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See letter 6/15/36
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FISCAL AND MONETARY POLICIES

The fiscal and monetary policies of the Roosevelt Administration have been at once courageous and wise. We take pride in the great and essential part they have had in the winning battle against the depression, in rescuing us as a people from bankruptcy and in setting us on the pathway to sound and stable prosperity.

A ruinous deflation, disastrous alike to all classes of our citizens, had been in progress for almost four years when this Administration came into power and, instead of abating, was sweeping to a climax in complete paralysis of the monetary and credit system. There was a panic rush for liquidity of all property values which, in the very nature of things, could not be achieved; foreclosures were multiplying, values were being remorselessly wiped out with irreparable injury both to debtors and to creditors; businesses were going bankrupt; the wave of bank failures was mounting higher and higher; terror had replaced confidence in the strength and future of America; millions were out of employment and clamoring pitifully for aid that was not being granted except in the most grudging and ineffective way. This was the heritage handed over by an Administration that had boasted that it was the guardian of prosperity, an Administration that had sought to serve the powerful few and in the end was found to have served nobody.

Fear, vacillation in high quarters, mismanagement of the Nation's fiscal, monetary and credit problems were largely responsible for the magnitude of the disaster. Realizing that monetary measures undertaken

by European Nations to protect their own people had stifled our trade and were an increasingly menacing threat against our currency reserves, a Republican Administration knew of nothing more effective to do than to tell our European debtors that they could stop making payments to us and to prate about the soundness of a currency system that was already in process of disintegration before their eyes.

It is an unhappy, a mortifying situation to recall -- its grim irony is magnified by a reading of the confused sterilities of the Republican platform of 1932, which yet bears witness to the facts -- but to recall it is necessary for an understanding of what has happened since March 4, 1933.

On that date an Administration with a clear mandate from the people took charge on behalf of the American people. It had a leader gifted with understanding of America's problems, infused with American resourcefulness and American courage, inspired with American patriotism.

As a wise and skillful physician, ministering to a patient desperately ill, the Administration prescribed and with the cooperation of a Congress representing all the people, executed a series of swift measures which arrested the disaster, restored the confidence of the people and enabled them to go forward boldly on the march to a better day. Among the first and most important policies translated into execution were those dealing with monetary, credit and fiscal policies. The menacing drain upon the Nation's monetary reserves was stopped, the deflation of the prices paid for American goods and services was arrested, the dollar was placed in an impregnable position against all attacks, the banking system

was rehabilitated and reborn, new credit machinery was provided to protect alike millions of debtors and creditors and to restore values, and the credit of the Nation was mobilized to provide food and work for the people. The benefits have accrued to those in every walk of life. The steady march of recovery is unbroken.

1. Monetary Action

A domestic credit collapse, aggravated by monetary changes and disturbances abroad, was swiftly draining our monetary system of its gold reserves in 1932 and 1933 and the competition for gold forced prices lower and lower, so that measures both to protect the gold supply and to reverse the price trend had been urgently needed long before the Democratic Administration was charged with responsibility for the Government. Action had to await the coming to power of those with the decision and courage to act. The obvious and necessary first step was that which was taken without delay, to suspend gold payments and call in all monetary gold in the country. The current was turned, further deflation was stopped, a restoration of values set in, the dollar began to assume a more correct relation to foreign currencies, the selling prices of American commodities rose and the markets of the world were once more unlocked to American goods, while at the same time we gained a new measure of protection from the flood of competitive foreign products caused by devaluation of other currencies. The purpose was plainly stated by the President when, in a radio address on May 7, 1933, he said: "The Administration has the definite objective of raising commodity prices to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed. We do not seek to let them get such a cheap dollar that they will be able to pay back a great deal less than they borrowed." This was amplified on July 2, 1933, in a message to the London Economic Conference in which the President said: "Let me be frank in saying that

