

**THE
EGYPTIANS**

YEAR 1953-1954



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HISTORICAL SKETCH

The Egyptians, "a club for the discussion of scientific, religious, economic, and other topics pertaining to the welfare, culture and happiness of the people," was organized at a meeting of fifteen men held in the home of the late A. S. Caldwell on June 21, 1913. These men had been meeting as an unorganized group since 1911. The fifteen founders were: Charles N. Burch, A. S. Caldwell, J. B. Cannon, Elias Gates, Charles J. Haase, E. M. Markham, C. P. J. Mooney, Sanford Morison, J. Craik Morris, A. B. Pittman, J. W. Rowlett, A. Y. Scott, Bolton Smith, B. F. Turner and J. C. Wilson.

Before the organization was completed, fifteen others were enrolled as charter members, namely: Albert W. Biggs, E. C. Ellett, W. H. Fineshriber, J. R. Flippin, Thomas F. Gailor, Marcus Haase, Herman Katz, James P. Kranz, Walter Malone, R. B. Maury, H. Dent Minor, A. E. Morgan, Israel Peres, Alfred H. Stone and Luke E. Wright.

The name chosen for the organization was proposed by W. H. Fineshriber. The fact that ancient Memphis was in Egypt suggested the name. The by-laws stated that the membership should "consist of not more than thirty-three men of recognized standing, ability and influence in Memphis and Shelby County, Tennessee." It was further stated that members were to present their contributions in the form of papers and that all papers were to be issued in printed form. This clause has resulted in the largest and most significant literary production of a general nature ever made by any group of Memphians.

From the beginning, The Egyptians were guarded against internal friction by a constitutional provision that "no resolution shall ever be passed committing the club as a body to any proposition." The club is unique in the unwritten law that its name is not to appear in the press in any connection.

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THE OUTLOOK FOR ECONOMIC GROWTH AND STABILITY

By RALPH C. HON

(*Read at meeting of "THE EGYPTIANS," October 15, 1953*)

Over the last half century the population of the United States has doubled and the volume of production has increased five-fold. Over this same period, productivity per manhour has increased to such an extent that the total volume of human effort going into production has increased by only 80 percent. The rate of progress has not been steady. In fact, the last quarter century has witnessed the sharpest contrasts in business conditions in our history. The widespread optimism of the twenties that the economy would continue to operate at virtual capacity ended in disillusionment and frustration. Measured by its influence on actions and attitudes, the depression of the thirties ranks with the Civil War as one of the two most important events since the adoption of the Constitution. Confidence reached such a low ebb that the idea that recovery would come automatically, that there was a corner to be turned, became a national jest. The depression was never conquered but simply faded into the mobilization program.

During the thirties, everyone became deeply interested in the problem of reviving the economy. The most stimulating of the depression economists was J. M. Keynes whose book, *The General Theory of Employment, Interest and Money*, published in 1936, is doubtless the most influential in economics since *The Wealth of Nations*. The central point was that, unless economic tendencies were supplemented by government action, relatively mature economies, such as those in the United States and Western Europe, would not normally operate at a high level in the future but would continue to experience a substantial amount of involuntary unemployment.

Although this theory of stagnation now seems outmoded, it still deserves brief consideration since it left a deep imprint on the thinking of many people and, for all we know, may become prevalent again in some future period. It held that total demand would be too low to justify full production because people would try to save more out of modern prosperity incomes than business would want to invest in new capital goods and the difference would be hoarded and thereby become a drag on the economy. An adequate supply of railroads, highways, factories, houses, etc., had been constructed and, particularly in view of the sharp decline in the rate of population growth, future opportunities for profitable investment were expected to be few and unexciting. Furthermore, the American businessman was in the doghouse so far as public opinion was concerned. Labor unions were encouraged to whittle on his profit margins and he was subjected to discriminatory taxes which made risk-taking more risky. In this connection, it is interesting to note that Benjamin F. Fairless, Chairman of the Board of United States Steel Corporation, recently expressed the opinion that, had it not been for the part American industry played in winning the war, our system of free enterprise would have been overwhelmed by the same kind of state socialism that has swept so many lands abroad.

Business conditions since 1940 have been dominated by international events. Military demands for men, machines, equipment and munitions began to rise after the fall of France and became insatiable after the attack on Pearl Harbor. Federal expenditures climbed rapidly, personal incomes rose, unemployment disappeared, civilian consumption increased, liquid assets piled up, and inflation replaced unemployment as our major economic problem. Since it was realized that demobilization would be accompanied by abrupt cuts in government spending, postwar economic prospects were viewed with anxiety. Between the first quarters of 1945 and 1947, federal purchases fell from an annual rate of

\$91 billion to \$16 billion, a drop of \$75 billion. But the end of the war found the American economy with a superabundance of liquid assets in the hands of business and individuals. Stocks of goods were abnormally low. Private debt was small and credit was cheap and abundant. The fears proved unfounded. The economy made a smooth transition from war production to a high level of peacetime activity and, with the invaluable aid of hindsight, we can now see that it would have been almost impossible to develop a serious depression in the early postwar period.

Inflation has plagued mankind more or less persistently throughout history but, since the thirties, we have been so concerned with avoiding another bad depression that we have not been prepared adequately to cope with the opposite set of problems. Considering the magnitude of the task, we did reasonably well during the war period. Since 1945, however, we have experienced two sharp spurts of price increases: during the period 1946-48 when controls were lifted before supply came into balance with demand and the labor organizations, with the help of the White House, touched off a wage-price spiral, and during late 1950 and early 1951, under the impact of the Korean outbreak and the Chinese intervention.

Inflation involves redistribution of wealth and income without regard to justice. It results in a levy being made upon those who have put their savings into forms that give them claims on money, such as government bonds, annuities, life insurance and savings accounts and upon those whose salaries are relatively inflexible. For large numbers of investors the loss is particularly pathetic because it represents money they had saved over a long period in preparation for a time they would be unable to earn a livelihood. In the period since the war some groups, including doctors, domestic servants, factory workers and miners, have been able to increase their incomes faster than the dollar declined in purchasing power; others, including employees of banks, insurance companies and the

federal government have just about kept pace with price rises; while others, including college teachers and local government employees have fallen behind and become gradually impoverished. From a social point of view, inflation, by pitting group against group in the sharing of losses in purchasing power, adds to discontent and dissension.

Our economic objectives include a growing national output, increased production per person to provide the basis for a higher standard of living, relatively stable prices and retention of the maximum amount of individual liberty and responsibility. During the past year our economy has been operating remarkably well. Since last March a gentle downward trend has been evident in business activity but, measured either by volume or value of goods and services produced, 1953 is almost sure to be a record year. Consumer prices, reflecting increased costs, have remained strong while wholesale prices, particularly of agricultural products, have been declining for a year and a half.

There is widespread concern throughout the western world lest the Korean War boom be followed by a major economic setback in the United States. Whether or not we can continue to operate our economy satisfactorily is not only a matter of domestic concern but is also of crucial significance in the world conflict of economic and political philosophies. Friendly nations abroad, united with us in resisting Russian Communism, depend heavily upon the American economy for their own economic strength and stability. A cardinal and consistent feature of the Marxian attack on capitalism has been that an economy operating on its principles is necessarily subject to instability and to depressions of increasing severity. There can be no doubt that a serious and prolonged depression or continued and substantial inflation would be a major defeat for the free world.

Two developments of the last twenty years: a sharp rise in the birth rate and the changed concept of the proper role

of government in economic affairs, have made an indelible imprint on the problem of maintaining a high level of business activity.

Just about the time the stagnationists began to make extensive use of the declining rate of population growth as a pillar to support their theory, the birth rate, which had declined from 30.1 per thousand population in 1910 to 18.4 in 1933 and 1936, began a rise which has amazed and dumfounded the experts. Since 1940, the population of the United States has increased from 132 million to 160 million. This increase of 28 million is equal to approximately twice the population of Canada or two-thirds that of England.

In 1941, the Bureau of Census selected for publication a population projection, which had been prepared by the Scripps Foundation for Population Research, that gave the expected 1950 population as slightly under 141 million. As late as 1947, the Bureau and the Foundation revised their earlier projections upward and estimated the 1950 population at about 145 million. Even this estimate proved to be too low by more than 5 million. American demographers have waited in vain for years for the fulfillment of their predictions that the post-war baby boom would prove transitory.

Changes in the birth rate during the last generation have resulted in some odd relationships among the different age groups in our population which will have varying effects on different lines of economic activity. For example, we now have fewer ten-to-thirty-year-old people than we had in 1941 but 61 percent more children under five years of age. Also, the number of young men reaching the age of eighteen in 1952 was almost 18 percent smaller than in 1941 and the 1941 level will not be reached again until 1960. But from 1960 to 1970, the number will increase by almost 50 percent.

The growth in population has both sustained and reflected the postwar boom. The impact of the unprecedented growth in population since 1940 has by no means been ex-

hausted and, since a further large gain in population seems to lie ahead, the economy is going to have to grow rapidly just to hold its own. Businessmen and public officials in 1937, relying on the best expert opinion, planned their market and investment needs with the expectation that the population to be fed, clothed and housed in this country would increase on the average by some 900,000 a year. Today, similar business and public plans are made in anticipation of population increases of about twice that figure. In short, while the rapid growth in population during the past and present decades does not of itself guarantee prosperity, it does provide the potential for further long-term expansion on a par with the rapid rate of recent years.

In contrast to the situation twenty years ago, when there was widespread difference of opinion as to whether combating a depression was a legitimate function of government, the responsibility of government to exert its influence in favor of economic growth and stability is no longer seriously questioned. Beginning in the thirties with emphasis on defensive tactics in the hope of cushioning the depression, public policy has moved on to progressively more aggressive objectives such as pump-priming expenditures, compensatory fiscal policy, and finally, comprehensive contracyclical action. Adoption of the Employment Act of 1946 by an overwhelming majority of both parties symbolized the new concept of an ever-growing American economy and of government's role in it. In the presidential campaign of 1952, the Republicans were just as emphatic as the Democrats in proclaiming the importance of governmental action to foster a stable economy, and Mr. Eisenhower went beyond the provisions of the Employment Act and boasted that "never again shall we allow a depression in the United States."

If and when we experience another serious recession there is no doubt that the government will adopt positive counter-measures. While our limited experience with contracyclical policy does not justify the expectation that the govern-

ment will be able to adjust its spending, taxing and regulatory policies with enough promptness and precision to assure both a satisfactory volume of employment and a virtually stable price level at all times, it does not seem too much to expect that contracyclical policy will shorten the length and reduce the severity of future depressions.

Arthur F. Burns, formerly Professor of Economics at Columbia University and Director of Research at the highly respected National Bureau of Economic Research, is the man who will be most influential in charting the economic policies of the Eisenhower administration and, therefore, most responsible for seeing that the label "hard times party" is not again pinned on the Republicans. Not only is he chairman of the President's Council of Economic Advisers which, under the Employment Act, is charged with keeping the President informed as to how the economy is doing, but he is also chairman of the Advisory Board on Growth and Stability that President Eisenhower set up as a means of making Burns' ideas a consistent influence on decisions in all departments and agencies of the government with a primary interest in business conditions. President Eisenhower has asked this Board to develop a series of flexible plans to be applied in the event of a recession.

A good place to begin our analysis of the outlook for the future is with the gross national product or the market value of all the goods and services produced by the economy. Since all money expenditures accrue to someone as gross income, gross national income is equal to gross national product. The money income of the nation is thus created by, and is dependent upon, expenditures for output. This makes clear the crucial importance of demand in determining whether or not we attain our economic objectives. In other words, economic growth is dependent upon an increase in expenditures for goods and services. These expenditures are commonly classified into three types: gross private domestic investment, which amounted to \$52.5 billion in 1952; personal consump-

tion expenditures, which amounted to \$218 billion and government purchases of goods and services which represented \$77.5 billion. A rate of growth during the rest of this decade in line with that over a long period in the past would result in an increase in the total of these expenditures from \$348 billion in 1952 to approximately \$435 billion in 1960, assuming that the purchasing power of the dollar remains stable. During the second quarter of 1953, the economy attained a record annual rate of \$372 billion which was considered to be at the practicable ceiling, set primarily by the labor supply.

The most important divisions of gross private domestic investment are expenditures for new plant and equipment and for new housing construction. Expenditures for new plant and equipment are of fundamental importance to the economy because, in addition to providing an essential support to demand, they make possible higher productivity and thereby contribute to the secular rise in the standard of living. These expenditures are considered to be of unusual significance in analyzing business trends because they are quite volatile and declines in this sector have frequently initiated or at least been closely associated with changes in the volume of business activity.

As the result of low levels of capital investment during the depression and World War II, a large backlog of demand for new plant and equipment existed in 1945. Consequently, this type of expenditure increased from \$8.7 billion in 1945 to \$26.9 billion in 1952. Part of the increase is, of course, accounted for by rising prices and part represents expansion to meet defense needs. However, there has been a substantial increase in basic capacity not necessarily related to defense. For example, since 1950 our steel capacity has risen 18 percent and aluminum capacity a fantastic 70 percent and expansion is continuing rapidly. Total expenditures for new plant and equipment during the seven years 1946-52 inclusive, amounted to \$150 billion. This not only enabled the nation to expand its total manufacturing capacity by approximately 50 percent

but also included expenditures at close to record levels for other types of plant and equipment by public utilities, railroads, commercial firms and mining enterprises. While the upswing in expenditures continued during the first nine months of 1953, and the total for the year is expected to exceed that of 1952 by 5 percent, outlays during the current quarter are expected to decline. During 1951 business expanded plant and equipment sharply in both defense and consumer industries. In 1952, fewer industries continued to increase their investments and these were mainly among the defense supporting group. This year, the increases are concentrated largely in two fields: public utilities and manufacturers of nondurable goods. Their respective increases are 26 and 10 percent for the first three quarters of this year as compared with 1952. This indicates a transition to civilian goods in order to keep productive facilities abreast of rising population and expanding markets and to keep costs down in order to maintain competitive positions despite higher wage costs.

Postwar investment, while record-breaking in terms of dollars and higher than would usually be associated with the current rate of profits after taxes, is not out of line with historical relationships to over-all economic activity. In fact, it represents a somewhat smaller share of total output available for private use than in the twenties. One interesting development in this field is the increasing importance of new machinery in comparison with new plants. During seven postwar years equipment expenditures have accounted for 7.4 percent of private gross national product in comparison with 5.8 percent in the twenties while plant expenditures in recent years represent only 2.4 percent of private gross national product compared to 4.6 percent during the twenties.

There are indications that the postwar needs for added capacity have largely been filled. We are, therefore, fast approaching the time when expenditures for new plant and equipment will be determined by the replacement market for

existing plant plus an allowance for improvement in the standard of living. This implies investment expenditures at a lower rate than at present but not necessarily at a sharply lower rate. In the past, an investment boom of the nature of the last eight years has always been followed by at least some decline. However, as the result of an enormous expansion of industrial research in recent years, industry now has a far greater capacity to create new investment opportunities than ever before.

A survey by the Department of Economics of the McGraw-Hill Publishing Company, based on preliminary plans of businessmen, indicates that each of the next three years will show a decline in capital expenditures and that the amount spent in 1956 will be about 20 percent below the current level. If this estimate should prove accurate, expenditures on new plant and equipment would be as high in 1956 as in any year prior to 1951. Incidentally, when McGraw-Hill made its survey last year, businessmen predicted a 20 percent decline in 1953. But when the survey was repeated this year, they had postponed the decline until 1954.

