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“Is Free Enterprise In Danger?”

SENATOR HUBERT HUMPHREY

*Democrat of Minnesota; a Member of the
Senate Government Operations Committee*

FREDERIC R. COUDERT, JR.

*Republican Representative of New York; a Member of the
House Appropriations Committee*

FRANK BLAIR

Guest Moderator

Announcer: The National Broadcasting Company presents America's oldest unrehearsed discussion program, founded by Theodore Granik and moderated today by Frank Blair.

The American Forum of the Air is dedicated to the full and public debate of all sides of all issues vital to you and your country.

This week the American Forum of the Air presents a discussion of the topic, "Is Free Enterprise in Danger?"

Here with us to discuss this subject are: Senator Hubert Humphrey, Democrat of Minnesota, a member of the Senate Government Operations Committee, and Representative Frederic Coudert, Jr., Republican of New York, a member of the House Appropriations Committee.

But before the debate begins, here is a message of importance.

Announcer: Today the founder and moderator of the American Forum of the Air, Theodore Granik, has invited Frank Blair to be guest moderator. Here now is Mr. Blair.

Mr. Blair: Free, competitive enterprise is praised by all patriots as the principle upon which America has made more progress in 100 years than all others have made in a thousand years.

There are among us some who believe that this country has become so integrated by rapid transportation and communication that centralized Government planning, building and operating, especially in the field of electric light and power, is in the best interests of all the people.

In the current May issue of READER'S DIGEST, America's most widely read magazine, is an article called, "From Washington Back to You." It is written by William Hard, a veteran observer. In it, Mr. Hard relates that while President of Columbia University, President Eisenhower said there was constant drift toward central government and government ownership of property—and that the end of this road is dictatorship as the only means of operating such a huge organization.

Apparently with this thought in mind, Representative Coudert has introduced into Congress resolutions to study the subject.

Mr. Coudert, do you believe that free enterprise is in danger? If so, how is it in danger?

REPRESENTATIVE COUDERT: Why, Frank, free enterprise is always in danger. Free enterprise will always be in danger, so long as liberty is in danger; and liberty is always in danger. In fact, free enterprise is going to be safe only so long as people generally realize in how great a danger it is. Free enterprise is the child of liberty. Without it, there would be no liberty. Without it, there would not be any of the freedom that we speak of and love and fight for—freedom of religion, freedom of speech, freedom of assembly.

Freedom of economic life is just as important as the others, and without that as a foundation, the others would not exist.

What is free enterprise, Frank? Free enterprise in the American pattern is the right and the freedom of every American to engage in gainful occupations of his own choice, and the freedom to retain the fruits of his own toil. Now, for the past 150 years, we have built

the greatest nation in the world. We have carved a great empire out of the virgin forest. We have grown to 160 million people. We have achieved this through the practice of free enterprise—the individual standing up on his own, doing his own job, choosing his job, choosing his occupation, free from excessive and paralyzing interference by government.

Of course it is in danger, so long as we are afflicted with paralyzing taxation, destructive expenditures, controls; so long as the Government sits in as a senior partner in every turn of the wheel in a factory; so long as it sits in as a partner in every business transaction in the country, which, of course, is the case today. And on top of that, the Government is now competing with its citizens in hundreds of enterprises all over the country, which represents again an attack on free enterprise and lays the foundation for nationalization of which we have already seen some signs.

Do you remember not long ago the President seized the steel industry? And we were not at war at that time, either. Unless people throughout the country exercise eternal vigilance, which is the price of liberty, of course free enterprise is in danger.

Mr. Blair: Thank you, Congressman Coudert. Senator Humphrey?

SENATOR HUMPHREY: Well, I would say that Congressman Coudert has stated the case fairly well. Basically, freedom is always challenged; and freedom is preserved by men who love it and who are willing to practice it, and practice it with restraint and respect for the rights of others. This, of course, is true not only of political freedom. It is true of economic freedom. But I am not nearly as pessimistic as my friend, Congressman Coudert. I think that free enterprise has made amazing progress, and it has made it under the general direction of the Government of the United States, the will of the people of the United States. There has been a broad expansion of American enterprise.

At the end of 1952, for example, we had more individually owned business enterprises than at any time in our history; we had more people actually in private enterprises. We had the highest level of goods produced of any time in our history—over \$346 billion; and we had more of our citizens, by the way, sharing in corporate ownership than at any time in our history. The Brookings Institute reported over 6½ million persons were partial owners of American corporate enterprise. The Institute of American Life Insurance reported that over 86 million insurance policyholders in the United States had a stake in some 29 billion dollars' worth of corporate bonds, or, I should say, life insurance assets and bonds.

