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THE PLANLESS ROOSEVELT REVOLUTION

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PHARAOH, Caesar, George Washington, Napoleon, Lenin and Mussolini can be associated each with a system which is susceptible of a rational explanation and which worked for more than a decade. Mr. Roosevelt has had a year of experimentation with the New Deal, but its architectural outline has yet to emerge. It remains the subject of good journalism and ballyhoo, but, as yet, of no integrated social thought. A series of uncoördinated measures of deficiteering, currency devaluation, dole and reform, the New Deal has been rationalized mainly by the use of two misleading words, "recovery" and "emergency."

The purpose may be recovery, but, up to date, the most obvious consequence is an undermining of an existing system accompanied by the development of no substitute system. To say that it is an emergency which, during the post-war period, has successively produced Communism, Fascism, the New Deal and whatever may be brewing in other great nations, is to talk nonsense. Emergencies do not last ten years. Nothing in the domestic or foreign situation today warrants the expectation that present departures from tradi-

tional American ways will prove less permanent than the social revolutions of Russia or Italy.

A rationalization does not need to be true, but it should be comprehensible and plausible. The rationalizations of the New Deal are not only unsystematic; they are implausible. They neither interpret rationally what is happening nor tell us honestly what to expect in the near future.

It may be objected that President Roosevelt's statements of policy have been intelligible and pleasing to the American people. Quite true, but so were those of Messrs. Insull, Kreuger, Mitchell and the other leaders of the New Era. Indeed, the American people were so satisfied with the propaganda of the New Era that they bought billions of dollars of now worthless securities, surely a mark of high popular confidence.

To pass from assertion to illustration of the planlessness of the New Deal, let us first establish a few obvious points of contradiction in it. Shall prices be forced up, kept down or allowed to take their course? On this vital question we have had, within the space of three days, mutually contradictory statements of public

policy by General Johnson and Professor Warren, than whom, at least at this writing, there are no more influential figures in the Roosevelt administration. On January 18, 1934, General Johnson, speaking before the National Retail Dry Goods Association, declared: "If I had only nine words with which to address you, I could do it with more substantial and worthwhile effect than with all these twenty-seven pages—I would rise here and say 'Keep prices down for God's sake. Keep prices down. That, and that alone is the royal road to recovery.'"

Three days later, while the administration's gold bill was in committee, Professor Warren, supported by the exponent of his monetary policies in charge of the Treasury, Mr. Morgenthau, told the Senate Committee on Banking and Currency that "by cutting the gold content of the dollar we raise prices. By raising prices, it becomes easier for men to pay their debts. By raising prices, business starts and profits accrue. It becomes easier to pay taxes. Since it starts business, wages will rise."

These contradictory and incoherent utterances cannot be dismissed as mere opinions of private citizens. They expose the most colossal piece of empiricism in the history of politics—the promise of a rise in prices which will benefit all and injure none; of a rise in wholesale prices without a corresponding rise in retail prices; and of higher prices without hardship for labor from a higher cost of living. These views express policies which two important agencies of government, the N.R.A. and the Treasury, are vigorously and effectively pursuing. Mr. Morgenthau is dumping abroad dollar exchange for foreign gold for the express purpose of raising the American price level. General Johnson is forcing indus-

tries to raise production costs and commanding merchants to keep down prices. (President Roosevelt is making war on private speculation on the Stock Exchange and conducting a government speculation in money with a \$2,000,000,000 fund operating in the exchange markets of the world.) Now a policy either of price adjustment downwards or price adjustment upwards to a better equilibrium can be intelligently defended in argument and, it may be, rationally pursued. But both of these policies cannot be rationally pursued at the same time.

II

In the field of railway administration or coördination, the same contradiction of policies is apparent, as in the injunction of the New Deal legislation to lower operating costs without reducing wages, which constitute 70% of such costs. In the field of banking the contradictions of the New Deal are equally fundamental. Mr. Jones, the head of the R. F. C., rebukes the banks for failing to expand credit and he announces that the government will supplant private credit with public credit in the financing of commerce and industry if the banks do not soon increase their commercial loans. Yet, all the while, the fiscal and tax policies of the New Deal encourage a reduction in loans to business and force an increase in loans to the state.

