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TO SAVE DEMOCRACY WE MUST END UNEMPLOYMENT

SPEECH

OF

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IN THE HOUSE OF REPRESENTATIVES

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Mr. VOORHIS of California. Mr. Speaker, I wish to speak today about the struggle between dictatorship and democracy, about the battle to maintain human liberty.

AMERICA'S WORK FOR PEACE

If the pages of history could, in future, record that a Europe on the brink of war was saved by American statesmanship from that catastrophe, those would be the most truly happy pages that have ever been written in all that long narrative of human struggle. It is my earnest hope that all of us will seize upon every possible opportunity to contribute whatever we can to prevent the impending destruction of civilization on the European Continent. The idea that any good purpose can be served by a military victory seems to me absurd. If a long war takes place, not only will there be constant danger of its spreading to other parts of the world but the only forces that can possibly hope to gain will be those which feed on disintegration, degradation, and utter collapse. Perhaps it is realization of this fact that has given pause in this hour to the combatants and caused them to refrain on both sides from striking blows that would make peace impossible. And while I believe passionately that America should not, under any circumstances, participate in that war, I believe quite as passionately that if America's help can be instrumental in bringing about a decent lasting peace we should not hesitate to do all things to that end. Our President could ask no greater honor or no more worthy place in history than to be the one who brought peace when there might have been war. Perhaps he may yet accomplish that.

THE REAL DANGER

I say these things the more earnestly because I believe the real issue is today obscured and seldom mentioned. For it is not enough merely to say that dictatorship has challenged democracy; it is also necessary to ask why this is so. It is not enough to complain of Hitler's obvious ruthlessness when dealing with smaller and relatively helpless states; it is also necessary to examine the purely economic measures that have been taken within Germany herself. It is not enough to consider ways and means of defending democracy by force of arms, for in all probability that just cannot be done and certainly unless the democracies mend their economic ways

in some important particulars the end result will only be a deeper and wider world depression than ever. What must be done is to find the real danger that confronts democracy today. I am convinced that that danger is to be found in the fact that democracy, carrying the incubus of nineteenth-century-finance capitalism, still suffers from unemployment and depression whereas dictatorship has for some reason succeeded in putting its people to work and achieving something like full production. The price of this latter achievement is one too heavy for an American to be willing to pay if that price includes succumbing to a Stalin or a Hitler dictatorship. But I am convinced that the price for the abolition of unemployment is a very small one indeed, convinced that it does not include succumbing to any dictatorship at all, and convinced that the very future of democracy depends not on the outcome of a war but on the adoption by the democracies of a sound economic policy which will do away with unemployment. As a measure of keeping America out of war, I am of the opinion that the Neutrality Act with or without an arms embargo is of minor consequence. The way to keep America out of war is to keep America absorbed in a great national effort to end unemployment in this country.

It is not Hitler's or Stalin's destruction of their people's freedom that we need fear. It is their claim of putting all their people to work. And even if Hitler should be destroyed, if the problems of unemployment and poverty in the midst of plenty remain, will not the survivors of the war ask with one accord, "What price victory?"

THE PRESENT INCREASE IN PRODUCTION

Let us consider for a moment the present ridiculous situation. We are witnessing an improvement in business in the United States. After years of the most earnest effort to increase production for the purpose of meeting the truly desperate needs of the American people we now find that production is actually on a sharp increase because a war is in progress in Europe. Steel production is the highest on record. The Federal Reserve Index of production stood at 110 for September. In other words, although the wheels of our industry would not turn to meet basic human needs in America, they have proven very responsive to the demands of another continent for the weapons of destruction. We are about to achieve a tawdry prosperity by the astonishing method of shipping the mineral wealth and the soil fertility of America to Europe. The reason for this tragic contradiction of the most elementary common sense lies, I believe, primarily in the fact that, although nations know well enough how to expand their credit to finance war, they have not yet put into operation any workable or scientific method of creating the money and credit necessary to make the human demand of their people an effective demand in the market place. And, furthermore, it cannot be emphasized too strongly or too often that the increase in produc-

tion which has taken place has not been accompanied by even half as large a percentage of increase in employment. This means, to me at least, that we have got to revamp in fundamental fashion our system of distributing buying power in this country. Increased production simply does not any longer mean corresponding increases in employment.

