

Copy of supplementary paragraphs,  
supplied to a friend, John G. Knox,  
Government Competition Branch of  
N.R.A., now preparing a report on  
complaints regarding governmental  
competition with business.

Lewis L. Baxter

Washington, D.C.  
November 15, 1934.

*St. Louis*  
*Baxter*

There is no fundamental need for governmental interference with nor dictation to private business activities, with certain specific exceptions, nor for increased socialization of productive activities. There is need, of course, for public regulation of all business that is monopolistic in nature, and production which, unrestrained, might exhaust too rapidly such limited natural resources as petroleum and coal.

The real need, in addition to strictly governmental functions, is the socialization of productive ability otherwise wasted in idleness, and such ever more important right and duty of government is beginning to receive the recognition it merits. Such function of the agency which represents society as a whole, and the general interest, should not be confused with government, but rather regarded as necessary collectivism, in addition to government. Perhaps some definite separation, such as the creation of a non-political "National Board of Public Works and Welfare", as free of short-range political control as the Supreme Court itself, would disabuse the public mind of the idea that the non-competitive utilization of surplus labor is synonymous with governmental interference with private industry.

Otherwise the costless -- nay, more than costless, highly profitable -- conversion of surplus labor into public services and investments is viewed on a parity with the expense of government; and as in-

creasing efficiency releases more and more of the labor-supply to produce in the general interest, create unwanted specific surpluses, or give us bread-lines and crime-waves, the awe-inspiring figures involved in financing the conversion of surplus productivity into collectively-acquired wealth create an erroneous impression of mounting governmental costs and extravagance.

Actually, the gain when surplus labor is converted into general or public benefits is three-fold. First, there are the public works and services themselves -- wealth in addition to all other currently-created wealth, and income for the nation in addition to all other current income. Second, there is the additional production in private industry to supply the needs of the additional public employees; which process returns the tax-funds to their source, as such additional industrial output is marketed. And third, is that even more important gain that is inevitable when the deflationary effect of an unassigned labor-surplus is removed from the national economy. While such fact is just beginning to be understood, unemployment is supply in excess of demand on a general basis; and the competition of too many would-be workers for too few available jobs deflates personal earning power throughout the nation thus afflicted, just as definitely as too much wheat or too much cotton impairs the total value of the entire supply of such specific commodities.

ECONOMIC SECURITY ASSOCIATES  
New York City

October 30, 1954.

Mr. M. S. Eccles,  
Treasury Department,  
Washington, D. C.

Dear Mr. Eccles:

This morning's New York Times carries a front-page release headed

"P W A asks \$12,000,000,000 for 5-year Works Outlay".

In one way this is gratifying. In another it is just the reverse. To my mind it is not only a serious blunder to think of recovery spending in terms of totals, instead of rate, but a still more serious one to unnecessarily alarm the reactionaries with the thought of another huge addition to our present alarming item of public debt.

Personally I am convinced, and I believe you will agree, that the original \$5,300,000,000 for public works would have proved adequate, had the rate factor been made the primary consideration. Instead, according to a Ruth Finney article in yesterday's "World-Telegram", \$1,066,486,694 has been actually been spent by P. W. A. in the sixteen months since the appropriation was voted. That indicates the expenditure of the \$5,300,000,000 over a period of approximately five years.

Once more I am going to try to emphasize the urgency of this "sales campaign" -- selling Congress and the nation the truth that it might be enormously profitable, rather than costly, to buy the labor surplus continuously and in its entirety -- being conducted in a carefully-planned manner. Pre-mature releases of the above character do more harm than good. The first step should be to get the heads of the various governmental agencies together on the general principle. Then each release should be properly timed and worded, so that the public was educated to understand, step by step.

One very general complaint regarding the whole New Deal program is the fact that to the unenlightened public there is no understandable basic plan to it. It seems only a hodge-podge of opportunism; un-related moves ill-conceived and poorly executed. Now, if the real need is finally beginning to be understood, it seems a pity for the chances of complete success to be impaired by improper sales psychology -- or none at all.

This is what has been back of my suggestions to you, that I should have a seat down there, somewhere on the side-lines, and a hand in the press-agent work that is so important and could be so valuable if performed in an understanding manner. Piece by piece this thesis of costlessly buying the otherwise-detrimental labor surplus in useful form, with extra

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current income, otherwise never received, could be fed out, until every cross-road's shop-keeper and farmer would understand it. I never have the slightest trouble in convincing man after man of the soundness of the basic concept. I believe I am as well qualified as any one to sell it both to and for the Administration.

Of one fact I am convinced. Mr. Roosevelt himself does not see the possibility. To him the extra public spending is a necessary cost; and creator of debt. His Roanoke speech indicates that clearly. Consequently there is that tendency to hedge and hold back, which is piling up debt at only a slightly slower rate, and for a vastly longer time than is necessary. To date it has never occurred to him that the entire adequate tax bill might be paid, on a pay-as-you-go basis, or a close approximation of it, with additional production that is now not taking place. The result is no real increase in income, and the fear that taking any larger percentage of it as current taxation would be impossible. Hence the seeming need for borrowing indefinitely.

That is something that cannot continue much longer. The increase in public debt from \$16,000,000,000 to \$29,000,000,000 already (partly, of course, under Hoover) is at the bottom of Mr. Roosevelt's waning power and popularity. Let the idea of a further increase to \$40,000,000,000 get into circulation, and a tidal wave of protest is likely to sweep over the country and impair his power to a point where his hands are tied.

Don't think I am depreciating our splendid President. Instead, I regard him as a Godsend. He is honor itself. He is absolutely altruistic. He has the courage to defy all pernicious influences. For the time being he has the power. But if he waits too long, he may not have it. You and I may not live to see such another in the White House. He must not fail!

And if he, and his numerous advisers could only be brought together on the one possible successful program, his name would go down in history as our greatest President.

Do you know Harry Hopkins pretty well? He is hitting all around the truth; but this "five-year plan" shows he hasn't quite got it yet. I wish you could fix things so I could have an earnest talk with him. He is in a marvelous position to be the Moses.

Very sincerely,

/s/ LEWIS L. BAXTER

10/31/34