

C O P Y

Address by Henry A. Wallace, Secretary of Agriculture,
at the Iowa State Democratic Convention, Des Moines,
Iowa, July 27, 1938, over a state-wide radio network.

I have come back to the Middle West today to join with you, my neighbors, in rejoicing over six years of genuinely glorious achievement on the part of the Democratic Party in the progressive cause, unified under the leadership of President Franklin D. Roosevelt. I have come back to pledge with you and plan with you the further continuation and expansion of that achievement in the national welfare.

The last time I spoke before a Democratic assemblage in Iowa, I pointed out that there were tens of thousands of good citizens in Iowa who were Democratic in their thinking and in their voting but who had not formally joined the party and as a result were not fully effective politically. I have great satisfaction now in the fact that, in the recent primary election in Iowa, the vote cast in the Democratic primary was by some 16,000 votes larger than the vote cast in any preceding Democratic primary.

Six years ago the country was faced with an economic crises of unprecedented scope. Tens of thousands of farmers were losing their farms, hundreds of thousands in the towns and cities were losing their homes, and millions were suffering from lack of the necessities of life. The Republican's way of meeting this crisis had been to let liquidation and bankruptcy run their course. Let the farmers go broke, and lose their farms. Let the workers be thrown out into the streets. Let the factories go broke; they would later be reorganized and after

awhile jobs would be provided. Let the householder lose his home; in years to come some new householder would be able to buy it. Let all but the very richest banks fail. The Democratic party from the moment it came into power reversed that attitude and reversed the policies reflecting that attitude. The Democratic party faced the fact that national distress of such proportions required national action. You and I as Democrats have every right to be proud of the record of the last six years.

This year the workers of the United States will receive at least 10 billion dollars more than they received in 1932. The farmers will receive a net income at least twice that of 1932. Foreclosures and bank failures are for the most part a thing of the past. The only excuse for a progressive Democratic party is thus to serve the interests of the farmers, the workers and the small business men in a sound continuing manner.

The question which will be raised most frequently against the progressive Democratic program as developed in the last six years will be the size of the federal debt. I hope that when I have finished my discussion of the debt problem no one in this room will feel apologetic concerning the size of the federal debt.

From 1923 to 1929 the federal debt was decreased from 22 billion to $16\frac{1}{2}$ billion dollars.

From 1932 to 1938 the federal debt was increased from $17\frac{1}{2}$ billion to the all-time high of $36\frac{1}{2}$ billion dollars

It is urged by Republicans, many business men and even some farmers that the debt structure of the United States was sound under Republican management in the late 20's and that it is weak today in the late 30's. As a matter of fact, exactly the reverse is true. The debtor position of the United States in the late 20's was one of the weakest in our history. The debtor position of the entire United States today is stronger than at any time since the early 20's. It is important, from the standpoint of both farmers and business men, that the reason for this positive statement be given. Both farmers and business men are so anxious to have confidence in the future.

The explanation is really very simple. From 1922 to 1929 the $5\frac{1}{2}$ billion dollar cut in the federal debt was more than offset by a $6\frac{1}{2}$ billion dollar increase in the debts of the states, counties, cities and school districts. During the past 7 years there has been no increase in the debt burden of local government. But the really significant and altogether startling difference between the two periods has to do with private debt. From 1923 to 1929 private debt increased 40 billion dollars. Today private debts are actually 12 billion dollars less than in 1932 and 28 billion dollars less than in 1930. Total debts in the United States today are 6 billion dollars less than in 1930.

Taking into account debts of all kinds, we find from 1923 to 1929 there was an average annual increase of 6 billion dollars a year. During the past 7 years the average annual increase has been less than a

billion dollars a year, or about one-seventh as great as during the period of so-called Republican prosperity. On a percentage basis since 1932, the average annual rate of debt increase has been about two-thirds of 1 percent as contrasted with 4 or 5 percent during the 20's.

If debts are created too rapidly and for the wrong purposes, as was the case during the decade of the 20's, there is bound to be an explosion followed by long, dreary stagnation. No mature nation can go ahead year after year with an average annual rate of debt increase like that of the twenties without inviting disaster.

