Wriston Assails Non-Defense Spending

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NON-DEFENSE GOVERNMENTAL SPENDING

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In launching the program of the Citizens Emergency Committee on Nondefense Expenditures, we have been met by an enthusiastic, but at the same time pessimistic, response. Three words sum up the reaction of those who have been approached: "Essential but hopeless." Essential the program certainly is; hopeless it certainly is not.

We have the splendid leadership of Senator Byrd, which has resulted in setting up a Joint Committee of Congress and administrative officers to deal concretely with this problem. That is a constructive step; if the committee fulfills its function with imagination and courage, billions of dollars can be saved. Meanwhile, a Senate committee is looking into defense expenditures and performing an important public service in a continuous review, identifying shocking waste and seeking to cure it not merely by legislative enactment but by bringing in the oxygen of public information and public sentiment.

Economy, even during wartime, is a problem which has already been faced in Great Britain. Since early in the war a Parliamentary board, consisting of 31 men and women members of Parliament under the chairmanship of Sir John Wardlaw-Milne, have been continuously at work and have saved millions of pounds by their energy and the steady purpose which they have exhibited in their investigations and activities.

Similar results can be achieved if the businessmen of America will support Senator Byrd's vitally important committee. The seriousness of the situation and the need for action cannot be overemphasized. "Any government, like any family, can for a year spend a little more than it earns. But you and I know that a continuation of that habit means the poorhouse. Taxes are paid through production. We are continuing to spend in... non-defense and non-relief fields as if we had no emergency defense program, as if we would superimpose our huge rearmament effort upon government and business as usual.

No 'Business as Usual'

"We simply cannot carry on business as usual and government as usual from now on and still take adequate care of our defense needs. It would be a tragic error to assume that we can expand our defense production on a colossal scale and still go on our usual ways, whether as a government or as individuals. It would be folly to assume that we can continue to spend now as we did in normal times. Ordinary traffic must now get to one side to let planes and tanks and guns have the right of way. Other traffic can be permitted only if it does not obstruct the national purpose.

The increased military expenditures permit a substantial reduction in non-defense expenditures, particularly for those activities which are made less necessary by improved economic conditions. The costs of these programs affected by economic activity are flexible. Because of the defense effort some of these programs can be carried on at a lower cost.

That is the policy of the United States as stated by the President and the Secretary of the Treasury. How shall we implement it? There is not time to deal with many issues, but I should like to indicate three particularly sore spots.

Let us start with the National Youth Administration and the
Civilian Conservation Corps. The social philosophy behind these agencies was stated by Aubrey Williams, head of the NYA.

"Thousands of young men and women leaving our schools each year are destined never to become self-supporting and independent in the sense that your and my generation was led to believe was our due. The supply of workers exceeds the demand. Manpower is a drug on the market. The productive forces of this country are glutted with brain and brawn which they cannot use. And what can’t be utilized is simply laid aside to moulder and decay."

**Gross Misstatement**

Pass over, for a moment, that this was a gross and palpable misstatement about the country with the highest standard of living in the world; forget, for a moment, that it traduced a nation which has set a standard of philanthropy never reached anywhere else in the world; forget, furthermore, that it compelled the fact that even those on relief had a better living than employed people in four-fifths of the world. Overlook, for a moment, that as history it was slander, as social philosophy it was defeatist, and as prophecy it was completely wrong. Concentrate upon the fact, which the quotation documents, that the NYA and its twin, the CCC, were depression agencies. Obviously they fall under the classification established by President Roosevelt for relief, which was an activity which is made less necessary by improved economic conditions.

Do they accept this criterion? Here is one answer. The director of the CCC said: "It is, of course, necessary to save money for non-defense expenditures, but we should be careful that in doing that we do not cut down on activities which add to the defense of the nation. . . . Would anyone seriously contend that protecting and rehabilitating the area from which most of our beef and hides come is not national defense?"

No one is going to be deceived into thinking that what was set up as an emergency and admittedly extravagant method of salvaging youth is a vital soil conservation measure: this is a clear effort to chisel into the defense program. We can gain some real insight into the actual status of that effort by the fact that the Federal Security Administrator, Paul V. McNutt, found it necessary to forbid the use of radio, sound trucks, posters, newspapers and other publicizing methods for recruiting youths into the Civilian Conservation Corps and the National Youth Administration."

