NON-DEFENSE EXPENDITURES

A National Radio Debate

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CAN THERE BE A SUBSTANTIAL REDUCTION IN Non-DEFENSE EXPENDITURES of the FEDERAL GOVERNMENT?

As Discussed by

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Because the American Economic Foundation is an educational organization, it naturally follows that it has no opinion on the subjects discussed on its "Wake-Up, America!" Forum, and that the statements and opinions of the speakers are their own.
MR. CLARK: Can there be a substantial reduction in non-defense expenditures of the federal government? To discuss this question, "Wake Up, America!" brings Dr. Henry M. Wriston, President of Brown University, and the Honorable T. V. Smith, former Congressman-at-large from Illinois. Each will briefly state his position and we will proceed immediately to the questions and answers. To ensure fair play to the speakers and to enable them to answer as many questions as possible, we have a brilliant white light which goes on when any answer or rebuttal lasts longer than sixty seconds. The person speaking is then allowed ten seconds additional to conclude his remarks.

If, during the hour, either of the speakers makes statements that you wish to challenge, please feel free to write them care of "Wake Up, America!" and you will receive a personal reply by mail.

This concludes the preliminaries. We will first hear from Dr. Henry M. Wriston. Dr. Wriston, if you please!

DR. WRISTON: During the current year, over half of all government expenditures, federal and local, will be for non-defense activities. Such a rate of expenditure cannot continue indefinitely; indeed, the Secretary of the Treasury has said, "We simply cannot carry on business as usual and government as usual from now on and still take adequate care of our defense needs."

Consequently, saving is one of the first duties of the federal govern-
ment. Depression devices should be eliminated and non-defense spending cut. So far, no real beginning has been made.

Though the farmer's income has more than doubled since 1934, direct subsidies to farmers have tripled in the same period and there is no assurance that subsidies will not increase yet more. Expenditures in aid of the unemployed have grown even while unemployment was shrinking. The whole youth situation has changed since the NYA and the CCC were set up, yet their appropriations have become hardy perennials, growing in inverse ratio to the emergency. Although public works are one of the important ways to counteract depression, now with the war boom in progress, the Rivers and Harbors Bill bids fair to be the greatest in history. It includes major projects which compete with the defense effort.

One or two billion dollars saved out of the huge federal expenditures may not seem substantial, but it is an evidence of good faith that the government does not ask needless sacrifices, that there is a will to economy, that big figures have not made government careless of any restraint, that urgency and haste are not being made an excuse for thoughtless waste. It is a symbol of the care which is vital to confidence that victory abroad does not involve defeat at home. (Applause)

MR. CLARK: Thank you, Dr. Wriston! We will now hear from the Honorable T. V. Smith. Mr. Smith, if you please!

MR. SMITH: Thank you, Mr. Clark! Ladies and Gentlemen: We all believe, I think, with Thomas Jefferson that 'government is best which governs least,' but that belief itself settles few concrete issues, for how little is that least in which we believe? It certainly is bigger in war than in peacetime and it is certainly bigger in present peace than in past peace—if this be peace.

So it is with governmental expenditures. We agree, I suppose, upon the least expenditures consistent with statesmanlike national purpose, but how big is that least non-defense expenditure? That it ought to be less now for peacetime purposes may be taken for granted, so it is already, as a matter of fact, decreasing. But how rapid is the decline of non-defense expenditures and how rapidly ought it to be declining? That is the question that we are debating.

I think Dr. Wriston and I are agreed upon the principle—we will also disagree somewhat upon the when and where, upon the how and how much of governmental policy. I submit, therefore, a principle to regulate this disagreement on practice. It is the principle of the Roosevelt Administration from the beginning. It is this: Government should spend more and tax less when times are hard, spend less and tax more when times are good. That is the principle.

Is it being applied now to non-defense expenditures? Yes, it is, but not fast enough to please Dr. Wriston and many other people. I submit, however, that impetuosity in applying even a good principle can do a great deal of harm. We cannot cut off farm aid completely or relief aid all at once without forfeiting more than we need to forfeit, nor should we abolish the machinery of NYA or CCC, if that is what Dr. Wriston means
by substantial reduction, for we may need these agencies again.