Business investment in plant and equipment may prove to be somewhat less volatile in the future than in the past. After analyzing the long-term demand for the product in which they specialize and deciding on what share of the market they will set as their goal, some large corporations set up an investment plan and an investment budget covering a number of years. If such programs are widely adopted, they may make a significant contribution to stable economic growth.

The other great part of private domestic investment, which represented an expenditure of \$11 billion in both 1951 and 1952, is new housing construction. Residential construction deserves special attention in a survey of prospective economic activity because it has a strategic influence on total economic activity and has recently been showing signs of weakness. Everyone has been impressed by the high level of our house building activities in the postwar period. Housing starts

reached the million unit level in 1949 for the first time in our history, set the all-time record the following year with 1,396,000 and remained above the million level in 1951 and 1952. A tip that the trend during 1953 might be downward came when it was reported that the number of housing starts in May, 107,000, was 3,000 less than in April, the first April-May drop since the end of the war. The decline has continued and in July housing starts were about 6 percent below the corresponding month of last year. Nevertheless, a total of more than a million for the year seems assured.

The home building industry employs approximately 900,000 on-the-site construction workers and influences the level of employment in countless allied fields. Residential construction calls for paint, cement, steel, bricks, stone, gravel, glass, lumber, roofing, paper, plumbing fixtures, copper, aluminum and many other products. It has a noticeable effect on the demand for furniture and household equipment, commercial and community facilities, as well as for public utility and transportation services. The financing of homes has been supplying commercial banks with approximately 10 percent of their total earning assets, insurance companies with over 25 percent, mutual savings banks with nearly 36 percent and savings and loan associations with almost 90 percent.

Since the building industry stands ready to provide well over a million new homes each year at present prices, it appears that the level of residential construction in the foreseeable future will be determined by the factors that influence individuals to buy or not to buy. Three such factors are the rate at which new households are being formed, changes in housing standards, and the terms and availability of mortgage money.

New households were formed at an unusually high rate during the early postwar years. According to estimates by the Bureau of the Census, the net increase in nonfarm households reached a peak of 1,582,000 in the year ending April 1948 from which it dropped over 40 percent during the next

four years to 900,000. The average annual increase from now until 1955 is estimated at 700,000 and the decline in the rate of increase is expected to continue throughout this decade. The decline in the number of men and women reaching marriageable age will be partly offset by a sharp increase in the number of older persons who will be financially able, because of social security benefits and other factors, to maintain separate homes. Looking ahead to the sixties, residential construction will be stimulated by a record-breaking wave of young people reaching maturity, but for the immediate future, a decline in the rate of household formations will be a drag on the demand for new residences.

The dampening effect of declining household formation may be offset by better housing standards. The redistribution of income during the past twenty years has played an important role in developing higher housing standards for large groups of people. Higher incomes and larger families among the younger couples have caused many to look upon the five-room house as a curiosity of the immediate postwar years. The desire for a higher quality house or a more suitable neighborhood exerts a real influence on the home building industry.

Home builders place major responsibility for the decline in their activity on financing difficulties, contending that institutions which normally supply mortgage money in volume currently look upon government and corporation bonds as more attractive investments. Since the middle thirties, when the government first took active steps to stimulate residential construction as part of a general recovery program, federal credit aids have increased in importance until they are now widely accepted as essential parts of the institutional framework in which new housing is produced and financed. During 1949 and 1950, for example, approximately 57 percent of all new owner-occupied single-family houses financed with mortgage loans and 75 percent of those in the \$6,000 to \$10,000 class, were acquired with loans insured by FHA or guaran-

teed by VA. Rising interest rates, since the Federal Reserve System withdrew rigid support of government security prices in 1951, made investment in FHA and VA loans at fixed maximum rates less attractive and the proportion of new residences financed with government insured mortgages has consequently declined. In an effort to meet the demands of builders and realtors that more funds be attracted into the mortgage market, the maximum interest rates of both FHA and VA loans were increased in May 1953 to 4½ percent exclusive of the mortgage insurance premium of ½ of one percent on FHA loans. On June 30, amendments to the National Housing Act of 1934, designed to assure a greater flow of funds into the mortgage market, were approved.

While the form and liberality of public programs to encourage residential construction are likely to vary from time to time with changes in the economic and political climate, the forces back of such programs appear to be strong enough to justify the expectation that they will be continued and perhaps expanded. Housing conditions have come to be widely regarded as of deep public interest and it is considered desirable to maintain capital formation in residential real estate at a high level. Furthermore, the art of house construction is regarded as being backward and inefficient in comparison with the production of other goods and services that meet essential needs of consumers. The result is that new housing of sound construction is classified as a luxury product not available to people of average or less than average income without government assistance. Despite the fact that a substantial decline in business activity would likely result in an increase in the number of vacant residences, there is little doubt that aids to the construction of houses would be part of the government's program to combat unemployment. In view of the widespread recognition of the desirability of improving the quality of our housing, it seems reasonable to think that in the long run the construction of residences will proceed at a fairly high rate. If this cannot be done without

liberalizing government aids, such aids are likely to be liberalized.

The economic significance of consumer expenditures was late in receiving recognition. Until quite recently, consumption held a distinctly subordinate place in economics and businessmen waited for the politicians, with some pioneer help from Henry Ford, to prod them into learning that a satisfactory volume of sales is dependent upon mass markets. One of Keynes' major contributions was to center the attention of economists on the close relationship between consumer expenditures and the level of economic activity, and most merchandising men have learned their lesson so well that they now think they could take all other uncertainties in stride if they only had reliable information as to what, and how much, consumers will buy in the months ahead.

On a percentage basis, the consumer market has traditionally been relatively stable over the business cycle, but measured in terms of dollars its fluctuations commonly exceed those in other markets. For example, from 1929 to 1932, gross private domestic investment declined 94 percent while consumer expenditures declined only 38 percent, but the dollar decline in consumer expenditures was nearly twice that of investment expenditures. At the present time, a 3 percent decline in consumer expenditures would have about the same impact on the economy as a 25 percent decline in outlays for new plant and equipment. Consumer expenditures may be more volatile in the future than in the past because a higher percentage of them are now for nonessentials and are therefore postponable.

Except in times of national emergency, when restrictions are placed on civilian consumption or there is scare buying, consumer expenditures are very closely linked with disposable income, or personal income after taxes. Before World War II, individuals spent approximately 95 percent of disposable income for consumer goods and services in prosperous years and

a higher proportion of their smaller incomes during less prosperous years. Since consumption was restricted in various ways during the war, consumer expenditures in the early post-war years were somewhat higher in relation to disposable income than had been the case before the war. But after the scare buying in 1950 and early 1951, they dropped to approximately 93 percent of disposable income where they have remained.

Both disposable income and personal consumption expenditures increased less rapidly than gross national product during the Korean conflict. Disposable personal income dropped from an average of 73.1 percent of gross national product during the years 1946-49 to 67.5 percent in 1952 and comparable figures for personal consumption expenditures are 69.8 percent and 62.7 percent. These figures simply show the extent to which participation by consumers in gross national product had to be reduced to make room for the rise in government purchases. The extent to which our enlarged productive capacity has enabled us to handle war and defense efforts and still provide for consumers is indicated by the fact that, after allowing for price and tax increases, per capita income has increased 20 percent since 1941. This increase combined with the increase of almost 20 percent in population, means that aggregate consumer buying power is 44 percent above 1941. Now that the rise in government expenditures has ceased, at least temporarily, the one white hope for continued growth in our economy lies in an even more rapid increase in consumer expenditures. The productive capacity of the United States is too great to be sustained by a population whose demands are limited to simple necessities. The day of resenting the possession of such things as education, automobiles and golf club memberships for wage earners is almost past. Purchases of durable goods tend to be more volatile than those of nondurables and consequently times tend to be good when consumers are buying durables. It is clear that consumer decisions with reference to buying

can materially affect economic stability. This situation recently led a London publication, *The Economist*, to comment that the course of history will be determined by what American housewives decide about household appliances. Past experience indicates that American consumers spend quite freely as long as they have money or can get credit, provided there is no immediate threat of unemployment. Prospects are that consumer buying this year will set a new high record but we cannot be sure that, in the years ahead, consumers will buy all the goods being made for them.

The fact that consumers are now relatively well stocked with most durable items means that it will be increasingly difficult to maintain a satisfactory rate of growth in their expenditures. Another indication of difficulty is that the liquid asset position of the average consumer, as measured by deposits in checking and savings accounts at banks, shares in savings and loan associations, and U. S. government securities, has deteriorated in the postwar period. Despite the fact that estimated total personal holdings of these assets increased from \$165 billion at the end of 1946 to \$193 billion at the end of 1952, the median holdings of all spending units decreased from \$400 in 1946 to \$300 early in 1953. Since prices have risen sharply during the postwar period, the real decline in purchasing power has decreased more than these figures indicate. Furthermore, this postwar decline in liquid assets has been accompanied by a sharp increase in consumer indebtedness from \$8 billion in 1946 to \$27 billion, or approximately 11 percent of annual disposable income, at present. Since two out of three automobiles are bought on credit, it is very easy to see that the boom in the automobile industry, now past its peak, has been based on a rise in consumer indebtedness. There seems to be a fairly close relationship between the rapid growth of consumer credit and the high rate of family formation. Younger families are eager to acquire, in a relatively short time, the large stock of consumer durable goods for which the accepted standard of living calls and are willing to exercise their credit for this purpose.

Since the end of the war consumer credit has expanded approximately 400 percent while disposable income has increased only about 60 percent. If consumer credit continues to rise at this rate it seems clear that the authority of the Federal Reserve System to control such credit, which Congress allowed to expire in May, 1952, should be renewed. While the exercise of such control would doubtless cause some temporary dislocations, that would be far better than letting the credit expand until the burden becomes so heavy that it brings about the collapse of the boom.

Despite the figures just given, consumers have made considerable progress since 1946. They have given up part of their liquidity but have acquired other assets of an investment nature. According to surveys by the Federal Reserve System, personal savings during the years 1946-52 totaled over \$78 billion, of which \$45 billion was acquired during the three years 1950-52. It is clear that many people could, if they wished, increase their expenditures. Businessmen have been relying too much on credit to sell goods and not enough on improvements in quality and reductions in prices which would attract cash customers. To the extent that maintenance of full employment is dependent on consumer demand, it is up to businessmen to offer consumers more attractive goods at prices they will be able and willing to pay.

Of the gross national product of \$348 billion in 1952, \$77.5 billion represented government purchases of goods and services, \$54.2 billion by the federal government and \$23.3 billion by state and local governments. The decline in government expenditures resulting from the Korean truce will be small in comparison with that following World War II. Up to a few weeks ago, it was expected that defense spending would be reduced in a period of some two years from its recent peak rate of \$53 billion a year to \$40 billion. Now that Russia has, or will soon have, the potential to deliver H-bombs and A-bombs to various U. S. targets, our defense requirements are being reconsidered. President Eisenhower is

expected to request additional funds from Congress next spring after a conclusion is reached as to the best method of coping with this threat. Expenditures by state and local governments are likely to increase over the next few years. As good an assumption as any seems to be that total government purchases of goods and services, which have recently been at the rate of \$84 billion a year, will not fall much below \$80 billion.

Thirteen years of war and defense spending have caused large-scale deferral of public projects at a time when tremendous growth in population and income have increased needs. The result is an overwhelming backlog of demand for roads, schools and other public construction.

The present road system is grossly inadequate. The great roadbuilding era that began in the twenties ended in 1931. For some twenty years we have been falling behind in highway construction. At present, we are spending about \$5.5 billion a year on road and street work. Highway officials estimate that we need to increase this to \$7 billion a year if we are to catch up with traffic requirements in the next fifteen years.

The rate of construction of school buildings needs to be stepped up. Although all types of state and local construction were adversely affected by both the depression and World War II, the decline in public school construction was most pronounced. This was largely the result of a decline of approximately 12 percent in public school enrollment from 26.4 million in 1934 to 23.3 million in 1944. Now that public school enrollment is increasing by leaps and bounds, after a long period during which school construction and maintenance have lagged, it is not surprising to find that our school buildings are grossly inadequate. Overcrowding is a widespread and generally recognized problem. A recent survey conducted by the Office of Education of the Federal Security Agency indicates that 6 percent of the reporting states' school children attended classes in quarters not designed for such use, 7 per-

cent were housed in buildings over fifty years old, and 20 percent were in buildings rated unsafe because of fire risk. Satisfactory economic and social progress calls for maximum development and utilization of our human resources. Children housed in makeshift quarters such as hallways, cloakrooms, storage rooms or corners of auditoriums cannot be given a reasonable opportunity to make normal educational progress. The Office of Education estimated that some \$10.7 billion was needed to bring the nation's school plant abreast of demands as of September 1952 without making any allowance for added construction or for normal replacement called for beyond that date.

For those who would emphasize the quality of teaching rather than physical facilities, it is worth noting that in the school year 1949-50 there were still about 60,000 one-teacher schools in the United States. The quality of our future doctors, engineers, bankers and architects is being formed in elementary schools today. Teaching staffs need to be strengthened, but financial limitations make the prospects discouraging. The quality of students being attracted to teaching is suggested by the fact that only 27 percent of freshmen majoring in education qualified for deferment on the basis of scores on the Selective Service System's College Qualification Test as compared to 53 percent of all freshmen.

We have examined the major income flows which must be maintained at high levels if national health is to be preserved. We cannot continue to enjoy a rising standard of living unless total expenditures continue to increase. If investment and government expenditures level off, consumer expenditures must rise more rapidly than total production. Part of the necessary funds are likely to result from a lowering of personal taxes and it is possible that some may come from a mild decline in prices but, if the adjustment is to be made smoothly, it looks as though additional income must be made available to consumers. Wages and salaries, which constitute about two-thirds of personal income, may have to in-

crease during this transition period at a rate slightly faster than the volume of production. This would have to be accomplished without putting undue pressure on profits which are essential if investment expenditures are to continue. Perhaps the most promising method would be to reduce corporate taxes and increase wages and salaries at approximately the same time. It would be necessary to exercise caution to prevent such increases from being large enough to set off another wage-price inflation. In the event that corporations decide to reduce their outlays on plant and equipment, they might add to consumer purchasing power by paying out a higher percentage of their earnings in dividends. During each of the last twelve years, except 1945, they have retained over half of their earnings. This policy was in the public interest during a period of large purchases of plant and equipment and when corporate saving served to check inflation but it would be highly inappropriate during a period in which the economy was suffering from lack of consumer demand.

The government, including the Federal Reserve authorities, has an important responsibility for formulating and administering policies dealing with money, credit, taxes, public expenditures and debt management which will contribute to price stability and a high level of production. The \$5.5 billion a year that will be added to the buying power of individuals and industry beginning January 1, as a result of the termination of the excess profits tax and of the temporary increase in personal income taxes, will reduce the likelihood of a serious recession. Various programs have been adopted in recent years which can be expected to exercise stabilizing effects. One of the best means of preventing a bad depression is to dampen down speculative booms. A more effective general credit policy and regulation of trading in securities, including flexible limitations on margin buying, should contribute to this end.

