



For Release on Delivery,  
Saturday, April 16, 1938.

PURCHASING POWER AND GOVERNMENT.

Address delivered by Aubrey Williams, Executive Director of the NYA and Deputy Administrator of the WPA, before the 73rd Annual Session, Tennessee Education Association, Nashville, Tennessee, on April 16, 1938.

I know of no better way to preface what I have to say today than to begin by stating that from what I know of some other countries I prefer the sort of life that I have become accustomed to in America. I like the way our families live and grow up together. I like the freedom with which we are able to express what we think and what we feel. I like to go and come when I please. I like the arrangement of our business organizations, although I don't always approve of a lot of things they do. I like our sports and the freedom of choice that one has in his off hours, although I don't always approve of a lot of the propaganda that people try to force on one when he pays his good money for fun and to get a laugh. In other words, I want to start off by saying that if liking the way we live and the sort of institutions that we have means being a conservative, then I am a conservative.

And I like the way we work at our problems.

In spite of the haul and pull and tussle of public debate, there is life and freedom here.

And I want to add another note, by way of introduction, and that is that we are still a pretty healthy and vigorous country in spite of the endless repetition of crises and the number of public utterances which view "with alarm" the future of our republic. We have come through most of our troubles with far less shift and change in our basic way of living and in our relations with the manner in which we make a living and the manner in which we work and the manner in which we play and even in the manner in which we love and are loved than each time we were told would be the case.

In other words, we can face current problems, from the vantage point of a devotion to the sort of life America affords and of a knowledge that for most of us what we really want is not a great number of changes, not any new and foreign forms of living but simply to make the system which we have grown up with work for everybody. We want to re-direct American life along the ways which constitute the original pattern, which benefit everybody instead of just a few.

How to do this - how to make the economic system do this depends first of all, in my mind, upon whether or not we understand the extent of our difficulties - where the trouble is - and why it doesn't work. I think it is terribly important for us to look squarely at the extent of our difficulties. I need not tell you, for you of course already know it, that there are at least two or three schools of thought in this matter. There is one school of thought which is able to be very complacent about

the present extent of poverty and privation in this country. It seems to be in no distress over the fact that there are some 12,000,000 people out of work - that there are whole sections of the population who do not have enough to eat, who cannot afford medical care, who live in houses not fit for human habitation. This school of thought takes refuge and comfort in the complacent belief and attitude that these things have always been this way - that we have made a good deal of progress - that living standards are higher in America than in any other country in the world - that the difficulties people are in are of their own making - that if they would save their money, were more careful and frugal, they would have plenty. Of course, I don't need to tell you that the facts just simply do not support any such position, but we will come to that a little later.

The opposite school of thought is (and there are many others on down between these two) that it isn't right, necessary, or desirable that people should not have enough to wear - should not have enough to eat - should be in a condition where they are not able to afford a doctor when they are sick or when their children are ill. This school of thought holds that we have the natural resources - we have productive machinery - we have man-power - and there is no good reason that anybody can give why this abundance of ours shouldn't reach down to the last family - that this is a matter of proper organization of our national economy. It holds that this

is not the fault of the individual - that it is the system and not the individual that is to blame. It points out too, that many people who have been very frugal, who have been careful all of their lives, who have worked hard all of their lives have had their savings wiped out - have lost their homes - only to find themselves in want in middle age, or in old age.

Now, without seeming to prejudice my case with you, I must say frankly, for want of time to go into detail, that all of the facts support this second position. Oh, I know it is perfectly possible to find here and there a wastrel who doesn't take advantage of opportunities. It is possible to find plenty of people who live beyond their income (which, by the way, is a theory of national well-being that is being supported by a large school of economists today as being very desirable).

But while it is possible to find these individuals, a man has to be pretty blind to the facts to attempt to hold that 12,000,000 people are wilfully wasting their opportunities and are idle through lack of individual initiative, resourcefulness and industry. It just simply doesn't make sense. Our difficulties, of course, have many implications. They have implications particularly for Youth, the group with which you are primarily concerned. We talk a great deal in America about free education, free schools, but you and I know that education is not free in America. You and I know that there are 3,500,000 boys and girls of school age who are denied opportunities to go to high school because their mothers and fathers cannot afford to send



them. There is another implication, for those who had the opportunity to go to high schools. Millions of young people have graduated from high school, many of them with excellent records. They were told when they were in their school years that if they worked hard - were good students - made the best of these years - that it would fit them for useful work in after life. For many of them, running unfortunately into the millions, the years immediately after school have been bitter, disappointing years - years in which all of the hopes, aspirations born and nurtured in their early family relationships and in their school relationships have collapsed in frustration and despair.

