

A REPUBLICAN PROGRAM

ADDRESS OF ROBERT A. TAFT AT REPUBLICAN CLUB, BOSTON, MASS.

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It is a real pleasure to return to the State of Massachusetts where I spent three years at the Harvard Law School and learned the principles of American constitutional law of which so many have become obsolete. It is a pleasure to come to a great Republican state in the midst of Republican New England. No state had more to do with the formulation of the American system of government or the American system of private enterprise. In the early days of the Republican Party, Massachusetts was in the lead in advancing the principles of freedom and equality for which the Republican Party has always stood, and today no state has been quicker to appreciate the unsoundness of New Deal principles than has the Commonwealth of Massachusetts.

We are looking forward today to the political campaign of 1940. The American people are vitally concerned with events in Europe. They do have a great interest in the outcome of the present war. They bitterly resent the recent attack of Russia on the honest and courageous Republic of Finland. To remain neutral in spirit is contrary to human nature. But because we cheer for one football team, we don't rush out in the field and carry the ball. We don't have to go to war, because we favor one nation. The American people have shown clearly their determination to remain neutral in European contests. We may sympathize but we cannot understand all the complications of European politics. We cannot hope by our intervention to solve the problems of Europe. There were many differences in Washington as to the best method of keeping out of war, but it was made clear to Congress and the President alike that ninety per cent. of the American people were determined to stay out. From a political standpoint therefore we can assume that we will not be involved in war during the 1940 campaign.

The issues of the next session of Congress will again be domestic issues. Under the cloak of preparedness, every public spending project which has been rejected by Congress during the past five years is about to be revived and we may see an attempt to stir up public opinion against alleged monopoly and profiteering. But these attempts to divert public attention from the failure of the New Deal are not likely to change the people's present views. After critical study and analysis, an adequate defense program will be adopted. There is not likely to be any great change in price levels during this year. The great question before the American people is whether we continue the New Deal administration or return to the basic principles which have guided every Republican and Democratic administration prior to 1933. On that question more than any other depends the future happiness and actually the freedom of the American people.

Everywhere in the United States people realize that the New Deal has only achieved failure. It promised prosperity and a higher standard of living. It promised a balanced budget and a sound currency. It promised higher farm prices and improvement in the condition of the under-privileged. Today there are still more than nine million people unemployed. In spite of the dispensation of billions of dollars of government money, there are more under-privileged than there were under the last Republican administration. Their position is more hopeless. The orthodox New Deal theory now is that they are going to remain unemployed and underprivileged the rest of their lives. We can never be prosperous with nine million people out of work, and unless that condition can be cured the desirability of the American system itself is questionable.

Farm prices, before the war boom, which was perhaps more psychological than real, were lower than they were in October 1933, when none of the New Deal control measures had been put into effect. The national income is about sixty-five billion dollars, whereas in 1928 it was eighty billion dollars and there were ten million fewer people among whom it had to be divided. The average income, and therefore the average standard of living, is about twenty per cent. less than it was in 1928, whereas in every past depression we have always come back to a higher standard of living and a higher national income than before the depression began. Of course times are hard, and they will

remain so until most of the unemployed are returned to work.

The New Deal promised, above all, carefully planned government policy to cure our economic ills yet there is utter confusion in dealing with the very matters in which the New Deal has the most interest. The present division of relief responsibility between the Federal Government and the States is most unsatisfactory and produces those situations like Cleveland where every agency blames the other. The Federal Government, working on the supposed theory that they will employ all employables who cannot get work in private industry, is completely failing in its announced purpose. In spite of the expenditure of billions on WPA, it is throwing back on the States and localities the relief of millions of employables as well as all the unemployables,--in some cases beyond the financial resources of the states and localities. Yet there are few states which could not handle the entire relief problem, employables and unemployables alike, on the money which the Federal Government is spending on WPA.

In the Housing Field we have four separate Federal agencies administering different kinds of housing. Each agency is critical of the other. The administration has refused to proceed with an intelligent, impartial study of the whole problem to develop a consistent housing policy at reasonable expense.

In the vital field of finance, the Treasury and the Federal Reserve Board are hopelessly divided; on the open market policy relative to Federal bonds, on the theory of spending the Government into prosperity, and on the question of encouraging or discouraging thrift.

In the matter of the production of raw materials, farm products in particular, Secretary Hull's policy is at absolute variance with that of Secretary Wallace. The reciprocal trade treaties reduce the price of farm products. Secretary Wallace is spending millions to maintain it. Secretary Wallace's price program deprives the American cotton farmer, for instance, of his foreign market and reduces the international trade that Secretary Hull is trying to promote. There is hardly a field of government activity in which there is not only duplication but a basic conflict of policy.