Why should a bank run the serious risk of loss on loans to private enterprise, even at 6% when it can lend at 2% or upwards ten times the amount of the bank's cash reserve to the government with absolutely no risk? The Federal Reserve Banks, it will be remembered, can now extend to member banks unlimited credit on government paper at par, so

that any bank can instantly turn any amount of government paper into cash. The logic of the fiscal policy and self-interest for bankers is obvious. The bigger the Federal deficit for banks to finance with the purchase of government paper, the smaller the amount banks need to lend to private borrowers. To complete the statement of the vicious circle, it may be said that the more the Federal government borrows from the banks, the more it lends to private borrowers on the ground that the banks won't lend to them.

Perhaps the nationalization of banking is necessary or desirable. If Mr. Roosevelt thinks it is, why does he not say so? He fails to create conditions which make private loans seem attractive. Perhaps this failure is inevitable. Perhaps Mr. Roosevelt is not anxious to create such conditions as might induce large private loans by banks. Whatever his views on these questions, we know that he is maintaining conditions, by reason of an eagerness to spend and an aversion to tax, under which a bank having, say, \$1,000,000 in capital can earn 20% a year on its capital simply by buying \$10,000,000 of government paper bearing 2% interest, all without risk or operating cost for the bank. And, while maintaining these absurd conditions, Mr. Roosevelt blames the banks for reacting logically to his fiscal policy by a curtailment of private loans and an expansion of government loans.

Such contradictions in New Deal policies can be cited indefinitely, but it seems unnecessary to pile Ossa on Pelion. The conclusions need little proving: The New Deal is planless. Any series of state enterprises prosecuted without a plan must be chaotic. The obvious reason why war or State Socialism must be conducted by one coördinated authority according to one plan is that those in charge of activi-

ties must know and be agreed about what they are doing. Government officials under a liberal state may differ as to the desirability of creating a new tax or passing a new law, but not about the necessity for tax collection and law enforcement. In a few words, officials can disagree about what the state is not doing, but they must agree about what it is doing.

If the state tries to do nearly everything, as in Communist Russia, there must be agreement about nearly everything. It is as simple as that. Such is the logic of the planned economy and its corollary, a dictatorship. Once the state enlarges the ambit of its activities, as Mr. Roosevelt is having it do, to such an extent that the agreements of the Constitution and the laws are not sufficient, then a new political or social theory must embody such additional agreements as are essential to the successful operation of the new state. And this new political and social theory of the planned economy must be interpreted and enforced by one central authority.

Mr. Roosevelt's state is doing a great many things about the doing of which there is neither general understanding nor agreement. There is merely an absence of effective opposition or criticism, due, principally, to the theory that this is an emergency and that Mr. Roosevelt is a peculiarly gifted man.

As most of the criticism of Mr. Roosevelt's policies comes from people who have been long in power and recently had their policies crushingly discredited by events, it is not strange that the attitude of the man in the street towards the New Deal should be to give it a chance without inquiring closely into its implications. For a new political system, this type of popular approval or acquiescence is most peculiar and somewhat un-

usual among historical precedents. This acquiescence is not the kind of agreement reached by people who, having read the Federalist papers, created the American Constitution, or who, having read "Das Kapital," created the Soviet Union of Russian Republics. It is the naïve, hopeful submission of a people who have been rather badly battered by the economic storm and are now momentarily hypnotizing themselves into a pleasant daydream of safety and prosperity within the snug harbor of an expansive smile and a comforting radio voice.

But, while Mr. Roosevelt beams and caresses, he goes on undoing the American system. Such changes as he is making should be, but are not being, the subject matter of a systematic plan and intelligent agreement arrived at after full discussion by a fairly numerous group of members of the government party. Of course, a social revolution has to be conducted by a revolutionary party which believes in the revolution. It cannot be conducted by a genial personality, seconded by a corps of academic experts and recruits from the ranks of Federal job and benefit seekers. If the Democratic Party is the American party of social revolution, certainly very few Democrats are aware of the fact or of the nature of the revolution. There is, of course, a certain piquancy to the idea of a revolution being conducted by people who don't know what they are doing. But the result is likely to be a mess rather than a new social system. Of course, builders will, doubtless, sooner or later, be put on the job, as they were when Napoleon followed the commune or when Lenin followed Kerensky.