**16 Questionable Deals**

The Comptroller General of the United States recently reported with regard to the NYA, the twin agency of the CCC, 16 kinds of questionable transactions, including dual compensation and filing false claims. He was specific on a point of great importance: "A certain youth assignment quota was established for each state in order to maintain a current expenditure of such appropriated funds. As early as 1939 difficulties were being encountered in maintaining the quota due to the fact that youths . . . were being absorbed by private industry and by the Army. In order to maintain the quotas . . . the National Youth Administration reduced the age limitation from 18 to 17 years and later to 16 years for youths who could receive aid and also requested the Army recruiting officers to refrain from contacting, for the purpose of enlistment, youths employed on projects."

Mr. Williams, NYA Administrator, had previously stated, the Comptroller General reported, that the accounting office might "find certain matters that did not appear to be legal but that he did not care whether they were actually legal or not." As to costs, by an interesting device, "none of the salaries and expenses" of one important division were included in the amount reported . . . and, therefore, it must be presumed that the actual cost of the program far exceeded the amount reported by Mr. Williams."

Another government officer, the Commissioner of Education, clarifies this situation still further: "Sound governmental organization dictates that the National Youth Administration should cooperate with existing agencies . . . rather than set up new administrative machinery for these activities." What happened? The Commissioner of Education tells us further: "There were instances in which the NYA projects were set up and they employed teachers and tried to operate the entire program. They got equipment with which to try to do the same things the schools were trying to do, and that resulted in misunderstandings and conclusions and waste of money."

A nonpartisan organization, the Educational Policies Commission of the National Education Association and the American Association of School Administrators, "believes that both the CCC and the NYA are moving in the direction of permanence, and . . . warns against the possibility of a permanent federal system of education, controlled from Washington—paralleling the public school systems and competing with them for funds, staff and students.

Finally the Secretary of the Treasury called attention to the fact that "the regular activities of the Civilian Conservation Corps and National Youth Administration must not conflict with the more important defense program and should be eliminated or drastically reduced."

Those are not partisan attacks. The criticisms come from within the administration itself. It is no assault upon national unity to clean chiseling out of the defense program. Here is one place to curb nondefense spending in the interests of economy.

Set it down to prejudice if you will, but quite apart from economy, I had rather see the leadership of American youth committed to the hands of an administrator who does not have a jaundiced outlook upon American history, who does not cherish a defeatist complex regarding our economic order, whose faith in the American ideal is firm and strong. I do not believe the moment has come to look at the youth of America as primarily a problem in social salvation.

Let us look at the farm problem. The first witness is again Secretary Morgenthau, who says: "Although governmental aid was necessary in order to bring the farmers' net income from $2,250,000,000 in 1932 up to $8,500,000,000 or more in 1941, certainly after having reached this goal there does not appear to be any reason to continue spending at the same rate." The secretary was modest in his statistics. The Department of Agriculture estimates cash farm income for 1942 at a figure approaching $1 billion.

**Increased Appropriations**

The appropriation for aids to agriculture has increased since 1932 from $290,765,000 to $1,140,192,000, an increase of over 400 per cent. That does not cover defray crop loans, nor tenant loans, nor farm security loans, nor rural electrification loans. The Commodity Credit Corporation has
about a billion dollars invested in farm crops; the Farm Security investment is over $177,000,000; and rural electrification over $250,000,000. These loans are now separate from the general budget. How much is recoverable no one knows. Only a presidential veto has prevented freezing all the stocks held by the Commodity Credit Corporation and making them artificially nonrecoverable.

Secretary Morgenthau states: "The amount is apt to overstate the substantial expenditures which are not reflected in the annual budget. Eventually any losses which may be incurred through these programs will be come budget charges. For example, the equity capital of the Commodity Credit Corporation is set at $1 billion, but the Treasury is obligated to replenish that capital without further appropriation. Between 1934 and 1942 the repletion has amounted to $172,000,000. In addition there is another $178,000,000 not included in the budget for the purchase of notes and also $701,000,000 for public borrowing, all guaranteed by the federal government.

Parenthetically, please remember that in January, 1940, the combined "assets" of government corporations were in excess of 14 billion dollars. How much those assets were really worth no one knows. It is blindfold finance. When Senator Byrd tried to find out the actual value of those assets, no intelligible answer was forthcoming. There is a problem that calls for reform.