More by chance than by deliberate policy, certain recent developments provide automatic stabilizing forces which

have the advantage of not depending on the treacherous art of economic forecasting. For example, with a given set of rates, both corporate and individual income tax payments rise and fall faster than does the volume of business activity. Another built-in stabilizer, the unemployment insurance system, has piled up a reserve of over \$9 billion. Farm incomes are protected, at least partially, by price support programs. Mass consumption has been strengthened by a somewhat more even distribution of income. Insurance of most bank deposits and a large amount of mortgages makes it impossible for a depression to cause the widespread financial distress that we experienced twenty years ago. All these factors contribute to greater stability of personal income and expenditures.

The changes that have taken place over the past two decades in the structure of the economy and in the responsibility assumed by government do not provide adequate grounds for thinking that business cycles will soon disappear. However, we have never followed consistent policies directed toward attaining economic growth and stability and consequently it seems too early to give up and say we cannot improve on our past record. We may be unable to avoid contractions such as occurred in 1920-21 and 1937-38 but should be able to prevent such depressions from degenerating into the type which dealt us so much misery over so long a time during the thirties.

BUSINESS FORECASTING

By M. K. HORNE, JR.

(Read at a meeting of "THE EGYPTIANS," Nov. 19, 1953)

Last month the Egyptians heard a paper by Dr. Hon on "The Outlook for Economic Growth and Stability." It was, in my judgment, a true and penetrating analysis.

This evening you have a right to be asking, "Why belabor me with two economic papers hand-running?" Some months ago, when I accepted the subject of "Business Forecasting" for this paper, it was my hope that it would fit gracefully as a companion piece with Dr. Hon's.

To this end, let me try to define my precise subject. Dr. Hon's emphasis was on the underlying or secular trends in our economy. These fundamental things have a great influence on the business cycle, as he pointed out; but the cycle itself was not his primary subject. Now as I take up the subject of business forecasting, I am dealing primarily with the business cycle. No more than incidental notice will be given to the long-range trends or to the normal pattern of seasonal fluctuations which repeats itself annually. The business forecaster is concerned with the upward and downward waves of activity which fall between these two. This is what people have in mind when they wonder whether business is going to be "good" or "bad," whether we'll have "hard times" or "prosperity" during the month, or the quarter, or the year ahead. It is measured by the total amount of employment, or production, or real income in the Nation—in other words, by the things that cause people generally to feel prosperous and act accordingly. I will not deal with narrower fields of business forecasting, such as a particular industry or commodity or locality; but the trends in all these particular fields are influenced by the general tone of business, with which we are here concerned.

Having studied Dr. Hon's paper, I must admit that mine will fail to measure up as a fit companion to his. For while he could, with validity, say a great deal about the probable course of our economy over the years ahead (with the overriding influence of military developments being kept in mind), I am in no position to speak with equal confidence about the *months* ahead. The long-term trend is more clearly perceptible than the short-term. While he could properly accent the positive, I am obliged to accent the negative (and still try to say something constructive). I approach the subject of business forecasting in the attitude of a confirmed skeptic.

The first business cycle, so far as I know, is recorded in the Book of Genesis. It was a 14-year cycle, with seven years of boom and seven years of bust. Like many later ones, it apparently took its character from the cyclical behavior of the weather. Now the remarkable thing is that a man named Joseph apparently forecast this business cycle with perfection. He hit it right on the nose and consequently became the great man of his time. He did it by means of divine revelation. This method of business forecasting seems to be no longer in use, but no substitute method has been developed whereby any business prophet of today can bear comparison with Joseph of old.

There is a deep human craving for certainty about the future, and it is therefore human to place a premium on any one who will speak with a tone of confidence about next week, next month, or next year. We do this as a natural psychological reaction, though our experiences reveal again and again that we shouldn't have done it. This craving for certainty is reinforced by the fact that most of us are obliged to make practical decisions based on some kind of forecasts about the business future. You cannot set up a budget or a sales quota or an inventory position without consciously or unconsciously making an assumption about the volume of future business. The more confident we can be of that as-

sumption, the more comfortable we feel. It is human nature to find comfort in a neat and simple analysis of the business outlook, and then to flee from the discomfort of facing facts which raise doubts.

We tend to be like the judge in a horse stealing case during the frontier days of the Pecos country. He listened to the argument of the prosecution and found it impressive. Then he ruled, "The court will dispense with the argument of the defense, since it would only serve to consume time unnecessarily and to confuse the minds of the jury."

There is a large volume of literature today which caters to the business man's longing for a simple, unconfusing picture of the future. In many of the most widely read publications, the presentation deals not so much with what is *likely* to happen, as with what "*will*" happen. The viewpoint is well summarized in the following language from an advertising circular which recently came to my desk:

Blank Service "is accurate because of its basis, an equation which accounts for every source and use of purchasing power. Other forecasts fail to account for all these factors and thus often err. That is why recessions and depressions, 1951, 1949, 1937, 1929 . . . have come as costly surprises to almost every economist and business man.

"Our monthly forecasts are mathematical conclusions, not personal judgments. That is why they are accurate, concise, and do not hedge. Our subscribers are saved from reading lengthy, inconclusive and inaccurate opinions."

While this has clear marks of quackery upon it, it is reprinted from an advertisement which was accepted by the Harvard Business Review. Moreover it has kinship to a method and a philosophy which have been endorsed from time to time by economists of high repute. If we had a law against quacks in economics, it would involve extremely difficult problems of administration.

Fifteen or 18 months ago, I sat in the office of a brilliant and sincere young man, and heard him explain the wonders of *econometrics*. This is a school of economics which has some considerable standing today. I believe it was founded by the late Dr. Irving Fisher of Yale University. I do not really pretend to know what econometrics is, but in a general way it seems to be a thoroughgoing application of mathematical science to economic science. It takes hold of an idea which has always intrigued economists, and pushes it to the extreme. This is the idea of studying past trends in economic data to discover habitual tendencies for a change in one series of figures to be followed after a span of time by a change in another series. If this fascinating business is pursued far enough, and if enough mathematics is brought into the chase, the pursuer is rewarded at last by a complex formula which promises to foretell the future level of business activity. Just for example, the researcher may find that if he takes several time series of data—such as residential awards, machine tool orders, common stock prices, and industrial inventories—and puts them together in some complex way, the result is a mathematical value which for several decades past has had a tendency to move up or down several months ahead of general business, as reflected by the figures on employment or production. This has been tried in decades past by enterprising men, and they developed formulas describing economic behavior patterns which actually had prevailed during the previous period under study; but when they attempted to apply these same formulas in forecasting future business, they saw the behavior patterns dissolve before their eyes. The formulas, which accurately described the past, could not describe the future.

The econometrists nevertheless (or at least some of them) have a sublime confidence that through mathematics and statistics they can pierce the veil of the economic future. This young man with whom I talked advised me that for some three or four hundred dollars a year, his organization

could really resolve my questions and doubts about the course of business in this country for the year ahead. In fact, he gave me two or three sample peeps at the coming year. The only postscript to be added is that the year which he was then forecasting is now a matter of record, and that his forecasts were dead wrong.

All this may seem academic to you, but it actually reaches far beyond the cloistered walls. Many substantial businesses use the particular service that I am describing. Soon after I returned to Memphis from the trip on which I talked to the young econometrist, I was in the office of one of the South's great business firms, talking with a member of its management. To confirm his convictions about the business outlook, he showed me the self-same econometric document at which I had already been given the sample peep.

The study of past trends, as indicators of the future, extends on upward through the professional ranks of economists to include some of its ablest and most respected men. The great one of this group was the late Wesley Clair Mitchell. Today it includes Arthur Burns (now the President's economic adviser), Geoffrey Moore, and others who with Mitchell have built the solid reputation of the National Bureau of Economic Research. These men, however, have been characterized by a reluctance to embrace any formula or any theory which describes the movement of the business cycle. They are deeply impressed by the diversity of the forces which play upon it. After an exhaustive statistical analysis, the results which they claim are quite modest. Their attitude seems to imply that while these studies have a certain limited usefulness, and while they may gradually be improved and become more useful in the course of time, as of now, the whole approach is a tricky business.

Let us move on, then, from the approach which emphasizes statistics and mathematics, and ask whether the economists have some better way of forecasting the business cycle.

Cannot we do better when we give up the rigidity of formulas and adopt instead the flexibility of expert judgment? Can't a good economist make a significant forecast if he simply applies his own best judgment to an analysis of the current facts which seem pertinent—such as the federal budget, private construction, inventories, advance orders, retail sales, credit, and private savings?

My own observation is that economists have the tools of theory and fact with which to show something about the *tendencies* that are at work—but they do not have the tools with which to show *when* those tendencies will take effect or *how far* the effects will reach. In other words, we have some idea as to when the upward swing of the cycle reaches the point where the forces that make for a subsequent reaction are beginning to accumulate, but we really don't know how far or how long the upward swing will continue before the opposing forces take over and the downward swing begins. Never do we really know how far or how long the swing will go in either direction. It is essentially a guess.

There have been many correct forecasts of business cycle trends; yet this fact alone is not very significant. In a simple choice between a rise and a fall in activity, the forecaster is virtually obliged to be correct at least 50 percent of the time. Also, the more competent forecasters are so impressed with the complexity of their task, that they are prone to qualify their conclusions by a set of assumptions, which make it almost impossible for them to be wrong. If the conclusions turn out badly, it is because of the assumptions, for which the forecaster did not take clear responsibility in the first place. Remember, too, that I do not question the ability of economists to analyze the broad *tendencies* which are at work. In a general way, we can not only tell whether the economy is in a high or low phase of a cycle, but we can describe some forces that will influence the future trend of the cycle. Right now, for instance, it requires no prophet (and no economist) to observe that the economy is (or has recently been) in a ter-

rific boom and that a reaction sooner or later is virtually inevitable. I can sit here and predict a serious recession with almost perfect confidence, provided you do not require me to say *when* it will come or *how* serious it will be.

But for predicting the timing and intensity of business cycles, our economists have no medals on their breasts. Two years ago I had the exceptional privilege of listening to eleven of the Nation's top-most business economists give their analyses of the outlook before the board of a great association of industrial firms. Surely these were brainy men, possessed of good training and shining reputations. My notes confirm my recollection that these eleven gentlemen had a pretty high degree of unanimity about the business outlook. While they used guarded language, there was detectable in nearly all the reports a feeling that the year 1953 would bring a sharp business recession. I visited some of these men in their offices a year later (the fall of 1952), and most of those with whom I talked were still prone to the same view. I might add that I also visited some leading economists in the New York banks and in the Federal Government, and that most of these men (particularly the Government economists) made private forecasts for 1953 which have turned out to be just about right. I am sure it displeases you (as it does me) to hear that the Government men were right and the industry men wrong, but the best of them are often wrong and the worst of them are often right. Every professional forecaster is sometimes right and sometimes wrong, if he ventures into the timing and intensity of the business cycle.

But have we been overlooking the best possibility? How about the business man? Here we believers in capitalism move onto sacred ground. The business man is unhampered by "theory," we say. He has those practical insights which come from experience. Where "science" and "theory" fail in forecasting the business cycle, can practical business judgment succeed? At the risk of seeming impertinent or heretical, I have to say that I do not know of any evidence that

business men owe any of their success to the art of forecasting the business cycle. They owe it all to other things. This isn't to say that business men can't foresee a lot of things with some measure of success. Surely men can acquire superior insight into the future course of the market for a particular commodity, or class of real estate, or type of security. But I am talking about the general trend of business activity.

There is no evidence, to my knowledge, that business firms as a whole are any good at estimating the effect of business cycle shifts upon their own volume of activity. There is some rather impressive evidence to the contrary. The National Association of Shippers' Advisory Boards has some 25,000 members, and they account for the great bulk of the railroad shipments in this country. Since 1926 the members have reported quarterly on their individual firm expectations as to the quantity of shipments expected to be made during the next three-month period. The results afford a remarkably broad record of the short-term business anticipations of individual firms over a good quarter of a century. The whole record has been made available and has been analyzed by competent men under the auspices of the Merrill Foundation. While questions might be raised as to the validity of the findings, I will only take time to observe that some well qualified researchers have found them to be significant.

The key point of the findings seems to be this: The individual business firms, in forecasting whether and how much the next quarter's shipments would be up or down from those of the current quarter (after adjustment for seasonal change) have been wrong just about as often as they have been right. In other words, they have demonstrated, by and large, a complete inability to make a significant forecast of the short-term trend in their own volume of business, after seasonal correction. It is particularly clear that they have not shown any significant success in anticipating when a turning point in a business cycle, either upward or downward, was going to

occur. We are speaking of a very large, and apparently valid, sample of all American business firms which ship a substantial amount of merchandise by rail. They have survived and made money (if they did) not because of any ability to forecast short-term trends in business volume, but in spite of an inability to do so.

So the record seems to leave us with grounds for skepticism as to whether any one can forecast significantly the time and intensity of business cycle trends—either by formula, or by professional judgment, or by business judgment. Why is it, that, with all the information and brains which this Nation brings to bear on the problem, we should be in this predicament? I suggest that there are three reasons:

First, by the very nature of a competitive market, we are continually discounting our forecasts. Whatever we think will happen next quarter, we cause to happen now instead. If a forecast convinces us that there will be a glut on the market for white shirts next spring, we will postpone our plans to buy white shirts, and thereby cause the glut to appear immediately, followed perhaps by a rising demand instead of a glut in the spring.

Thus the science of forecasting is equipped with a built-in mechanism of self-defeat. But this mechanism does not work perfectly by any means; so we may go on to consider other explanations.

Second, there is very little uniformity about the behavior of the business cycle. The maxim that "history repeats itself" sheds more confusion than light upon this phenomenon. Every business cycle is unique. The very term *cycle*, with its connotation of regularity, is misleading. Each cycle is profoundly influenced by special circumstances in the upward or downward march of civilization. Our great boom of recent years was built upon a tragic foundation of war in the new "all-out" concept; the boom of 1929 featured a crazy stock market; the one of 1926 was sparked by Florida real estate; and

so on. Some one has written that the crash of 1637 was set off by a surplus of tulip bulbs in the Netherlands. Always there is something different. Moreover, the relatively standard factors in the cyclical movement—such as farm crops, inventories, private investment, interest rates, fiscal policy, and international trade—can bring their weight to bear on the economy in an almost infinite variety of combinations. No standard or habitual way of analyzing their combined impact can be dependable. Always we are on new and uncharted seas. In this scientific age we hope instinctively for a standard solution to everything, but there are things in our social world which will never conform to any fixed pattern of thinking.

Third, and to my mind most important, the final arbiter of business trends is not inventories nor interest rates nor statistics nor theories. The final arbiter is people—the whole mass of the people who have buying and selling decisions to make. During recent weeks we have had a good rise in the stock market. I believe the majority of the stock market forecasters were somewhat astonished. I think I could give you several good reasons why the stock market should have trended down, not up. But there is one excellent reason why it went up, and beside it all other considerations are idle quibble. It went up because *people decided* to buy stocks. The connection between what people decide to do, and what economic theory suggests that they *should* have decided to do, probably will always remain rather obscure. But it is the decisions, not the theories, that count.