What we can ask is a constant decrease of non-defense expenditures during war preparation. Pressure toward this end is, I admit, very desirable to overcome certain political lethargy, but we are nationally acting in the right direction now, as touching this matter, and to me that is the all-important thing. Taxes themselves are a test of intention against great odds, and the Administration has shown and is showing courage in the infliction of growingly heavy taxes as prosperity itself returns. (Applause)

MR. CLARK: Thank you, Mr. Smith! We are now ready for the questions which the speakers have addressed to each other. The first question is from Mr. Smith to Dr. Wriston: Is it more for defense or just less for government that you seek?

DR. WRISTON: This can be answered in a single word: Both. More for defense we are certain to have, and I do not see why government, which lays the burden of priorities on everyone else should not accept the burden of priorities upon itself. I do not know whether it is a just estimate or just a scare story when we are told that between two and three million people will be thrown out of work under priorities unemployment, but it is clear that the defense juggernaut will run over many small businesses. I should like to suggest that we have heard nothing about any priorities unemployment in government bureaus.

At the end of March, 1940, there were nearly a million civilians (949,000 to be specific) on the federal payroll; in March, 1941, there were 1,200,000; on September 30th, the number had grown to a million and a half, and an additional fifty thousand were coming each month. Instead of transferring them from non-essential bureaus to essential defense activities, more and more are brought in. They set up competing bureaus which steal employees from each other, demoralizing those bureaus already in existence.

We know—it is admitted on all sides—that the inevitable characteristic of war is that there must be a reduction in the standard of living for the public, but I am insisting that there can be no justification for not having a similar reduction in the standard of living in the non-defense bureaucracy of our government.

MR. CLARK: Mr. Smith, have you a comment?

MR. SMITH: I think I will make my comment as the questions move on, sir, if you please.

MR. CLARK: All right. The next question is from Dr. Wriston to Mr. Smith: Is this a suitable time for the largest Rivers and Harbors Bill in history?

MR. SMITH: No, clearly not, if you regard the Rivers and Harbors Bill purely as a pork barrel appropriation, which many people do.

But may I make two observations? One of them is that proposals for river and harbor appropriations are not appropriations for rivers and harbors. Many things happen in Congress between the cup and the lip, as
elsewhere. And, second, that both rivers and harbors and especially harbors may, in time of war, become defense expenditures rather than pork expenditures.

DR. WRISTON: Well, this particular Rivers and Harbors Bill is the biggest in history. It has 230 projects; it requires 40 per cent higher appropriations than the last Rivers and Harbors Bill of 1935, and the two biggest of these appropriations were put within this bill substantially by the pressure of the Administration, that is, the St. Lawrence Waterway and the Florida Ship Canal.

I am not going to argue the merits of either of those projects. Of course, when presented in any other form, they have been consistently defeated. But from the standpoint of principle, this is a bad time to engage in activities which compete with defense efforts. Man-power needed for defense will be released if this kind of bill is not passed. But we must remember that that Rivers and Harbors Bill has in its largest items the support of the Administration.

MR. CLARK: Any further comment, Mr. Smith?

MR. SMITH: Well, I may make a remark that the St. Lawrence Waterway, for instance, is certainly not divorced from the matter of defense, from electric water power, and the very people who talked about the appropriations for TVA as being both a waste of national money and a prostitution of national principle are now joining in in deploring that we do not have more electric power because we do not have more dams at the TVA.

These things must all be taken in perspective by thoughtful men, and I think the example on which Dr. Wriston has seized is an extraordinarily bad example to lop off as pork barrel appropriation.

DR. WRISTON: Inasmuch as this power cannot be brought in for four years, it represents an extraordinarily pessimistic view with regard to the length of the war. Furthermore, it means that during this time, Canada also must make substantial expenditures. Its exchange is already a somewhat difficult problem, and this will make that exchange even more difficult. We will be competing in this for a long period with defense effort. It will take man-power, it will take money, it will take machinery, it will take all of those things, whereas this is the perfect picture of the kind of a project that Mr. Smith spoke about, of spending more in times of depression. This, however, is a time of boom and unless it can be brought in much more rapidly than the engineers have indicated, it seems too bad to bring it up right now. (Applause)

MR. CLARK: The next question is from Mr. Smith to Dr. Wriston: Do you propose to abolish any agencies, discontinue any functions, or merely reduce the non-defense load of expenditures?

DR. WRISTON: I would answer that with an enthusiastic, "Yes." I would certainly abolish a great many agencies. The NYA and the CCC should be absorbed into the Office of Education, with which they are now competing. The twelve different housing authorities who are com-
peting avidly with each other and have created such chaos that the President has had to bring in a special investigator to find his way around through the mess and make recommendations—these should be absorbed into a less number of agencies, and wherever, as in the Department of Agriculture, there are agencies paralleling and duplicating each other, I would certainly discontinue them.

