Czechs fought, then at least France would be brought in, and if France were brought in, you would have a general European war, which would almost certainly bring Great Britain in.

Germany is not yet ready for that sort of a family party. Czechoslovakia, however, has only a period of grace. It is not safe. My own guess is the next German development on a major scale will be in Hungary, looking forward to the occupation and control of those essential raw materials in Rumania, without which Germany cannot be adequately prepared for ward.

(Applause)

MR. ELY: General Johnson, Do you think the Reorganization Bill can and will be defeated?

GENERAL JOHNSON: It is rather doubtful. The last word I had was just before I came over here. The opponents of the bill believe that on account of what they say is a movement by the Federation of labor, the American Federation, Farm Bureaus, and the National Grange that the bill may be recommitted. Wheeler had three votes more than those that were necessary before the strong arm methods of the administration stopped them, to pass his amendment. I think he feels quite encouraged, but again the same question has been asked here three times tonight, and to ask may be to prophecy, and it must be rejected with respect.

MR. ELY: Mr. High, When did you change your opinion of him, or of the New Deal?

MR. STANLEY HIGH: That is difficult. I do not care to answer that.

MR. ELY: Mr. McDonald, What form of government would you suggest for central Europe as a guarantee against the spread of Red Communism? This question is written in red. Is not Fascism today a bulwark?

MR McDONALD: Well, Mr. Ely, I am flattered by the suggestion in the question that I am capable of planning an ordered society for Central Europe, but I have no doubt as to my answer to the last half of the statement, which is indirectly a question.

Fascism, to my mind, is no bulwark against Communism, or if it is, it is a bulwark which in becoming effective contains most of the evils which the idea is meant to protect a people against.

MR. ELY: Mr. President, I am afraid we have time for only one question. It is a hope that this will not have too personal a sound.

To General Johnson: Do you think the President reads what you write?

GENERAL JOHNSON: I know damned well he does, because he called me in and cussed hell to of me once, for one of my columns. (Laughter)

...The meeting adjourned at eleven o'clock...