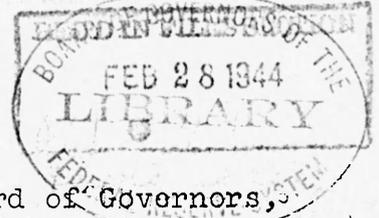


EDUCATION AND DEMOCRACY



(An address by Chester C. Davis, Member, Board of Governors, Federal Reserve System, at the dedication of Long Agricultural Hall, May 12, 1937, at Clemson Agricultural College, Clemson, South Carolina)

We are gathered to dedicate a new agricultural building to the service of South Carolina, and to the memory of the worth and works of a man known by most of us and loved by all who knew him. Dr. Long's service here as Director of Extension spanned half the life of Clemson College - twenty-two crowded years which carried the light from the campus of this great institution to every hillside and valley of the State.

"And now he rests; his greatness and his sweetness  
No more shall seem at strife;  
And death has moulded into calm completeness  
The statue of his life."

Dr. Long was an outstanding figure among those who on this spot made a vital, breathing force of the vision of another great man, the light of whose life is all around us here. The impact of the thinking of Thomas G. Clemson has been felt all over the land, not only in the State for whose people he established this institution.

The event which gave to the world the nucleus of Clemson College robbed it of the man who could have influenced and enjoyed its formative years most. The lines might truly have been written of him which said:

"'Twas his to lend a life; 'twas man's to borrow;  
'Twas his to make, but not to share, the morrow."

Here, then, were two men who marked their times. The seed of their usefulness lay not in the times, but in them. Certainly not the last half of the century, nor the first third of the present one, threw out a challenge to men as stirring and as demanding as that which the present and future hold out to the youth of today.

Diogenes once remarked that the foundation of every state is the education of its youth. That was over twenty-two hundred years ago, and it seems understatement when we apply it to the complex problems of modern democracy. Enlightened public opinion resting on full information stands as the only hope for the continued successful functioning of democratic government.

We are in a swiftly-changing day. The progress of the future, as well as the accomplishments of the past, rest on the shoulders of men and women who use the powers bestowed on them to create better institutions to meet new conditions.

Forgetting all else that distinguished them, we think of the two men as educators whose names are perpetuated here in Long Agricultural Hall of Clemson College. But the field of education is so

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broad that I should like to mark out for a moment's consideration that new subdivision to which Dr. Long gave the last quarter century of his rich life.

I mean no unfavorable comparisons to be drawn from the fact that I speak of agricultural extension today, rather than research through experiment stations, or resident instruction such as has developed in this great institution and the half-a-hundred kindred schools in the length and breadth of the land. But truly here is a development without parallel in the recent history of education.

This far-flung organization, scarcely come of age, radiates from the agricultural colleges into direct or indirect touch with the six million farm homes of America. It brings to them the discoveries of the experiment stations and the physical and economic information on which better and sounder agriculture is being developed. You will search this century in vain without finding another contribution to education as important in its present and future significance as this system of practical teaching brought intimately into the daily lives of farm families.

Perhaps you think I speak too feelingly of the work of the devoted men and women we know as the Extension Service. There is a very good reason, if I do.

Five years ago the farming sections of the United States collapsed in a condition of disorganization, of physical and financial dissolution, not equaled at any time since commercial farming was established in this country. You men and women of South Carolina who lived in the heart of the Cotton South through those dark days need no words of mine to recall them to you.

Four years ago today the Agricultural Adjustment Act became law. It provided the means by which the cotton grower, the tobacco grower, the producers of wheat and corn and hogs and all the crops of this diversified country could organize to balance their supply with existing markets; and build back their income and purchasing power so vital to the welfare of the nation.

As one who was honored by some responsibility in the administration of that law during the first three years of organization and operation, I know what the Extension Service of the agricultural colleges meant to the farmers of the land. If it had not been for the existence of that system, trained and trusted, ready to take up new and untried responsibilities, the work that was done under the Agricultural Adjustment Act could not have been accomplished.