Another area which I think is quite important is the fact that the American farmer, who represents the backbone of free economy, is in much more stable a situation. At least, he was at the end of 1952. In 1930, about 58 per cent of the farms were owner operated; that is, farm ownership. In 1952, over 75 per cent of the farms were farm owner operated. In other words, the American economy has become more and more a private economy; and I submit that some of the activity of the Government has been helpful in this.

I would also like to remind my friend, the Congressman, that Alexander Hamilton set the pattern. The very first act presented to the Congress, in the first administration, under General George Washington, was what was known as "The Manufacturers Act," an act to aid business; an act to provide extra help on the part of the Government for business. There have been a great many programs since, such as the Morrill Act, the Public Lands Act, and a great number of subsidies on the part of Government for enterprise. Republican and Democrat administrations, alike, have been of great help to American private enterprise.

Mr. Blair: Thank you, Senator Humphrey. Those are the opening statements. Now, Congressman Coudert, do you feel that the future intervention of Government in business will increase or decrease under the Eisenhower Administration?

REPRESENTATIVE COUDERT: Let me say first, Frank, that I am delighted that my friend, the Senator, and I seem to be in accord on fundamentals. Let me further say, however, to the Senator, that I am not pessimistic about the future of free enterprise because I think the American people realize the dangers to which it is subject; and they demonstrated their realization in the last election, when they elected an administration completely devoted to the fundamental principles and traditions of American free enterprise and American liberty generally, so that so long as the people keep their eyes open and don't fall for some of the eye-wash we have been getting over the last 20 years from politicians and, occasionally, propagandists who would like to see the Government take over the whole show and run it for the benefit of the people on the theory that the people cannot do it themselves—so long as people stay wise to that and act accordingly, I think free enterprise is pretty safe. But we have to keep our eyes open and keep the Government out of our hair as much as possible.

SENATOR HUMPHREY: Well, I would like to join the issue a bit here with Congressman Coudert. I would like to see the Government minimized in terms of economic enterprise, but the question is, what is the minimum that you are after?

Now, I recall the last time we had one of these great businesslike administrations, it ended up in a rather catastrophic period. I remember that "hands off" was the policy. The banks failed, industries collapsed, home owners lost their homes, and farmers had their farms taken away. That was the great 1929 to 1932 period—or I'll give them the benefit of all 12 years.

Now, you will recall from 1932 to 1952, the period to which you refer, we have seen a phenomenal development in many of the things in which the Government entered, such as the great Tennessee Valley program, for example. I know we will get to it, so we might as well get to it early in the program. Many of those things lifted America right out of the depths of despondency, so today Congressman Coudert's own Congressional District runs far behind the Tennessee Valley Area, I regret to say, and so does my own area, because the per capita increase in the Tennessee Valley Area is the greatest in the United States; and, what is more significant, every Chamber of

Commerce in the Tennessee Valley stands behind the T.V.A. They say that it has been a boon and a blessing and has raised the incomes of businesses and individuals to a point never dreamed possible.

CONGRESSMAN COUDERT: Evidently there are some Tennessee Valley fans in the audience.

SENATOR HUMPHREY: All over America.

CONGRESSMAN COUDERT: I think it is too bad there are not more taxpaying fans from New York here who pay the price for the luxury which the Tennessee Valley residents are enjoying, which is cheap public power paid for by the taxpayers of America and enjoyed only by the fortunate residents of that little territory.

Now, let me say something to the Senator that I think an earlier observation called for. He spoke of the extraordinary level of prosperity and business activity in the country today. He neglected to point out, however, that to a very large degree that activity is predicated upon inflation and war economy. He neglected to tell you that whereas business has invested between 20 and 30 billion dollars annually, in recent years, in new plants and equipment, nearly four-fifths of that has been needed solely to keep up—to keep up with their existing position, because of the inflated prices caused by Government policy over the past 20 years. He neglects to point out that of the enormous sums of profits that have been kept in the business and put in the business, a very large part is inflationary and not real. So we are not on a very firm foundation, and you cannot compare dollar volume now with dollar volume of a few years ago.

SENATOR HUMPHREY: I appreciate the fact that there has been inflation, but I also want you to know there is not a single financial reporting agency in America which does not say quite categorically that the general economic position of American corporate business, American banks, American life insurance companies, and American agriculture at the end of 1952 was at its best period in some 40 years, not only in the dollar sign but in relative values and purchasing power, in real income and real value of inventory and property.

We are not unmindful of the fact that we have had war and tension, but war and tension in many areas of the world has bankrupted countries. This has not happened in the United States because of some very constructive policies both on the part of private enterprise and Government, and because of the general faith and philosophy of our people who do not believe the world is going to the dogs or that socialism is overcoming us. We have been enabled to make substantial progress.