Continuing with the factual and the actual, we may remark that the Roosevelt state is stepping outside of the traditional liberal rôle of a provider of public safety,

sanitation, instruction and enforcement of contracts. It is assuming the functions of economic planning, industrial control, interference with the free market, price fixing, and modifying contracts. About these problems there is no agreement or understanding of what is being done, because there is no adequate theory. Take the subject of contracts, for instance. Under the liberal state every one was more or less agreed that legal contracts ought to be enforced and that a dollar meant a fixed quantity of physical gold or its equivalent in value at the market price of gold. Mr. Roosevelt's state terminates this agreement and decides that millions of legal contracts involving over \$200,000,000,000 must be rewritten and that a dollar may mean whatever he and Congress, with the advice and consent of Professor Warren, may, from time to time, determine. It is superfluous to argue that if Congress can devalue the dollar 40% when there is no necessity to do so, it can do it again.

III

If our new theory of contractual relations is to be that contracts are subject to modification from time to time as the public authority may deem necessary in the public interest, then we must have an entirely new theory of jurisprudence and administration. This is needed both to rationalize for general understanding, and to render workable the institution of contract in any complex society which does not want to be reduced to regiments of state rationed and ordered persons. Modification of contracts in the public interest cannot be left to the legislatures of one Federal government and forty-eight different State governments, plus the army of judges and administrative officers of each of these forty-nine governments.

We may freely grant that social right is paramount to private right and that the opinion of any authorized exponent—legislator, judge or official—of the public interest is as good as that of the next one, if not a damn sight better. Still, we cannot escape the conclusion that we shall have utter chaos in a few years if the government right to modify contracts is not exercised by a single authority and in accordance with a single theory.

The point I am laboring in this article is not an issue of right or wrong or even of any personal preference. It is purely a practical or administrative consideration that dictates a single authority and a single theory for a planned society or the modification of private contracts. Our present Constitution does not allow Mr. Roosevelt, his Brain Trust and his subservient Congress to constitute such a unique authority or to enforce any unified concept of the public interest. Probably a part of the explanation of Mr. Roosevelt's failure to propound a theory of public policy in respect to contracts is to be found in his realization of the constitutional limitations within which he is circumscribed.

Nor can it be expected that the courts and the quasi-judicial and administrative agencies of governmental regulation, such as the Federal Trade Commission, the Interstate Commerce Commission and innumerable others, exercising jurisdiction of regulative power affecting the interpretation and fulfillment of contracts, can conceivably coördinate the millions of interferences of the public authority with private contract which are a necessary part of any planned economy. At present, the fundamental issue is evaded by having a five to four majority of the Supreme Court invoke the false premise of emergency to justify a specific impairment of

contract in the public interest. The courts can, and probably will, withhold the judicial veto in respect of New Deal measures, but this complacency in no way cures the defect of a lack of coördination. Specifically, how can an insurance company pay insurance claims in Massachusetts according to one theory of contracts, if its claims against its mortgage debtors in Minnesota are adjudicated according to another theory? So far, the New Deal policy in respect to contracts is founded neither on a uniform law nor a general theory; it is founded on political opportunism seeking to meet specific problems with specific remedies.

If debtors need relief, and few would deny that they do, the scheme of relief, whatever it may be and whatever modification of contracts it may entail, must be uniform for the entire country. As yet, Mr. Roosevelt has formulated no uniform scheme of debt relief, other than that of currency devaluation, the value of which to debtors still remains to be demonstrated. Relief under the New Deal seems to be a matter of random modifications of contract and largesses with the printing press and the taxpayer's money. This Santa Claus theory of relief may be appropriate to a genuine emergency like an earthquake or a big fire. Over any considerable period of time, however, the state must either let the economic wrongs of private individuals right themselves or else undertake to right these wrongs according to a body of law and social theory. A policy of righting wrongs by currency devaluation or uncoördinated modifications of contracts amounts to robbing Peter to pay Paul.