The extent of our difficulties is particularly noticeable in the mid-years of a great many men's lives. I have often said, in describing the plight of the man with the growing family, that one could do more for Youth by giving employment at adequate wages to all men between 45 and 60 years of age than by any other single measure that could be taken.

Another way of viewing this is by examining how the national income is distributed. We made very careful studies of this matter. They showed that one-fourth of the families of the United States had incomes from all sources of less than \$750 a year; the lowest 10%, or more than 2,600,000 families, had annual incomes below \$400. This was in 1936. We also made some calculations as to what a family could live on and support life with a minimum of health and decency, and we found that this bottom

level, taking the lowest amount you could get along on with four in a family in the cities, was \$1260.

Another way is to view it on the basis of what people are able to buy. I understand that the average man is only able to buy an overcoat once in 11 years; that the average woman can only afford a new hat every 3 years; that she buys  $1\frac{1}{2}$  pair of shoes in a year,  $1\frac{1}{2}$  dresses in a year; and that the average man buys a suit of clothes once in 3 years. The hard fact stands out that there are great parts of the American people who have no income. What does this mean? It means that great masses of the American people are living in poverty; that they have inadequate clothes; that they live in miserable houses; that they are without adequate medical care.

There are many other angles to the extent of their difficulties. There is the matter of health. A recent study which we made brought out that disabling illness among unemployed persons was much higher than among employed persons. Among persons of working age, 3.3% of the unemployed were sick on the day of the count as against 1.3% of the employed - an excess illness of 150%.

Notwithstanding the higher incidence of illness, these people receive less medical care per person than people of higher income. These surveys furnish conclusive evidence that the excessive illness is directly attributable to poverty and that illness, in turn, increases poverty, establishing a vicious circle.

Probably no section of America presents our difficulties more dramatically than the impoverished rural areas. One way to visualize this is to realize that 50% of the farm population produces 90% of the farm produce and that the other 50% produces 10% of the farm products. It is this lower 50% that constitutes one of our national problems.

In one of our studies we found that the average annual net income of wage hands, croppers and other share tenants and renters in the Cotton Belt averaged \$309 per family, or \$73 per capita in 1934. Half of the workers in a survey of the beet fields of four states received annual earnings of less than \$340, and the earnings of these workers from other employment through the year ranged from only \$31 to \$93. The highest average earnings of migrant farm workers, shown in five different surveys that we made, amounted to only \$483 per family. Such earnings are equivalent to a wage of about \$200 per worker per year.

Nor are our difficulties confined to the farm hands, share croppers, or factory or building trade workers but they include a great part of our white collar and professional workers. Indeed these constitute one of our most serious and difficult segments. The WPA had the dubious distinction at one time of being the greatest employer on earth of Ph. D's. We have thousands of skilled writers, musicians, artists, actors, architects, engineers and teachers, and we are under constant pressure from all parts of America to increase the number of these classifications. It is one of

our major problems to find suitable work for professional, clerical, and white collar people.

This is a rough portrayal of some of our difficulties and conditions. There is nothing to be gained by attempting to minimize or ignore the true situation in America today. Indeed if we are to make any progress probably the first thing we have to do is to face the facts -- a step which up until a few years ago we persistently refused to take. These conditions are not new. They began to be serious at the turn of the century, and students of the social sciences have been cognizant of them in increasing intensity almost every year since then. They have been long in the making, going much farther back than even 1900, and you may be sure that they will be long in the unmaking. Certainly no one has any right to get discouraged if they are not all righted in a period of 5 years or 10 years or 20 years, for that matter.

Just here I should like to say (at the risk of seeming to moralize, which I do not want to do) that one of the greatest services, it seems to me, that the schools can render is to make available the greatest possible amount of factual material to the pupils about the community in which they live -- facts about housing -- facts about its health -- facts about its government -- facts about its employment and unemployment -- facts about its wealth -- its business -- its family life. These facts ought to be presented in terms of the larger aims of the community and of family life

and of individual well-being, as well as in terms of tactics and of how to get these larger aims translated into living reality.

I can hear you saying: Well, why do these things have to be? Why is it necessary that there should be millions of people out of work; others without sufficient food; others without sufficient clothing? Probably no complete answer to that question can be given, and certainly anyone who says that he has the single and only answer is more than likely to be absolutely wrong.