Some of the government corporations by which the government itself seeks to escape from the governmental process, by which Congress' control of the purse is defeated, by which adequate or financial reports to the public are made impossible and by which the public debt is increased by invisible methods should certainly be abolished. Orderly housekeeping in the governmental structure, observance of the obligations in public interest which are laid on private corporations, and a decent respect for the substance of the democratic process would abolish a huge number of competing offices, and I call your attention to the fact that the indictment of overlapping confusion and waste comes not from irresponsible people, not from carping critics, not from people who want to use the emergency, but from people within the Administration.

MR. CLARK: Mr. Smith, have you any comment?

MR. SMITH: There are a great many people who look, for instance, at education from the outside, who think that we have an enormous amount of overlapping educational efforts. I imagine that Dr. Wriston would not be very happy if it were proposed to abolish Brown University because it is close to Yale University and Harvard University, and let them carry on its function, nor would I be happy either because the function itself is the important thing, to begin with, and not the agencies that carry it out.

Now, you notice that he very carefully refrains from saying that any of the functions of government such as done by the CCC or the NYA should be abolished. If he believes they should, let him say so, but if he believes they should not, but that the agencies who do them should be consolidated with other agencies, then I may call attention to the fact that that is a question of expert judgment, as to whether it can be done best by different agencies somewhat overlapping or by one agency, and certainly the notion of abolishing the offices without abolishing the function is the source of the discontent, really, of the efforts at decreasing governmental expenditures.

DR. WRISTON: For example, this is a question for experts. The Educational Policies Commission of the National Education Association and the American Association of School Administrators would certainly be such a body experts. They have recently said that the CCC and the NYA are moving toward—"a permanent federal system of education controlled from Washington, paralleling the public school systems and competing with them for funds, staff and students."

The Secretary of the Treasury has recently said that the regular activities of the Civilian Conservation Corps and the National Youth Administration—"must conflict with the more important defense program."

The Commissioner of Education of the United States, who might well
be regarded as an expert in this, says these parallel and compete with his agency in this effort.

MR. CLARK: All right; the next question is from Dr. Wriston to Mr. Smith: *Are there not larger implications in saving beyond current economies?*

MR. SMITH: Yes, of course there are, both pro and con. It is the larger implications of the problem of saving in non-defense expenditures that we ought to be debating and mostly are debating. So long as no one proposes to abolish the functions of non-defense which government is now doing, the proposal is not worth anything at all. If he proposes to conserve the functions and abolish the agencies, then he is doomed to exactly the same sort of disappointment that consolidation of government agencies always produces, because the pressure to consolidate them is always done by those who wish to see the functions abolished, and the actual doing of the job is done by those who cannot abolish the functions, and as long as the functions must be preserved, ordinarily the business of trifling with this agency or the other is mis-expended energy if it is an agency that has done a satisfactory work, as the CCC.

I think, therefore, that the larger implication of the whole question of saving is, are we in favor of returning to a laissez faire state, in which we do as little as possible, or are we in favor of the service state in modern life, in which most of these functions must be kept up, whatever agencies may do them?

DR. WRISTON: I will reserve my comment on laissez faire because Mr. Smith has a specific question on that, but I would like to call attention to the fact that in saying specifically that I should like to halt some of these functions, I have distinguished precedent. I will quote from a very high authority.

"If we do not halt this steady process of building commissions and 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." That is the end of the quotation and the author is Franklin D. Roosevelt.

MR. SMITH: Campaign talk, as Mr. Willkie said about his own proposal. (Laughter)

DR. WRISTON: It would be a desperate thing if we should have to believe in that, because that was not a campaign talk; that was before Mr. Roosevelt was nominated for the Presidency on the 2nd of March, 1930.

MR. SMITH: He changed his opinion since he had the responsibility of doing the job, however. (Laughter)

DR. WRISTON: He changed it, however, not as you said in your statement of principles, from the beginning, because the Roosevelt Administration has not followed from the beginning the principle of spend more and tax less when times are hard; as a matter of simple historical fact, he was elected and his first administration was launched on precisely the contrary principle, the principle of economy in government during hard
times in order to justify lower taxes and not pass our troubles on to our children. Salaries were cut, including, for example, the pension of Supreme Court Justice Holmes. Lewis Douglas, as Director of the Budget, set out to make striking economies. Mr. Roosevelt, in other words, took a very strong position at that time.