These are times of swift movement and change. The farmers who cooperated under the A.A.A.,—and their number represented nearly four of the six and a half million farm units in the country -- those farmers felt and we who were temporarily your servants in administering the law believed, that the opportunity stretched ahead of us to achieve on the foundation of our beginnings, through close-knit cooperation, enduring equality for agriculture in the economic life of the nation.

More than two and a half years after the Act went into effect, during which it was operating with the force of law, the high court of the land, in an astounding decision, struck the foundations from beneath the program. A majority of the court held that agricultural production is a local matter in which States, but not the Federal Government, might be concerned. There is no time to review that decision here. Perhaps, however, you will grant me leave to digress for a little comment.

In my present work with the Board of Governors of the Federal Reserve System I have become acutely aware that, while Government spending in a depression to keep the wheels of industry turning is a vital part of modern government, it is equally important to be able to call a halt and commence retiring the public debt when business has regained its own momentum. With that in mind, I should like to remind not this audience alone, but the great host of American business and financial leaders who cheered most when the Supreme Court ruled against the A.A.A. that the farm program was one emergency enterprise designed to be self-financing - to pay its way as it went along, without drain on the United States Treasury.

I cannot review in this brief talk the recent history of national farm legislation. In any event, I should have hesitated to attempt it, because the distinguished Chairman of the Senate Committee on Agriculture, your own Senator Ellison D. Smith of South Carolina, expected to be here today--the dean of the Senators of the majority party in Washington, whom you have honored with the longest continuous term ever accorded a Senator from your State. It was Senator Smith who bore the brunt of the battle in guiding through the Senate the Soil Conservation Act which was enacted within little more than a month after the Supreme Court ruling. The farmers of the country are now operating under that law. The personal assistance and courtesy which Senator Smith has accorded me during the years of our service to agriculture add to my pleasure in speaking here in his state today.

The questions considered in the A.A.A. case have not been settled yet. In the majority opinion the Court abandoned the philosophy under which earlier problems had been met, and which had made of our Constitution a vital guide for a growing nation. The majority opinion was an ante-bellum opinion. The philosophy pervades it which moved President Buchanan, on February 24, 1859, to veto the act establishing the Land-Grant agricultural colleges, because, as he then wrote in his veto message: "Congress does not have the power to appropriate money in the Treasury for the purpose of educating the people of the respective states. Should Congress exercise such a power, this would be to break down the barriers which have been so carefully constructed in the Constitution to separate Federal from State authority."

Inevitably the contrast springs into my mind between that statement, that philosophy, and an utterance on the same subject by the man who gave his name to this great college - Thomas Clemson, not only the founder of this institution but one of the fathers of the present system of agricultural and scientific education through Land Grant colleges. He worked for the passage of the Land Grant College Act. Concerning a movement to establish such a college, he wrote:

"The only hope we have for the advancement of agriculture is through the sciences and yet there is not one single institution on this continent where a proper scientific education can be obtained. Those who wish to cultivate science are compelled to resort to institutions maintained by the monarchied governments of Europe...

"If I were called upon to say how money would be expended with the greatest possible security for usefulness, I would point with confidence to such an institution as the act proposes...

"Such a project to meet the wants of the people and the age will require large outlays, but once established under a proper organization, it will be the pride and ornament of the State; it will turn out annually persons well and properly educated and capable of superintending and directing any art without possible chance of failure, - poor land will be invigorated, the recuperative energies of exhausted soils restored - and wealth and prosperity will prevail where desolation, want and wretchedness now obtain."

There you have the issue -- there the contrast. On one hand the man who wraps himself in draperies of the dead and says, "You can't," on the other, the man who says, "We will" and leads the way. On one hand, the man who believes anything is evil that threatens to disturb the status quo. On the other, the man who sees that the adaptation of our institutions to meet changing pressures is the only way to prevent explosion.