As for the making of prices in an open market, it was formerly agreed that this process should be left to bargaining under a system of legal freedom to contract. The

Roosevelt state now decides that it is unsatisfactory to have prices fixed by the pressures of supply, demand and economic necessity in an otherwise free market. The state must fix prices by the A.A.A., by industrial control of wages and hours through the N.R.A. by unlimited currency, credit and interest rate manipulation. I do not challenge the premise that the results of the open market are unsatisfactory. I merely make the point that state interferences with the market must be conducted according to a complete social theory. Mr. Roosevelt says that the farmers do not get a square deal in the open market and gives them a billion dollars a year of taxpayers' money. On the grounds of sound social mechanics or simple equity I would say, "State equity in the market for one, the same state equity in the market for all." Price fixing for certain classes is not only unworkable but inequitable. For these reasons Mr. Roosevelt dare not embody his policies in a social system. If the food-growers have not got a fair price in the market, neither have many other groups,—for instance, the sweated workers of the needle trades. Equity and the price structure make an integrated whole. The New Deal does not.

IV

Another agreement of our dying liberal state was that private enterprise should be comparatively free. Bankers, for instance, were allowed to use their judgment as to how much credit they created and what they did with it, provided they maintained certain legal ratios between deposits and capital and reserves, and, of course, provided they obeyed the law. If they made mistakes of judgment, there were the processes of closure, liquidation

and reorganization to correct such errors. If the Roosevelt state now finds that bank credit has to be socially limited as to total amount, directed as to use and guaranteed as to soundness (deposit guaranty), a wholly new theory and technique of administration must be developed.

In this field we shall have complete chaos in a few years if all government decisions are not made according to some coördinated plan and theory. Without such a plan credit will be expanded until the unit of currency becomes worthless and credit will be dispensed in ways that will discriminate against regions, industries and occupations. The evils of lobbying for tariff favors or pork barrel appropriations will seem as nothing compared with the abuses that will grow up if the government attempts to dispense credit among different regions and industries according to the intuitions or inspirations of a President seeking reelection and his subordinate officials currying his favor.

In the field of industrial control as well as credit creation and control, Mr. Roosevelt's policies of well intentioned opportunism make two fundamental mistakes. They ignore the integration of finance and industry and assume that different parts of our economic machine can be put right, bit by bit, or piece by piece; and they assume that socially desirable results are largely matters of good morals and effective policing. The fact, of course, is, as every European dictator of a planned economy can tell Mr. Roosevelt, that reform and righteousness are not the major concerns of a socialized state. Stalin and Hitler are little interested in reform. They are first of all social engineers who have to keep a social machine running. Reformers are like policemen. They do not have to see that people have jobs, food and a fairly good time.

Mr. Roosevelt is apparently hoping and trying both to reform capitalism and to make it work. He hopes to reform it with the aid of the N.R.A., the Securities and Stock Exchange Regulation Acts, and the measures for the control of finance and currency. He hopes to make it work by means of heavy doses of inflation. His advisers are, for the most part, a soft-thinking crew of romanticists. In the first place, no one has ever seen a reformed capitalism in operation. In the second place, no one has ever proved in theory that a reformed capitalism would work. And, in the third place, capitalism has always worked best when it was most unreformed.

A full dinner pail, not righteousness or reform, is the first concern of a state committed to economic planning or just good old-fashioned meddling with business. It is perfectly possible to starve in the midst of economic righteousness, as millions have done under a Communist dictatorship of the workers in the interests of the workers. And we have had occasion to observe for over half a century a steadily rising standard of living of the workers accompanied and accelerated by the most wicked and unbridled predatory capitalism. During the period of war profiteering, the standard of living of the American and British workers rose by more than 10% above the pre-war level. Righteousness in finance may spell paralysis of new capital investment. The suppression of predatory speculation in Wall Street may mean the end of new private financing of industry. Fair competition in industry may turn out to be no private competition at all.