Education of Farmers

What has occasioned the enormous increase in agricultural expenditures? Three things have contributed mightily: First, the reliance on cash instead of education; second, the substitution of centralized management for grants-in-aid to the states; and third, gross and palpable duplication of bureaucratic organizations. Let us look at each in turn. The government used to be responsible to the citizens of a county or state and with little or no coordinated relationship to other fortuitous circumstances. There is no plan for the planners. Is it any wonder the Farm Bureau Federation complains of "unnecessary duplication of effort, waste, extravagance and confusion?"

Indeed a farmer needs to employ a receptionist to keep account of the government's attempts with federal agents to get him to use red clover to improve soil fertility. The government now pays him to plant red clover. That is a symbol of the substitution of a subsidy for sound educational technique. Such a process is not only costly, it is self-defeating, for it does not produce the permanent and cumulative effects of education. The old faith in the processes of education which characterized the operation of "liberal" administrations has been replaced by the crassest kind of financial appeal in the name of liberalization. Indeed, the principle of telling the farmer that the less he does the more he gets is substantially reversed.

The substitution of centralized direction for grants-in-aid to the states is a second change. In 1862 the Morrill Act established a national policy of cooperation between the federal government and the several states for the endowment, support and maintenance of colleges, where "the leading object shall be . . . to teach such branches of learning as are related to agriculture and the mechanic arts." That policy operated under the principle of decentralization through grants-in-aid. In order to make it perfectly clear, after the Smith-Lever Act of 1914, there was a Memorandum of Understanding between the colleges and the Department of Agriculture whereby the department was "to carry on . . . all demonstrations and other forms of extension work in agriculture and home economics" through the colleges.

Rendered Lip Service

In recent years the department has rendered only lip service to that Memorandum of Understanding. While the modest subsidies under the Morrill Act and some other laws remain as grants-in-aid, they are now minuscule compared with the direct activities, educational and otherwise, carried on throughout the country by the Department of Agriculture. During the year 1940, for example, three agencies of the department spent for personnel alone about $127,000,000. They maintain separate and parallel organizations with a field personnel of federal agents not responsible to the citizens of a county or state and with little or no coordinated relationship to one another.

Mentions Eight Agencies

Who specifically are these federal agents that come out of the tree? I will mention only the eight agencies which the AAA is interested in a plan for soil conservation—which appropriate benefit payments to induce the farmer to do what his self-interest already requires.

2—If the farm is in a soil conservation district, the Soil Conservation Service has a plan which the farmer is requested to execute.

3—Eligibility for loans and grants-in-aid (i.e. money) is achieved if the farmer participates in a plan under the Farm Security Administration.

4—The Bureau of Agricultural Economics endeavors to develop plans for the most efficient use of farm land.

5—The Farm Credit Administration has a plan for financing—a plan so extensive that on Jan. 1, 1940, it had land mortgages on over a million farms, and crop mortgages on over a million and a half—i.e. about $3,000,000,000 in mortgages and liens on (eliminating duplications) about two million farms.

6—The Bureau of Home Economics executes plans in its field of interest.

7 and 8—The Office of Experiment Stations and the Extension Service operate in connection with the land-grant colleges in the great work of planning.

No Plan for Planners

That is only eight; I must have missed a few. All these may operate in the same locality; many of them on the same farm. All "help" the farmer plan or adapt him to their plans. Any cooperation or coordination of these efforts is based upon the temperamental qualities of the personnel and other fortuitous circumstances. There is no plan for the planners. Is it any wonder the Farm Bureau Federation complains of "unnecessary duplication of effort, waste, extravagance and confusion?"

The administrative overhead in giving him the subsidies is tremendous, and the administrative overhead of taking them away by taxation is also enormous. The American farmer might as well take time out to read the Declaration of Independence:
"He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our People, and eat out their substance."

Word Runs Like Theme

Through all the activities of this monstrous bureaucracy one word runs like a theme—plan. It is a manifestation of the "planned economy." But such complexity and extravagance cannot be called economy even in the technical sense, and such utter duplication and chaos makes mockery of the word "plan."

In actual fact, Popeye has done more to feed spinach to the American public than all the various government bureaus whose devote their energies to that noble though unpalatable end. Moreover, his creator has made a living doing it. While the bureaucrats have spent a fortune to the same purpose—all of which indicates that there may be something to private enterprise after all.