In the beginning of 1949 it looked as if we had a serious business recession ahead. There were cut-backs in inventories, in production, in employment. Some smart people were saying, "This is it." But the housewives who do the retail buying in this country were not impressed. They were in no mood to anticipate hard times. They went on buying, even when it squeezed savings pretty hard. So very soon it became evident that inventories were too low, and production and employ-

ment had to start upward again. And the recession of 1949 did not amount to much. How do you predict a thing like that?

A year ago, there was a formidable list of reasons why we should have a sharp recession well before the present date. What set all this evidence aside was the fact that consumers did more buying and managements did more investing in capital equipment than the forecasters had anticipated.

As long as human decisions are unpredictable, the timing and intensity of business cycle movements will be unpredictable. We now have some good surveys of advance buying intentions, both in consumer goods and in capital goods; but it remains to be proven whether consumers or even managements can correctly anticipate their own decisions in the face of changing circumstances. I seriously doubt it.

And now we turn finally to a few brief comments on the present outlook. We are in one of those occasional periods when nearly all the forecasters are in general agreement. Nearly everybody with an articulate opinion is saying (1) that we are going to have a recession within the next few months, but (2) that it will be a mild one. Let me say that I have no particular quarrel with this guess, provided we look upon it as a guess. I myself feel that events may well turn out this way.

Actually, each passing day seems to increase the evidence that it is now beside the point to predict a recession. Rather it is in order to examine the recession which is under way and to wonder how far it will go. Some kind of a down-turn, be it ever so mild, has apparently occurred. It is still extremely mild, to be sure. Employment, production, personal incomes, and retail sales have all dropped somewhat below their normal seasonal trends. Large industries, led by agriculture and including rayon and coal, are in well advanced recessions. These are not speculations but present facts.

But what is the basis for the widespread belief that this is to be a *mild* recession? Some stress is laid on the fact that the anticipated reductions in federal expenditures are likely to be quite moderate. The forecasts of spending intentions—for consumer goods, houses, and capital goods—likewise suggest only mild cut-backs. Liquid savings are high. We find assurance in farm price supports, F. D. I. C., unemployment compensation, the scheduled tax reductions, the automatic further reductions that a recession would bring in the average person's income tax, and a feeling that the politicians "can't afford" to let us have a real recession. We think of the roads and schools that need to be built.

It seems to me that all these factors may tend to make a mild recession milder, but that in so far as they protect us against a major recession, it is mainly because of their psychological effect. A big recession could sweep all these things before it. As this country moved into the Great Depression of the 1930's, virtually no one felt that anything of the kind lay ahead. In the year 1930 there was a widespread feeling that the stock market shake-out was over and that the recession had largely run its course. Then as now, the thinking was in terms of a "mild" recession; but then as now, we were not reckoning with the cumulative power of a recessionary mood in the whole population. The buying and spending moods of people are very fickle. As cut-backs accumulate here and there in jobs, in over-time pay, in income, will the general public mood keep its equanimity and confidence? Or will people get nervous as to how far the whole thing will spread, and thus become generally more cautious in their spending, and thus in turn make the whole situation worse and worse? If this sort of thing gets started, no man can really say that it will stop with a mild recession or indeed with anything less than a depression. So much for the unpredictables on the darker side of the picture.

On the other side, we can ask whether there is any sure-fire basis for the belief that the recession will really amount

to anything much at all. There is no absolutely compelling reason why national production has to turn down at any particular time, so long as total spending on consumer and capital goods can keep up with it. The production creates the equivalent spending power. Inventories, installment loans, total private credit are quite high if we think in terms of a recession, but they become suddenly more sensible if we think in terms of expansion in production and incomes. The basic thing again is the psychology of the people. If they went on buying at a sufficient pace, we would need have no important recession at this time. And if they should be in a mood to look for "bullish" factors in the outlook, they certainly could find them. The threat of war holds constantly over our heads the chance that we may regret not having bought things when we could. We may soon be reminded again that in our political world the cards are heavily stacked in favor of continued inflation, not over the months, but over the years ahead. Why hold savings and watch their value depreciate? American industry has been making fabulous investments in research for the purpose of creating new products to tempt the consumer and keep him forever in a spending mood. The population is a very dynamic factor, as Dr. Hon brought out. If the public mood favors higher spending, the people will have no difficulty in rationalizing that mood, and the result for the near-term future will be no very significant recession at all.

Thus I say that the present forecasts of a mild, but only a mild recession can be taken as a reasonable guess, but only that. In all of this paper I have stressed the impossibility of making more than reasonable guesses as to the time and intensity of any movement in the business cycle. Nobody really knows. Nobody can do much more than guess. Nobody, I fear, ever will be able to do much more.

Is there anything constructive about a paper which is so negative in its whole message? I trust so. I think it is very worth while for people to make all their economic decisions against a background of realistic knowledge that the near-

term trends in general business are unpredictable. If we accept any prediction of a rise or a fall, and make commitments which depend upon it, we are gambling with whatever it is that we have at stake. We can tilt our decisions moderately in the direction of our forecasts, but I submit that it is unwise ever to become dependent on those forecasts—ever to drift to a place where we will be seriously damaged if the forecasts prove dead wrong. Strive to paddle your canoe near the middle of the stream and to be capable always of landing on either shore.

In preparing for this paper, I went back and reviewed the notes which I took in a graduate course in the Business Cycle. It was under one of my favorite professors and the year was 1932. I came to a section on "Forecasting." My opening note on the first day's lecture was this: "Nobody yet knows how to do it." Twenty-one years later, I find that I can do no better than close as I began:

"Nobody *yet* knows how to do it."

**THE NEED FOR A TWO-PARTY
SYSTEM IN THE SOUTH**

By THOMAS F. TURLEY, JR.

(Read at Meeting of "THE EGYPTIANS," December 17, 1953)

Here in the Bell Room at Southwestern with the banners of the Guelphs and the Ghibbilines draping the walls, seems a most appropriate place in which to discuss our subject for this evening. In larger context, this city seems an appropriate place in which to discuss this subject—Memphis, which has grown in a lifetime from a defunct and all but de-populated taxing district into one of America's great centers of commerce and industry; a city which has experienced many of the evils of factionalism, and much of the best and some of the worst of one-party and one-man rule; and yet, a city which has never had a government based on two representative and respectable political parties; a city which ranks 11th among the cities of the United States in wholesale sales, 28th in retail sales, and 35th in population; and yet, a city in which—until last year—no presidential candidate has spoken during a campaign since before the Civil War.

In still larger perspective, this State seems a fitting place from which to view this problem—Tennessee—a "border state"—a State to which her ragged sons returned from the bloodiest war in our history to find her towns and cities wrecked, her growing industries burned and gutted, her railroads destroyed, and their credit and hers ruined beyond retrieve while the economy of the rest of America, except for the other states of the Confederacy, had been boomed with the proceeds of an unprecedented national debt, from which Tennesseans derived nothing except the dubious privilege of being compelled to pay taxes with which to repay it and exorbitant interest on personal and government loans to those who had amassed fortunes out of it; a State whose ef-

fective voice in national affairs went the way of its prospects of a balanced economy, and sound state and local governments—a casualty of civil war and Reconstruction in which Tennessee and its people became the victims not only of a colonial economy but lost the political organizational media for doing anything effective about it; a State which, in days when it had a two-party system, not only had as fair economic prospects as any in the nation, but which gave to the United States—in less than 40 years—three presidents of whom Americans are rightly proud, but which now ranks in the bottom tier of the states of the Union economically and which has not even had a candidate in a presidential race in 86 years. (And when one did enter the only “national derby” in the running of which Tennesseans—except a few of the “postoffice politician” variety—had any voice, he was “scratched,” and those who had the temerity to enter him in the race were all but deprived of their seats and denied the opportunity to so much as look on while other people’s horses ran the race.)

Against the national and international backdrops, the setting is likewise appropriate—the United States of America—a relatively new nation, as history reckons time, which, by fortuitous circumstance and the application to the development of a bountiful continent of much of the best in the Western tradition (and by improvising much that the world had never seen before) has risen in a century and a half to a position of leadership which makes every activity of its people significant to the whole world—significant, often, far out of proportion to the importance which Americans themselves attach to those activities; a nation conceived in, and dedicated to, the ideal of government “of the people, by the people, and for the people” and yet a nation wherein fully one-third of its citizens have had only a negative and ineffectual voice in national affairs for nearly a century; a nation whose founding fathers, for all their remarkable prescience, did not foresee the development of political parties as we know them; a nation

whose history and institutions make its people almost instinctively fear and despise one-man or one-party rule—a system against the practitioners of which, on the international scene, Americans have fought two World Wars in a generation and are now engaged in a war alternately “hot” and “cold,” and yet, a nation which has succeeded in avoiding the “splinter-party” systems which have so largely contributed to reduce to frustrating impotency the governments of so many nations. (Indeed, in the United States no “third party” movement has ever been much more than the “flash in the pan” which the recent “Dixiecrat” movement proved to be.

Not only does the setting in which we come to discuss this subject seem appropriate to me—but the time likewise seems most fitting. Indeed, it seems to me that to the people of the South at this hour could appropriately be addressed these words which the author of the first “Federalist” paper addressed to the inhabitants of the thirteen struggling colonies, who, after winning a terrible war, were finding it difficult to make living and effective in a hostile world the idea that men are capable of governing themselves:

“It has been frequently remarked that it seems to have been reserved to the people of this Country, by their conduct and example, to decide the important question, whether societies of men are really capable or not of establishing good government from reflection and choice, or whether they are forever destined to depend for their political constitutions on accident and force. If there is any truth in the remark, the crisis at which we are arrived may properly be regarded as the era in which that decision is to be made; and a wrong election on the part we may act, in this view, deserves to be considered as the general misfortune of mankind.”

At a recent meeting Dr. Kelso reminded us in another connection of how Spain, in less than a century, fell from her position as the greatest nation in the world into a doddering

impotency from which she has been unable to recover in three and a half centuries. I would say to you that the United States of America could do the same unless we find ways to make it the responsibility of all of our citizens to make dynamic and effective the concepts of the nature of man and the functions of government on which our nation was founded. But in order to do that, we must have suitable means for enabling Americans—North, South, East, West—urban, suburban and rural—to effectively serve those responsibilities not only at the national level, but at the state and local levels, too. And I would suggest to you that two representative and respectable political parties, throughout the nation, are vital to the accomplishment of that necessary task.

It would take too long to attempt even to touch upon all the varied ramifications of the need for a two-party system in the South, but I would invite you to consider some of them most closely related to the interaction of economics and politics.

In an old file of clippings I recently came upon the following quoted from a magazine article written in England in 1801. I remembered being struck when I first read the clipping back in 1939 with the unnamed author's remarkable gift for prophecy. And upon re-reading it in the light of 1953, I was more amazed. Here is what the unnamed Englishman said in 1801:

"If the American States should succeed in their experiment in Republican government and the nation, now fairly well under sail, should continue to exist, it is certain it will run afoul of a difficulty which seemingly its authors have given small notice to, namely, the power of minorities.

"I foresee that this will have a most deleterious influence upon the commerce of these states. In democratic communities the decisions are made in theory by

majorities. But in practice these decisions will be made by groups of minorities. Politicians will not be expected to be immune to the demands of large groups of traders or merchants who have some special interest which the generality of the population is not aware of.

"Therefore, we may look confidently for an early beginning in the granting of trade advantages calculated to advance the interest of small sections of the people. No sooner will these be surrendered than some other group will find itself unfavorably affected thereby, whereupon it will set up a claim for attention.

"One such concession having been made it will set in motion a whole train of inevitable surrenders, until the whole fabric of the nation will be encumbered by a constricting bandage of regulations, all of which originated in the clamors of small minorities, until the strength of the whole system has been enfeebled."

When the first protective tariff was granted, this astonishing prophecy was well on the way to ultimate fulfillment. The "protectionists" soon found in the advocates of "internal improvement" allies who, for a compensating advantage, would lend their support to schemes for using the federal government to assist one group or another to achieve some unfair advantage over the citizenry as a whole. (And always those behind such schemes have been able to find those who could raise noble symbols and mutter pious platitudes to panoply anything which they conceived to be in their interests or in the interests of their constituents. "Black Dan" Webster could always muster great eloquence to support the federal government's picking the pockets of the rest of his fellow Americans by imposing ever higher tariffs to "protect the struggling manufactories" of Massachusetts. And I see in the newspapers that the suave James C. Petrillo is now urging President Eisenhower to have the federal government subsidize symphony orchestras in smaller cities because "television

is doing a "job" against the dues paying members of Mr. Petrillo's economic principality known as the "musician's union") From post roads to protective tariffs, to G. A. R. pensions, to the land grabs of the railroad barons, to selective service deferments for union broom-pushers in steel factories (under the specious doctrine that a man in an "essential industry" is, ipso facto, an "essential man"), to a scheme three years ago whereby under the guise of bringing the work to the workers (supposedly for the benefit of smaller communities) defense contracts, regardless of price, were shoved into politically pivotal areas, especially in the East and Middle-West, it has all been of a pattern.

Three years ago, it was a Democratic administration which was using that scheme for grinding its political axe, but here recently there have been signs that the Republicans have hit upon a similar scheme. In both instances, Senators and Congressmen from the "Solid South" have denounced the schemes as trading employment for ballots, as efforts to make the procurement agencies of the federal government "illicit WPA's," et cetera, but as usual, their's has been the voice of a political orphan crying in the wilderness. (Power politics adheres to no double standard. It works the same on the national scene as it does on the international.)

The South's agricultural economy and exportable cotton surpluses threw it more naturally into the political and economic orbit of the developing West, i.e., the Mid-West, but the increasing arrogance of the "cotton snob" fringe of the less than one-third of white Southerners who owned slaves, of which "cotton snob" fringe the Eastern politicians and press took full advantage, made the realization of that dream a practical impossibility. And when the "protectionists" found in the "abolitionists" fanatical allies pursuing the same end, albeit for different reasons, the conflict was, indeed, "irrepressible."

When the shooting stopped, the South was socially and economically ruined. But by the time Reconstruction was

over, it was politically emasculated: no self-respecting Southerner, except for a few in the Union areas in the mountains, could bring himself to vote for the Party under whose banners the scalawags and carpetbaggers had used the liberated slaves to wreck what little there was left of the state and local governments on which Southerners, of necessity, had to depend for the reorganization of their affairs. Thus, the "Solid South" was born. And those who, from the standpoints of ethnology, economics and politics, were the natural allies of white Southerners (except for the "cotton snob" fringe) were embittered, and understandably so. Too many of their fine sons, fathers, uncles and nephews slept in graves, often unknown and frequently unmarked, from Shiloh to Sharpsburg, from Chancellorsville to Chickamauga, from Gettysburg to Nashville. To anyone who would remind them that young men of the South, in far greater numbers in proportion to population, also slept on those and many other bloody fields, there were always those who could find an answer to that in stories such as those of sadism and starvation at Andersonville—stories in the telling of which the truth often suffered the fate it so often has suffered in such situations.

Meanwhile, the Black Republicans had devised schemes for using the federal government to help their constituents which would have amazed the old Federalists and Whigs. Tariffs went higher, subsidies of various kinds soon became not privileges but vested rights, and millions of acres of valuable timber, mineral and grazing lands were literally stolen under the eyes of dishonest and negligent officials of the Federal Land Office, while other millions were wrested from the federal government by fraud and chicanery of one kind or another with a brazen effrontery seldom witnessed in the history of political corruption.