WE NEED THE SIMPLE TRUTH

The old patterns of political thought and the old dogmas of political and economic systems are today either completely discredited or at least lacking in any dynamic appeal.

The battle between communism and fascism in Europe has turned into a Russo-German pact, and from this we learn that the hierarchy of both systems is forced to concern itself primarily with power, more power, and the maintenance of power. Those who have tried to draw sharp distinctions between these two systems are baffled and frustrated as they should be. No longer can an antifascist front be a rallying point for the forces of the left or an anti-communist front for the forces of the right. The old cry of "let business alone" is almost exactly the same as that of some sections of the labor movement. Great movements have arisen in this country advocating one sweeping change, such as a national old-age pension; but in all other matters clinging to a most conservative philosophy. The most ardent opponents of communism are progressives and radicals who have seen the inner workings of the Communist machine at close range. There is gradually emerging a "small business" movement which may turn out to be a more bitter opposition to monopoly than labor has ever been. In democratic nations conservatives and liberals unite together to save liberty. In totalitarian nations built on destruction of the labor movement and the preservation of private property we have seen private property rights reduced to a mere pretense under the overshadowing power of the state. In totalitarian nations built on dictatorship of the proletariat we have seen the proletariat itself denied freedom and the right of protest and reduced to a state similar to that which it suffers in Fascist countries. Yet only the totalitarian nations have eliminated unemployment, and economic inequalities within their borders are less sharp than in the so-called democracies.

To add the final and ultimate element to the confusion, war—the complete denial of all order—has broken out and threatens to destroy the whole structure of European civilization.

There remains for us one reliance—the one that has not yet been tried either by Communists, Fascists, Nazis, Conservatives, Reactionaries, or Liberals. That reliance is the truth—the truth about all things, including the mistakes of one's own school of thought and the strength of the systems one has been taught to despise. It is to that truth that we must turn.

DEMOCRACY REQUIRES EMPLOYMENT

Liberty and democracy are like stately flowers. Regimentation and dictatorship are like tough, rank weeds. The reason is that all men love liberty, but they desire more than liberty to see bread in their children's mouths and to know that their own constructive labor has put it there. The flower of democracy can only grow in soil that has been moistened by the sweat from the brow of a people constructively and steadily employed and hopeful for a brighter day. The weed of dictatorship need fear no lack of moisture. For its soil is moistened by the blood of men who would be free.

NEED OF THE WORLD

The central truth about this struggle of democracy and dictatorship is this: The whole future of human civilization, the whole chance of the survival of human happiness and art and peace, and above all religion, depends upon the raising up among the nations of the world of at least one people who will demonstrate the way to preserve liberty and at the same time to conquer the economic problem of the machine age and—without war or the help of war—to make the machine the servant of mankind instead of his dumb,

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ruthless master. America will lose her manifest destiny unless she becomes that people.

Apparently it takes great and terrible events to rouse men out of their smug complacency and their cynical assumption that great changes for good are impossible in their time. Those great and terrible events are here—now, today—and the spirit of liberty waits to see whether the complacency and cynicism of the United States Congress will be burned away by the fire of those events before war engulfs the world.

The great division between people in America today is between those on the one hand who would use this war as a convenient escape from the necessity of attacking and solving our domestic problems, and those on the other hand who are willing to take those bold steps which can and will give us an economic order in which neither loss of freedom nor the sacrifice of young men will be required to end the greatest social crime in all history—poverty in the midst of plenty. As a matter of cold, hard fact, I believe we are going to have to take the second way anyhow, for I do not believe a war-trade boom will even come near to putting our unemployed people to work—even if we should be foolish enough to allow one to develop.

