

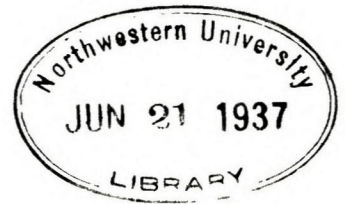
N O T E

THE ADDRESS PREPARED BY MR. HOPKINS WAS READ BY AUBREY WILLIAMS,
DEPUTY ADMINISTRATOR OF THE WORKS PROGRESS ADMINISTRATION, WHEN SENATE
HEARINGS ON THE RELIEF BILL MADE IT NECESSARY FOR THE ADMINISTRATOR TO
REMAIN IN WASHINGTON.

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THE WORKS PROGRAMDOCUMENTS
ROOM

--Works Progress Administration--



For Release on Delivery,
Saturday, June 12, 1937

COMMENCEMENT ADDRESS OF HARRY L. HOPKINS, WORKS PROGRESS ADMINISTRATOR, AT
BABSON INSTITUTE, 10:30 A.M., SATURDAY, JUNE 12, 1937 AT BABSON PARK,
MASSACHUSETTS.

I am to speak to you on "The Business of Relief and the Relief of Business". I am aware that this may bring a somewhat apoplectic reaction from certain old-line business men who have now come to believe that because business in general no longer needs large-scale government assistance, the unemployed no longer need it either.

But I am not talking to them today. I am talking to young men whose problem it will be, during the next twenty or thirty years, to adjust the great industrial system which older men have built to the rapidly changing economic, social and political order in America. What will happen between now and 1957 or 1967? Well, what has happened since 1907, or even 1917? What has happened in transportation and in communication? What has happened in world politics? Or, to get closer to the basis of this discussion, what has happened to a large segment of the population of this country, mainly through mechanization and technical change in industry and commerce?

Last week at Grinnell, Iowa, my college class had its twenty-fifth reunion. I couldn't be there, although I wanted to go. But I fell to thinking how little I dreamed, on the day I got my degree, of the changes that would come to this country in twenty-five years, or of what my part in them would be.

I believe that further changes, perhaps somewhat different in nature, will come even more rapidly during the next two or three decades. They will come, in my opinion, because the people of the United States want them and will approve them by the democratic method provided for

testing the popular will. Certainly the basis for several profound changes has been laid during the past four years.

Most of your futures are assured. You have been favored with the destiny of leadership. How far you will go toward really achieving it depends on the way in which you meet your responsibilities.

What does your comparative security do to you? Does it make you smug and self-satisfied, or does it bring you a certain humility and a real determination to use this flying start that has been given you in a big and humane way?

All over the country, this month, thousands of bewildered students are finishing college and university courses with no jobs to go to. For them, also, it is called "commencement". Commencement of what? Perhaps only of a long, heartbreaking wait. Perhaps of an endless round of futile interviews, ending in a breadline or on a WPA project.

As you move from this institution into junior executive offices, what are you thinking about these other fellows? They have worked just as hard as you have -- perhaps, in many cases, harder.

You can tell them, "Root, hog, or die." You can deny moral responsibility. You can -- but I don't believe you will. I believe you will recognize the barriers which this system built by your fathers has placed in front of them, and that you will come half-way. That is why I am here, without any trick patent-medicine panacea, but merely with a few questions to raise and a few ideas to present, which may be of help in thinking the whole thing through.

In the first place, there seems to be a wide assumption that business operates on one principle, and relief, or aid to the needy, on quite a different principle. Business, it is said, operates on the principle of self-interest; charitable relief operates on the principle of altruism. That is the reasoning on which we were all brought up, and during a certain period in our national development it was true.

But one of the great changes in the past two or three decades was the change which made it no longer true - the complete change in relationship between business and the standard of living of all the people.

This change arrived a good many years before either business or the government was willing to recognize or acknowledge it, and the result was the tragically aggravated conditions of 1929 to 1933.