Undoubtedly, there are many things that cause this. It is very probable that no one group is fully responsible. Some things stand out, however, quite clearly. One of these is that with almost terrible consistency, wealth has tended to become concentrated in the hands of a very few people. In both good times and bad times, our economy seems to function in such a way as to increase the holdings of those who have the most. The result of this is that these large incomes are only partially spent. The rest is kept out of the buying channels. Some of this saved income is used for investing in new plants and equipment, but the deficiency of demand retards this investment and funds lie idle. Another cause is the vast technological expansion which has occurred in the last thirty years. This, in some instances, has gone to fantastic extents and thrown thousands and thousands of people out of jobs.

The WPA is now in the midst of one of the most extensive studies of technological employment ever undertaken; and we find that while technology seems to make possible increases in living standards, and over a given period of years to increase employment, we have not yet learned how to utilize these new techniques without causing great dislocations, resulting in the loss of jobs by millions of workers over periods of months and years.

Other factors, without doubt monopolistic practices, have resulted in restriction of production and rigidity of prices and the consequent falling off of consumer purchases.

Not only have we restricted production, with consequent unemployment of men, machines, land and skill, but also the American system of competition has been damaged by all sorts of devices and subterfuges. Markets are divided and monopolized, all by collusion of powerful groups with methods so subtle and so plausible that the public has accepted gross limitation on competition as being in the public interest. Competition which thrives and can be maintained in expanding markets can only be preserved with great difficulty, at certain points, for a certain time, when markets and purchasing power are falling away.

Another great cause of trouble is the policy of certain business men to operate only under certain given conditions, one of these being that they are only willing to operate when they can make a certain

profit. They are also impatient of large and unwieldy efforts which might result in profit but would be more difficult to handle and less profitable per dollar invested. We have not yet reached that state of enlightened selfishness where business in general is willing to conduct its affairs, during emergency periods, for the purpose of employing people per se. We are still in the period where business, with some very fine notable exceptions, is conducted almost solely for profit and for monetary gain.

And as is apparent, we have failed to establish a state of affairs in industry whereby the work is divided up among a greater number of persons - that is, through proper legislation, governing wages and hours. That day is not too far distant when we will work out this problem and put a floor under wages below which they shall not go - and a top on hours beyond which men and women shall not work.

But whatever the causes, the facts stand out that our industrial arrangement works adequately for less than 10% of our people who get above \$3,000 a year, only moderately well for the 30% who receive above \$1,500 a year, and does not work at all for one out of every five families in America. These families are outside the gates of industry and are not permitted an opportunity to participate in the benefits of our industrial organization.

I have discussed the extent of our difficulties and some of the more obvious reasons why we are in this condition. It seems to me, though, that we haven't yet reached the crux of the matter. What the American people want to know is, what is there that can be done to make the system

-12-

work so as to include all of the people; to make it work so it not only is a blessing to 15 or 20% of our people at the top, but so that it is a blessing to everybody. And they undoubtedly are not interested in finding ways by which we are going to take things away from those who are now favored with abundance -- no one I know wants to deprive anybody of anything. What we do insist upon is that those who have too little shall be given more, and those who have barely enough shall retain that amount with some consistency and not live in constant fear of losing that which they are able to earn from month to month.

What all of this seems to lead to is that we do not have enough purchasing power. What this whole thing seems finally to say, at least to me, is that people would buy things if they had the money with which to buy them; and that our trouble is inadequate purchasing power. I distrust any cure-all and I do not mean to say for a moment that if we had an annual income of 80, 90 or 100 billion dollars, all of our problems would be solved. I think we would still have the problem of monopoly. We would still have the problem of technology. For example, some kill joy says you could produce enough goods with your present machinery, and have little or no increase in employment, to satisfy the demand of an 80 billion dollar annual income. We would still have the problem of hours and of wages. But this seems clear and reasonable--that we can not make headway with the solution of any of these problems when the country is compelled to operate



-13-

on a 50 or 55 billion dollar income. So I think that the first great problem of America is to increase the purchasing power of its people. As I see it, the major problem that is on the doorstep of America is how to get money into the hands of the people who do not now have any and who will buy things which other people will be employed to manufacture.

The job is how to do this.

It would help us some here to go back a little and ask how we got that way. How did we get the industrial machine built? And how have we kept it going up to now? It will help us in the present situation to understand a little better what we really have been doing along these lines in the past. As we examine the record, we find that it has always been necessary to separate off and use a part of the national wealth in order to get our industries started and in order to keep them going.