WE MUST PREVENT PROFITEERING NOW

I believe it is most important for use to provide before it is too late a tax program which will effectively prevent a false and unhealthy boom based upon war orders. Between 1914 and 1917 profits in certain lines of American industry rose from 80 to 150 percent above pre-European war levels. The desire to maintain these profit margins was one of the most powerful influences that drove this country into war. To permit this to happen again would be nothing short of criminal. Entirely aside from what may be done about so-called neutrality legislation, our clear duty is to prevent in every possible way the dislocation of our economy through a war-trade boom.

There are several possible ways to do this. The most direct one would be by the establishment of peacetime quotas for our trade with foreign nations. The Senate, unfortunately, has decisively defeated such a proposal. Another way would be by direct price control. We may indeed have to come to something of that sort to protect consumers, but I freely recognize there would be most serious opposition to it. The remaining method is by excess-profits taxation sufficiently severe to discourage overexpansion of war industries and to leave small incentive for exorbitant increases in prices. Incidentally the additional revenue is badly needed to finance necessary governmental measures to combat unemployment.

To allow profiteering means to permit certain producers to take far more than their share of currently produced income. Someone else—either another group now, future taxpayers, or the Nation as a whole—must pay the price.

To allow profiteering means to obscure under a cheap, gaudy cloak the real conditions of our country's economy. The greatest danger to our democracy today is that we will be content to use that cloak instead of facing our problem like men.

A BETTER STANDARD OF LIVING IS THE WAY TO REEMPLOYMENT

Therefore, we have got to have a dynamic program to end unemployment for our democratic people in America, and this is our one paramount duty in this struggle for freedom. Such a program would do far more to combat un-American activities than any other measures that could possibly be taken. In devising such a program, we cannot be dogmatic and we cannot go to any systems of economic theory for our direction. We cannot cast measures aside simply by pinning labels on them. They may be exactly what we need. We have got to be hard-headed realists for once, and everybody has got to admit where he has been wrong. We have got to study what has been done in other nations to determine how they have overcome unemployment. And we cannot be afraid of their economic measures, even if we do not like their politics. There is one main thing that has got to be accomplished, and that is to get our people back to work and to

start making a full use of our abundant resources. Generally speaking, there is only one way we can do this decently, and that is by raising the standard of living of our own American people to a point where their demand for goods will require full production to meet it. In the past America got full employment by sending her unemployed out into the virgin lands of the West and by the general method of geographical expansion. More recently some of the nations of Europe have achieved it by instituting huge armament programs. During the World War America had full employment for a few brief giddy years, because we were supplying materials to warring nations.

Indeed, since the coming of the machine age there has been no extended period when full employment was achieved by any capitalistic nation except when it was either operating on a wartime economy or expanding its export trade and sending the wealth of its own people to other nations, there, in many cases, to be used for the business of destruction. There is a great truth in the challenge of a prominent American industrialist when he says:

If we have to have a war to create and maintain a workable financial system, there must be something tragically wrong with our financial system. It is time then to turn back to Congress the control of that system.

When Baron Rothschild said, "Let me control the money of a nation and I care not who makes its laws," he spoke prophetic words. For he put his finger on the key to our present ridiculous dilemma where our peculiar financial system forbids cotton garments to American cotton pickers while it turns the cotton into dynamite for European consumption, takes the steel and foodstuffs and materials for homes that is needed by our own people and whirls them abroad into the outstretched arms of warring nations. There is more than one cause of this condition, of course. But I am eager that we see clearly how ridiculous it is. Nations know how to create credits for war, how to tax for war, and how to plan for war, and when they do so they have full employment; why then cannot we learn to create credits for peace, to tax for peace, to plan for peace, and for a higher standard of living for our people, and thus to get full employment just the same. And may I point out to those who may feel that my argument is an argument for the restriction of export trade that unless you are willing to take the measures necessary to give all our people work in peaceful pursuits, to give us a money and credit system that will sustain that employment, and to institute such tax measures and such measures of control over monopoly power as will enable full production to take place and will give us a balance between capital goods and consumers' income—unless you are willing to do these things you have no right to argue for a restriction of the export trade. What I am arguing for is a healthy economic condition at home wherein the people are able to consume what they produce and then for a foreign trade which will be based on the mutual advantage of two nations each trading its surplus for products from abroad which it needs for its domestic economy.