MR. CLARK: The next question is from Mr. Smith to Dr. Wriston: How far does your insistence involve a return to normal laissez faire after the emergency?

DR. WRISTON: Well, laissez faire, as I understand it, refers to a very brief period in history when political forces were not employed to dominate economic forces; a brief interlude between the mercantile state when everything was regulated into bankruptcy and the modern developments of the social service state, the Fascist state and the Communist state, which all seek to subject economic forces to political control, abandoning Jefferson's maxim quoted by Mr. Smith, that the government is best which governs least.

The word "normal" therefore seems to me wholly inappropriate, for normally, political power has not been willing to let economic forces operate with anything like freedom. For myself, I would be willing to go along with President Roosevelt while he was resisting (and again I quote him) "the tendency to encourage concentration of power at the top of the government structure, alien to our system and more akin to a dictatorship or the central committee of a Communist regime."

I agree with President Roosevelt that "if we do not halt this steady process of building commissions, we shall spend many billion dollars more." (Applause)

MR. CLARK: Any comment, Mr. Smith?

MR. SMITH: It is only fair to remark that President Roosevelt changed that conception, even about salary reduction, within the first years of his administration when actually he was up against the facts that ought to determine the judgments of all resilient minds. That certainly has determined his when he saw the facts changing before his eyes.

DR. WRISTON: Mr. Smith said that we all agreed with the Jeffersonian principle that the least government is the best, and now the resilient mind has abandoned that principle. What is the essential distinction between the two points of view of this administration, the one which existed before and the one which he says now, as the result of resilience, it has bounced back to?

MR. SMITH: That is only a matter of interpreting words like "least," that are the most slippery words in all man's vocabulary, and men will interpret them in the light of the facts which they face, and that is all that has happened, not only to Mr. Roosevelt, but to Mr. Landon and to Mr. Willkie and to Mr. Taft and to every other man who aspires to public responsibility in the situation which we have been facing.

DR. WRISTON: I think it goes very much further than that. It was not return to "laissez faire" which Mr. Roosevelt was then proposing. He
was proposing a return to regulation to prevent abuse instead of advancing towards what amounts to management.

Now, nothing that happened, so far as responsibility is concerned, could have changed the governor of our greatest commonwealth on that broad philosophy of government. That is a change of philosophy, not a mere intellectual resilience, and it is that substitution of political manipulation for governmental restraint which has characterized the political drift in America as well as in Germany and Italy and Russia, and which has given us the so-called social service state, which is regulatory clear through to the point of management.

MR. CLARK: A question from Dr. Wriston to Mr. Smith: Is there any justifiable reason for not decreasing duplication of federal agencies in accordance with the recommendations of the Director of the Budget?

MR. SMITH: No, there is no justifiable reason for not decreasing duplication in the sense that you are wasting money, but the question is, when are you wasting money? Begging the question does not really help—about governmental problems.

I have before me the comment of one of the adverse critics of this administration, entitled, "Waste in Non-Defense Spending," a long cock-and-bull story about how CCC is wasting money when it ought to withdraw, and it culminates by saying that CCC is expensive, it will cost this fiscal year some 176 million dollars. And then after the impression has all been made, at the end of the column, this follows: "Actually, the administrators of CCC, of their own initiative, have reduced its scope. They have reduced the camps from a peak of 2652 to less than a thousand at present, and although they had an appropriation of 247 million this year, they voluntarily refrained from spending that much." That is the magnificent tribute of an administration that is moving as rapidly as it can in the right direction.

DR. WRISTON: I can only say that Mr. Smith is in disagreement with the administration of the country because the Secretary of the Treasury and the President have both expressed themselves as not satisfied with these cuts. He speaks of the Civilian Conservation Corps. The Secretary of the Treasury says that with an appropriation of 247 million, they are spending over 200 million. The National Youth Administration, with an appropriation of about 150 million, is spending 149 million. And the Secretary of the Treasury has laid before the Byrd Committee specific ways in which 2 billion dollars can be saved by the very processes that I have been suggesting but that Mr. Smith is resisting.