I want to call your attention to something I think is an error on your part, Congressman Coudert, which I do not think was intentional. You said the New York taxpayers were paying for the T.V.A. Nothing could be further from the truth. As a matter of fact, the people in the Tennessee Valley, before the T.V.A., never had the privilege of paying taxes. They were too poor. Those people today pay millions upon millions of dollars—yes, billions of dollars, of taxes on personal and corporate incomes, to the Government because they are making money.

I also want to point out that every hydroelectric power project, including the T.V.A., is liquidated and amortized over a 35-year period in 3 per cent interest to the Treasury of the United States. Let's get that clear, and not have it bandied about as a gift from the Government.

CONGRESSMAN COUDERT: That is a very curious situation. I am glad that you made the point, Senator. I sat for four years on a Subcommittee on Appropriations that deals with the T.V.A. budget, and every year the T.V.A. is in for more money for further construction of their power plants and power production; and the answer to that story is perfectly simple. Somebody has to put up the money. The T.V.A. area does not put up the money. It is the taxpayers of the country who put up the money.

Mr. Blair: We'll have a chance to continue in just a moment, Senator. Also in a moment we will take questions from our audience. But right now, here is an interesting message.

Now, continuing with the American Forum of the Air, Congressman Coudert has said that the Federal Government continues to make appropriations for the T.V.A. Somebody has to pay for them. Senator Humphrey will not let him get away with that.

SENATOR HUMPHREY: I want to say to Congressman Coudert that when any utility expands, someone has to pay for it. There are always bond or stock issues on the part of private enterprises; and the Government of the United States does appropriate for the T.V.A. steam plants, but I report to you, sir, that those are investments which are liquidated on an amortization schedule. During World War II, when private industry was incapable of meeting the power shortage, the T.V.A. made it possible for America to produce airplanes.

Private utilities reported to Congress in 1938 and 1939 that they had plenty of power; yet we had a desperate power shortage which was jointly met by the Grand Coulee area in the West and the T.V.A. in the South. It is interesting to me to note that the two great industrial areas of expansion are in the South and the Far West. Why? Cheap electrical power. What does this amount to? New industries, new jobs, privately owned industries, with individuals paying taxes, contributing to the American free way of life. I repeat to my friend, the Congressman, that every hydroelectric project in the United States of America is a self-liquidated project, a profit-making venture for the United States, and that is a matter of record in the annals of Government.

REPRESENTATIVE COUDERT: I am sorry to say that I have to disagree categorically with the Senator. He is entirely wrong about it; and if it were true, they would not be coming to the Federal Government every year for money, new money to carry on.

Now, obviously, there is no comparison between the private utility going to the public for money for capital and a project such as the T.V.A. The private utility is a private operation. People put in their money. They get back interest on their investment, and they are repaid. The Tennessee Valley hasn't nearly repaid, and it has no chance of doing so.

The Tennessee Valley and that other area produce power at Government expense, with Government capital; something like 900 million dollars is invested in the power plants of the T.V.A.—in power production, the utility end of the business. Of course they draw businesses from all over the country. They drew them from New York, and from Massachusetts and elsewhere. They weaken our own distant communities because they take our taxables away, and they don't pay taxes in the Tennessee Valley—not comparable taxes. The Tennessee Valley does not pay taxes. It pays a phony thing called "in lieu of taxes," and they fix it to suit themselves.

Now, here you have a standard applied the other day in the Appropriation Committee's Subcommittee on the Interior Appropriations Bill. You know, Mr. Taber is Chairman of the Appropriations Committee; Mr. Jensen is Chairman of the Subcommittee; and Mr. Kirwan is the ranking minority member. They have taken the view on public power—that the Interior Department should be concerned only with public power functions where private enterprise cannot and will not undertake the job. Now, that is a sound view. That is the view that should be taken now and has not always been taken. No question about that. Public power has increased in 20 years 101 times. Now, much of that public power can be returned to private enterprise, can be sold to its citizens, can be made a taxpaying operation, rather than continuing as a drain on the public taxpayers.

SENATOR HUMPHREY: I point out that since 1946, there has been a billion and a half dollars invested in public power, and over 15 billion dollars invested in private power. Now, private industry is not suffering. I would also like to point out to you that the same argument you are using on T.V.A. is what some misguided souls used on R.E.A. The private power companies did not serve the needs of the farmer. Out in Minnesota, in 1935, six farms out of a hundred had electricity. Today, over 90 out of a hundred have it. A farm today with electricity is an efficient operating farm, a farm where the standard of living is reasonably good. Private utilities did not meet that need.

Private utilities do not meet the needs of flood control, either; and the T.V.A. is not only a public power project. It handles flood control, reclamation, irrigation, just as it is in the West. I submit that for every dollar invested in a hydroelectric power project, which is only a part of a general flood control project, because there are no hydroelectric projects developed on their own—for every dollar invested, three dollars in taxes comes back into the American economy, or the American Government, and increases industrial expansion.

