"AMERICA'S ECONOMIC PROBLEM NUMBER 1."

The following address was delivered by Harry L. Hopkins, Works Progress Administrator, from Station WREC, Memphis, Tenn., over a nation-wide hookup of the Columbia Broadcasting System at 8:30 p.m., C.S.T. on Friday, August 5:

I am going to talk to you tonight about what the President recently called the Nation's Economic Problem Number one. I am going to tell you what I think the problem is. Tell of some of the things our Government has done about it and of what it is going to do about it in the future.

Because I am going to speak plainly and frankly I know some people may not like some of the things I shall say. I don't think that is important if what I say is constructive and based upon the realism of facts. I mention it at all only because I don't want these people to cloud the situation by raising the cry of sectionalism or of partisan politics.

My interests and my responsibilities are national - not sectional. Therefore, what I shall say about conditions in the South will be from a national rather than a southern point of view. And what we have done and shall do to improve these conditions will be from the standpoint of the best interests of the nation as a whole.

What you have done and are doing in the face of economic and political handicaps which have prevailed since the War between the States constitutes a saga of human accomplishment of which you can forever be proud.
The South is moving forward with the Nation. Left flat upon its economic back at the end of the War between the States, it faced its difficulties. It set about to rebuild its life from these ruins. It has sought to make education available for all of its youth, white and black. I know the great work of the father of our Chairman, B. B. Comer, who, while Governor of Alabama, achieved what was then the difficult goal of a high school for every county in Alabama. You have made significant moves to safeguard the health of your people. Of your wealth you spent a greater proportion for education, health and public welfare than any section of the nation. Your problem is not one of lack of understanding or of determination to secure the highest possible standard of living for all the people. The problem is economic. It is lack of purchasing power. The problem centers in the fact that so much of the profits of your labor are drained off into the hands of the absentee owners of your factories, your lands, your forests, your mines, and even of your banks.

The problem is intensified by the concentration of financial power in the hands of too few people and with few exceptions these few people do not live in the South or spend their money there.

The South, with one-fourth of the population, receives one-seventh of the national income. With one-fourth of the people, it has less than one-thirtieth of the life insurance. The incomes of this one-fourth of the people produce but one-fourteenth of the total income tax revenue.
If the combined bank deposits of the United States had been distributed in June 1933 on a per capita basis, every person in the North would have received $419, every person in the West $222, and every person in the South only $81. In ten Southern States, retail stores sell less than half as much goods per person as they sell in the nation's twelve richest states.

It is certainly not that the other regions have superior resources or superior people. In 1860 the South was rich and prosperous. Crushed by the Civil War and the incredibly vicious period of Reconstruction, it beat its indomitable way back to a measure of prosperity in the next forty years. But the economic and industrial march of other sections had been going steadily ahead — and the South has never regained her relative position.

The South was an exploited region — a region lacking capital, whose operations were financed from the outside; a region which produced raw materials for distant factories, shipped them to those factories, and bought back the finished goods at manufactured costs — if it could.

There are many factors which have held it back. The after-effects of the Civil War itself, the whole trend of the development of our industrial economy, the tariff, the railroads and the effects of the one-crop system.

The history of the railroad is a significant part of this story. The railway structure of the nation assumed its general outline from 1860 to 1875, when the South was prostrate. The transcontinental lines were laid out to bring tribute from producing to manufacturing areas. And this was done with public subsidy. For every mile of transcontinental track built on the plains, the government gave the railroad company 20 sections of good land. These land-grant railroads were given a total area
of land larger than the Republic of France. In addition, the government advanced federal money ranging from $15,000 to $40,000 per mile.

These roads subsidized by the government were so built as to choke off the river traffic and subordinate the advantages of the West and South.

Later the freight rate structure was planned/clinched the industrial supremacy of the North and East. It still stands, and today's rate differentials penalize both southern railroads and southern shippers. Northern manufacturers have a rate advantage of about 39 per cent over Southern manufacturers who want to ship the same products into the rich and populous North and East.

When I hear criticisms of today's public spending, I often wonder if people realize how much pump-priming the government did in those early days, and on what a tremendous scale. The giving away of the public domain was nothing but pump-priming. It was Federal subsidy for buying-power. If a man turned farmer, the government would give him a free homestead. If he turned miner, he could have free gold if he could find it. Cattlemen got free grass. Manufacturers were given patents, and a high protective tariff. And yet today some people try to create the impression that Federal spending to help people and business is something strange and new.

Our traditional tariff policy, desirable as it may be to protect industry in all parts of the country, has worked to the disadvantage of the people of the South, because while they sold their agricultural products in an unprotected world market, they had to buy their manufactured products in a protected domestic market.

The tariff puts a double handicap on the South. It makes it
difficult for foreign shippers to send goods here in exchange for our export crops of cotton and tobacco. At the same time, it increases the prices of manufactured products which the South must buy. I do not say this is in any sense wrong; I merely say the entire situation has handicapped the South.