Even after the emotional effects of waving the "bloody shirt" had somewhat worn off, the economic facts of life bespoke to those who were the beneficiaries of "Protection, Prosperity and Free Land" the wisdom of voting for the Party

in power. Except for the Cleveland and Wilson interludes, it proved an unbeatable combination in national politics for sixty years.

The proceeds of those ill-gotten gains were accumulated into enormous fortunes which in themselves, and through the manipulations of their owners and retainers, controlled the markets for, and the terms and interest rates, on the bonds which the Southern States issued, first, to line the pockets of the carpetbaggers and scalawags, and, later, in an effort to rebuild the wreckage of civil war, and also the terms and rates of the mortgages with which 98% of the farms in the South were saddled for generations. Without indigenous capital, and with its only considerable source of revenue the sale of cotton, the price of which was determined in the world market at Liverpool, (which world market price was determined, incidentally, without regard for the fact that the Southern cotton producers were compelled to buy in a domestic market "rigged" by "Protective" tariffs and such, the manufactured articles necessary to the production of that cotton; were effectively deprived through a "rigged" money market, freight rate differentials and other devices of an opportunity to develop their own industries; and were compelled to borrow production money at rates often in excess of 25%), the South struggled to rise from its knees.

When Henry Grady, the famous editor of the Atlanta "Journal" spoke in Boston in 1889, he was not being humorous or subtle in giving this description of the burial of a poor farmer in Pickens County, Georgia:

"They cut through solid marble to make his grave, and yet a little tombstone they put above him was from Vermont.

"They buried him in the heart of a pine forest, and yet the pine coffin was imported from Cincinnati.

"They buried him within touch of an iron mine, and

yet the nails in his coffin and the iron in the shovel that dug his grave were imported from Pittsburgh.

"They buried him by the side of the best sheep-grazing country on the earth and yet the wool in the coffin bands and the coffin bands themselves were brought from the North.

"They buried him in a New York coat and a Boston pair of shoes and a pair of breeches from Chicago and a shirt from Cincinnati.

"The South didn't furnish a thing on earth for that funeral but the corpse and a hole in the ground."

And to cap it all, with the principal vindicated that the Constitution means what the Supreme Court says it means (and with the titular head of the Party in power appointing the members of that Court), it was but a short step to finding in the Fourteenth Amendment the excuse for depriving states of much of their power over foreign corporations to the end that, by controlling the government of one state, the "barons" could place their soulless puppets above the law in 47 other states. The New Jersey Corporation became a notorious legal gimmick.

The dream of "The New South" died aborning in the squalor and poverty of the new "mill towns" which came, not to build a sound industrial complement to Southern agriculture, but to fatten on the profits of cheap labor and to exploit advantages gained by further corrupting already corrupt local and state politics. Is it any wonder that in the one-party politics of the "Solid South" the pendulum has swung back and forth between the Bourbons and the rabble-rousers?

Woodrow Wilson saw these things; saw what they were doing to America and in 1913 had this to say, among other things, on the subject of "The New Freedom":

"We are in the presence of a new organization of society. Our life has broken away from the past. The life

of America is not the life that it was twenty years ago; it is not the life that it was ten years ago. We have changed our economic conditions, absolutely, from top to bottom; and, with our economic society, the organization of our life. The old political formulas do not fit the present problems; they read now like documents taken out of a forgotten age . . .

"So what we have to discuss is, not wrongs which individuals intentionally do—I do not believe there are a great many of those—but the *wrongs of a system*."

Unfortunately for Americans, and especially for Southerners, Wilson's attentions were principally focused on the international scene and his dreams of righting the "wrongs of the system" on the national scene were largely unrealized.

With their colonial economy in the doldrums since the cotton market broke in 1921, with their forest gone, and cotton down to 6 cents, most Southerners even in 1932 did not understand the significance of the "wrongs of the system" about which Wilson had spoken in 1913, and about which little had been done since. They thought when Roosevelt spoke that year about the "Forgotten Man" he was speaking to each of them individually. "The Democrats are going in. A new day is dawning."

It soon became discernible, however, that the "New Deal" and the Democratic Party of history were vastly different, but everyone was too busy with his own concerns to see the significance of "pump-priming" and "deficit spending," especially to those of whom a one-party system had made political eunuchs, and thereby deprived of any real control over who gets his bucket filled at the "primed pump," and who gets what out of the proceeds of the latest mortgage on the national homestead. Besides, some of the money was being spent locally (albeit that much of it was being spent on projects the administration of which demands government based on an effective two-party system) and some

of it was being spent on obvious, innocent and comparatively inexpensive "improvements" like putting concrete bottoms in little ditches and creeks. It was a long time before Southerners learned (indeed, most of them have not learned yet) that more money was spent by W.P.A. in politically pivotal Pennsylvania than in the eleven states of the "Solid South" combined.

Moreover, the Democrats were "doing something for the farmers"; "For too long," the farmers said to themselves, "industry and labor have been picking our pockets with protective tariffs and the like, and now, at last, Washington is going to do something for us." Little did most of them suspect when they plowed up the first row of ripening cotton in the Fall of 1933 that they—an ever diminishing segment of the populace—thereby endorsed the principle of federal largesses to favored groups, against which they had fought so hard and long, and placed themselves in competition with groups far better situated politically to compete for such hand-outs. Little did they realize that from that day forward they became suppliants at the throne of the incumbent Caliph at Bagdad on the Potomac. And little did those of them hereabouts realize that thereby their economic existence demanded that they break the shackles of one-party, "regional" political dominance, and at least become "free traders" in the national political mart, if nowhere else.

There are those who say that we have paid too much for TVA; that for every dollar we save on our power bills, the government is taking two to buy a vote somewhere else; that every mile of wire that TVA runs is entangling us more and more in federal ownership, which is one short step from Communism. On the other hand, there are those who say it is not so, and who cite the Arkansas Power and Light Company, with a dozen rate schedules—all high as a cat's back—its alleged "slush fund," and its star propagandist, Mr. Hamilton Moses, as the other side of the coin.

There are those who say that TVA is proof positive that the Democrats are so concerned about the South—"the nation's number one economic problem"—that they were willing, at the risk of defeat in two party states to syphon tax dollars from those states into Tennessee and environs where they have no opposition. On the other hand, there are those who say that the old World War I nitrogen plant at Muscle Shoals simply afforded opportunity for the New Deal to launch the federal government into the power business; that the fact that the plant was located in the South was a geographic accident and that once the principle of government in business is established, there will be nothing *new* about the deal except the inherent possibility of its being considerably more oppressive than the old deal could possibly have been.

I have no intention of getting into that cross-fire tonight, but I would remind you that from its inception, we Southerners have had as little effective control over the new utilities moguls of the Washington variety, as we once had over their Wall Street counterparts. In that matter, as in others, the number of which increases with each extension of the functions of the federal government, we are dependent upon Senators and Congressmen from states whose political organizations and orientation are such that they can effectively side with either major political party, that is, upon men from states having a real two-party system. (They are the only kind that the political realists in Washington ever have listened to attentively.)

The press of necessity obscured these things at first. Then the war diverted attention from them, but when, under the "Fair Deal," what was historically the Democratic Party emerged as the first Labor (with a capital "L") Party in history, the national debt zoomed to over 260 billion dollars as over-priced surpluses of manufactured consumer goods were paid for with money of the federal government and shipped to the far corners of the earth, and people on the farms and in the small towns of the South found out that semi-skilled laborers in tractor plants were drawing as much as \$25.00 a day in

direct wages and "fringe benefits" for 270 days in a year, while laborers of equal skill were drawing \$6.00 per day—for 100 to 150 days a year—for operating under far more difficult working conditions the tractors which their well-paid fellow-Americans had built, the economic realities of being political orphans under such a system began to dawn on some of them.

The significance of what has happened nationally since 1932 to the one-party on whom their hopes for a suppliant's place at the throne of the munificent Caliph at Washington (from whom all blessings flow) remains obscure to most Southerners. What is perhaps more unfortunate is that the significance of that obscurity is scarcely discernible to most of their fellow-Americans who are vitally (though unknowingly) concerned with many of its most important implications: In 1936, the Democratic National Convention repealed the so-called "two-thirds rule" and those who watched on television in Chicago in 1952 and saw the delegates of the now dominant Northern and Eastern wing of the Party read out of the convention the Virginia delegation (only to have their action nullified by Chairman Sam Rayburn's "long count," at the instance of the pre-picked ball carrier who did not want to lose any of his interference), need not be reminded of the low estate to which the "Solid South" has fallen in the affairs of the Democratic Party nationally since the days when the "two-thirds rule" at least gave the "Solid South" a veto power over the presidential nominee of a Democratic Convention.

Supreme Court decisions in the last 20 years have made a museum piece of the lily-white primary, the political gimmick on which the one-party system rested in much of the "Solid South." Despite those decisions, many of its functions could yet have been served in communities where most of the Negroes remained on the farms, but I invite you to consider the implications of those decisions in the light of a significant development suggested by a recent news story in the Memphis

Press-Scimitar. Mr. Sidney E. Stoliar, owner of the Block Department Store at Jonestown, Mississippi, a small and hitherto prosperous town in the midst of the Delta cotton country, therein points out that the mechanization of cotton farming, together with cotton acreage limitations, is driving cotton workers from the rural areas to seek jobs in the city. He says that it is more economical to plant and cultivate with a tractor; that sharecroppers are leaving the rural areas and coming to the city because there is little left for them to do in the country except pick cotton; that when the cost of hand picking gets much above \$3.00 per hundred, and planters bring in mechanical pickers to do the work, and then the mechanical pickers stay there picking, even when the price of picking goes back down again, because the machine must be kept working to pay for itself. Mr. Stoliar is bemoaning the fact from the standpoint of the small town merchants that the crowds that used to fill the sidewalks and stores of the small towns on Saturdays have dwindled to nothing because of the situation to which he refers.

I will concede his point from the standpoint of the small town merchants, but I invite you to consider the implications of this development from a political standpoint:

Under the Supreme Court decisions referred to above, these displaced agricultural workers will become, indeed, are becoming, a determinative force in municipal politics in the South and certainly will determine the orientation under a one-party system of Southern politics at the national level. And when the rural communities lose the disproportionate advantage they have so long had over the growing cities of the South, these people will have much to say about Southern politics at the state level also. (Tennessee has not had a general re-apportionment of representation in its General Assembly since 1901, which from the standpoint of the people of Shelby County means this: That a county whose people do 35% of all the business done in Tennessee, who pay over 20% of all taxes paid by Tennesseans, and who number 16%

of the State's population, have only 8% of the representation in the General Assembly.)

The Supreme Courts which outlawed the lily-white primary, a favorite device of Southern Democrats for accomplishing at the State and local levels ends to which their party piously proclaimed itself in Northern and Eastern cities to be unalterably opposed, were composed entirely of appointees of Democratic presidents. So were the Supreme Courts which discovered in the Fourteenth Amendment something that even the Republican Supreme Courts of Reconstruction days had failed to find—right in the federal government to determine under what circumstances State colleges and universities must admit candidates of minority racial groups. In view of that, and of the fact that there are eight appointees of a Democratic president on the Supreme Court which recently took under advisement the cases involving the application of those same principles to the rights of Negroes under the Fourteenth Amendment to admission to State elementary schools on equal terms with other ethnic groups, would it not be delusory for Southerners who do not agree with the political implications of the above decisions to say that a Supreme Court decision nullifying the "separate but equal" doctrine is the result of a brief filed at the Court's direction by a Republican Attorney General, and that the Democratic Party is the same as the party of the same name under which great-grandpa fought the carpetbaggers and scalawags?

The point I make is that as matters now stand, Southerners who do not agree with the political concepts on which these decisions are based have no effective means for expressing their disapproval. (The idea that a decision overruling the "separate but equal" doctrine could be nullified by closing a state's public school system seems stupid. Attempts to nullify such a decision by a system of "private" schools, supported, as they would have to be, largely by "contributions" might work for awhile, at least for the progeny of the "station

wagon aristocracy," but an amendment to the Internal Revenue Code denying deductions for federal income tax purposes of contributions to educational institutions denying admission to qualified applicants on the basis of "race, color or creed" would put a stop to that.)

Students of political trends in the United States attribute in part the trend toward ever-increasing federal interposition in various fields to the failure of state governments to serve the real and admitted needs for government services in a society of growing complexity. Many Southerners abhor that trend, but too few are willing to recognize that it cannot be checked by inefficient state governments operating under outmoded constitutions, with legislatures elected on the basis of population as it was half a century ago, with executive departments manned by incompetent staffs (whose chief claim to the small salaries most of them receive is that they, or some of their kinfolks, bet on the right candidate in a Democratic primary in which were running anywhere from two to two dozen candidates), supervised by elected officials (who often spend \$100,000 to be elected for two years to a job that pays \$7,500 or \$10,000 per year and some of whom buy \$5,000 Cadillacs the day after the election), and with judicial departments which too often are just what you would expect from such a muddle. Without a competitive party arrangement, without party responsibility and party support, there is no way to improve the instrumentalities—the efficient functioning of which is essential to checking this trend toward more and more federal government.

When you throw this situation into focus on the international screen, in the light of America's role of world leadership, and realize that our internal affairs are being conducted in a fish bowl, with at least half the world anxiously watching to see whether we can really make democracy work, or whether the peoples of the world are doomed to seek security under a modern counterpart of the regime which Hammurabi headed, you can realize more clearly that how we

conduct our caucuses, conventions, primaries and elections, whom we elect to office, and how they conduct themselves may be of considerably more importance than you may have thought when you first glanced at these problems.

And when you realize that we here in the South have the best opportunity that any people ever had, despite communism, atomic bombs, and all the rest, to profit by the mistakes of others and to build into reality, in a yet comparatively undeveloped section—and to contribute our part to building into reality throughout America and the world—the dreams and aspirations of the men and women who launched our experiment in self-government—only a little over a century and a half ago, you will also realize that the need for finding and using appropriate means is immediate and pressing.

"We cannot escape history. The fiery tide through which we pass will light us down in honor or dishonor to the last generation. We shall nobly save, or meanly lose, the last best hope on earth."

Respectfully submitted,

Thomas F. Turley, Jr.

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**AMERICAN THOUGHT TODAY:
POLITICS, RELIGION, AND EDUCATION**

By DR. A. P. KELSO

(Read at a Meeting of "THE EGYPTIANS," January 21, 1954)

1.

Obviously a cursory survey of even one of these vast fields is impossible within the limits of an essay. Why take three? Because, as Plato thought, all ideas are organically linked into a vast system. Such a system, fluid and changeable, exists in the American mind. It is to those changes and to the minds responsible for them that I direct your attention.

The political history of a nation is its life-story; its intellectual history is its mind-story. As in the case of an individual organism, these stories are not entirely interactive. Much of life proceeds without thought, and thoughts, as memories or anticipations, play directly on each other, besides affecting life as such. Because of this fact it is possible to examine and assess the minds which have had the greatest influence in changing the American mind in our lifetime. They are more than individual minds; they are moments in the traditions, political, religious, and educational, which are time currents in the grand sweep of thought and life.