We gave the railroads every other section of land to help them build their systems. We gave the electric power and water works utilities franchises and monopoly rights in order to help them get started and to organize and run the electric light plants and water works. We established tariffs to help all kinds of industries and business.

Now, this is another way of saying that we were "priming the business pump." We were drawing off part of the national wealth and placing it in the hands of particular groups in order to get certain parts of the business machinery of the nation going. Not only did we do that, but we continued

to alienate portions of the national wealth through tariffs, through franchises, and through legislation that permitted or condoned practices which restricted trade, restricted production and, in general, made a market for some particular group. Now these measures did what they were supposed to do and if we wash up all the flagrant abuses that accompanied them, the government's action constituted a necessary and approved public policy.

Today we are faced with the need not to aid struggling infant industries of an infant nation, but to make these industries function so as to include all of the people. There is no need to aid in the development of plants nor to aid production per se, but rather the need is to supply customers who will buy the products of our factories or mines or our mills - that is, we must today move through the consumer; we must increase the buying power of the lower two-thirds of our people. Concerning the desirability of this, there is little difference of opinion. Practically all people in America agree that it is desirable from all points of view to increase buying power - to increase the consumption of goods. The difficulties arise around how it should be done. We seem to have far less difficulties in agreeing upon the general desirability of greater purchasing power than we do in agreeing on how it can be secured. All but a few agree that high wages are good and desirable; that shorter hours are good and desirable; that security in youth and old age is good and desirable; that unemployment insurance

and work for the unemployed is good and desirable. But when we get over into the matter of tactics or methods of how to get shorter hours; how to get increased wages; how to get collective bargaining; how to get a better distribution of the national income; then we are bogged down in differences and uncertainties.

For example, I think it will be agreed to by a majority of the people that the general aims and purposes of the present Administration are those which are held by the majority of the American people. They believe that shorter hours are a good thing; that high wages and a steady annual income is a good thing; they believe that collective bargaining is a good thing. They believe that the national income should be more equitably distributed. They believe that most of the problems that confront the country are national and must be dealt with largely by the national government. But there arise differences of opinion as to how to achieve these things; how to achieve this greater degree of purchasing power.

The understanding and acceptance of these general aims and purposes during the last few years has been one of the most heartening things of our lifetime. To my way of thinking the majority of the people have believed in these things all along but they never had an opportunity to declare their belief and to give support to these general positions. What many of us never thought would be possible in our lifetime has come to pass. We never thought that people would have a chance to give support to an Hours and Wages Bill; we never thought they

would have a chance to declare their belief with regard to national legislation establishing the right of collective bargaining; we never thought they would have a chance to declare their position with regard to a better distribution of the national income; we never thought that they would have a chance to express their convictions in behalf of a Social Security program.

By the above, I do not mean that all of the people agree upon these aims and purposes. There are many who hold very different views and aims. Many of these honestly believe that much of the present administration's program is wrong and ruinous; many of them believe that it is wrong for government to have anything to do with the number of hours that a man works in a day or the wages that he is paid. They hold that what happens when one man buys bonds or securities from another man, that it is a trade between two individuals and that the government has no business getting mixed up in it one way or another; they hold that when a man is unemployed and without funds, that it is a matter for this man and his friends and neighbors, and that the Federal Government should keep out of it; these people hold that the ups and downs of the business cycles - or depressions - are natural and normal phenomena of business and will take care of themselves if left alone - that they always have in the past and will do so again if allowed to run their course along with a sizable amount of liquidation bleeding.

Now the people who believe this way are usually the most articulate members of their communities; they are usually the wealthiest; they frequently own or control the newspapers; they are on the school boards, church boards, etc; they

usually own a majority of the stock in the towns' main industries. This gives them many chances to express their beliefs and their will. In the past these people have had things run their way; they have dominated the school board and had the say as to who was hired - who was retained - and who was promoted, by means of which they controlled what was taught in the schools. This was equally true in other parts of the community.

The past five years have been different and much of the ill-feeling and ungraciousness at the present time is due to the fact that their power has been thoroughly challenged in national affairs and in many local institutions, public and private.

On the whole, this has been a very trying and disastrous period for those people who formerly, through the power of their ownership of industry and the newspaper, had things pretty much their own way. They have sought by every known device to destroy, block and thwart the desires and wishes of the majority of the citizens as expressed in their votes. The will of the 27 million voters, as expressed in 1936, has been blocked and defeated time and again in the past eighteen months, by the will of a small but powerful group of rich men and their corporation lawyers.