REPRESENTATIVE COUDERT: Senator, nobody has any quarrel with the construction of multiple purpose dams for flood control and navigation control. What we quarrel with, what I quarrel with, is the unlimited extension of the incidental electric power production that flows from these other dams, intended as an incidental operation. The water power was intended to be sold. However, in recent years, these water power projects have developed and mushroomed into an enormous power project.

I remember in the 80th Congress, we fought the question of whether there should be one steam plant in the Tennessee Valley area. "Since that time, the steam plant production of power has increased to the point where it is 62 per cent," said John Phillips, the Chairman of the Independent Offices Subcommittee. So it is no longer a question of hydroelectric power, but a question of whether the great areas, be it T.V.A. or Boulder Dam or others, should be allowed to go on indefinitely until they squeeze private power out of business. There are all sorts of fields of business involved.

SENATOR HUMPHREY: Let me point out that if we did not have the hydroelectric power facilities with these flood controls and dams, you would be complaining about the cost of Government. It is those projects which pay for the reclamation and flood control, or part of it, and which amortize themselves, which you are unwilling to admit on this program. Every single Interior Department dam liquidates itself and amortizes itself over a 35-year period.

REPRESENTATIVE COUDERT: It would be better if they paid taxes.

SENATOR HUMPHREY: They do pay taxes. They serve the people who do pay taxes. It is a pretty good record when you see millions of people who now pay taxes who never before paid taxes, under this great free economy of which you were the champion and still are the champion.

Mr. Blair: Let us take questions from our audience, if the time will allow. May I have your questions please?

DR. GOLDSTEIN (Pittsburgh, Pa.): Do you believe that a Government-controlled economy should accompany private enterprise in order to safeguard the public from the greedy private entrepreneur?

SENATOR HUMPHREY: I think I can best answer your question by saying that Lincoln once said in effect, "It is the duty of Government to do for the people what the people themselves cannot do for themselves individually or cannot do so well for themselves as they can in a group."

Now, Lincoln was a pretty good free enterpriser. He pointed out that Government only had a small part to play in the total American economy, but a part in regulating against abuses and in trying to give some equality of treatment in the economic establishment. I submit that the record of Government thus far is a moderate one, a record of helping people live as free citizens.

Look at the farmer, for example, who was broke and down and out. The American farmer today, because of the Government program, has a chance to be a self-sustaining citizen and has made a great contribution to the American way of life and the freedom of the world.

REPRESENTATIVE COUDERT: Let me recall to the questioner and to this audience that if this Truman Administration and if Messrs. Brannan and Spence, and, I may add, my distinguished friend on the right here from Minnesota, had had their way, and if the legislation which they sponsored and supported had been passed, we would today have a completely controlled and regimented Government economy, very much like the corporate states of Mussolini and Adolf Hitler;

and I am referring to the Spence Bill and the Brannan Plan and the socialized medicine programs which were part and parcel of the Truman Wing program of the Democratic Party.

SENATOR HUMPHREY: They never even got out of the Committee. May I point out that the Spence Bill never even got to the Senate. I never heard of it. It was a little item over in the House.

JOSEPH LULLY (Cambridge, Mass.): Will continued Federal taxation prevent expansion of free enterprise?

REPRESENTATIVE COUDERT: Of course it will. Taxation is the greatest drain in the world on the expansion of free enterprise, and I say the greatest present danger to free enterprise is a continuing paralyzing rate of taxation and Government expenditure without limit which makes it impossible for people to make the necessary savings to invest in new facilities, and to increase production. That, together with the danger of that situation resulting from the increase of Government activity in private business.

SENATOR HUMPHREY: I would like to say that one of the real dangers to free enterprise today is the hiking of interest rates, the disregard to what is happening to the American farm level of income, the give-away of the Tidelands oil, an unconscionable give-away, and the willingness on the part of our Government apparently to sell to private industries vast amounts of Government properties. These are real dangers.

Mr. Blair: You have been listening to a discussion of the topic, "Is Free Enterprise in Danger?" presented in cooperation with the READER'S DIGEST, America's most widely read magazine.

Our speakers have been Senator Hubert Humphrey, Democrat of Minnesota, and a member of the Senate Government Operations Committee; and Representative Frederic Coudert, Jr., Republican of New York and a member of the House Appropriations Committee.

Now this is Frank Blair, speaking for Theodore Granik, bidding you goodbye.

Announcer: One week from today our speakers will be Senator Homer Ferguson, Republican of Michigan, a member of the Senate Appropriations Committee, and Representative George Mahon, Democrat of Texas, a member of the House Appropriations Committee.

The subject for discussion: "How Much Should the Defense Budget Be Cut?" on next week's American Forum of the Air.

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