As the most significant thinkers I nominate Woodrow Wilson and Oliver Wendell Holmes, Jr. in political thought, John Dewey in education, and Rheinhold Niebuhr in religion. Such nomination does not suggest approval. If all were well in America it might. But since we are in a serious predicament which may test our claim to be able to "lick creation," three of these leaders of thought may be called to account by some later historian. The fourth, Niebuhr, holds out a promise of a solution such as we shall examine.

Wilson was the Calvinistic schoolmaster whose voice was heard around the world. So said H. G. Wells. His father was a Southwestern professor who had a nasty habit of demanding at the dinner table that his children define every word they used. As a result, Wilson had a vocabulary second only to Shakespeare's—18,000 to 30,000 words.

Wilson was a life-long student and professor of political science. From the very center of orthodoxy, Princeton, he started his crusade for the *New Freedom*, which was found later to entail a *New Deal*. Although he said at Indianapolis in 1915 that he loved America more than the Democratic party, he only threatened to "stand up and dissent" when the party thought of itself as an end. The Republican party had not had a new idea for thirty years.

His own chief new idea was the *League of Nations*. On the fifth anniversary of the armistice he described the Senate's refusal to ratify the Versailles treaty as "sullen and selfish isolation," and "a great wrong to civilization."

Two assumptions are discernible in his faith: the first lies in the politician's belief that political action can meet all man's desires and needs; the second, which peeps out in the term *Covenant*, suggests the old Hebrew, Christian, Calvinistic faith in a world order made possible through diplomacy—"open diplomacy," that is to say, open to the press.

The inner weakness of Wilson's idea was that it was an attempt to feed the flames of nationalism—"self-determination" was his phrase—and at the same time to create an international order. He owed his belief in the possibility of such an achievement to the fact that America had a polyglot population. In 1913 he told Southerners of Mobile that "the singular fascination of American history is that it has been a process of constant re-creation." Two years later he explained to a New York audience that this process was due to the fact that

"the United States has no racial momentum. It has no history back of it which makes it run all its energies and all its ambitions in one direction." At Des Moines he said he took off his hat to German immigrants, for they had chosen to be Americans, whereas he could not help it—he was born one.

In America such words win votes. Yet the ability of a vast and growing people to absorb a considerable body of immigrants is no sound analogy for a faith that a constitution and by-laws can end age-long animosities between nations which have no desire to absorb or be absorbed.

In a way Wilson has won. His League has reappeared on the scene under an alias—the United Nations. This time, however, the United States is both manager and author of the show, and the mortar which holds the structure together is largely American money. To date direct gifts to our supporters about equal the cost of World War I.

Presumably no isolationists remain. But the as yet unanswered question is whether we are motivated by Wilsonian idealism, which regarded the United States as a light to the gentiles, or by Truman's realistic caution. Who is willing to poll the world to find out how the nations feel towards the United Nations? A nation may in a crisis uncover a tremendous lode of patriotism, but can any international organization do the same? If it can, is not such an organization an ideology or even a church?

By 1938 Holmes' *The Common Law* had passed through thirty-one editions. First published in 1881 by a thrice-wounded veteran of the Federal Army, this document has changed the legal thinking of American jurists. "The life of the law has not been logic; it has been experience." Holmes raked through one hundred and seventy-five cases before English courts from the time of Richard the Lionhearted to that of Henry VIII to prove that Plantagenet and Tudor judges produced law by their decisions. He seems unconscious

of the impact of the scholastic philosophy on the legal mind. Whatever a reexamination of this material might show, certainly his general thesis—social reform through judicial interpretation—has produced what it terms liberalism, and is now enthroned in the Supreme Court. To his confidant, Sir Frederick Pollock, he wrote: "I hate facts. I always say the chief end of man is to form general propositions—adding that no general proposition is worth a damn," which, if true, means that the Constitution of the United States is not worth a damn either. One of his own generalizations is that "Legal duties are logically antecedent to legal rights." In fact he believed that the state could both create and destroy rights. The "promissory oath"—such as he took as member of the Supreme Court—"is no longer the foundation of any rights in private law." It is "mainly a solemnity connected with entering office." And Mr. Justice Holmes was not a solemn man. "Life"—and presumably that of law courts and legislatures—"is a roar of bargain and battle." Yet the ghosts of Harvard Calvinism haunted him when he declared "Man is born a predestined idealist." He thought his friend William James a humbug; I wonder what James actually thought of him. It matters little, for in many ways America has adopted his illegalism; or, as a certain college president I once knew put it: "In America it is what you can get away with."

4.

A much more familiar change is that in education. The reason is that most Americans have escaped direct contact with the courts because they don't try to get away with anything, whereas nobody in this age escapes the influence of the class room. Here the change has been from the theory of education that dates from the Renaissance—a theory of the transmission of the cultural heritage from one generation to the next—to the Dewey theory of "learning by doing."

Born in 1859, Dewey lived to be over ninety. According to him the Vermonters would not have recognized the Mellons and Hoovers as Americans. Going from the University

of Vermont to the new Johns Hopkins in Baltimore, German in spirit and program, Dewey got caught up into an academic feud between G. Stanley Hall, for whom any and all philosophy should be replaced by psychology, and Sylvester Morris. Morris was driven out to Michigan. Dewey followed him, but Hall haunted him, for Dewey seems to have reduced philosophy to psychology. Following T. H. Green's example, he accepted the Hegelian theory of self-realization through the objectified self, that is, the socially recognized person.

Moving to the new University of Chicago in 1894 as professor of philosophy and pedagogy, he accepted Albion Small's theory that sociology should not be a descriptive science, but a dynamic one—that is, an agency for social reform. There Dewey wrote his *School* and *Society*, which is the manifesto of the progressive school. Science was to be all-persuasive. "We cannot brush our teeth without it." So said Dewey's colleague, Hunter Mead. But Dewey offered philosophy the task of providing science with the ideas needed for its task. Thus pragmatism became instrumentalism, and ideas became tools and nothing more.

At Chicago Dewey put the theory into practice with an experimental school. Years ago some of his devoted feminine disciples attempted to raise funds to save this building as a sacred shrine to the great idea. With what results, I do not know. I have never seen it there.

His aims were clear: to produce young cooperative socialists, and to substitute activity for study. The little community would be saturated with the spirit of service.

In 1916 Dewey produced the Bible of the progressive educators, *Democracy and Education*. In fact, Dewey converted himself. Once he had believed that there were universals (Holmes's laws), but as a neo-empiricist all that thinking was "the accurate and deliberative instituting of connections between what is done and its consequences." This, he promised, would deliver American education from English timid

conventionalism and German doctrinaire theoreticism. The chief end of man was to produce the good society. In the process there would be no conflict between socialism and individualism. Authority would be needed, but for the authority of religion and of the army he proposed to substitute that of the school. This view has not yet been realized. It seems more likely that if a change occurs it will be the army that will take over the schools.

Dewey, then at Columbia, criticized F.D.R. The New Deal did not go far enough, in fact it was a council constituted of big business, labor leaders, and government officials. Actually he called for a new party. I myself received an invitation to Cleveland, O., to help set it up. There was one plank—and one only—in the platform: higher and higher taxes. At that point Dewey also has won.

Religion, he thought, as natural piety, or as humble dependence upon cosmic forces, may pass. He was even willing to call the imaginary projections of ideals "God." Most of his followers reject such a view. A *Common Faith*, such as presumably would result from world peace, would in fact be the product of artistic activity. Apparently, art will produce world peace, and world peace a new religion.

In *Freedom and Culture* he informs us that Americans never really cared about freedom as they were supposed to. At any rate the ideas and principles upon which the country was founded are long since gone. What remains is the possibility that American society—created, remember, by the schools—can save us from a tyrannical, Nazi-type of government. This view leaves Dewey in the air, and unfortunately most Americans, even those who have never heard of Dewey, are in the air also. For if the government is to control business—as the progenitor controls the child he begets—and if the church is impotent, as Dewey believed, how can society control the State? It is scarcely an answer to say that a faith in democracy and a faith in human nature are one. In fact, in a

burst of philosophical honesty he does finally make the admission: "I do not attempt to give any answer."

Nor does he believe in the power of science to save man, quoting Soddy, "So far the pearls of science have been cast before swine, who have given us in return millionaires and slums, armaments and the desolation of war." What we might—indeed in all seriousness we must—ask is: Just what have the schools given us?

The most caustic criticism of this entire way of thinking is given by Vivas in one word, Methodolatry. Methodolatry is popularly known as "know-how"; it is the academic explanation of power—economic, military, and political. And, as a Japanese professor recently put it to Norman Cousins of the *Saturday Review*, the world recognizes American power, but doubts whether America has any purpose.

5.

If the above analysis of our thinking in politics and in education is correct, we have in it an explanation of our religious situation. Is it possible that the gospel of success which pragmatists have preached—success at the sacrifice of principles—has led to the substitution of personal success for realization of principle or causes? It looks like that.

Now, since the great purpose of religion should be the discovery, through revelation and prayer, of the true purpose of life, it is easy to see how the modern mind, including the modern American mind, has been affected by pragmatism, and how religion has been either blocked or distorted. There has been, particularly in New England, a substitution of education for religion—the same error that brought down Europe in the fourteenth and fifteenth centuries. There is rising also a new internationalism, a secular, materialistic philanthropy, aiming to satisfy man's needs. But can you satisfy man's needs when at the same time you deny his spiritual nature?

This perplexing religious situation makes the nomination of the leader of religious thought in America very difficult. A tumult of voices is heard; yet the one that raises itself

above the rest and has been heard across the Atlantic as well as that of Reinhold Niebuhr. At all events Niebuhr has taken the precaution to analyse the situation before proposing a solution. In this, at least, he differs from many who offer their personal interpretations of life as gospels or panaceas for the world's ills.

The *Nature and Destiny of Man*, Niebuhr's Gifford Lectures, shows in its scope that he sees America's problem as part of man's problem. Our intellectualism has produced in some of us both a sense of superiority to mankind and an aggressive secularism of which Dewey is the prophet. Instead of reading European history through American eyes, Niebuhr studies it as the source of much of our culture, and even as directing in part our national destiny. The past is in truth a living past; the religion in which this country was born, a living religion; the God who controls the destiny of man, a living God.

However diverse are the movements in the modern world—the Italian Renaissance, Cartesian rationalism, the Enlightenment, progressive evolutionary liberalism, Marxian catastrophism—there is a unifying principle: “the impulse towards the fulfilment of life in history.” This is Neo-Calvinism, frankly opposed to the secularism which emerged from Wilson's renaissance faith in man's inherent goodness or to Holmes's attempt to eliminate divine sanctions as factors in law. And, as Niebuhr points out, Dewey blamed “outmoded religious prejudices” as “the divisive elements in human culture” and believed that “modern education” will provide “universal perspective.”

Pride born in the Renaissance, according to Niebuhr, is the cause of modern man's folly, hatred, and wars; and education as such is no antidote to pride. Ezekiel in the sixth century B.C. recorded the greatest historic example of pride as active in Egypt, which regarded itself as the creator of the Nile. “My river is my own, I have made it for myself.” This same childishness is echoed in Swinburne, the neo-pagan:

The seal of his knowledge is sure, the truth and his spirit are wed . . .

Glory to Man in the highest! for man is the master of things.

In this diagnosis Niebuhr has returned to St. Augustine. I do not, however, agree with him in attributing intellectual pride and moral self-righteousness to the idealists. To some? Yes. But not to all. St. Augustine himself was an idealist.

Niebuhr returns also to Pascal. “There are two kinds of men; the righteous who believe themselves sinners; the rest, sinners who believe themselves righteous.”

Only Christianity can humble man and make him realize that the great problem is not how the righteous can conquer the unrighteous (America conquer Russia, for instance) but how the unrighteous elements in the righteous can be eliminated (that is, how we can conquer ourselves).

The most dangerous form of pride is religious pride which claims “unconditioned possession of the truth.” The truth is still much as it was in Milton's day, for Milton saw man's search for it through science, history, and experience as something like Isis' search for the dismembered body of her lord, Osiris. In short, the function of the church, thinks Niebuhr, in politics and in education, is not to dictate what is the truth, but to supply the element of love in the struggle for justice. The New World will be built by resolute men who, “when hope is dead will hope by faith”; who will not call the evil good, nor shirk responsibility at the bar of history, which is the bar of God.

This is magnificent. Yet I wonder how many of our contemporaries believe it.

WHAT IS WRONG WITH OUR FARM PROGRAM?

By W. A. WOOTEN

(Read at a meeting of "THE EGYPTIANS," February 18, 1954)

In his State of the Union address to the Congress early last month President Eisenhower stated—

"The storage facilities of the Commodity Credit Corporation bulge with surplus stocks of dairy products, wheat, cotton, corn and certain vegetable oils; and the corporations' presently authorized borrowing authority—\$6,750,000,000—is nearly exhausted. Some products, priced out of domestic markets, and others, priced out of world markets, have piled up in Government hands."

Shortly thereafter, the President submitted his Agricultural Program to the Congress, following which the Secretary of Agriculture, Mr. Benson, made an address on the radio in support of the President's recommendation in the change of the farm program, stating among other reasons—

"Something is manifestly wrong when almost 100 million pounds of wool is in Government storage—yet this country imports two-thirds of all the wool it uses."

"Something is wrong when the Government owns 250 million pounds of butter—yet housewives say they cannot afford to eat butter because it costs too much."

"Something is wrong when the Government invests two billion dollars to support wheat at 90 percent of parity—yet the average market price of wheat is 82 percent of parity, as the most recent figures show."

"Something is wrong when the Government invests over three quarters of a billion dollars to support *corn* at 90 percent of parity, and the average market price of corn is 79 percent of parity."

"Something is certainly wrong with a price support program when, over the years, farmers get better prices for their non-supported crops than they do for their supported crops."

"Something is wrong when 25 million productive acres must be shifted out of corn, wheat, and cotton—by Government regulation."

"Something is wrong when the foreign market for U. S. cotton, falls off by almost half in a period of 18 months."

"Something is wrong when the foreign market for our wheat falls by almost half."

"Something is wrong when huge stocks of Government-held commodities jeopardise our farm prosperity and even endanger our free market system. We have in prospect a carryover of wheat big enough to take care of all our domestic requirements for a year. The situation in cotton is just as bad. And we have the biggest reserve of dairy products on record. The very existence of these stocks has a bearish effect on farm markets and breeds uncertainty about the future. And do not forget, they cost money. It costs the taxpayers more than 14 million dollars a month just to store these commodities."

We have quoted the Secretary somewhat at length because we believe his statement accurately depicts some of the ills of the present farm program. We might add—it is estimated that the Government owns and has under loan commitments a total of approximately 915,000,000 bushels of wheat. It also has in its various cotton programs approximately 8,400,000 bales. A recent report indicates that the Government now is required to take about 1,000,000 pounds of butter and 500,000 pounds of cheese daily.

It can be seen, therefore, that our farm problem is, as the President stated, one of the most serious that has confronted the American people for some time. Many people are wondering how long the Government can continue to support farm prices for our principal products in the face of rapidly increasing surpluses. It is quite obvious that this situation cannot continue indefinitely without bringing some very serious repercussion to our economy. It is generally recognized that we must have a sound agriculture if we are to enjoy a stable and prosperous economy. It is also generally recognized that agriculture, as well as other segments of our economy, must rest on a firm foundation and not rely on measures of expediency which may give temporary relief but which actually may do irreparable harm from a long range standpoint.