The theory of industrial control under the N.R.A. is no more clear than its practises. The agreements are called voluntary and coöperative when, as a matter

of fact, they are forced by government coercion, often through devious and indirect methods. A non-conforming industrialist may be coerced by denial of government contracts or a refusal of R.F.C. credit on trumped up technicalities. The N.R.A. of course, is not sure of its power or clear as to its methods and objectives. It is an agency appropriate to a dictatorial, collectivistic government grafted on a non-collectivistic, liberal government. Such an agency and such functions cannot be integrated into our American system.

The statements of the theory of this new industrial control say little more than that it is intended to make everybody happy by preventing badness and encouraging goodness. It is assumed that goodness is something absolute and universal. It is forgotten that what may be goodness under Socialism may be badness under capitalism and vice versa. Business men are to compete fairly, get fair profits, sell at fair prices, avoid waste, pay fair wages, and sell good goods. All of this is as unattackable as the Ten Commandments and about as irrelevant as the Ten Commandments to the problems of an inadequate market for the sale of goods or labor.

Meanwhile, actions speak louder than words, even the words of General Johnson, which is going some. Senators Borah and Nye have had the courage to give expression on the floor of the Senate to the complaints that the N.R.A. codes are driving small business men out of business and maintaining prices which permit profiteering at the expense of the consuming public. Frederick J. Schlink, president of Consumers Research, made similar charges before the American Academy of Political Science at Philadelphia. I am reliably informed by an economist who keeps tab on the latest corporate

developments that the concentration of control in some 200 large corporations has increased from 45% of all industrial capital in 1930 to 55% in 1933. The President has met these complaints with the statement and executive order of January 20, 1934. It was declared that codes could not be used for price fixing of a discriminatory character. And it was provided that complainants may take their troubles to the Federal Trade Commission. But there is no more a body of theory according to which to redress these wrongs than there is for preventing them.

V

The N.R.A., being founded on no theory of the state, makes the wholly unrealistic assumption that business men will agree and cooperate successfully under the aegis of the state if given an opportunity to do so. It is not realized that if business men were capable of loyal cooperation for mutual advantage and social welfare, there would be no need for government intervention. The state has never prevented association and cooperation among business men for the purposes of the N.R.A. Such cooperation has never been prevented by any factor other than that of the business men themselves.

Government is a matter of using force, not securing cooperation. Where pure cooperation is possible, government intervention is unnecessary and mischievous. The eternal question for government is not that of whether government would like to have certain things done, but whether government is disposed to use force to have them done. Preaching is an excellent thing in a liberal state, but, as long as there is freedom of speech and the press, it is not necessary for government officials to be preachers. Govern-

ment should govern. If the N.R.A. is to be more than a pulpit for the evangelical General Johnson, it must be fitted into a theory of government yet to be devised. It makes no difference whether it is a matter of making children go to primary school or making industry operate in some desired manner, the problem for the state is one of using force, not preaching cooperation.

The passing of the liberal American state marks the end of the principle of separation of powers and a return to the age-old principle of coordination of power. Separation of powers in this country has been functional—a division between the legislative, judicial and administrative branches of government—and regional—division of government into forty-nine sovereignties. Now a planned economy, like a war, calls for unified command, a single set of objectives, a single plan of campaign, a single directing will. Law becomes an instrument of administration and not a bill of rights. Law is for the governed and not the governing. There is no escape from the logic of this necessity. There must be agreement about the things the state is doing. If the state is trying to do nearly everything there must be agreement about nearly everything.

The old liberal state supposed that the people, given the equal protection of the laws, can solve their own problems. The new Roosevelt state is proceeding on the supposition that they cannot solve their own problems and that the state must plan their economic life. But a planned economy calls for a state scheme of the good life as well as an economic plan for its realization.

A planned economy, like a war, is essentially an enterprise in which the state is giving orders to everybody. The liberal state gave few orders, and they were easily

obeyed. Mr. Roosevelt is giving a great many orders and they are not easy to obey. Viewing the national economic enterprise of government from a slightly different angle, we may say that it is a quest after a number of solutions of inter-related problems. The inevitability of a unique plan is obvious.