MR. SMITH: Well, the only way in which to define the golden mean of this is that after all our savings have been exhausted for, or contrary to, the government, to have Congress itself, which will actually have to act upon this, and I do not doubt that the reduction of expenditures is in the direction indicated by both houses, not as fast as Dr. Wriston wishes, perhaps not as fast as I wish, but carefully and conservatively not to destroy what has been done.
MR. CLARK: Here is a question from Fred Davis of Denver, Colorado, to Dr. Wriston: *Today, we have over two hundred more boards than 1932. Could we make a large saving by cutting them out*?

DR. WRISTON: Yes, indeed, we could make a very heavy saving by cutting them out. Take, for example, these twelve agencies on housing. There is the District of Columbia Alley Dwelling Authority, for example, as a separate agency with a separate appropriation. There are any number of others—the U. S. Housing Authority, the Home Owners Loan Corporation, the Federal Housing Administration, the Resettlement Administration, Workmen’s Garden Homesteads, Public Building Administration—all engaged in the civilian business of building buildings, and in testimony before the Senate, no one defended that setup, and yet it goes on conservatively without any resiliency of mind, just piling up more and more complications. (Laughter and applause)

MR. CLARK: Mr. Smith, any comment?

MR. SMITH: It would be a rash student of government and society indeed who would say that each of these has not arisen in terms of the need and a function that must be discharged, and I repeat, it is mostly kidding ourselves to talk of consolidating or abolishing agencies when we are not, as a matter of fact, going to abolish the functions. I am not opposed to it but I am opposed to kidding myself that I am doing one thing when I am doing another.

DR. WRISTON: Well, on that, I can only comment that again Mr. Smith finds himself at variance with the U. S. Housing Administrator, Mr. Straus, who in testimony before the Senate Committee on this, said these words: “The facts are plain to all today. The tragic cost to the public interest will take years to compute. Such action was pernicious and costly in government just as it would have been in business.”

MR. SMITH: Well, may I say that I did not come here to defend the government or any of its agencies on the one side, and on the other side, every time Dr. Wriston quotes this, he is answering himself with reference to the tendency of the government of the United States as concretely as I am answering for it in terms of general principle.

DR. WRISTON: That would be true if the government were pursuing a coherent and consistent policy, but we have had a great deal of criticism of competition in private business in the last eight years, and I am here criticizing competition in public business. There is a perfectly good reason for not having monopoly in private business, but there is an equally good reason for having a monopoly in public business, and to quote one authority, showing that the government is wasting money, is not admitting for a moment that the government is saving that money.

ANNOUNCER: Mr. Clark, Mr. Ennis Curtin of the studio audience has a question directed to Mr. Smith.

MR. CURTIN: *Why can’t the administration appoint a planning board to make a survey of the overall situation and report on unnecessary expenditures?*
MR. SMITH: Well, these investigations of this sort are going on and have gone on, and the National Resources Board or Committee is itself arguing continuously and cumulatively for an inventory of American life, its possibilities, its needs, its necessities. But the point is, if we kid ourselves at a time in which the services of government are expanding the world over, not necessarily for totalitarianism, by doing this little thing or that we are going to stop the trend of modern life in the assumption of heavier responsibilities by government, we are not fooling anybody except ourselves.

DR. WRISTON: That is simply the argument for trend and the trend never reverses itself. But what Mr. Smith overlooks is that we have been through all this before. In the eighteenth century, they regulated everything, and as I said, they regulated it into bankruptcy, including the state. There does come a reversal in trend and there will come a reversal in trend. It will come in Europe through the overthrow of the Nazis, it will come here when we find out that we can perform these services by private activity and in other manners, without having the state take everything over, and to argue that merely because power has been growing for twenty or thirty or forty years, that there will never be a reversal, is simply to deny the experience of all history, which has seen one cycle after another in this fashion of big government come and then pass away.

MR. SMITH: The only difference between us there is the matter of how rapid these trends should be accelerated. I am in favor myself of a golden mean and of gradualism in making the changes from one to the other. Dr. Wriston is too, as a matter of fact, but he is on the outside, not carrying responsibility about it, so he accelerates the criticism and that serves a useful role.

I cannot but take the point of view of the Congressman who wrestled with the problems and the demands in the light of the needs, and say, as long as we move in that direction we should encourage rather than discourage the efforts of honest public service.

DR. WRISTON: We are not moving in the direction of reducing those. Recently, that very able officer, the Democratic finance officer of Rhode Island, Mr. Christopher del Cisco, says that the government is forcing the states by the leverage of government grants to increase their budgets and to minimize the agencies and the activities that they would like to support. Recently, a high officer of the State of Connecticut, also of this same party, made the same criticism, namely, that centralization was going on, that federalization was increasing, that the pressure upon the states was steady growing.