The problem of farm surpluses have been with us from time to time for a long period. Particularly has this been true since World War I. During that War, and, immediately thereafter, the prices of our principal farm commodities advanced to very high levels. For instance, certain qualities of our cotton sold for slightly over one dollar per pound. The stimulus of high prices encouraged farmers to expand substantially the acreage of our principal farm commodities—the total increase being between 35,000,000 and 40,000,000 acres. Several other countries, including Canada, Australia and Argentina, also materially increased their acreage.

For a short time following World War I business conditions in this country were very favorable. However, during that period inventories reached enormous heights and farm values advanced to very high levels, accompanied by widespread speculation in land. Without much warning there was a collapse in 1920-21, due principally to the disappearance of war demands and accumulation of inventories at high price levels. The price of our farm products experienced a nose dive because of the rapid recovery of European agriculture and, as a result of the large farm debt, bankruptcy was rather general.

By the middle of the 1920's there was considerable improvement in the price level and demand for our farm products due to the fact that we exported large sums of money in the form of investments and loans, the proceeds of which were used principally to buy our farm commodities. As a result, there was a rather rapid recovery and the day of reckoning was postponed.

Many plans have been tried from time to time in the past with a view to uniting farmers, particularly cotton producers, for the purpose of controlling production in the hopes of thereby exerting influence on the price level and also of making political power of farmers effective, particularly at national levels. Farm leaders' chief argument was that producers sold their commodities in a "free" market and bought in a "protected" market. In other words, if industry is to be subsidized through the medium of tariffs then agriculture should receive protection in some form from the Government. Several bills were introduced in Congress over the years but little was accomplished until the twenties when, through coalition with other organized groups such as labor, etc., farmers began to command more recognition, particularly in national affairs. Early in 1924, Senator McNary of Oregon, and Representative Haugen of Iowa, introduced a measure known as the McNary-Haugen bill. This bill was designed to enable the Government, when necessary, to support the price of the basic farm commodities. The plan was too involved to permit discussion here. Suffice it to say, the objective was to bring the price of basic agriculture products up to the "ratio price," i.e., the price that would give the farmer the same purchasing power he had enjoyed in the period just prior to the War—1909 to 1914. Incidentally, parity as now used stems from the "ratio price" conception. This bill in varying forms was before Congress for about five years. It received Congressional approval twice, but on both occasions was vetoed by President Coolidge. His objections included: "(1) The bill was designed

to aid farmers of certain regions at the expense of those in other areas; (2) that its passage would encourage one crop agriculture instead of encouraging diversification; (3) that it was an attempt at price fixing; (4) that it would be impossible to administer."

While the bill did not become a law, it served to focus attention on agriculture. Farm leaders gained considerable political strength to the extent that farmers' opposition to pending legislation was becoming more and more effective. For instance, during the twenties several efforts were made to increase the tariff on many items but without success, due principally to the opposition of producers.

During the late twenties it was quite obvious that the political strength of farmers could no longer be ignored. As an indication, both candidates for the presidency in 1928 promised, in event of election, to call a special session of Congress to enact legislation, providing for the relief of agriculture. President Hoover did call a special session soon after his inauguration and on June 15, 1929 the Federal Farm Board Act was passed providing for a revolving fund of \$500,000,000 to be used in an effort to stabilize the price of the principal farm commodities. At the regular session of Congress, which soon followed, the Hawley-Smoot Tariff Act was passed, providing for the highest rates on record. This Act almost completely strangled world trade and forced many foreign countries to adopt a policy of nationalism. Many believe that its passage contributed directly to the outbreak of World War II. However, it is interesting to note that the representatives of agriculture did not show their accustomed opposition to the increase in the tariff, apparently feeling secure that agriculture had received its blessing through the passage of the Farm Board Act and the fund of \$500,000,000 which accompanied it. Practically all of this fund was lost in an effort to stabilize the price of farm products, chiefly cotton and wheat. When the fund became operative, cotton was

around 16c to 16½c per pound but the trend was almost continuously downward until it reached a low of 4.92c. The over-whelming Democratic victory in 1932 sealed the doom of this effort and by presidential order on May 26, 1933 the Farm Board was abolished.

The new administration attributed the failure of the Farm Board Act to the fact that efforts were made to support the price of farm commodities without exercising any control over production. Hence, in setting up a new program this feature was made an important part of the law.

The present Farm Program is administered by the U. S. Department of Agriculture. The intent of the Act is to provide support prices for commodities covered thereunder and to dispose of surpluses. Its operations include International Wheat Agreement Section 32, National School Lunch Program and price supports through loans and Purchase Agreement. It is to be the latter that we shall endeavor to confine our discussion with particular reference to cotton. The Department of Agriculture, through the Commodity Credit Corporation, endeavors to establish price floors for a number of agricultural products. Support for corn, wheat, cotton, rice, tobacco and peanuts—termed basic commodities—is mandatory. There are also support programs for other products including wool, mohair, butterfat, milk, etc., designated as non-basic commodities.

The Commodity Credit Corporation was organized October 17, 1933 under the laws of the State of Delaware. On July 1, 1939 it was transferred to and made a part of the United States Department of Agriculture. It has a capital of \$100,000,000, subscribed by the United States Government, and, as stated above, a borrowing authority of \$6,750,000,000. On March 31 of each year the corporation is required to take an inventory of its stock and any impairment of its capital is restored by the Treasury without any Act of Congress. Management of the corporation is vested in a Board of Direc-

tors subject to the general supervision of the Secretary of Agriculture, who is Chairman of the Board. There are six other directors appointed by the President, subject to the approval of the Senate. The corporation has rather broad but well defined powers. At present, cotton is supported through a loan program of 90% of parity, which for middling 15/16", Memphis territory, is 32.79c, or approximately \$164 per bale. There are about 288 different qualities of cotton eligible for the loan. The regulations define the requirements with respect to eligibility for loans, the interest rate and other terms.

In event surpluses become excessive, as at present, the Secretary of Agriculture is required to employ acreage control, the announcement of which, in the case of cotton, must be made prior to October 15. Producers vote in a referendum on December 15 as to whether they approve marketing quotas. Two-thirds of those voting must approve before they become operative. Usually those voting approve by an overwhelming majority because if they fail to do so the support program is reduced to about one-half, or approximately 16c per pound for cotton.

Price support loans are non-recourse, i.e., farmers are not obligated to make good any loss which may be incurred as a result of a decline in the market. However, until the loans are called farmers have an opportunity to repossess their cotton at any time they can do so profitably.

Loans to producers are made by lending agencies approved by the Commodity Credit Corporation, such as banks, cooperative organizations, cotton dealers, et al. The farmer usually obtains the proceeds of his loan immediately from the lending agency, which, in turn, sends the loan documents to a bank or direct to the Commodity Credit Corporation's office in New Orleans for either payment or a certificate of interest. The CCC loans are made on demand and, in the case of cotton, mature July 31. Sometimes the Government extends these notes, which gives the farmers additional time to dispose

of their cotton. When loans are called, the Government acquires title to the cotton and places it in a pool. Heretofore, it has been the practice of the Government, should it sell any of its stock at a profit, after deducting charges, to remit same to the producer. The cotton loan is available from August until April 30.

One of the most difficult problems incident to the operation of the present Farm Program is the disposition of large surpluses, such as we have now. This is not the first time that we have faced this situation. In 1938-39 large supplies of our principal farm products had accumulated under government support programs, but the outbreak of World War II bailed us out. Again in 1949-50, we faced a similar situation and the Korean invasion served, temporarily, to solve our problems. Our experience leads many to believe that the present program can work successfully only during times of war or preparation for war. The argument is often advanced that the Government has sustained little loss in administering the cotton programs. When the cost is measured in terms of lives and expenses incurred incident to war, there is no way to even estimate the cost.

The indications are that the carry-over of cotton on July 31, when the season ends, will be exceptionally large—approximately 10,000,000 bales, the vast majority of which will be under government control. It is really impossible to place any of this stock aside and expect the trade to “forget it.” It will continue as a weight on the market because of the fear that the authority which set it aside may decide later to change its policy. Manufacturers have stated one reason influencing them to change from cotton to synthetics was the fear of their inability to acquire their requirements from government stocks in the same competitive manner which prevails in the “free” spot markets. The existence of large surpluses in the hands of the Government usually is “bearish” and results often in discounts in the distant months of the future markets, influencing processors to adopt a policy of

“hand to mouth” buying. It is difficult to find a suitable time to dispose of surpluses without depressing the market. Also, when the Government owns large supplies of commodities, rumors are current from time to time of a pending change in the Government’s policy, and this is not inviting to prospective buyers. For instance, stocks of cotton abroad at present are relatively small and yet there is little demand because of rumors to the effect that our Government is expected to employ export subsidies in an attempt to meet the world price of cotton.

Another most harmful effect of the Farm Program is the fact that many products protected by it have suffered loss of markets to competing commodities. Particularly is this true of cotton. In 1935 the production of synthetics in the United States was about 262,000,000 pounds while in 1951 it was 1,300,000,000 pounds. The world production in 1935 was approximately 400,000,000 pounds and current world capacity is estimated at 5,622,000,000, pounds, or the equivalent of some 13 million bales of cotton.

Also, the production of foreign grown cotton has increased about 50%—from about 12,000,000 to 18,000,000 bales. As has been well stated, our support program has had the effect of holding an “umbrella” over the rest of the world. However, only one or two of the foreign countries can materially increase their cotton acreage because of the pressing need for food. On the other hand, the introduction of new synthetics is occurring with monotonous regularity. They are produced by some of the largest and most successful manufacturers in the world who are continually improving the quality and reducing the price. Most of these products are designed for particular end uses but in the aggregate their share of textile markets is on the increase both here and abroad. The largest loss sustained by cotton to synthetics in this country was the tire fabric market which amounted to about 800,000 bales. Paper, too, is offering a most serious threat to cotton.

Many regard the Farm Program as class legislation. Outstanding lawyers are of the opinion that the Act before the Supreme Court, as the court was constituted twenty years ago, would have been declared unconstitutional. Some parts of the law met this fate during the early days of the program.

Our experience with the Farm Act has justified the conclusion that the law of supply and demand is as inexorable as that of the Medes and Persians. It is possible that circumstances, or the liberal use of money or credit, may temporarily circumvent the operation of the law, but sooner or later it exacts its toll. Also, under normal conditions it is difficult for the Government to manage economic matters satisfactorily because of political considerations. As an illustration, reference is made to the action of Congress with respect to the acreage allotted to wheat and cotton for 1954. Despite the fact that there will be very large surpluses of these commodities, through special legislation, Congress approved an increase in wheat acreage from 55 millions, the maximum under the existing law, to 62 millions acres. Likewise, through Congressional action the cotton acreage was increased from 17,900,000 to 21,300,000 acres. Usually when acreage is restricted the yield per acre increases materially, due to better land selection, more intensified cultivation, increased use of fertilizer, etc. The indications are now that with favorable weather conditions the production of cotton this year will be in excess of requirements and, as a consequence, further additions will be made to the surplus.

Many in the cotton trade felt that acreage restrictions should have been in effect during 1953 when approximately 16,500,000 bales were produced. However, this would have necessitated announcing controls prior to October 15, 1952, which happened to have been an election year.

Several countries have tried various types of government support for agricultural products with little success. In the early 1920's Brazil controlled about two-thirds of the export coffee business of the world. The government endeavored to

increase its control through a minimum price policy, which soon resulted in the government owning large supplies of coffee, much of which later was burned and some dumped into the ocean. One of the most harmful effects was the invitation to grow coffee, which her policy offered to other countries which had never attempted it before.

Following soon after World War I, British interests, which controlled a substantial portion of the rubber production in the Far East, decided to restrict its output with a view of increasing the price. In 1922 a bill was passed by the British Parliament, known as the Stevenson Act, the purpose of which was to control the production and trading in rubber. A member of the House of Parliament stated, at the time of its passage, that the United States, being the largest user of rubber, would in a short while pay England's cost of World War I. Very soon after the passage of this law two or three of the large American tire manufacturers bought substantial tracts of land in South America for the purpose of producing their own rubber. Also, Mr. Thomas A. Edison began experimenting with seaweed as one of the principal ingredients in the production of a synthetic rubber. It is understood that he was making remarkable progress with the experiment at the time of his death. England realized the new competition her tremendous rubber industry faced and the Stevenson Act was repealed in 1928.

In view of the experience of other nations and that of our own and particularly because of the present status of our agricultural economy, a change in our Farm Program appears obvious. There is need for the employment of real statesmanship if we are to avoid the possibility of surpluses reaching such proportions as to result in a collapse of the program, which, doubtless would precipitate a most serious crisis in our economy. As Secretary Benson has stated—

“The high prices and favorable income farmers enjoyed during the war and early post war period were due

to strong war and post war demands for food and fibre—nothing else. Part of this demand in turn was due to food purchases by the Government for military and relief uses for government-financed trade.

“During this period of favorable prices and incomes, the price support program was little used. Farm prices averaged far above support levels—and indeed considerably above parity. Let us then bury this fiction that rigid price supports are responsible for the farm prosperity of the past. To clutch this fantasy close to our hearts can only result in disillusionment and economic collapse.”

Several plans have been proposed, including the two-price system, the price adjustment plan, use of export subsidies, etc. The two-price system provides for producers to receive protection on that portion of their crop domestically consumed and the surplus to be sold in foreign markets at the world price. American manufacturers oppose such a program because of the handicaps they would suffer in competition in foreign markets as well as at home. Incidentally, one of our members, Mr. C. G. Henry, has suggested a two-price plan which has brought him wide recognition.

Also, it has been proposed that we employ subsidies in order to move our crop in world markets. Our experience has been that subsidies were usually unsatisfactory because other nations employed them also and thereby nullified their effectiveness. Usually when they are used, importers expect they will be increased and hence buy on a “hand to mouth” basis. Most foreign countries regard export subsidies and the two-price system as “dumping,” which, as a policy, is frowned upon by our Departments of Commerce and State.

Many in the trade are of the opinion that loan programs are inherently wrong because they create in the minds of many manufacturers and processors the fear that they will become the victims of political maneuvering and they immediately begin to look elsewhere for products that may be substituted

and which enjoy a “free” market. For this reason, many believe that the loan program should not be employed, but the farmer should be assisted through the medium of what is known as an adjustment payment plan. Such a program was in effect for cotton during the 1936-37 season, at which time there was no government loan. The farmer was guaranteed a return equivalent to 12c per pound; hence, if at the time a farmer sold his cotton, the average of the ten spot markets was 11c per pound, he received payment of one cent per pound from the Government. The program was very inexpensive, as the market soon advanced over 12c and cotton moved in trade channels. However, there was a feeling among some farm leaders and in Congressional circles that such a plan was a direct subsidy and there was fear that opposition might be encountered in obtaining appropriation to cover such payments. The following year the loan was restored and it was not long before there were 11,000,000 bales of cotton under government control. Of course, if the Government sustained heavy losses on its present stock of cotton and other commodities, taxpayers bear such loss, which is, of course, as much a subsidy as if direct payments were made. The President has recommended a program very similar to the adjustment payment plan for wool next season. It is possible that this plan would be too expensive to be used for cotton at around present price levels.