When debts are created by blowing thin the speculative bubble, tragedy is sure to follow. For more than seven years this nation has been cleaning up the mess caused by the speculative extravagances of the 20's. The unemployed 10 million who have been with us most of the time since 1931 can trace the source of their unemployment very largely to the way in which the excess creation of private debts under Republican policies produced inevitable explosion and stagnation. To this same cause traces the unusual increase in federal debt during the past 9 years. To this same cause traces in considerable measure the failure of farmers to get their fair share in the national income. In a capitalistic civilization, such as ours, there can be no prosperity without an increase in debt; but it is vitally important that in the creation of debt, there not be a repetition of the overconfidence and greed that

brought such a crisis upon the entire world.

Private capital which, during the decade of the 20's, was happy to flow into new activities at the rate of from 5 to 8 billion dollars a year, in the early 30's moved into retreat at the rate of from 5 to 10 billion dollars a year. The retreat was halted in 1935. But the forward movement is still timid, because of the uncertain state of world affairs and the memory of the terrible consequences of the 20's. It seems to require in the United States at least 3 billion dollars of new capital a year to prevent stagnation and the most serious kind of unemployment. When private capital was stunned and shell-shocked, it was vital for government capital to throw itself into the breach; otherwise our unemployed would have thronged the highways and the freight cars; and millions of our people would have been faced with starvation.

But beginning in 1930 the Federal debt was increased. Most people don't realize that nearly 6 billion dollars was added to the federal debt before this Administration took office. This Administration has added $14\frac{1}{2}$ billion dollars more.

Because of the indiscretions of the 20's, it is good that the Federal debt today is as large as it is. Because of it, hundreds of state and local units of government have been able to get out of the red. Because of it, thousands of businesses have been able to show a profit-- in some cases very handsome profits indeed. Because of it, millions of families have been able to balance their individual budgets. Because of it, public works and public improvements of great value have been

added to our national wealth, and workers that otherwise would have been condemned to idleness have been able to keep their self-respect. In the Republican 20's our people incurred debts at an unprecedented rate. They spent the proceeds like drunken sailors. In the Democratic 30's we have been like sailors sobering up on the morning after with the Federal government playing the part of a nurse. We will have more good to show for our increased Federal debt of the 30's than the Republicans had for their increased private debt of the 20's.

Many of the private and local governmental debts of the Republican twenties, when debt was being created at the excessive rate of 7 billion dollars a year, were fundamentally unsound. They were washed out by repudiation and bankruptcy. But the Federal debt of the Democratic 30's is being carried with ease by a country restored to health. After all, the seriousness of a debt is relative. If you heard that one of our great industrialists owed a million dollars you would take it as a matter of course, knowing that he had ample resources to cover it. But if you heard that a friend farming a quarter section owed a tenth that sum it would be very serious news indeed. The total public and private debt in 1937 was roughly about the same as in 1933. To carry that debt load we had more than half again as much national income in 1937 as in 1933. All debts, whether Federal, local or private, have to be paid by the people. It makes little difference to the people whether they have to pay the steel corporation's debt in the form of increased prices

or the same amount of Federal debt through some form of taxation. The eagerness with which private capital consistently oversubscribes the government debt is overwhelming evidence of a belief that the Federal debt can and will be paid.

People ask when the large expenditures for public works, for W.P.A. and for agriculture will cease. This will come when private capital again has the courage to flow at the rate of at least 3 billion dollars a year, when jobs are available for those who have the will and the capacity to work, and when farmers are able to sell their stuff on a basis which will give them at least 85 percent of their fair share in the national income. We must not repeat the 1937 error of heeding the advice of big business and cutting down governmental expenditures too jerkily. Nevertheless we must, as soon as private capital begins to flow and we can do so safely, cut down on emergency governmental expenditures.