And finally, we have a deficit in operations and an increase in public debt which is a damning indictment of any organization or administration. An ability to make both ends meet has been considered an absolute essential in every form of human organization, and the New Dealers are utterly unable or unwilling to accomplish this purpose. A deficit policy is an insane policy which can lead only as it has elsewhere to inflation, national bankruptcy and the destruction of the very basis of the American system of thrift, industry and private enterprise.

There are sections of the New Deal of which everyone can approve. There are departments which are well run. There are humanitarian purposes with which we may all sympathize. But the purposes themselves seem to have been forgotten in an earnest desire to change the basis of the entire system by which private enterprise has developed this country. No person can impartially review the results without concluding that after six years of unlimited power there has been a complete failure to carry out the announced purposes of the New Deal itself.

We hear today from Washington from all the New Deal apologists the stock answer of those who have failed, "But what would you do?", and "What is the Republican program?" Surely if an administration has plunged the country into hopeless debt, has left millions of people unemployed and left every government policy in doubt and confusion, that is reason enough to turn for guidance and advice to a party which has conducted America through many of its greatest crises and contains leaders of outstanding ability. But that party has definite principles and can interpret those principles into a definite program.

I find very little difference between Republicans as to what the principles of that program shall be. Many of the details are complicated and must necessarily be left for actual administration, but the main principles may be stated as follows:

First, to take every possible measure to encourage the development of private enterprise through a repeal or revision of the regulatory measures which have prevented its growth, through a friendly administration of the regulations like monopoly control which remain necessary, and by the revision of the tax system to encourage thrift and investment and production.

Second, to cut government expenses so that there shall be no deficit, and repeal the inflationary powers to devalue the dollar and issue greenbacks, so that the slide towards bankruptcy may be checked, stability and confidence restored.

Third, to continue those humanitarian activities like relief, old-age pensions, unemployment insurance and housing and medical aid to the poor, but revise the administration so that it is intelligent, economical and fair not only to those who receive aid but to those who are working hard to get on without that aid.

Fourth, to aid business and agriculture through measures of different kinds designed to build up private enterprise without regulation, and curtail all extension of government activities in competition with private enterprise.

I should add that in foreign policy we favor an adequate preparation for defense and the keeping out of war, but on these principles there is no present conflict with the New Deal administration.

It is easy to state a general criticism of New Deal policy. It is not quite so easy to state the general principles of Republican policy. It is much more difficult to interpret that policy into specific proposals to deal with the many problems facing any administration. It requires an actual knowledge of the things which are being done today and of the complications which every solution may produce. I am going to suggest a number of specific policies which represent my own conclusions today, but I quite realize that there may be differences of opinion and that the final Republican program must represent the considered conclusion of a large number of party leaders rather than any individual. The very essence of party government consists in a willingness to accept the advice and conclusions of others even against one's own opinions if they do not affect the basic principles of party policy.

I have suggested that the first item on our program should be the reduction and modification of regulatory measures which have discouraged private enterprise. America was built up by the constant encouragement of thousands and millions of men to spend their time and money in activities which both improve their income and position and put many other men to profitable work. During the twenties, all over this country thousands of men every day started out on such enterprises. Many fell by the wayside. Others started with one or two employees, then ten, then a hundred and in some cases thousands of workers. The same process took us out of every past depression and restored us to a condition where every man who wanted a job could get a job. Today, every small business man is discouraged by government regulation, government reports and government inspection. Where a man originally could hope that his own efforts might enable him to improve his own condition, educate his children and leave his family better off, today success seems to depend entirely upon government policy.

I believe that we should gradually abandon all price fixing programs, because the effort to fix prices of basic commodities inevitably involves the gradual regulation of all practices which affect prices and the extension of price fixing from basic commodities to all incidental commodities. This applies to the fixing of farm prices, coal prices, sugar prices. I do not object to general effort to improve prices by policies which do not involve a regulation of the individual farm or business. It means the modification of the Wage Hour Law or its administration so that it becomes what it was originally intended to be, a minimum wage law protecting employees against oppression where the normal processes of collective bargaining are not effective. I believe that the National Labor Relations Act should be amended so that it carries out its real purpose of permitting employees who wish to organize to organize and bargain collectively without the slightest compulsion from their employers. The amendments proposed by the American Federation of Labor are reasonable and, in addition to those I

believe that the prosecuting and judicial functions of the Board should be completely separated. The hearings before our Committee on Education and Labor show that the Act as written could have been administered by a fair board without serious complaint, but the discretion given to the Board is extremely wide and it has been abused in such a way as to produce the greatest miscarriages of justice which this country has ever seen. Today, therefore, the Board's powers, will have to be more circumscribed, but an impartial administration is the most essential single change.