Let us turn from the farm to the home. Housing has become a great government business, absorbing 10 billions, half in subsidies, half in loans, before the defense effort. Partly it is a "normal" activity, partly a "depression" measure, and partly it is "defense." They cannot be separated, so we will lump them.

How many federal agencies dealt with this problem before 1939 I do not know. There came to mind the Home Owners Loan Corporation, the United States Housing Authority, the Federal Housing Administration, the District of Columbia Alley Dwelling Authority, the Resettlement Administration, Workmen's Garden Homesteads.

Then Came Emergency

Then came the emergency—or at least another emergency, the defense emergency. What happened? "Unfortunately . . . at the precise moment when it was imperative to make the most efficient use of existing machinery . . . new and untried devices were resorted to. The construction of housing with public funds . . . began to be widely scattered among many agencies and many administrators. The emergency seemed to beget confusion when a little calm was all that was needed. A search for new devices was substituted for resort to functioning and efficient machinery.

"First, the War and Navy Departments were given a $190,000,000 fund for defense housing. . . . Then the Federal Works Agency was given $150,000,000 to apportion among various agencies for defense housing. This sum later was increased to $600,000,000, and there is now a bill pending in Congress to increase it to $800,000,000. . . . The facts are plain to all today; the tragic cost to the public interest will take years to compute. Such action was perilous and costly in government, just as it would have been in business.

"The Federal Works Agency has things so worked out that there are some projects where the land is acquired by the Department of Justice, the construction is done by a local housing authority, the supervision of construction is done by the United States Housing Authority and the management is done by the Division of Defense Housing through field offices competing with the USHA and also competing with the local authority.

"Next, the Federal Works Administrator, no doubt pressed hard by other eager outstretched hands, sought still additional methods of getting defense housing done. Some money was made available to the Farm Security Administration in the TVA, and within the FWA itself another unit was set up, the Mutual Ownership Division of Defense Housing . . . I don't know exactly what they do . . . They don't either.

"Actually there are now 12 different agencies operating in this same field, and as a consequence there is "a confused multiplication of different agencies, with ill defined functions competing avidly with one another." This "breakdown" could have been avoided "by a more sensible organization of defense housing activities" and "by the elimination of waste, duplication, overlapping and competition, by orderly treatment of the whole problem of defense housing through a single trained and competent agency. Would it not be in the interests of common sense to allow one branch of the government to complete its program without being stopped by another?"

That is a pretty severe indictment. It is one which a private citizen, even on the basis of the evidence before me, I would not be bold enough to make. But those criticisms are not my own. They are drawn textually from the testimony of an official of this administration before a committee of the United States Senate. They give a picture of confusion and waste and chaos in what is essentially a civilian, and not a military, enterprise and indicate where hundreds of millions could be saved, according to the Bureau of the Budget, "by performing functions in a more economical manner through improvements in administrative management."

I must conclude. I have cited illustrations of the present dangerous tendency to forget a fundamental of American democracy, which rests on the right of a locality to manage its own local affairs—the tendency to encourage concentration of power at the top of a governmental structure, alien to our system and more closely akin to a dictatorship or the central committee of a Communist regime . . .

We have met difficulties before this and have somehow in accordance with the basic theories of a representative democracy. Let us not at this time pursue the easy road of centralization of authority, lest some day we discover too late that our liberties have disappeared."

Home Rule Preservation

"The preservation of this home rule by the states is not a cry of jealous commonwealths seeking their own aggrandizement at the expense of sister states. It is a fundamental necessity if we are to remain a truly united country. If we do not halt this steady process of building commission upon commission, regulatory bodies and special legislation like huge pyramids over every one of the simple constitutional provisions, we shall soon be spending many billions of dollars more."

With those statements of Franklin D. Roosevelt I heartily agree. I have mentioned only three instances. They could be multiplied indefinitely on the subject of roads, rivers and harbors and many other government activities and it would be just as easy to document the criticisms of those activities from official sources. I must remind you once again that the indictment of overlapping, confusion and waste comes not from irresponsible people, not from harping critics, not from people who want to use the emergency to sabotage social gains, not from people with selfish interests. It comes from the government itself, and its officials. The road is open, therefore, for action.