In Republican circles it is quite the thing nowadays to cast slurs upon relief workers for leaning on their shovels or picks. We can all regret it if, as a result of Federal expenditures, ne'er-do-well families have been confirmed in their laziness or lack of initiative. However, leaning on picks didn't come in with the New Deal, nor is it limited to people who work with picks. I have seen people on occasion lean on golf clubs, and anyone who has ever worked long hours with a pick and anyone who has ever played golf will agree that one is no more a mortal sin than the other. A full day's manual labor may require an

occasional "leaning", especially if the worker has previously been employed at non-manual labor or if the diet has been a little short. If some Republicans who now are so contemptuous were caught in the same circumstances, they would doubtless do some leaning on their shovels too. These Republicans, if they want to, can despise the families on relief for their misfortune. No genuine Democrat can do so.

Today, as ever, the Democratic party stands for property rights; but today, more than ever before, the Democratic party stands for human rights first.

Most of the Republicans of Iowa, in my opinion, are really Democrats. If they knew what the eastern Republicans who control the Republican party really stand for, they would change over and become Democrats tomorrow. Most of the Republicans in positions of great power and influence have no real use for either farmers or workers except so far as their votes are concerned. There may be a few who truly understand the importance of farm buying power in national prosperity; but most of them have no use for our present farm program or any other farm program which will really work. They are interested primarily in getting a larger share of the national income for capital. At best they sincerely believe that by patting capital on the back prosperity can be created not only for big business but for farmers and workers as well. This is the famous "trickle-down" theory of the 20's which resulted in the explosion of 1929 and the stagnation and suffering of the early 30's.

The control and money of the Republican party are today so located as to make it impossible for anyone connected with that party, no matter how fine his character, to put into action on a national scale a program of justice for farmers and workers. Probably one-fourth of the working Republicans of Iowa are in favor of a workable farm program but in the nation at large not one in ten wants a farm program of a type that will really bring results.

The eastern big-money control of the Republican party doesn't know and apparently doesn't care anything about farmers or workers. This has been proved again and again in Congress when the Democrats repeatedly have supported farm and labor legislation by 3 to 1 votes, whereas the Republicans have opposed agricultural legislation by 4 to 1 votes, and labor legislation either by outright opposition or tactics of obstruction. There are many fine Republicans in Iowa who don't realize this. When they become fully waked up they should receive a hearty welcome from the party to which they really belong.

Republicans and most big business men are interested first, last, and all the time in small Federal income taxes and a weak Federal government. On various occasions during the decade of the 20's income taxes were reduced. At the same time local taxes on farms and city property were steadily increased. The big construction companies built school houses, sewers, drainage ditches, and a multitude of local improvements, the burden of which came to rest in increasing measure

against the property holder, while the income tax payer was getting along better and better. The scheme gave capital a fool's paradise. Its income increased by 50 percent between 1923 and 1929. For the time being it was moderately good for workers because their income increased by 22 percent. Farmers were not so happy because their income increased only 4 percent between 1923 and 1929.

Yes, farmers had a real right to kick on the debt and taxation policy which was followed during the decade of the 20's. And yet from a long-run point of view the business men themselves had perhaps the best right to kick. Their profits increased by 50 percent from 1923 to 1929; but it was out of this tremendous increase in profits that the encouragement came to create such a tremendous volume of new debts for purposes of building factories, the products of which could not be sold at a profit.

What would have happened to the prosperity of the late 20's if certain changes in policy had been followed. Suppose the 50 percent increase in capital income had been cut down to 25 percent increase and the money had been shared with farmers and workers. In such case less money would have been available for speculation and for building new factories but more money would have been available in the hands of the workers and the farmers to buy the products of the factories. The farmers in 1929 would have had a billion dollars more money, the workers a billion dollars more and capital two billion dollars less. The

point I make is that the two billion in the hands of farmers and workers would have sustained the prosperity of capital much better than the division actually followed. Unfortunately, the Republicans in 1929 just like those of today felt that it was a sin for them to think about such things. With the weight and brain of a dinosaur the reactionary Republican leadership clings to the past and wonders what has become of the succulent tropical herbage on which it used to feed.