A monopoly of cotton was the principal asset which the South in 1865 to start it on the road to recovery — and millions of Southern families have depended on this monopoly for most of their cash. This dependence on cotton brought with it serious drawbacks.

I need not comment to this audience on the disadvantages of one-crop agriculture. King Cotton is not any too kind to his subjects when they serve him to the exclusion of other crops. A recent study of tenant farmers showed that their incomes increased most, not with the amount of cotton produced, but with the amount of food they raised for home consumption.

It is a tragedy that a land of varied soils, long sunny seasons and bounteous rainfall should contain thousands of families which suffer from malnutrition.

The share crop system was the only logical system for the South to turn to after the Civil War, in order to use the land and labor with limited capital. The evidence is accumulating, however, that it may have outlived its usefulness. It has given us a low-income shifting population constantly on the move and little concerned with the preservation of the fertility of the soil. There is an often repeated story of an interview between a landlord and a sharecropper. It runs something like this:

Farm Tenant. "How about fixing that leaky roof over at the place?"

His Landlord. "Why, ask me to fix it?"
"Well, it's your place, ain't it?"
"Yes, but it's leaking on you."
"Well, it won't be next year."

As a part of one-crop agriculture and share cropping you have inherited a credit system that is a millstone around the neck of everyone who handles cotton. Months before the crop is harvested the tenant owes the landlord, the landlord owes the merchant, the merchant owes the local banker, and the local banker owes the banker in some distant financial center.

Cumulative interest is taken all the way along the line, and the wonder is not that the profits have been small, but that there have been any profits at all.

In addition to the long-time ills of southern agriculture the World War further weakened the position of the South by converting the nation as a whole from a debtor to a creditor nation. As long as we owed Europe money and bought manufactured goods from them, they were glad to accept raw cotton and tobacco as payment. Now that they owe us money, it is much more difficult to sell them raw materials.

There are exceptions in those places where one of your greatest Tennesseans has been able to work out reciprocal trade treaties. With tolerance, patience and clear vision, Secretary Hull has made a magnificent record of achievement in the face of the fierce struggle of many nations to become economically self-sufficient.

A significant trend in the plantation area is the advent of the machine. On thousands of farms the tractor is replacing the mule. While this is in the interest of efficiency, it throws thousands out of work.
What has been the result of these economic handicaps? Average incomes for tenant farmers of $312 in good years and still less in lean years. Total per capita personal incomes of $365 as against $881 in the Northeast. Many people who after a lifetime of honest toil can look forward only to an old age of dependence. Diets for thousands consisting of grits, greens and gravy. Houses for more thousands that are not fit for human habitation. A lack of adequate health and education facilities which should be the heritage of every American boy and girl. Only those who are willfully blind fail to see that millions dwell in poverty.

I think most of us dwell too long on the causes of the South's difficulties and too briefly on what is to be done about them. Much has been done in the past five years by the only agency which can step beyond state lines and act as an equalizer - the Federal Government. These things have been done in the course of the general program of the New Deal as applied to the country as a whole. Now the President, recognizing certain problems as being particularly and peculiarly serious to the South, has directed a frontal attack to solve them.

I am in Memphis today because of this. I have been meeting with the administrators of these eleven southern states, discussing with them what measures the WPA can take to further the President's purposes.

I had already given these state administrators authority to add a total of 200,000 persons to WPA rolls pending the time when labor would be needed for picking cotton. This was done to provide supplementary income to workers at a period when income from private sources would be at its lowest ebb, that is when crops were laid by. We intend to close out this employment in picking time, and to open it up again when the harvest is over.
There are hundreds of thousands of people in the rural areas of the South who are not earning a decent living from agriculture. These people have no work between seasons. They want work. There is work to be done. I believe, therefore, as a matter of permanent policy two things should be done. First: That the head of every farm family whose income is inadequate should be given employment a few months each year to supplement his agricultural income. Two: While I intend to see that these jobs go to people who need them, I propose to modify the procedure of certification for work and to substitute in its place an employment system which will remove the offensive stigma of relief from these people. Their need is plain; their will to work has been proven; their incomes must, and will be, raised. This policy reflects the clear intention of the Congress.

I do not believe that this supplementary work is a final answer to the problems of agricultural workers in the South, but I am convinced that any permanent satisfactory solution is going to be a long time in the making. In the meantime, there are vital human problems in the South which cannot wait. They tend to retard progress all over the nation. We are therefore determined to move at once.

If the per capita net income of farm families in the South could be brought up to the level of farmers' incomes in the rest of the country, the pool of new purchasing power thus created would absorb twice as many goods as we exported to all foreign countries in 1935.