the United States seeks the kind of a dollar which a generation hence will have the same purchasing and debt paying power as the dollar value we hope to attain in the near future." The objective of a truly sound and stable currency, not subject to the wide fluctuations in value which, periodically throughout American history as the values of monetary metals rose and fell, have robbed in turn wage-earners and creditors on the one hand and debtors on the other, has been pursued steadfastly by this Democratic Administration. In pursuit of that objective the value of the dollar, adjusted to a fairer level by the operation of the gold embargo, was stabilized and under the wise administration of the Gold Reserve Act and the Silver Purchase Act we have built up the most ample metallic monetary reserves any nation has ever possessed. All components of our monetary circulation are now of equal value the world over, our currency possesses greater stability in purchasing power than at any time in our history and we have been placed in a position of unique advantage to deal with any monetary stresses to which the world may expose us. Through the stabilizing of the American currency there was achieved a new measure of de facto stability as between the principal world currencies which points the way toward international understandings to promote not only permanent exchange stabilization but permanent internal stability for all currencies. We believe that this result should be earnestly sought, but under no circumstances should the monetary system and the economic welfare of this country be endangered by the entanglements of any premature international agreement. We approve without reservation the monetary policies and the monetary acts of the Roosevelt Administration, which will be recorded in American

history as among the greatest achievements of the American genius and capacity for public affairs. We specifically approve the objective of a permanently sound currency, stable in purchasing and debt-paying power and the means adopted to effect it, including the restoration of silver to its rightful place in the monetary systems of the world.

2. Recovery Expenditures

The latent power of the Nation and the Nation's credit was mobilized to rescue its people from an economic disaster whose magnitude could not be realized until there came into responsibility a National Administration with the courage to seek out the facts and to meet them boldly. The new Administration was faced with the necessity of undertaking Government expenditures on a scale large enough to provide adequate relief for the destitute, to halt foreclosures and to create a flow of money sufficient to bring about restoration of the Nation's economic life. With the burdens of a war concluded fifteen years before still bearing heavily on the National Treasury, adding about a billion and a quarter dollars annually to the Federal Government's costs, some of the selfish, the timorous and the sluggish of our citizens counseled the kind of economy that meant National ruin. They would have sought to protect the National Treasury by forcing the American people into bankruptcy.

An Administration and a Congress truly representing the people turned their backs on that suicidal course. They realized that it is one of the duties and purposes of government to protect its people from disasters against which only governmental action can be effective.

We spent more than forty billions of dollars to carry out our part in the World War and to care for its consequences up to the present day. We are still paying its costs. This Administration has incurred a deficit of about one-sixth of this amount in the National business accounts to combat the depression. This expenditure is but a small fraction of the

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increase in the people's wealth which the policies of a Democratic Administration have directly caused. Our National income has grown each year of recovery far more than the amount of the National deficit for that year. The estimated National income for 1936 is twenty billions greater than the National income for 1932. An insupportable burden of private debt has been lifted from the backs of our citizens by the rise in values of all property.

Increase in Federal revenues as well as in private incomes has marked each year of recovery, bearing testimony to the wisdom of the decision that the only sound road to a balanced budget lay through the gateway of a balanced recovery promoted by National action designed to that end. The amount by which expenditures both for the regular activities of government and for relief have exceeded revenue receipts has decreased steadily since the first year of the recovery program. We are moving steadily toward a true balance not only in the budget of the Federal Government, but in the larger budget that represents the adequacy of the people's income to meet the people's needs. We repudiate the narrow concept that would seek to balance Federal income against Federal outgo though the people starve. We indorse and approve the declaration of our great President that the National budget will be in balance just as soon as the needs and abilities of our people make that possible.

3. Financing Recovery

It was necessary that recovery expenditures be financed largely by borrowing rather than by taxation until the National income had been raised to a level that would yield enough to support necessary Government expenditures through taxation. Investors in Government securities have not been misled by the partisan attacks that have been made on the Nation's credit but have assayed the policies of this Administration as constructive. Quoted prices of Government securities have been constantly rising and the average interest rate has declined sharply, so that a rise in the gross public debt has been accompanied in the recovery period by a decreasing interest burden. The interest charges today are materially less than they were in any of the six years immediately following the World War. The latest big issue of Government obligations was sold at the lowest rates of interest and was eagerly oversubscribed many times in a single day. Our war debts have been refunded at lower rates in the midst of the recovery financing and the maturities of the public debt have been carefully spread over a range of years to facilitate repayment. Interest costs to private borrowers have declined and the prices of good commercial securities have risen along with the decline in Government interest rates and rise in the prices of Government securities. This has been an aid to business and has served as an added factor in promoting recovery. We acclaim the wisdom, initiative and prudent commonsense with which these vital fiscal operations have been directed under an Administration representing truly the interests of all the people.