The crash did not come a number of years earlier merely because, although the stage in this country was all set for it, we managed to keep up our prosperity through a succession of ingenious but destructive devices. During the World War we raised 40 billion dollars and sent it all abroad to be destroyed by us and by our allies. The allies obliged us by not paying back the capital we loaned them, and which they destroyed. After the war we worked out a still more ingenious method of keeping up American prosperity. Our investment bankers raised tens of billions of dollars from private investors and loaned this money abroad. Many of these loans have since been defaulted. But while we were shipping the money out of the country we kept up a feverish prosperity, because the foreign countries which received it were able to buy our goods with our money and thus keep our workmen employed. A dole to the foreigner was regarded as sound finance. Also, I might add, there was no constitutional question raised, since the foreign worker is not protected by American constitutional guarantees.

We launched with haste, in 1933, a vast program of government aid for the unemployed. But in that year, the speed with which we worked - and which is now so severely criticized - was not fast enough for many of the people who now deplore it. Many important business leaders came to Washington as the winter of 1933-34 approached, and pleaded for additional government spending to keep millions of unemployed busy, and give them subsistence. That was when the Civil Works Administration was launched on top of the Federal Emergency Relief Administration and 4,000,000 idle and needy Americans went to work in 90 days. These two organizations have since been succeeded by the Works Progress Administration, which took advantage of the experience gained by its predecessors and limited federal aid to those persons in need who could be employed on useful public projects which were requested by local officials.

For the present it is enough to say that I will not plead for government aid to the unemployed merely on humanitarian grounds, but will

ask you to look at the whole question from a business angle on the basis of its relation to the economic system as a whole.

All through the 19th and the first part of the 20th century, business was working for a rapid accumulation of capital resources and capital plant. We did not consume all that we produced; each year we set aside a large part of our production to build and finance our capital plant in order to produce goods more efficiently and more abundantly. This was necessary in a new country which was making a rapid transition from a simple agrarian economy to a modern industrial system. And regardless of the fact that a large part of our national income was being diverted into an accumulation of capital rather than into direct consumption, the system operated so as to maintain our growing population in comparatively full employment. And as long as there was an opportunity for capital to invest its savings, the investment in the capital goods industries put men to work. Thus we had employment, and thus we had prosperity of a certain kind. It is true that there were periodic depressions brought about by over-confidence in the capacity of the system, but in the end they were overcome through the opening of new markets in foreign trade, the development of big new industries or the expansion of capital plant through the mechanization of old industries.

All through this period, popular standards of living were held down in order that more money might be available for the perfecting and expanding of industry. But early in this century a few industrialists began to realize that the very perfection of modern mass production might cause it to fall of its own weight unless more buyers could be found for its products.

Henry Ford was the first great manufacturer to act upon this theory, with his extreme reductions in prices and substantial increases in wages. That was a good many years ago. Since that time virtually every industrialist in the country has recognized that mass production depends upon the ability of the mass to consume, whether the product be silk stockings or electric razors. Business has spent billions of dollars in advertising campaigns, carefully calculated to make more people want

luxuries: that is, a higher standard of living. It has arranged all kinds of long-time systems of paying by installments, so that people can have luxuries even if they do not have the cash on hand to pay for them.

Yet at the same time, a great many elements in business, through its Chambers of Commerce and trade associations, have been opposing the movements of labor and of agriculture to achieve more buying-power. And they have been the spearhead of the attack against government spending to provide work and buying-power for millions whom they could not themselves employ.

One of the most puzzling things about this question, to me, has been this basic inconsistency in the thinking of so many business men. They will exert every possible sales effort upon the masses, but they will cry out against almost any plan which makes the masses better able to buy.

I do not grant that the argument for lower costs instead of higher wages has any real validity in the sense that it is a separate school of thought. Both elements are needed, and instead of being opposites, they are really inseparable. They are being achieved every day, and have been for a good many years.

The trouble, it seems to me, is that many business men are not clear about what they want. Half of their thinking is based on the old viewpoint of a low standard of living to have more dollars to put into plant and improvement, half is based on the new mass-production viewpoint of which mass buying-power is the keystone. And their thinking on the twin questions of unemployment and relief is not a part of the new concept, but of the old.

For example, if the cost of relief is the whole question, and our aim is to save federal money, why spend any at all?