It is in the nature of man to consider the present order fixed and enduring. Even trained observers are disposed to see perfection in things as they are. Edward Gibbon was writing the third volume of his "Rise and Fall of the Roman Empire" in 1780, when the fires were smouldering that within the decade flamed forth in the French Revolution.. Gibbon knew France as well as any of his contemporaries, yet we find him writing of Europe at that time as one great system "whose inhabitants have attained almost the same level of politeness and cultivation. The balance of power," he wrote, "will continue to fluctuate, and the prosperity of our own or the neighboring kingdoms may be alternately exalted and depressed; but these partial events cannot essentially injure our general state of happiness, the system of acts, and laws, and manners which so advantageously distinguish, above the rest of mankind, the Europeans and their Colonies."

Surely the man is an optimist who believes our problems are settled, or can be settled without continued action by people through their government, perhaps along unprecedented lines. Surely the man cannot read lessons of history who believes all will be well if we of the United States can only turn the clock back to the feverish late twenties.

There are problems to solve, and they are not easy. Without leaving the field of agriculture, are we not concerned to see that conditions that brought on the collapse of 1932 are not repeated?

Are we not ready to attack the fundamental causes that have brought on swift dispossession of land by former owners, and a terrible waste of soil resources themselves? A half century ago only one out of four American farmers rented the land he tilled. Today more than two out of five are tenants, and the percentage is rising.

A year ago, in April, I was driving through Denmark with the Secretary of the Danish Council of Agriculture. He pointed to a group of buildings rising in a field to our left, and said, "I invite you to come back in 1938, to attend the exposition celebrating the one hundred and fiftieth anniversary of the abolition of tenancy in Denmark."

This was and remains a remarkable and admirable accomplishment. But the problem which the Danes had to meet, with their homogeneous, balanced farm population, was far simpler than that of this country, particularly in the Southern, cotton-growing states.

In our country the first principle of secure land ownership is dependable and adequate income. To establish men as owners on the land they now farm as tenants will accomplish nothing of permanent value unless there is a profitable return upon the farming operation.

The problem of farm tenancy is a challenge to the constructive thinking of this generation. Sixty-five percent of all farmers engaged in the production of cotton farm land owned by someone else. Yet the cotton states illustrate clearly the point I am trying to make--that the problem of adequate returns for farming must be solved before a satisfactory solution to the tenancy question is found.

Eleven states produce practically all of our cotton. These eleven states contain 45.4 percent of all the farmers in the United States. Yet those farmers, nearly half of all, received in 1935 only 27 percent, or little more than one-fourth, of the gross income from crops and livestock in this country.

Or put it another way. The average gross return for each farmer in the cotton states was less than half the average for the farmers of the entire country including southern farmers. Here is a concentration of population engaged in farming for a poor return, with little or no opportunity for profitable occupation yet developed to supplement its income. So long as that condition prevails, living standards will be unsatisfactory no matter how the terms of land tenure are shuffled.

The South is making great strides in the development of new opportunities for employment from its rich potential resources. The farmers of the Cotton Belt, along with farmers of the West and the North, are organized, with the help of the Federal Government, in a war against practices that waste their soil. What is being accomplished depends, as do all enduring endeavors of a democracy, upon intelligent understanding among the masses of the people. That understanding grows only upon information and education, brought to the people in form to use. In that work the agricultural colleges, with their experiment stations and extension service, have made a notable, perhaps an unparalleled contribution.

Experience of the last few years has shown that this stimulation of mass thinking makes great coordinated national effort possible. Recent observations have made me wish that some comparable educational force existed in the field of banking, money and credit.

It is clear to me that we are in a period of far-reaching change and evolution in our money and credit policies, and in the agencies that are concerned with them. What is done will affect vitally every man, woman and child of the nation. The farmer down to the last sharecropper's family has in part his future in the stake. Our experiences of the early 'twenties, and again in the early 'thirties, are still fresh in our minds. Yet it has seemed to me that in this field there is almost a total lack of the general information which is essential to clear and unprejudiced thinking.

Much of our thinking about money goes back to the day when currency of one form or another, usually with fixed value in gold or silver, constituted the medium of exchange. Today about 95 percent of our business is settled by bank checks. The banker who extends credit creates money by an entry on his books or on the books of another bank-- money that can build a house, pay for making a crop, or run a business or a railroad. It pays the wages of labor, or buys raw material for a factory.