One of the most difficult things to understand about this opposition is the camp followers of this group. Frankly it is understandable why a financial "Titan", used to having his way in all matters, should be opposed to the slower and broader process of democracy. But why small merchants, small

bankers, lawyers, preachers, or teachers, should ever cast their lot in with them against the common people is very difficult to understand. Why the doctor, teacher, preacher, or merchant, should side with the owner of a factory and against the workers, say in a strike for shorter hours and increased wages, is more than some of us can understand, because if for no other reason than their own self-interest, I would think that the doctor, teacher, preacher, or merchant, would be on the side of the workers in their fight for a better standard of living.

There is evidence that more and more professional people and small merchants are seeing where their self-interests lie and are joining the workers in their struggles.

On the whole, the force of this understanding and enlightenment gains strength. What will happen in the future no one can tell, but up to now wherever the people have had an opportunity to express themselves they have been to the left of all of the candidates. In other words, they have been more progressive and have been more liberal, and have supported measures making for a greater participation on the part of government in their behalf, and have at all times supported those candidates and those issues which, by common consent, were designed to safeguard their rights and protect their interests. But as wonderful and heartening as this is, it is not enough. We have got to find ways and means whereby these aims and general purposes can be translated into action.

In a political democracy, it is, therefore, not only desirable that the great majorities of the voters shall agree upon the general aims and purposes

for which they are striving but that they shall agree likewise upon the tactics and the methods by which they are to achieve these aims and purposes.

Life is so constituted that we live and learn from day to day and what is true today may not be true a year from now or two years from now, but as I see the thing today it seems to me that the move that must be made concerns ways and means by which the purchasing power can immediately be gotten into the hands of the people, and the first move must be made by the Government.

I have indicated before that we have plenty of historical precedents for this. We have always alienated portions of the national domain in order to stimulate industry, but our frontiers are gone - our lands have gone - and the way which now lies open to do this is to stimulate consumer demand. This can only be done by methods which involve direct financial moves on the part of the government through the payment of wages for work to those who are unemployed and have no purchasing power.

Now if the economics of such a plan need to be justified, we are able to make out an awfully good case of what happened in 1933 to 1937. In 1932 the national income had dropped to \$39,500,000,000. Then the government began to spend money for relief and employment. Each year after that the government spent money and the national income began to rise. It rose over a continuous period of 52 months until it reached \$68,000,000,000.

There are those who argue that this spending had nothing to do with the rise of the national income. Their position is not tenable, however,

because for four years prior to the time when there was no government spending, the national income continued to drop. The staggering losses due to the widespread unemployment - idle men and women - so far overreach any expenditure of public funds that it has always seemed to me that no sensible government could afford not to spend money.

Careful students of our economics point out that we have lost during the past eight years approximately \$200,000,000,000 due to idleness and unemployment. The loss in any one month at the present time in the productivity of the unemployed amounts to more than the total amount of funds which the administration is proposing to spend for the Works Program for the entire year.

The policy which I believe the majority of our people agree upon is that one of the functions of the government is to provide mass spending power when industry fails to provide it, and through this temporary alienation of the national wealth to stimulate employment and business activity as a means of recouping our national fortunes. That this thing works positively in all directions is indicated by the fact that we were able to progressively cut down public spending once we got the national income moving on an upward spiral, and we have every reason to believe that this will always happen under similar conditions.

There are certain corollaries to this, however, that must be strictly observed and carried out. One is to maintain a basis for free and untrammelled competition on the part of private industry. To obtain more than



temporary prosperity, moves must be made with respect to better distribution of the national income or production will again quickly outrun consumption. I am not here talking about re-distribution, although we could well afford to have some of that.

Another move that has got to go along with this is to see that wages increase in keeping with productivity and in this regard I think that full support must be given to collective bargaining on the part of all industrial and other workers.

Another important factor has to do with prices. If prices are going to be allowed through monopolistic control to outrun wages, we will again be back into another downward spiral. We all know perfectly well that in recent steel agreements, a raise in wages was used for an unwarranted increase in prices and this was reflected all up and down the whole scale of commodity prices as steel is an important base in our economic life.

So I believe there are two main ways of achieving our aims: one is the maintenance of purchasing power through government contributions and private efforts; the other is through a free and open competition in business.

We must face the fact that for some years to come it is going to be necessary for government to come to the aid of business by providing purchasing power to the consumer in one way or another. This is the democratic way of achieving national prosperity. A way of sustaining it once we have achieved it is through a proper balance of power in the hands of labor and employment within the framework of a system of free competitive enterprise.