A friend of mine who was feeling somewhat bitter about this sort of thing recently suggested sarcastically to me that the Liberty League should sponsor a WPA project to haul all the unemployed out into the middle of the ocean and drown them. He had thought it all out in great detail.

He assumed that there are nine million unemployed, and that they

have the average of $1\frac{1}{2}$ persons dependent on each of them, or a total of 23,000,000 persons either unemployed or dependent upon the unemployed. This is about 19 per cent of the total population which could be drowned.

But then he got to figuring that since 1933 some 10 billion dollars have been spent by local and federal governments to support or provide work for these people. Nearly 7 billions of this have gone for wages or relief benefits, most of which went quickly for food and clothes and rent. And nearly 3 billions went for other purposes, largely for materials such as cloth, iron and steel, lumber, paint, cement, tools, etc.

Now if the unemployed were all drowned, these purchases would not be made. I will let you imagine for yourself how many stores and factories would close, how many transportation companies would fail. After all, our total retail trade in 1935 was only three times that amount.

So this cure for unemployment would only result in more unemployment. Of course it is an extreme and absurd idea, but the consequences point to a perfectly valid conclusion. That conclusion is that we cannot view the federal work program and other official efforts to aid the underprivileged as activities of a purely parasitic nature, without economic implications over and beyond the mere aid to people in need.

A noted English economist has summed up the problem of purchasing power in an instructive parable concerning two imaginary communities. It is granted at the outset that the two communities possess equal technical knowledge. One, however, has its capital plant already fully built up, while the other is still in the process of completing its plant. On ordinary standards, says the economist, the first community would be regarded as the richer of the two. But the second or poorer community would actually be able to enjoy a higher standard of living because the opportunity for new investment would permit all of its people to be employed. It would be able to do this, the economist added with considerable irony, until it had completed its plant and caught up with the richer community. Then it would become just as poor as the rich community.

Of course, all this is predicated on the old-time relationship between business and popular standards of living, and it does not take

into account the efforts either of government or of business to raise those standards.

Thus far I have assumed that you will admit we have mass unemployment, even in the face of industrial production almost at the 1929 level. There is a marked tendency on the part of some people to quibble over whether the jobless total 7 million or 9 million. But we know that due to better machines and more efficient methods, nine workers can do the work today which required ten in 1929, and six workers can do the work that required ten in 1920. We also know that despite this increase in the amount that each worker can do, the number of workers who need jobs is increasing by 500,000 each year because of the growth in our population. We know further that in their search for greater efficiency, industries are on the move, leaving stranded workmen and, in fact, whole stranded areas behind them. And we know that the problems of agriculture are grinding down more and more farmers into the status of tenants and share-croppers.

What will put the job-seekers of America back to work? The only way private business can do it is by heavy expansion in the service field and a tremendous increase in the level of industrial production. We must not forget that even in 1929 there were 2,000,000 unemployed, and the experts tell us that the only way industry can reduce unemployment even to that level is by producing 20 per cent more goods than it did in 1929.

What will we do with one-fifth more of everything made in America than we had in the greatest year of our industrial history? These things must be consumed, and on any realistic basis the backbone of this consumption must be the domestic market. In short, the American people must have both the desire and the income to buy.

What about the American income? You know the Brookings figures on 1929, when the average American family needed \$2,000 a year for the minimum of comfort, and had only \$1,500. You know that the average annual wage was down to \$1,100 by 1933, and that probably half of all the families in the nation got along on less than \$1,000 that year.

You know that in the lower strata are large submerged groups with almost no buying power. At any rate, we came to great grief shortly after a President had held forth the hope that poverty might be abolished, with a chicken in every pot and perhaps two cars in every garage. I have no quarrel with his idea; only his method was wrong.

To recognize the fact that government must come to the aid of a large number of its people under circumstances such as we face today is not an attack upon private business or upon the principle of private enterprise. It does not impeach the idea of private enterprise any more than does the theory of the Protective Tariff - the theory that many private industries could not develop without the shelter of a government tariff wall. Whether or not we believe in this tariff theory, the fact remains that it has been accepted by the major sections of American business, and that rightly or wrongly it has guided our government policies during the greater part of our history.