Therefore, I do not see that there has been any reversal in this or that we are moving at all in the direction which I suggested.

ANNOUNCER: Mr. Clark, Miss Ruth Anderson of our studio audience and a graduate of the University of Denver has a question she would like to ask Dr. Wriston.

MISS ANDERSON: Has not the farmer's position improved to the
extent of greatly decreasing or even eliminating subsidies without causing undue hardship?

DR. WRISTON: Yes, the farmer's income has increased from a net of $3,250,000,000 in 1932 up to $8,500,000,000 this year, and the Department of Agriculture in an official bulletin says that it will increase next year to approximately 13 billion dollars in cash, and the Secretary of the Treasury, commenting upon this, said recently that after having reached this goal, there does not appear to be any reason to continue spending at the same rate; and yet, the last Farm Bill was the largest of all in its subsidies. Though the farmer's income was rising, it was a definitely inflationary bill, at the same time that we were being warned of the dangers of inflation, and it is high time that there was a modest but resilient reduction in those expenditures.

MR. SMITH: May I say as over against this jerky type of criticism about this and that, Congress has had a principle to regulate its expenditures for agriculture from the beginning; the principle of parity. Whether you like it or not, Congress has never insisted yet on achieving parity as defined, but 85 per cent of parity or something of the sort, and when the farmer's income goes beyond that, you will see then the pressures against the farmer becoming effective because then you can found the adverse criticism directly upon a principle that government itself must rely upon.

DR. WRISTON: I think it can be shown historically that at the time the last bill was passed, parity had substantially been reached. It was already well above 85, and at the present time we are above parity. Does that mean, Mr. Smith, that we won't spend that $1,200,000,000 that we have appropriated?

MR. SMITH: It means that we cannot allow every person to figure parity according to his own private prejudices, but we must keep to the same figures of definition of parity.

DR. WRISTON: I am taking the Secretary of the Treasury's figures.

MR. SMITH: The Secretary of the Treasury has been consistently a critic of the agricultural program. Take the figures of the Secretary of Agriculture.

ANNOUNCER: Mr. Clark, Mr. Sitfer of Bronx, New York, has a question he would like to ask Dr. Wriston.

MR. SITFER: Is not the NYA training hundreds of young men for jobs in defense industries, in work centers where they do defense production work while learning?

DR. WRISTON: Indeed, yes, and so are many other agencies, but the point is that there is no need for them all to be working to get the same people, and when it becomes necessary for the Federal Security Administrator to issue a definite prohibition on the efforts that were being made to enroll people in the NYA because of its competition with other agencies
that were already training those people, it is time to reduce the expenditures and the activities.

MR. SMITH: May I say about that general point that the criticisms Dr. Wriston has earlier quoted against the NYA, every one, so far as I detected, came from an interested source in defense of a competitive aspect of education, rightly or wrongly, and I repeat, I am not opposed to the consolidation of agencies nor to the cutting down of any misappropriated funds or mis-expended funds, but until you are willing to give up the discharge of functions, you had better not hope for too much from the consolidation of agencies that discharge these functions.

ANNOUNCER: Mr. Clark, Miss Nellie Shannon of Washington has a question she would like to address to Dr. Wriston.

MISS SHANNON: Many of the housing agencies were set up as a result of a need during the last depression. Would it not be just as economical to continue them as they are than to abolish or consolidate them now and have to go through the machinations of setting up new ones following this present war?

DR. WRISTON: The United States Government, before the defense emergency, spent 10 million dollars on housing activities, half in direct subsidy and half in loan. At that time, there were only about seven agencies competing one with another. But when the defense effort came, the number was increased to twelve, and that confusion leads to competition among these agencies. It leads to driving up their own prices, it leads to such utter chaos and confusion that it does not seem possible to go on. For example, the Federal Works Agency now 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 the local housing authority, the supervision is done by the U. S. Housing Authority, the management is in the hands of the Division of Defense Housing through field offices competing with the U. S. Housing Authority. That is from testimony before Congress, and there is no question that we ought to streamline that outfit somewhat.

MR. CLARK: Any comment, Mr. Smith?