A master mind and will cannot see all, know all, resolve all problems, make all decisions, issue all orders. The master mind or leader who conceals his plan or hasn't one—which was probably the case of Kerensky—is really finessing against his partners.

Hero worship is a wholly admirable human habit. Mr. Roosevelt's birthday was recently celebrated like that of a European king or a Communist dictator, all of which merely proves that Americans are normal folk like Europeans. There flourishes, however, in this country an illusion about heroes which is peculiar to a business civilization. It is the naïve idea that the superman possesses a trade secret. As a matter of fact, truly great political leaders have never possessed or practised consciously what might fairly be called personal secrets. There are, of course, things about everyone and everything, including the multiplication table, which defy explanation. But no class of men has ever gone to greater pains to reveal their secrets than the outstanding political leaders. Even all successful and long-lived gods go to a lot of trouble to reveal themselves. Monarchists, Communists, Fascists, and theologians all undertake to reveal the secrets of their supermen and gods.

VI

No opportunist or empiricist ever left much behind him except disillusionment and disappointment. The great leaders had

each his system and theory. Napoleon or Caesar, Cromwell or Washington, Lenin or Mussolini—each stands for a system. It gives me peculiar satisfaction to stress the fact that the founders of the American Republic were great political theorists. The present day commercial babbler which sneers at doctrinary or theoretical politics is as un-American as it is asinine. Benjamin Franklin, Thomas Jefferson, the Adamses, and Alexander Hamilton were as copious writers and lucid exponents of their political system as Lenin or Mussolini. All of these leaders were infinitely more practical than the so-called practical American business man whose system is now in collapse.

To say that a political leader has a theory, system or doctrine is merely to state that he and his followers know what they are doing and where they are going. It is impossible to follow a leader without a system. His followers cannot be seeking his decisions on every problem. Some small minds think it a mark of shrewdness to keep people guessing. But a builder can never keep spectators or collaborators in doubt as to what he is building, be it the Great Pyramid, the Panama Canal or a planned society. Great edifices must be erected in the full view of mankind and with the intelligent assistance of men. They do not result from a master mind going into a huddle with his Brain Trust. A social revolution is an exercise in building. Its leader must be a social architect. Being shrewd, having trade secrets, keeping one's ear to the ground, studying the whims of popular favor—all these are tricks with which to sell medicine at a county fair or to catch votes in municipal elections. A leader of men must have a plan and, right or wrong, good or bad, the plan must have meaning to his followers.

In the post-war period I have had occasion rather closely to observe two important types of passing phenomena which illustrate our popular tendency to associate a secret magic with a temporarily successful man. On my return from France to Massachusetts in September, 1919, I found New England in the throes of Ponzi. It just so happened, following my demobilization, that I had spent some three months wandering around Europe for recreation. One of my less noble recreations had been that of playing the then boiling foreign exchange markets, on a shoe string, more or less as one plays the stock market. In this way I had acquired a fairly up-to-the-minute knowledge of the current possibilities of profit-making in foreign exchange, which were not unlike those of making money at any other form of gambling. But I quickly discovered that I could seldom discuss Ponzi with any one in New England without making myself extremely disagreeable. When I insisted that it was quite impossible for Ponzi or any one else to have a sure-shot secret of making large profits in exchange trading, I was crushed by a blunt statement that it was a piece of conceit on my part to think that I was as clever as Ponzi.

The years passed. During the late New Era I found myself working for an international banking firm in Wall Street. I had pleasant and intimate personal relations with some of the brightest and nicest young men in the street, of the big shot variety. Again I found myself becoming a nuisance to my friends by reasons of questions I asked and doubts I mildly ventured about the magic of gentlemen like Messrs. Kreuger, Insull, Mitchell and others. When I asked how foreign loans could be repaid if we needed a favorable balance of commodity trade in order to remain prosperous, or how investment

trusts could make millions by trading with one another in common stocks, or how industry could go on expanding in a world of falling prices, declining birth rates and stagnant migration, I was met by pitying glances and rude replies. I came to be regarded by my best friends as something of a pathological case because I wanted to have the new system explained to me.