The truth of the matter is that we must not confound the principle of private enterprise with the doctrine of laissez faire and a do-nothing government. Private enterprise has never been able to operate without government intervention of one sort or another, and different conditions necessitate different types and degrees of government intervention in the economic order.

It is impossible for me to present to you, in a single talk, the details of the Federal Government's relief program. It began as a dole because the need was so pressing. At every stage since then - through the C.W.A., the latter stage of the F.E.R.A. and the entire existence of the W.P.A. - our conviction has been strengthened that the providing of useful public jobs is by far the best way to help the able-bodied unemployed. The quality of the public work which these unemployed have been given to perform likewise has improved steadily. The projects are originated and requested by local officials everywhere, and these local officials demonstrate their communities' desire for the improvements by contributing an average of one-fifth of the cost in local money. Thousands of these local officials, of all political faiths, have given public testimonials both to the usefulness

of the projects and the quality of the work.

Nearly a million people have left the WPA rolls to take private jobs as recovery has progressed. It is our belief, supported by thousands of testimonials, that the federal jobs they have had have kept their chins up and maintained their working ability so that they were fit for private jobs when such jobs came along.

I hope you will never forget that, no matter how much we talk about economics, we are dealing with human beings -- with the nation's human resources. One of your responsibilities is to be able to discriminate between what makes sense and what does not, regardless of whether the correct answer pleases or annoys you.

There are three or four sweeping charges which businessmen have brought repeatedly against the unemployed which are not only cruel but which do not make sense.

It is ridiculous to say that millions of unemployed are loafers, that their work is no good or that they will refuse decent private jobs to stay on federal subsistence. It is ridiculous because there are too many of them. These millions are no better and no worse than the American people, though they may be less fortunate. Of course, they include some who are lazy and stupid, just as the national population does. But 85 per cent of the letters we receive from them are simply requests for a chance to work. Do those letters mean they don't want to work? Thousands of communities have praised their work. Is that because it is poor? During the past two months we have investigated 75 separate charges, in 20 states that WPA workers have refused private jobs, but not a single case of unjustified job refusal has been found. I can document these statements with whole filing cases of evidence, containing stories of courage, patriotism and character that would amaze you; but to do so would require a whole course of lectures. Instead, I must pin my faith on your common sense -- on your willingness to recognize that there must be average honesty, and industry and ambition among several million jobless people distributed over every section of the land.

Summed up, then, the manner in which the works program interacts with the economic system is exceedingly simple. Insofar as there is a jam

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in private capital investment, the government sets the people to work on building up the public capital plant of the nation -- building school-houses, hospitals, airports. Insofar as there is a shortage of purchasing power for the various professional and cultural services, the government sets people to work providing such services -- hospital and nursery care, education, recreation, theatrical and artistic entertainment -- either gratis or at low cost. But all the time the two or three millions of workers who have been employed by the government in building up the social plant and providing needed social services are getting paid, and what they are paid they immediately spend. Their spending helps definitely to keep the economic machine moving upward instead of downward, as it was moving from 1929 to 1933. And all the time the workers are being maintained as a reserve labor pool for business, whenever needed.

Now what is the cost of such a policy? President Roosevelt has asked for an appropriation of a billion and a half dollars for the WPA. To that figure we must add, to be sure, the cost of local and State direct relief for those not on the WPA rolls. Even if we include in one total all expenditures for relief, the combined figure is less than five per cent of our present national income. England, which is considered a model of financial conservatism, is spending 11 per cent of its national income for social services, notwithstanding the fact that its proportion of unemployed in relation to its population is much lower than our own.

Compare this expenditure -- this insurance fee against depression -- with the financial cost of the 1929 collapse. For the three years 1928, 1929 and 1930 - despite the big decline in 1930 - our national income totaled 228 billion dollars. For the three years 1931, 1932 and 1933 it totaled 133 billion dollars. That is a depression loss in three years of 95 billion dollars. True, it somewhat overstates the decline because of falling prices; yet in terms of money income it averaged 31 billion dollars a year for three successive years.