MR. SMITH: I think unquestionably there is a point to practically all that Dr. Wriston is saying, but he is overdoing the point completely. People who look at it from the outside think not only they are competing wastefully with each other, but every department is competing with every other department in doing the same job. In one sense, yes, but for the most part that is not wasteful competition and if you think that engineering the social setup of a housing boom such as has been engineered is not a complicated job, you ought to try it. And if you think that with the defense needs, the government is not cutting down on its activities for building houses, try to get a loan for a house above $6,000, or try to get a loan for a house of $6,000 or less.

DR. WRISTON: Well, I can give one answer to that. I am building a house and was besought to take a loan this summer.
MR. SMITH: But that is not today, when Pearl Harbor is being attacked,* either, in the rapidly moving kaleidoscope.

DR. WRISTON: Nor has the attack on Pearl Harbor yet affected government policy on housing loans.

MR. SMITH: Give us until tomorrow and you will begin to see a change of public opinion in the light of changing situations. (Applause)

MR. CLARK: Mr. Smith, Mr. Jacob van Eck, Dean of the University of Colorado, asks you this question: Is there general agreement on what constitutes non-defense spending?

MR. SMITH: I pay my deference to our friend in Denver, Colorado, today and thank him for the question. As I tried to say in the beginning, unless you are making a purely partisan attack, the use of the word "non-defense" is itself a question-begging epithet with relation to harbors, for instance. There is hardly a thing that the Federal Government is now doing that, in the situation that confronts tomorrow, is not going to be an organic aspect of defense activity. That does not mean that we may not have to cut down on some of it. We will cut down on some of it. But it is a matter, again, of more or less and of careful, cautious gradualism instead of hysteria; because we don't like something, let's get rid of it all at once.

DR. WRISTON: Calling economies supported by the President and by the Secretary of the Treasury, impetuous and hysterical does not seem to me a constructive argument. The President has dealt with this when he said that the argument will be made that anyone who wants to dig a sandbar out of the Chesapeake so he can get his oyster boat over will label it defense.

Editor's Note: News of the Japanese attack had been received just before this broadcast went on the air.

Now, of course, you have to have some perspective in this whole thing, but I am taking a position not at all in advance of important officers of the government, and it is as far as possible from a partisan viewpoint. I have no more defense for gambling in the grain market in the Hoover Administration than I have for continuing to keep a great surplus of wheat and cotton now while farm prices are affected by inflation.

MR. CLARK: Any comment, Mr. Smith?

MR. SMITH: Yes, I think that I am not attacking the President or the Secretary of the Treasury; I was attacking the line of argument of my friend and opponent, Dr. Wriston, with reference, say, to the CCC and to the NYA.

He does not, I believe, oppose to abolish these dual aspects of governmental service in education or in relief, but he thinks that by consolidating these agencies, one with the other, with the functions going on, that he is doing something constructive. The history of our efforts at that are dramatic appeals, but if he thinks we can abolish these agencies of government and the functions with them, then I think that the difference
between us with reference to the democratic state is too profound, really, to be settled short of a learned book from Dr. Wriston and one from me.

DR. WRISTON: Well, I couldn't write a learned book; I will yield that to you. (Laughter) But it seems to be as transparent as the reason for keeping the boys in the CCC in the past and it can be put on ice for at least some years. Also, it seems to me equally transparent that the function of the NYA can be suspended, whether it is ever brought back or not, but it is not necessary to keep these enormous field forces while these functions are being discharged elsewhere.

MR. SMITH: But to keep some skeleton of these organizations for these functions is a matter of economy and not a matter of waste. Surely you do not mean, Dr. Wriston, that the tendency with reference to these expenditures in government is not already manifesting itself and will manifest itself more next year in Congress?

DR. WRISTON: I can only say that the Comptroller-General of the United States recently reported sixteen kinds of questionable transactions against the NYA. He deliberately charged that in order to maintain the current expenditure of their appropriated funds, they had needlessly reduced the age, they had otherwise reduced the requirements, and he all but used the words "chiseled in" on the defense program.

MR. SMITH: Well, you are referring here to an attack that itself is not unmotivated and to a time that is far gone with reference to the rapid shifting of the situation with reference to the NYA.

DR. WRISTON: That is dated October 1, 1941.

MR. SMITH: But he is reflecting back to the expenditures of the last year, if not of the last two years, and indicating utterly piddling things, probably out of disagreement with the agency itself, from which so much of the criticism has come.