The moral of John Law, Ponzi and Kreuger is that success in getting things done and in enjoying wide public favor for a short time does not prove that opportunism is a substitute for a workable system. The wizards of the late New Era were successful and enjoyed public confidence for a much longer period than Mr. Roosevelt has as yet been in the White House. And it should not be forgotten that it was largely luck that the bank crisis did not break two or three months after, instead of two or three days before, his inauguration. Taking office, in a constitutional manner, just as the greatest single economic calamity in our history broke, constituted a perfect invitation to, and excuse for, opportunistic empiricism.

Successful empiricism requires an unusual degree of public acquiescence and confidence. Had the bank closing followed by two or three months Mr. Roosevelt's inauguration, he could not have reckoned with a sufficient measure of public confidence to launch successfully a policy of empiricism. A leader who rules with a system rather than empiricism has to build up, or to find built up for him, a body of intelligent understanding, conviction and sympathy in respect of his system. A leader who finds himself suddenly in power at a moment of crisis has to choose between the easy ways of empiricism or the harder paths of system. The bank holiday was an emergency. The de-

pression is not an emergency. Mr. Roosevelt turned to hasty empiricism. With it he met the emergency. The depression, however, remains. And the policies of empiricism cannot work for any length of time.

Mr. Roosevelt's empirical methods captured the imagination of the people and undoubtedly induced the upturn from the extreme economic lows of June, 1932, to March, 1933. But, prolonged for any length of time, the measures of opportunism or empiricism, whether of John Law, Ivar Kreuger or President Roosevelt, begin to feed on the deceptions they produce. Popular enthusiasm for any type of empiricism is not that of conviction or deep loyalty to an idea. It is not the spirit that carried Caesar's legions into Gaul, that held together the ragged American patriots during the winter of Valley Forge, that carries on the Russian experiment through famine and want.

No, the enthusiasm over the New Deal is largely that of people who think they are getting something for nothing. It is the same type of enthusiasm that is responsible for every temporary success achieved by empiricism. In this instance, it is the enthusiasm of taxpayers who want to receive public money without paying higher taxes, of farmers who want a gift of a billion dollars a year of public money, of speculators who have big paper profits on the results of currency devaluation. Of course, the four or five millions out of the fifteen millions of unemployed last year who have received jobs also share the general enthusiasm.

The beneficiaries of a \$10,000,000,000 deficit, or of a 40% devaluation of the currency, or of gifts of taxpayers' money, naturally feel that it is a good system, that it works, and that it should not be criti-

cized. The truth is that it is not a system at all, because the government cannot go on disbursing \$10,000,000,000 a year of borrowed dollars having the purchasing power of 1933 dollars, nor can it keep on devaluing the dollar. After all, a currency can be taken only from 100 to 0, and Mr. Roosevelt has already covered nearly half the road.

Borrowing, currency devaluation, and the dole do not constitute a social system, nor the elements of any sort of good government. They are instruments of misgovernment. Communism and Fascism, as well as sound capitalism, have tried to avoid these measures. Mr. Roosevelt has embraced them. Professor Tugwell, the Alexander Hamilton of the New Deal, in a recent magazine article made the epoch-making contribution to economic thought of stating that it is a sound public investment to run up a five or ten billion dollar Federal deficit to restore prosperity. Obviously, if borrowing and spending five or ten billion dollars would restore our national income from \$40,000,000,000 to \$90,000,000,000 a year, in dollars of the same purchasing power, the deficit and its attendant borrowing would be a good investment. But Professor Tugwell offered no more convincing arguments than those of Mr. Kreuger or Mr. Mitchell to support the policy of prosperity by spending borrowed money. The borrowing policies of the Kreguers and Mitchells during the New Era shattered private credit and developed no workable system. Is there any reason to suppose that President Roosevelt can make of these policies a workable system or avoid shattering public credit if he continues to use them?

So far, Mr. Roosevelt has shown himself to be a master showman but not a master builder. To build, you need a plan.