It is my belief that Democrats are just as much or more concerned with hard work, thrift, savings and profits as are Republicans. The Democrats believe that their taxation principles will favor the small man without destroying the usefulness of the large man.

I have been talking about business men, and the failure of some of them to understand the true basis of national prosperity. But please do not misunderstand my comments about business men. Democrats have nothing against the big corporations, provided they observe such rules of the game as will keep them from destroying themselves and us too at the same time. In the monopoly investigation the Democrats will no doubt try to find out what it is in the corporate set-up that enables some of the great corporations to hold up prices in times of depression and at the same time discharge one-half their workers.

Many corporations have been following policies of scarcity at a time when agriculture was following a policy of abundance. For the year 1938 agriculture will market from 5 to 10 percent more than in

1929. Industry will market about 30 percent less than in 1929. Agriculture's prices are 35 percent less than in 1929 whereas industry's prices are only 11 percent less than in 1929.

Only half of the farm problem is found on the land. The other half is found in the cities. That is the reason farmers are so eager for both corporations and labor to adopt policies which will give continuity to increased city production and employment. The scarcity policies employed by many city industries since 1930 have been intolerable. If the monopoly inquiry can help industry and labor to straighten out this mess, it will have rendered a great service to agriculture. Farmers have no prejudice against corporations as such but they want the corporations to act cooperatively with each other and with government and with labor to sustain production and employment year after year on a more stable basis. That, I hope and believe, will be the nation's next great step in advance.

And now I would like to talk about the farm program because I think it exceedingly important for the future welfare of the nation that both the farmers and the business men of the Middle West understand just what this program amounts to.

Steadily we have been striving for a program of balanced abundance and balanced incomes. In the 1938 Agricultural Act with its ever normal granary program and crop insurance we have the best machinery for bringing to pass balanced abundance for farm and city people alike that any nation has ever possessed. For several years

we shall doubtless make a number of mistakes in administration, and it may be that the law is imperfect in certain respects. The fundamental principles, however, are absolutely sound. They are designed to build the soil and to carry over crops from years of good weather to years of bad weather. They are designed to keep prices from breaking to unusually low levels in years of good weather and from rising to excessively high levels in years of poor weather. They are designed to protect the farmer, the soil and the consumer.

We want loans on corn, and at the same time we want to avoid the disaster of the Farm Board experience. So far, we have been lucky in our corn loans; the droughts of 1934 and 1936 prevented government loss. We don't want to bring discredit on the corn loan mechanism by having several years of huge government losses. That means the farmers must be prepared to cooperate under the Act to control their acreage. If the crop should be unusually large this year, it will be necessary for the farmers of the Corn Belt to vote marketing quotas upon themselves if they want to have a corn loan. Some people call that regimentation. I say they are engaging in misrepresentation when they call it regimentation. The farmers are simply being given an opportunity to cooperate to prevent disaster.

Sometime between August 11 and August 15 of this year we shall know whether it will be necessary to have a referendum on corn marketing quotas. We must use our heads with regard to this problem and not

allow ourselves to be swayed by the shallow cries of the partisan. Sometimes I find that even a Democrat is momentarily disconcerted by a loudly-barking Republican.

The county committees and township committees working with the State committees and the Department of Agriculture will, in the long run, determine whether or not it is possible for farmers to work together on a nation-wide basis to solve their problems. And I want to say right here, with the utmost pride, that these township and county committees are absolutely free of politics. The farmers themselves do the electing. I do not know of any place in the country where farmers have been elected to township and county committees on the basis of whether they were Democrats or Republicans. They have been elected solely on the basis of whether they knew the agriculture and the farmers of their township or county. As Democrats, we can be proud of this achievement in bringing economic democracy to the farm. As long as farmers keep a vital interest in the democracy of these county committees there can be no long enduring nor serious regimentation or facism in the United States.