OUR CENTRAL TROUBLE

Basically our trouble is that we have too much money in a few hands, not enough in others, we have more idle funds available for investment than can possibly be invested profitably under present conditions and too little buying power in the hands of the millions of our people to either enable them to live decently or to form an adequate consumers' market for the new investments in capital goods that ought to be but are not being made. The thing is a vicious circle and it must be broken. We must understand that we are up against no temporary condition.

THE MONEY ILLUSION

We have got to realize that in an age of highly technical production it is absolutely necessary for the flow of money and credit in the markets of the Nation to bear a scientific relationship to productive capacity. And we have got to realize that if industry and agriculture are to be free and if our economy is not to suffer periodic spasms of collapse it is

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absolutely necessary that control over the creation of the money of the Nation be taken out of the hands of private bankers and placed in the hands of Congress, where the Constitution says it belongs.

For unless we do this our industry and agriculture must continue to be the slaves of private finance, and we can never achieve a condition where our economy will be protected against the sharp inflation and deflation of values which has been so disastrous in the past. Indeed, most people do not stop to realize that the real worth of our food, our houses, our property, and wealth of every sort changes but slowly and over long periods of time. People gain the same nourishment from bread and the same shelter from a house in depression as in prosperity. Yet the prices of these things may be many times as high in a boom as in a depression. This is because the buying power of the dollar has changed, and, since all values are measured in dollars, we think the values of real wealth have changed. If we would end unemployment, we must end this ridiculous illusion and, having reestablished prosperity, must thereafter maintain a constant stable relationship between the flow of goods and the flow of money, or, to put it another way around, we must maintain a stable buying power in our dollar.

Following out this line, it is, I believe, plain to be seen that the New Deal has been basically right in what it has tried to do. It has tried—and with marked success over considerable periods—to increase the volume of active buying power of the people because there was idle productive power lying around and not being used. Two adjustments of this general program are, I believe, necessary. The first is that enough new money or credit must be put into circulation over not too long a time to actually bring about full use of productive capacity. The second is that so long as an additional volume of money or national credit is needed by the national economy as a whole and so long as this money or national credit can be matched by increases in the production of goods, just that long no real inflation is possible, and the new money or national credit should be put into circulation directly by Congress and not borrowed into circulation by means of bond issues.

A PLAN OF ACTION

If I could do only four things right now, here is what they would be:

First. Passage of a tax and pension bill which would actually accomplish the vitally necessary shift of about \$6,000,000,000 or \$7,000,000,000 annually from the idle hoards which seek but do not find profitable investment in new capital goods into the consumer buying power of the aged, the disabled veteran of war or industry, the widowed mother all over the land. Do this and the standard of living of our people will be raised to the level where there will be room for the profitable investment of the balance of the Nation's savings.

Second. Passage of necessary legislation to give us a long-range public-works program to afford employment for all unemployed persons in the creation of such social capital as hospitals, highways, forests, power dams, reclamation dams, and low-cost housing. As quickly as private employment began to absorb the unemployed, this program would be curtailed. As quickly as unemployment increased, again it would be expanded.

Third. Passage of legislation which will break up monopoly control wherever possible, or if that is not possible, then compel monopoly industries to produce at a fair price up to the limits of consumer needs or else—in cases of essential public services—provide for public ownership, either by municipalities or by the Federal Government.

But most important perhaps, because most immediately effective, I would exercise the sovereign right of this Nation to utilize its own credit and to create its own money on the basis of its wealth in order to bring about full employment of our people within 6 months' time. It could, I am convinced, be done. I would put every dollar of this money or credit into circulation without any increase in the public debt. But I would not put out one single dollar beyond what

was calculated to be necessary to match the resulting increase in production. There cannot be inflation as long as increasing volume of money is matched by increasing production. The moment we achieve full production and full employment the expansion should cease. A considerable portion of this expansion should, I believe, be accomplished by making credit available on fair terms to small-business men. The rate of interest should not only be low; it must be low enough to induce our businessmen to go ahead. All such credit would finance increased production, upon which, indeed, the credit itself would be based.