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The Government's credit was never sounder at any time in the Nation's history than it is today.

4. Banking and Credit

The record of the Roosevelt Administration in strengthening and rebuilding the banking and credit structure of the country commands the admiration of all. In March, 1933, when the Democratic party came into power and responsibility, banking was in a state of complete collapse, the country over. An unprecedented wave of bank failures had brought the fear of panic to our people. Hoarding was widespread. The credit mechanism had broken down. The farmer, the home-owner and the small merchant could not secure loans. Private financial institutions restricted their operations. Foreclosures were bringing social chaos close.

Out of this wreckage a new structure has been built. Sound banks were promptly licensed for reopening. Reorganized and reopened banks were given capital strength through subscriptions to their stock on the part of the Reconstruction Finance Corporation. Bank depositors were given assurance of the safety of their money by the establishment of the Federal Deposit Insurance Corporation, which insures their deposits.

We heartily endorse the record of the Administration in effectively reestablishing the banking business of the country upon a sound basis, in assuring to depositors safety of their funds, and in the restoration of normal credit activities.

Confidence has been restored. Bank deposits have shown a strong and steady increase. Bank losses have been turned into bank earnings. Bank failures have been stopped. The thousands which closed their doors during the twelve years of Republican misrule are being liquidated. Deposits in closed banks have been made available to their owners speedily,

through loans against assets, the assets themselves being disposed of gradually to the better advantage of depositors.

Not only were the private financial institutions of the country given strength and safety. The Federal Government stepped into the breach caused by their temporary inability to meet the credit needs of business and the people. It has supplemented their activities in ways essential to the continued life of the Nation. While the Reconstruction Finance Corporation provided needed funds to innumerable lines of business activity, the needs of the common man were also considered and met. Through the nation-wide operations of the home-saving and home-financing agencies of the Government, millions of homes have not only been saved for those who struggled to acquire them, but real estate values have been revived, and the construction of new homes stimulated. Enormous losses to millions whose savings were invested in mortgages have been averted through assistance extended to banks, insurance companies, savings and loan associations and other financial institutions.

The credit needs of the farmer have had attention. Private financial institutions had withdrawn almost completely from this field. A comprehensive and integrated system to care for the long and short term credit requirements of Agriculture has been established. Under the wise administration of the Farm Credit Administration thousands of foreclosures have been averted, hard pressed farm borrowers have been given extensions of time, interest rates have been reduced and emergency loans have been granted.

(- Banking Act of 1935 -)

5. Taxation

The Democratic party proclaims its continued adherence to the justice of the principle of taxation according to ability to pay and benefits received. This Administration in 1933 inherited a tax structure that bore too heavily proportionately on those least able to pay and permitted avoidance of their just share of taxation by those who receive the greatest benefits from the American system. A basic policy of this Democratic Administration has been to correct this injustice as rapidly as conditions permit by reducing the proportion of taxes on consumption, which bear most heavily on the poor, and stopping the channels of avoidance of surtaxes on large incomes. Honest and zealous administration of the Federal tax laws since 1933 has also promoted justice in taxation and increased the revenues. While lesser objectives, such as the simplification of our tax laws and their administration will not be neglected, the Democratic party pledges itself to the larger objectives of greater justice and equity in our tax structure. Problems under study to this end include the proper treatment of tax-exempt securities and the coordination of the Federal system of taxation with state and local ones.

6. Prohibition Repeal

The debauchery of our National life brought about by the Prohibition amendment and the hypocritical gestures at enforcing it made by previous administrations has been ended. The results justify the bold stand for repeal in which the Democratic party expressed the judgment of the American people. Regulation of the liquor traffic under repeal with honest and vigorous enforcement has reestablished respect for law, has improved social conditions and has brought more than a billion dollars into the Federal Treasury, besides providing a source of additional revenue to localities. The Democratic party pledges continued cooperation with and aid to the States, their subdivisions and their citizens in finding and enforcing methods of dealing with the liquor problem best suited to local conditions.