I would like to say just a few words, too, about Secretary Hull's trade agreement program. Under it we have reduced the duties on a far larger number of industrial products than agricultural products. The duty reductions also have been greater on industrial products than on agricultural. Moreover, in most of the important cases the duty

reductions on agricultural products have been safeguarded by quota or seasonal limitations. Competitive agricultural imports for the year 1938 will be very much less than for the year 1929. Undoubtedly, the trade agreements program has contributed materially to the marked increase in our agricultural exports during the past year. Democrats in farm states like Iowa can be proud of the help this program is giving to the farmers.

In this year, 1938, a keynote address at an Iowa Democratic convention would not be complete without referring to Robert Lucas, the first Democratic governor of Iowa. Robert Lucas had presided at the first Democratic National Convention ever held. In 1828 Andrew Jackson had been elected as a Democratic-Republican, but in 1832 the word Republican was dropped and the first real Democratic convention was held at Baltimore with the man who was later to become Iowa's first territorial governor serving as chairman.

The Jacksonian Democrats of a hundred years ago fought the power of entrenched wealth with all their might. They made numerous mistakes and the country later paid for them, but they equipped the Democratic party for all time with an undying interest in the rights of the common man. The Democratic party must always be a progressive party. It must stand first, last and all the time for the rights of farmers, workers, white collar employees and small business men. It has no quarrel with capital but merely asks that capital be a servant and not

a master. Human beings come first. This emphasis on humanity is the reason Democrats hate the European "isms". This is the reason progressive Democrats are so shocked by every denial of civil liberties.

As I have studied the life of Lincoln as President, I am convinced that in presidential action he was at one with Jackson. In fact, he had in the person of Francis Preston Blair an adviser who had also been one of Jackson's advisers. Lincoln as President definitely was in the Jacksonian tradition. To a considerable extent also was Theodore Roosevelt. But no man has been more definitely, dramatically, enthusiastically and continuously working to carry out the fundamental principles of Jacksonian democracy than has Franklin D. Roosevelt. It is to his heart that the heart of the common man, whether he be farmer, worker or white collar employee responds as the heart of the common man has never before responded to a President in the United States.

The Roosevelt administration needs in office men who will work in furtherance of these policies that are in the interest of the farmers, the workers and the small business man. Senator Gillette, Senator Herring, Governor Kraschel, our candidates for Congress and for state and local office are the men who will provide the governmental organization to give us unity in our program, effectiveness in our action.

These candidates represent the agency of party in the functioning of our governmental system. I do not believe in blind adherence to

party, but vigorous and farflung party organization plays a basic part in the development and execution of policy. I rejoice that this convention reflects the growing strength of the party organization in Iowa. The function of the committeemen and party workers, in general, under the leadership of National Committeeman Utterback, and State Chairman Birmingham, is an important and integral part of the working of government. I rejoice that nationally we have the personality of James A. Farley as the great organizing agent of the Democratic Party. Jim Farley is a man of the highest character. To my knowledge he has never played the political game in any sordid way or in any way except in support of sound administration.

And now in closing I wish to express the hope that the Democrats of Iowa will remember that in the final analysis, Iowa is an agricultural State. In talking to the farmers who have been enrolled as Republicans remember that President Roosevelt makes a progressive appeal right along with his purely Democratic appeal. He knows that the Democratic party can remain in power only so long as it is a progressive party. The Democratic party must be progressive if it is to continue to hold the formerly Republican farmers of Iowa. They have long been Democrats in principle. We must help them to become Democrats in reality.

Action by the Government in a sound program on behalf of all the people must continue. The program of the Democratic party -- the

Roosevelt program--must go on. It will be made to continue by the votes of progressive-minded citizens. Those votes will go to Democratic nominees, pledged to the support of the administration which has grappled with our problems, which has brought improved well-being, which has restored hope to America.

Finally we as Democrats must strive constantly to raise our party as often as possible beyond partisanship to the field of continuous service of the general welfare. Our platforms must serve the people as well as win elections. Our job holders must think first, last and all the time of what is good for the whole country and for all humanity. It is because Franklin D. Roosevelt and the Democratic Party have more definitely risen to this level of action that our party is in power today. It is our firm resolution at this convention to rededicate ourselves to such policy and action.

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