What are some of the things that have been done up to now? The CCC has taken thousands of unemployed young men off the streets and used their energies to preserve the soil and forest assets of the Nation. Hundreds of thousands of old people no longer tremble in fear and shame—
faced dependency. The bone and sinew of these old people made the very 
mortar in the foundation of this Nation. The terrible injustice of leaving 
them as objects of charity after their material usefulness has gone is 
being righted. Much has been done for them; more will be done.

The rural rehabilitation program was started when nearly 400,000 
families were on relief in the cotton counties. It was realized that the 
mere handing out of relief did not rehabilitate a farmer, so in 1934 the 
Government started making loans to down-and-out farmers instead of giving 
a dole.

We can be proud of the magnificent work of the Soil Conservation 
Service in its cooperation with thousands of farmers to preserve the land. 
Here on the banks of the mighty but muddy Mississippi we need no statistics 
as to the thousands of tons of precious topsoil carried away daily by 
water. All we have to do is to walk over to the bluff and watch the farms 
of twenty states floating down to the Gulf.

As for the WPA, I cannot help but feel satisfaction and pride in 
the contributions to better life and better living that it has made. I 
think about the fact that it has employed jobless teachers who made it 
possible for one million illiterate grown people in this country to read 
and write.

It has built, with the sinews of men who had no jobs, enough 
farm-to-market roads to reach about five times around the world.

The WPA has built sorely needed water and sewer systems, schools, 
parks and libraries for thousands of communities, large and small. It has 
provided school lunches for an army of undernourished children.

It has fought malaria all over the South and has advanced the
battle against this disease by thirty years.

All these efforts of Federal agencies are good beginnings, but they are only beginnings. We must go on or we will go backward; there is no standing still. We shall not turn our backs on the relief of distress—upon the use of idle manpower for public works, upon social security, soil conservation, rehabilitation of farmers. I don't think these things are ruining the country. I think they are making it more truly democratic, and a far better place in which to live. I think they are protecting it from foreign ideologies which we instinctively shun.

One of the most important and expensive crops in the country is the crop of children. It takes as long to mature such a crop as it does a fast-growing forest, and it needs constant care. To bring the average youth on a farm up to the age of 18 costs his family and his community about $2,500. On this basis the South has spent billions of dollars over the past 20 years in rearing and training workers for other sections.

Let us put it another way. The increase in our population is now coming almost entirely from the Nation's farms, and southern farms are producing far more than their share of this increase. The farm homes of the Nation receive only nine per cent of the national income, and on that they must bring up 31 per cent of the Nation's children. The disadvantage on Southern farms alone is even worse than that.

A state like California, with few children and great wealth, has six times as much economic power behind each school child as a state like Mississippi, with many children and little wealth.

It is not lack of interest which holds back education in the South, it is lack of taxable wealth. The South taxes itself for education
more heavily per dollar of wealth than other sections, but the final result yields a comparatively small amount to build schools, pay teachers and bear the costs of modern education.

Now these children do not all stay at home after they grow up. A great many of them go to distant cities. They are, in fact, "exported," but the rural sections which paid to raise them get no return in wealth for their loss.

The burdened rural areas cannot afford to give them really good schooling, and they move to the cities, unskilled and poorly equipped, to compete with the lower levels of industrial labor.

We need a thoroughgoing equalization of educational opportunity. Here is a boy - a future American citizen - who by accident is born in a section which can't afford to give him a good education. He has two strikes on him before he starts no matter where he goes or what he tries to do, and the heavy handicap is in no sense his own fault. The best way to equalize this is by use of the broad taxing powers of the nation to levy taxes where the wealth is and redistribute the educational expenditures where the children are.

As it is in education, so it is in public health. Equalization of opportunity to lead a healthy life and to receive the benefits of modern hospitals and adequate medical care is again the job of the equitable distribution of public expenditures.

Most of the areas with highest infant death-rates and deaths of mothers in child birth are in the South. Typhoid, malaria and pellagra are predominantly Southern diseases. They are subject to control by the energetic application of public measures. The great majority of the Southern counties do not have the wealth to provide these services.
The South needs industry. The South needs more industrial wage earners to buy its farm produce and to build prosperous cities. To get those things the South needs cheaper power and needs it badly. I think that it is coming to the South. Here in the Tennessee Valley it has arrived. In the entire region served by the T.V.A., industrialization is growing apace—largely by reason of cheap power.

I am sure the South does not want low-wage industries. Wages paid in a community stay in the community. Profits paid to absentee stockholders go wherever the stockholder lives, and do not contribute to local trade or help to bear the local tax burden.

From a sectional viewpoint, therefore, the wages-and-hours legislation, aside from providing a better living for the wage earner, is a guarantee that a larger share of the production of industry will stay at home.

I am mindful that if another President had spoken as President Roosevelt did about the South, you might put it down as just another political speech. But you know that his record is one of action. I happen to know that he is determined, with the aid of like-minded people in the South to overcome the forces which have retarded the development of the South.