Similarly, when banks restrict credit or when banks fail, they cause a contraction of our bank currency, of our money, just as truly as though the government collected bank notes and destroyed them. This is why credit control must be exercised by a public body representing the interests of the whole nation.

The power to create and destroy money is a gigantic power and a heavy responsibility. No thread of common policy runs through the banks that possess this power. Nearly two-thirds of them in number are not members of the Federal Reserve System, although 86 percent of the volume of checking accounts is carried by System banks. The more than 15,000 banks are chartered, supervised or examined by at least 51 separate and distinct authorities.

The laws and rules under which the vital functions of money, credit and banking are conducted are written by the Congress and the several legislatures. In the long run, Congresses are responsive to public opinion. Yet how can public opinion exert constructive force in a field where there is so little general information and thought?

What is the function of gold in the future monetary system? Shall we again pin our faith to gold or some other metal or combination of metals as a sort of automatic regulator of our money system? Or is the world going to move still farther in the direction of what is called managed money -- that is, managed by human agencies rather than by theoretically automatic gold or some other disembodied mechanism? What steps shall be taken to bring unity into the banking system, and with what agency or agencies shall public responsibility be placed? What can be done to make credit as available to the farmer and the small business man, and on as reasonable terms, as to the large urban borrowers? Have we taken adequate steps to avoid future waves of bank failures and financial liquidation? What is the inter-relationship of our

banks and other investors with the public debt? Should the government abandon the almost universal practice of issuing interest-bearing bonds when it borrows on credit, and turn to the issuance of non-interest bearing notes in their stead?

I could add to these questions indefinitely and so could any of you. I would not attempt to answer them to your satisfaction even if there were no limits to my time and your patience. I assure you that the questions are not unimportant or remote. Every one of them is in the foreground or background of public consideration today.

The main economic problem of our generation is to devise a system wherein the flow of money will be steady and uninterrupted, increasing only in proportion to our ability to produce more goods. Farmers, perhaps more than any other class, suffer from the alternation of floods and droughts in the money flow. They owe it to themselves, therefore, to play an active role in devising a system of levees and reservoirs in our financial mechanism, so that the flow of money will be adequate, and no more than adequate, to match the flow of goods at a reasonably stable price level. I am hopeful that more and more attention will be paid to this range of problems in our agricultural colleges. It is not enough that we should increase our efficiency in growing and making things. There must also be a market and a steady demand for the things we are capable of producing.

There is need for someone to write a primer explaining these matters. There is need for agencies to disseminate it. It is dangerous to oversimplify the factors of the problem, but at least they ought to be expressed so that we can understand them.

I wish someone would do in the field of money and credit what the agricultural colleges and extension service are beginning to do in the domain of agricultural economics. But my thought today is simply to state some of the questions, not to answer them. I have already strayed too far from the occasion.

For no particular reason except that I have wandered away from today's essential topic, and now must return, there comes to my mind an inscription that stands over the gate of a very old English fair:

"Give fools their gold, and knaves their power,  
Let fortunes bubble rise and fall;  
Who sows a field, or tends a flower,  
Or plants a tree, is more than all."

And now in conclusion, to the youth assembled here, to the young men of South Carolina, just one word of encouragement and challenge. You will not go from this campus into a fixed and settled world, but onto a swiftly-changing scene which needs your leadership and will acknowledge it. You who knew him, and you who did not, sense the shadow left by the passing of that rich life which gave the now agricultural hall its name. Though he worked hard and accomplished greatly, he would be the first to tell you that the tasks left unfinished are greater than those that were put behind.

In South Africa, at the close of his crowded life, Cecil Rhodes, the greatest Englishman of his generation, summed up in his last words the feeling of those who hand the baton to those who must carry on. Turning his face away from the faithful friends who were beside him, he said:

"So little done - so much to do."

Those words throw down the challenge to you who have the courage and the training to take it up.