The regulation of hours, I believe, should also be modified in many industries, particularly those relating to agriculture. Hour regulation for the purpose of preventing injury to health and lack of time for recreation is certainly justified, but the use of hour regulation to spread work and indirectly affect wages in the long run does employees no good and actually checks employment.

Policies of farm regulation insofar as they involve regulation of every individual farm should certainly be modified, though production control plans are complicated and cannot be abandoned overnight. In some agricultural industries it may be possible to work out a successful control; in others they should be gradually abandoned. But we must remember that each farm industry is really an independent industry with problems of its own. But today the farmer is unquestionably at a disadvantage compared to the city workman who has a job, and until that balance is restored assistance must be given through soil conservation benefits or other measures. Whether any device can be worked out to give the farmer the benefit of the higher prices incident to the American market without depriving him entirely of a foreign market I do not know, but if it can be done without involving a regulation of the individual farm I believe it should be attempted.

In the end the principal necessity is the administration of all laws regulating business, including those which properly prohibit monopoly and unfair competition, in a spirit of real friendliness to private enterprise, and in an earnest desire to accomplish the purposes without interfering with the operation of each business. The present administration has not been inspired by either of these purposes. It is full of administrators who at heart are opposed to the entire profit system and convinced that the government should have its hand in every policy and regulate every detail.

The second section of the program I suggest is the reduction of government expenses and the repeal of measures which constantly threaten inflation. There is not the slightest reason today why the President should have power to devalue the dollar. The price of \$35.00 an ounce which we are paying for gold has brought to this country seventeen billion dollars out of a total world supply of twenty-seven billion dollars of gold. If the war continues for four or five years, we will have it all, and it may not be worth \$35.00 an ounce. Certainly it would be idiotic to increase the price further. We should stop at once the purchase of foreign silver which has no conceivable purpose except to let the government play politics in Mexico. Incidentally, I wonder if we could not help Finland by refusing to buy silver or gold of Russian origin. We should certainly repeal the provision which authorizes the President to issue three billion dollars in greenbacks. If we definitely stabilize the American dollar, we will make it the single standard of all world trade and give a stability which will do more to promote that trade than any reciprocal trade treaty policy.

Of course the budget should be balanced, and by the reduction of government expenses. We cannot go on with deficit and debt. We are always met by the demand that we state exactly what activities are to be curtailed. The effort to return to sanity in government is going to require the reduction of expenses by every department and a sacrifice from every group drawing financial benefits from the Federal Government. I believe there will be no serious objection if the effort to prevent national bankruptcy is a cooperative effort by all who are affected. People are willing to accept, and even to demand, benefits, simply because others are receiving them. If all can be sure that all are participating in the sacrifice, there will be little objection to such reductions. No one has ever better stated the case than Franklin D. Roosevelt himself in 1932 before he was elected President. He said on July 30th, 1932, "Revenue must cover

expenditures by one means or another. Any Government like any family can for a year spend a little more than it earns; but you and I know that a continuation of that habit means the poor house."

And again, "Too often in recent history liberal Governments have been wrecked on the rocks of loose fiscal policies; we must avoid this danger, we must move with a direct resolute purpose now. The members of Congress and I are obliged to meet economy."

A careful study of the budget indicates that it could be balanced in about two years at a figure of approximately seven billion dollars. This would be twice the expenditures of the Hoover administration, surely not an unreasonable goal. The government has been administered for six years on the theory, promulgated by Mr. Eccles, and gleefully accepted by every department head, that deficits are a blessing in disguise. Many activities of government could be eliminated without one citizen in a thousand knowing they had disappeared. Many others can be curtailed. It will require courage and determination on the part of the executive, the party and the Congress. The administration apologists always say that the budget cannot be balanced. There is only one conclusion found to that argument. That conclusion is national bankruptcy and inflation, the destruction of the American system of private enterprise and probably the destruction of democracy itself. That is what happened in Germany and Italy and Russia. It is an unthinkable alternative.

The third section of the program I suggest is the continuation and reform of the humanitarian activities of the government. The administration of work relief, in my opinion, should be returned to the states under a plan by which the administration of work relief and direct relief be administered entirely by the state or local authorities, under a plan conforming to Federal Law and approved by the Social Security Board. Because of the limited taxing powers of states and local governments, the Federal Government should make a grant of two-thirds of the total amount of money expended for work relief and direct relief. A condition of this grant should be provision of one third of the total cost from state or local funds. One of the requirements should be that the state plan be administered by a board acting under civil service restrictions so that state politics be not substituted for national politics.