Perhaps as prospective leaders of American business you would also be interested to hear what the depression did to business profits. I am not going to bore you with detailed totals. But the figures as to the return on invested capital are simple and significant. For the five years, 1925

to 1929, the average rate of profit for all corporations, figured on capital assets -- land, building and equipment -- was 6.3 per cent. For the five years, 1930 to 1934, the average rate of profit has to be figured in red -- it was minus 2.5 per cent figured on capital assets. And if we chart in dollars all profits and losses during the ten-year period, we find that while capital made substantial profits in prosperity years, two-thirds of those profits were ultimately put back and only one-third left as net.

Now I am not going to extoll the virtues of abstinence from profits -- to tell you for example, that if capital had restrained its profits to the modest total which in the end it actually retained, and had distributed the rest in consumer-purchasing power, the community would have been saved the staggering cost of the depression and the capitalist would have been just as well off as he was in making higher profits and then losing two-thirds of them. All this is visionary, and, besides, under free enterprise business cannot limit its profits to an average fixed rate because there is no one to guarantee that it will get its modest profits once it decides to seek only modest profits.

But this much I can say. Let the memory of what 1929 did to profits keep you from demolishing the system of protective insurance which the government has set up in the work and social security programs. To demolish this program before business has absorbed the unemployed will save for business a few pennies in taxes, but for every penny it will save from Uncle Sam it will have to give dollars to future Depressions.

In manifold ways, the prospect of steady income is brightening for the depressed groups. The wages-and-hours legislation now before Congress should open private jobs to many who cannot now find them. Federal and state governments already have begun to supply benefits to those who are aged or handicapped, or for a variety of reasons, unable to work. I do not say that any of these plans is perfect, any more than the Federal work program is perfect; but they all represent a beginning in broadening the buying-power of the American people so that it can support a sufficiently increased level of production to make important inroads into the ranks of the unemployed.

There is no gainsaying the fact that the depression has been stopped and that recovery has advanced to the point where production, measured in absolute terms, is about equal to 1929. If we measure it in relative terms we still have a good distance to go, in view of the increase in population since 1929. Nevertheless, we have gone a long way, and it would take a pretty severely prejudiced individual to deny that the Federal works program has played an important part in this recovery. Instead of 15,000,000 unemployed that we had in March, 1933, we now have eight or nine million.

The crucial question is what we should do in the face of this reduction in unemployment and increase in production. Should we dismantle the Federal Works Program on the theory of an approach to normalcy? Or should we consolidate our hard-won gains by maintaining the purchasing power of the unemployed? I can see no choice, short of inviting a repetition of 1929, other than to carry on with a policy of protective spending against depression.

The larger aspect of the picture -- the whole question of an adequate income for the mass of the people -- is one of such infinite complexity that we need to approach it in all humility and without prejudice. The answer will be worked out, and the system preserved or destroyed, by those of your generation. You must decide what this country and its tradition of democracy are worth to you. You must determine the price you are willing to pay, whether it is in cash or hard work or public spirit, for the American system. Those of you who go into public life must have tolerance for the needs of business and the honest motives of business men. Those of you who go into business must have equal tolerance toward the efforts of the government to assist in balancing the intricate mechanism of this nation. All of you must give, importantly and honestly, of your brains and your fine training if you are to justify yourselves, for you have had a better chance than most of your generation.

Some day our children will laugh at us for the way we have kept people in idleness -- let human resources rust and decay -- while great segments of the population were in desperate need of the things that might have been produced.

I believe we have made important beginnings in the right direction, but they are only beginnings. As business technicians, their development is to a large extent in your hands.

Suppose you had a big industrial plant, in which from ten to twenty per cent of the workers had nothing to do all the time. Suppose about one-third of its employees could not afford adequate food or clothing or shelter.

Well, you have the greatest plant in the world -- the United States of America -- and these same things are true about it.

To what higher purpose could you use your excellent training than the adjustment of this American system so that a decent minimum of its comforts is available even unto the least of its people?

There was a certain carpenter of Galilee who had some very important ideas along this line. If you need guidance in the big job you face, I would recommend His teachings and philosophy. They are as good as new, they have been used so seldom.

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