MR. CLARK: Well, Dr. Wriston, Mr. J. L. Tilquist of Denver, Colorado, asks you this question: Why can't the entire agricultural program pertaining to crop control and subsidy be eliminated during the emergency?

DR. WRISTON: That is too large an issue to settle in an off-hand comment. I think a great many things can be eliminated, but I would not want to take the responsibility for saying that they should all be eliminated because that would require an analysis beyond that that is possible in this broadcast.

MR. SMITH: I am so glad to see my colleague coming now to sweet reasonableness at the end, as I hoped he would at the beginning. (Laughter) Surely, Dr. Wriston and I both agree that the soil conservation program should not be stopped or intermitted even now, and with reference to the others, we ask only that the tendency be in the right direction, both with reference to non-defense and with reference to defense.

DR. WRISTON: I, of course, however, would be glad to see us return to persuading the farmer to do what it is to his own interest to do, instead
of paying him to do it. For many years, the Department of Agriculture showed him that it was to his interest to plant red clover but they got tired of those people who didn't learn fast enough, so they paid them to plant red clover. I would suspend that for the emergency.

MR. SMITH: That is a soil conservation device if ever there was one, I should say.

MR. CLARK: Here is a question from O. Hensley of Denver for Mr. T. V. Smith: If it is possible and necessary for industry to discontinue business as usual, what prevents government from discontinuing pre-defense standards for spending?

MR. SMITH: Pre-defense standards, yes; we are agreed upon the fact that these themselves ought to be decreased, but it is an utter misconception of government, such as Dr. Wriston gave in his first sentence this afternoon, when he said, "During the current year, over half of all governmental expenditures will be for non-defense activity." Well over half of governmental at any time are for the normal, indispensable services of government itself, and the notion that you could come in and decrease very rapidly the expenditure of agencies under government that have grown up through public need and public necessity is giving the lie every time to any party that promises and comes into power, because it finds that the great overhead of normal activities of government must go on. They are un-dramatic, but we will not permit them to stop or intermit.

DR. WRISTON: I would like to comment on that. That is sheer defeatism. That means you can never repeal an appropriation. It is precisely the argument that the President was protesting against the other day when he signed the Roads Bill and he said that there ought to be review and re-assessment of these appropriations which tend to be institutionalized. He says he has a moral obligation to put in the budget the things which Congress authorizes.

Now, of course, through the years, the Presidents have been very free in making suggestions for authorization, and the moment has come to bring reform at that point and to make recommendations for reducing those authorizations and for discontinuing the renewed appropriation for functions that have been discharged. (Applause) It can't be said that if an appropriation is once made, the government achieves nothing and must forever go on doing the same things. (Applause)

MR. SMITH: Of course that can't be said, but it need not be called defeatism when it is a belief in the dynamic function of government itself which all modern men insist upon, any more than it can be called defeatism to say that schools, from the public schools to the universities, in an expanding era of education, to have got larger and larger support from the public, both tax and private agencies. That is not defeatism. That is the definite meaning of a dynamic government in an expanding age.

DR. WRISTON: But a dynamic government in an expanding age must accept an obligation to show efficiency comparable to that of the production line: To make savings comparable to those with which industry has turned by-products into wealth, turning waste into saving, to exhibit
ingenuity like that which has wrought miracles in our laboratories. Merely to say that the thing has been done and therefore it can't be stopped is no argument at all.

MR. SMITH: Well, I will match the efficiency of the government of the United States, both state and national, with business any day on the showing of the examination of the efficiency of business by business experts themselves. (Applause)

MR. CLARK: Here is a question from F. W. Benion of Colorado: Governor Tugwell of Puerto Rico has secured from the FSA $4,000,000 for housing on the island. Why spend money there which is needed in this country?

MR. SMITH: Well, this type of moral provincialism I cannot approve, but I don't want to be put in the position of defending the expenditure there either because I don't know what the necessity is and, after all, that is one of our responsibilities and I am in favor of balancing our responsibilities with all of our cares on some degree of justice rather than the fact that it lies outside of our mainland. Note what we have done in the Philippines and Hawaii, on which, let us hope, we shall now proceed to get returns.

DR. WRISTON: The hotel which was built there and stood empty does seem like a non-defense expenditure that might have been eliminated at the source, and I myself have not heard of any great public demand for it.

MR. SMITH: That was private business, wasn't it?

DR. WRISTON: No, that was done under one of these government corporations which, by the way, didn't make any report to the government for over two years after its organization. It was organized in the State of Delaware.