Such a plan would eliminate the situation which has arisen in Cleveland, because the state plan would have to be adequate and approved in principle by a Federal board. The distinction which the Federal Government pretends to make between employables and unemployables is utterly unsound, and is not really the basis of the WPA. WPA is merely an expensive Federal work program not much related to relief or the actual needs of any community, not related at all to the amount of money the community itself is prepared to advance. In Cleveland today if the local authorities had available the money which is being expended on WPA in that city, they could satisfactorily handle the entire relief problem with a smaller local contribution than they are now making.

It is my conviction that the total amount of money which the Federal Government would have to provide under such a system would be substantially less than they are now spending. The local authorities would determine who is entitled to relief, the amount of work relief, the character of work relief projects, and they would certainly assure a much more equal distribution of relief than is secured today.

While the unemployment insurance provisions of the Security Act are still in an experimental stage, the general principle seems to be working out satisfactorily. The old-age pension provisions, on the other hand, are extremely confused. All pensions paid up to date are paid under the non-contributory plan, and in most states are larger than they will be for many years under the contributory plan. I believe the whole reserve system with its compulsory deductions from payroll should be re-examined, that we should have a pay-as-you-go system without deficits on the one hand or the accumulation of unnecessary reserves on the other. These reserves are now invested in government bonds which means that they are used to finance New Deal deficits. The truth is an entire nation cannot build up a reserve. Under any system they will have to raise the money by taxation at approximately the time it is to be paid out. We might

as well recognize that only those who are working at or about the same time can support those who are not working at that time.

The burden of these humanitarian activities is bound to fall on every man who is earning money. Our total government expenditures national, state and local today are so great, amounting to eighteen billion dollars or nearly thirty per cent of the national income, that the amount required can only be secured by imposing a universal burden. If all individual income over \$10,000 was confiscated entirely, it would not produce enough to run government for six months in any year. The average workman today pays fifteen percent. of his income in taxes directly, or indirectly through prices of the goods he buys. He is the man who has to pay any increased bill for relief to the unfortunate. I believe he is willing to do so. I believe that we have all recognized the obligation to assist those to whom our system does not afford a job at a wage that will reasonably support a family.

But I believe also that such assistance must be afforded with as much regard for those who are paying the bill as for those who are assisted. It must be administered with the thought that those receiving assistance shall not be better off than men who are earning their own living, providing their own homes and raising their own families. It must be administered in such a way that we do not make permanent paupers of the recipients of assistance. Up to this time each department has apparently felt concern only for its wards and has regarded the Federal Treasury as a bottomless barrel. The time has come to review carefully all of these humanitarian activities and place them on a business-like, equal and economical basis, with as much decentralization to local government as possible.

The housing program should certainly be re-studied. The U S H A theory of providing all low income groups with housing in government-owned apartment houses is extremely expensive,--so much so that it cannot reach more than a small proportion of those who need assistance. It prevents home-owning which has always been considered an American ideal. Some slum elimination and government housing is desirable, but it should be coordinated with the F H A plan of financing private residences, with the Federal Home Loan Bank system of financing through private building and loan associations, and a definite policy established whose cost we can predict.

There should be some extension of the present Federal aid to the health of the poor but the present Wagner Bill is not only extremely complicated and hopelessly expensive, but also looks towards a system of socialized medicine without any right on the part of individuals to select their own physicians. The Federal Government should interest itself financially in the question, but not through the Wagner act in its present form.

The fourth section includes many possible aids to agriculture and business. I believe that the government can assist private enterprise without the evils of regulation. It can assist the farmer through soil conservation payments. It can assist housing through methods similar to the F H A. It can assist in providing better foreign markets for American products. It can assist the American farmer in retaining his home markets. It can find new uses for agricultural products. It can interest itself in preventing monopoly and protecting small industry against unfair methods of competition.

Undoubtedly, the Federal Government today has a much broader field than it once had. Business has grown to such an extent that such controls as are necessary must be nation-wide under Federal administration if they are to be effective at all. Such activities should be conducted for the general purpose of building up private enterprise and building up private employment. We cannot solve our problems without putting people back to work. We can only put people back to work in private enterprise. The New Dealers have done their little best. They have increased the Federal Payroll from 563,000 to 932,000--more than we had even at the peak of World War activity--but this is merely a drop in the bucket. Private enterprise made America what it is today, the greatest and most powerful--yes, and even today the most prosperous nation in the world. We are the same people. We face substantially the same conditions we have faced for the last fifty years. This is not a new era any more than 1929 was a new era. The American people can be as thrifty and industrious and prosperous as they ever were

Physical frontiers may be gone, but they have been gone for fifty years, and we have had many years of prosperity since then. There are plenty of economic and scientific frontiers to overcome. America is not finished.

We have come out of every past depression to a higher standard of living and higher national income than we ever had before, and we have come out under Republican administration without planned economy and without a vast public debt. It can be done again, but it cannot be done unless we reverse the whole basic principles of present administration policy.

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