Another portion I would use for Government investment in such things as conservation, power development, low-cost housing, and reforestation; in short, in a public-works program wherein tangible and substantial additions to the wealth of the Nation would be made in fields where it is not profitable for private enterprise to venture. Principally, however, the expansion we need is expansion of the consuming power of our people. I would institute a national old-age pension and expand the social-security program, and, until such time as the productive capacity of our Nation had been put to work, I would use the sovereign power of the Nation to create its own medium of exchange as one source of funds for this purpose. Once our people are back at work creating either consumers' goods or capital goods or social capital, once our power to produce is all at work, then we must stop our policy of expansion and add to the volume of money and credit in circulation only to the extent that normal increases take place in our national productive capacity. But when that time comes, with everyone at work and a national income of over a hundred billion dollars being turned out, it will be entirely possible without an excessive tax burden to carry on such a program as I have outlined upon the basis of a balanced Budget.

When it is said that all other reform waits on monetary reform, I believe that is true and that we cannot have today both a balanced Budget and the absolutely essential measures to meet the unemployment problem. To do both these things—to beat unemployment and balance the Budget—will become entirely possible the moment we start exercising the constitutional duty of Congress to issue the Nation's money and regulate its value. The gentlemen who complain of increasing Government debt forget that so long as our present debt-money system is in effect Government debt must be increased whenever private agencies fail to increase their debt. For it is only on the basis of somebody's debt that we can today obtain any increase in our medium of exchange at all.

If it is objected that we now have over \$5,000,000,000 of excess reserves in the banks—as we have—and that expansion of national money and credit might bring about a bank credit inflation, then I reply once again that this is only further

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proof of the necessity of monetary reform and of requiring dollar-for-dollar reserves behind all demand deposits in our banks. Now is the time of times to institute this change.

SIMPLE PROGRAM

We can win the fight for freedom and democracy and we can defeat dictatorship only if we win the battle for jobs and full production. Boiled down to its simplest terms, the way we can do this is as follows:

First. Increase the volume of credit for competitive production and social investment and the volume of money in the hands of consumers of goods in sufficient amount to secure full production and full employment.

Second. Establish and maintain a sufficiently effective and scientific tax program and pension and social-security system so that once full production has been brought about it can be maintained with a balanced Federal Budget and a dollar of stable buying power.

Third. As soon as unemployment appears, put every unemployed person to work, creating needed social capital.

The one serious obstacle in the way of this program, upon which the hope of democracy depends, is fear of debt. That fear must be removed. It can be done in only one way. That is by means of such reforms in our monetary and credit system, as I have outlined in this speech and tried to incorporate in my bills, especially H. R. 4931. And the heart and soul of this reform lies in the exercise by Congress of the sovereign right of the Nation to issue its own money and create its own credit without the sale of bonds or the contraction of debt, but upon the soundest security in the world—the productive power of the people of the United States. Most of the basic legislation to make possible a program of this kind is at the moment before the Congress. As exhibits A and B, I submit my own bills, H. R. 4931 and H. R. 5910, which would make possible the carrying out of a monetary and credit policy such as I have outlined.

Do we care enough about democracy and freedom and our country to do these things? Are we deeply enough stirred over the plight of millions of our people who are in need while factories and mills work feverishly on war orders to do these things? Are we really in earnest about this struggle against dictatorship? If we are, we will fight first and hardest on our home front and we will set our teeth and vow here and now that whatever things are necessary to banish unemployment from this great land of ours, those things we will do.

The democratic way out of unemployment—the way out that will leave our economic system even freer than it is now—the way out that will be a fulfillment of the basic principles of our constitutional democracy lies along the road of governmental action to effect and maintain an equation between the power of the Nation to produce and the power of its people to consume.