The present Farm Act expires next December 31. The President has recommended to Congress that, in the case of cotton, the laws enacted in 1948 and 1949 be allowed to become effective next year. These laws were passed in the years indicated, but their operation was suspended by Congress and replaced by the 90% of parity provision. These Acts provide for flexible support based on a formula which relates the amount of the support program to the supply and prospective demand.

For general use, American cotton is far superior in quality to foreign growths and synthetics. If its price is in a competitive position, spinners everywhere prefer our cotton. Seed-breeders are doing an outstanding job in improving its quality. Likewise, ginners and textile manufacturers have made remarkable progress in their respective fields. Incidentally, the National Cotton Council is doing a splendid work in research and in promoting the use of cotton. It employs intelligent methods and despite the handicaps it encounters by reason of the fact that the price of cotton is fixed by support programs, it is achieving remarkable success. Also, it is assisting in the formation of a similar organization in Europe for promotional work there.

There is every reason to believe that with an unselfish and realistic treatment of the farm problem that, in the course of time, we shall not only recapture our lost markets, but with increased efforts in the fields of research and promotion, we will be able to develop new ones. The "Battle of the Fibres" now is in progress. The victor will be the one produced most economically and whose price is determined in the market place.

**“THE STABBING OF OLD VIRGINIA”
OR
THE ISSUE OF PARTY REGULARITY
IN THE DEMOCRATIC CONVENTION
OF 1952**

BY LUCIUS E. BURCH, JR.

Read at a meeting of “THE EGYPTIANS” March 18, 1954

Prior to 1948 I had never given much serious thought to the nature of political organization. In the spring of that year six of us formed a committee to support the candidacy of Estes Kefauver in Shelby County. It was, we thought, a simple and uncomplicated act, but it developed that we were wrong. Upon the announcement of the formation of the committee, it was as if the walls had fallen in, and I have been pulling out the splinters ever since and, incidentally, have had to learn a good deal about politics. Our candidate was elected in 1948 and, as one of his supporters, I was selected as a delegate to attend the Democratic Convention of 1952. Since there had never been any real party activity in Shelby County, I knew nothing about the workings of the party machinery nor the philosophy of party politics, and I soon found that I was not alone in my ignorance. The practicing politicians understood the system and how it worked, but they explained it to me, not rationally, but as men who instinctively reject ideas that are not in accord with their own experience. They were empiricists who liked the system because it worked.

Actually, the American two-party system is an extremely complicated subject. It consists in part of definite rules but, to a greater and more important extent, it is made up of unwritten rules and practices, the very subtlety of which makes it difficult to outline and define. Its importance cannot be over-stated for it furnishes the context of the Constitution and of all of our political practices and procedures.

For practical purposes, we have always had the two party system, George Washington having been the only President who was unanimously elected. In his second term a conflict developed between the Federalists and the Republicans, which gave rise to the party system as it existed in Great Britain. Along with the common law, it is one of the great heritages that we have received from England. Perhaps to a greater extent than any other one thing, it has produced the political stability which we enjoy in common with very few other people.

In explaining what the two party system is and how it works, it may be best to commence by explaining what it is not. In most European countries there are multiple party systems. Each party is dedicated to a particular idea or principle. For instance, there are now 26 parties in France, each fanatically dedicated to some particular political philosophy. In the multi-party system a party rarely represents a majority so governments must necessarily be formed by coalitions. Whenever any important issue arises, the balance of the coalition may shift, with the result that the parliamentary majority will be lost with the complete destruction of the executive branch of the government. The two party system is entirely different. Neither party is dedicated to any particular principle. The only object of either party is to garner enough votes to carry the next national election. To those who throw up their hands in dismay and say how degraded and uninspiring this is, I would reply that in a democracy I know of no principle that is as lofty as is seeking to establish the will of the majority of the people, which is the primary object of both parties. In order to attain the strength necessary to become the dominant party, each party must appeal to every segment of the population. Each party must attempt to gain a fair share of the Negro vote, the farm vote, the labor vote, the votes of Catholics, Jews and Protestants, and to obtain a substantial part of the vote of every major segment of the population. Under such

a system, no party can be successful that is extreme in its platform. The philosophy of the system has probably been understood by John C. Calhoun better than anyone else. John Fischer, writing in *Harpers Magazine* in 1948, says of Calhoun:

“Calhoun summed up his political thought in what he called the Doctrine of the Concurrent Majority. He saw the United States as a nation of tremendous and frightening diversity — a collection of many different climates, races, cultures, religions, and economic patterns. He saw the constant tension among all these special interests, and he realized that the central problem of American politics was to find some way of holding these conflicting groups together.

“It could not be done by force; no one group was strong enough to impose its will on all the others. The goal could be achieved only by compromise—and no real compromise could be possible if any threat of coercion lurked behind the door. Therefore, Calhoun reasoned, every vital decision in American life would have to be adopted by a ‘concurrent majority’—by which he meant, in effect, a unanimous agreement of all interested parties. No decision which affected the interests of the slaveholders, he argued, should be taken without their consent; and by implication he would have given a similar veto to every other special interest, whether it be labor, management, the Catholic church, old-age pensioners, the silver miners, or the corn-growers of the Middle West.

“Under the goad of the slavery issue, Calhoun was driven to state his doctrine in an extreme and unworkable form. If every sectional interest had been given the explicit legal veto power which he called for, the government obviously would have been paralyzed. It is the very essence of the idea of ‘concurrent majority’ that it can

not be made legal and official. It can operate effectively only as an informal, highly elastic, and generally accepted understanding. Perhaps the best example is the Quaker church meeting, where decisions are not reached by formal vote at all, but rather by a give-and-take discussion which continues until 'the sense of the meeting' jells and is accepted by everybody present.

"Moreover, government by concurrent majority can exist only when no one power is strong enough to dominate completely, *and then only when all of the contending interest groups recognize and abide by certain rules of the game.*"

Beyond the sound philosophical basis for the system and the fact that it has worked so successfully while other systems have not worked, there are some obvious reasons in its favor. It is the only system of political organization that insures that the executive branch of the government has the support of a majority of the electorate, and provides a strong and responsible opposition.

The only time in our history that our parties have failed to be the parties of the whole people and become dedicated to a particular principle was when the Democratic Party become a sectional party, and the result was the Civil War. It is because that within the parties we do have the rule of concurrent majorities that the scepter can pass from executive to executive without any perceptible shock being felt. I am very firmly of the opinion that if our parties ever become parties of principle, if we ever have a conservative and a radical party or a labor party or any other major party devoted to any particular interest, that with it we will have the danger of barricades and tumbrils.

I had formed these opinions prior to the summer of 1952 and had a rather pious and important feeling as the Convention date grew near. My wife and I had been visiting some friends on a ranch in Wyoming and I remember

very well my thinking as we approached Chicago. On a fine summer morning we left Laramie, my wife doing most of the flying in the small plane, giving me ample time to look at the country and to think. We flew down the entire great length of the Platte River amid the magnificent vastness of the West until it merged into the green fertility of the corn belt, with great clean cities on the horizon, and finally, just at sundown, to see the skyline of Chicago against Lake Michigan. I had a felling of exhilaration and responsibility. All of this, I believed, had been made possible by the system in which I was about to participate. Men had been willing to invest their capital to build the irrigation projects, the railroads and the great skyscrapers, because they knew that an investment today would be respected, and obligations enforced by the government of tomorrow.

As many of you remember, the Democratic Convention followed the Republican Convention which was the first convention to be televised to the American People. The success of the Eisenhower faction was very largely due to the handling of the question of the contested delegations, and Democratic leaders were well aware of the importance of that issue in their own convention. Not only was that so but the events of 1948 and later had caused serious concern in the party. In a number of states the recalcitrant state delegations had prevented the names of the nominees from appearing on the ticket of the party. The issue of civil rights had caused many Southern delegates to make very broad statements, principally intended for local consumption, as to what they would and would not do, depending upon whether certain planks went into the platform and depending on who the nominee might be. My excitement and sense of importance heightened by the fact that I learned I had been named to the Credentials Committee which, in the first instance, would pass on these disputed matters.

Contests had been filed in connection with the seating of the Texas and Mississippi delegations. Various grounds of contest were assigned but, in the main, the delegations and their leaders were charged with having failed to support the nominee in the last election or with having asserted that they would not support Truman if he was nominated, or that they would repudiate the platform of the Party if it contained a civil rights plank. These charges, if sustained, not only violated the traditions of the Party but its written regulations, as is clearly set out in the "Democratic Manual," and which has been unquestioned since 1864.

Recognizing the importance of the question, the camps of the principal aspirants for nomination were soon seething with activity. I attended a night meeting at which were present some notables of the Party who had large delegations at the convention. I recall that Senator Lehman, Senator Humphreys and Mr. Biddle were among those present. The question was complicated by the fact that the contested delegations from Mississippi, led by Governor White, and from Texas, under the leadership of Governor Shivers, actually represented a majority of the electorate of their states. However, it was also clear that some of the actions of members of those delegations and their statements of intent were directly contrary to Party regularity, in that some of them had failed to support the nominees of the last convention and had made unequivocal statements that under given circumstances that would not abide the result of the convention in which they were even then asserting the right to be seated and to participate. The question of exacting a pledge as a condition of seating was very early discussed. The view of Senator Kefauver and his advisors, which was not followed and which I yet believe to have been the better view, was that the loyalty pledge should be exacted only from those delegations involved in contests. Our reasons for this were that, if these delegations failed to take the pledge, there were contesting delegations at present at Chicago offering

representation to the Party membership willing to support the nominees in their states which, and would be seated if the contest was sustained. On the other hand, if the pledge was required of delegations as to which no contest had been made, and such delegations refused to take the pledge, no other delegation was present to be seated, which would leave an entire State without any representation at the convention and no one to officially support the party decision in those states. This view I believe to be more reasonable than the one finally adopted, and it would have avoided the subsequent acrimony which developed. The other view, which finally carried through the weight of those supporting it, was that it would be a tactical mistake to pick out Mississippi and Texas and require them to take the pledge. It was said this would give the appearance of discrimination and lack of fair play and lower the moral tone of the convention before the millions of people who were watching from a much better vantage point than the delegates themselves. It was argued that there could be no reasonable basis against all taking the pledge as it only amounted to an affirmation of what was required by the Party Manual and by a hundred years of tradition. This majority view finally jelled into a form, sponsored, among others, by Senator Moody, whose name unfortunately became associated with it. At that time Senator Moody's name was not one likely to placate the leaders of these Southern delegations. The so-called loyalty pledge finally passed by the convention was as follows:

"Be it resolved, that this convention believes in the great American principle of majority rule, no delegate shall be seated unless he shall give assurance to the Credentials Committee that he will exert every honorable means available to him in any official capacity he may have, to provide that the nominees of this convention for President and Vice President, through their names or those of the electors pledged to them, appear on the election ballot under the heading, name or designation

of the Democratic Party. Such assurance shall be given by the chairman of each delegation, and shall not be binding upon those delegates who shall so signify to the Credentials Committee prior to its report to this convention.

"And whereas, it has been called to the attention of your committee that it is the opinion of certain delegates that said resolution might be in contravention of existing state laws or instructions of state Democratic governing bodies;

"That for this convention only, such assurance shall not be in contravention of the existing law of the state, nor of the instructions of the state Democratic governing bodies."

It will be observed that the pledge was much more moderate than anything previously demanded by party law or party tradition. It did not bind the delegates to support the nominees. It did not bind them to do anything in contravention to the instructions they had received from the state Democratic governing bodies. All that it did was to require them to give assurance that they would use their best efforts to see that the nominees of the convention appeared on the ballots of their several states as the nominees of the Democratic Party. Mississippi and Texas, whose delegations had been in contest, promptly took the pledge, as did all other states except Virginia and South Carolina. Not only was the Virginia delegation derelict in its obligations to the Democratic Party as they had existed and been understood for more than a hundred years, but its action was in violation of the laws of the State of Virginia. As a result of the feeling in the state before the 1948 convention, there had been an effort in Virginia, led by Governor Tuck, to pass a law relieving delegates and presidential electors from their

statutory obligation to support the nominees of the convention. This effort was aptly characterized in an editorial in the *Norfolk Virginian-Pilot* of March 5, 1948, more than four years in advance of the actual show-down on the issue:

"Instead of protecting 'the lawful rights of the Democrats of Virginia,' the revised bill protects only the rights of those Virginia Democrats who are willing to join in a convention-dictated bolt from the nominees of the national party. As to those Virginia Democrats who should refuse to join this bolt—and there would be many thousands of them—their rights and privileges under the Party Plan and the State Primary law would be stripped from them. That is a shocking penalty for what, through about 125 years of Democratic party history, has been considered not party desertion but party loyalty. No law opening the door to this kind of factional vengeance and party disruption should be written into our election code."

It would be entertaining and provocative to discuss and argue the local political consequences which sprung this issue, but that is beyond the subject of this paper. What is now important is the ultimate decision which has yet to be made as to whether the loyalty pledge will remain a part of the organic party law or whether, in response to pressure from southern Democrats, it will be rescinded, leaving any delegate morally free to bolt after having represented himself to be a member of the party, having been seated as such and having participated in the very decisions of the party which he seeks to reserve the right to disavow later. This is something that is of transcending importance because it involves a political practice and a concept of political ethics that is, in effect, a part of the unwritten Constitution. As has been pointed out earlier, the stability of our government has resulted from the compromises made within the Parties. No party has become a party of principle or a party of extremes, either of the right or of the left, because of the compromise

of dissimilar viewpoints within the Party. It is not the full duty of party membership to march with the leaders in step to the party drums. It is as much a party of the duty of party membership to furnish opposition within the party to majority doctrines and to obtain moderation by the assertion of minority views. It was this sober duty that the Virginia delegation refused to assume.

If we accept the viewpoint that the Eastern delegations are the liberal or radical elements of the Democratic Party, and that the Southern delegations represent the conservative element, instantly the Party becomes a conservative party if the Northern elements bolt and, conversely, if the Southern delegations leave the Party, it is left a liberal or a radical party. With all elements in the Party, its ultimate policy will be the median viewpoint of all the delegates and, because they are selected on the basis of population, the median viewpoint of the electorate. No argument is or can be made against free and frequent changing of party membership. That is the right of every citizen and, as Mr. Turley so recently pointed out, a strong and vigorous two party system is badly needed throughout the country, and particularly in the South. It is asserted, however, that when one has identified himself with a party, has been received within it and entered into its deliberations, he must, in good faith, renounce his party membership or abide by the common decision. Any rule or practice which becomes a part of the organic law of either party and which sanctions as politically ethical participation in a convention without acceptance of the majority decision will encourage withdrawal of criticism and opposition from within the party, and lead to the repeal of the "rule of concurrent majorities."

LUCIUS E. BURCH, JR.

(The Egyptians
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THE LARYNX, ITS FUNCTIONS AND ITS TUMORS

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(Read at a Meeting of "THE EGYPTIANS," April 22, 1954)

In opening a discussion on the larynx, a short description of the anatomy of this organ will be given.

There is a framework of nine cartilages which are held together by ligaments and acted upon by muscles, intrinsic and extrinsic in character. It is lined by mucous membrane and is supplied by vessels, nerves and lymphatics.

There are three single cartilages:—the thyroid, the cricoid and epiglottis. The paired cartilages:—the arytenoid, cornicula laryngis, and cuneiform. The thyroid cartilage forms the front and sides of the larynx and rests upon the cricoid below. The sides, or wings of the thyroid are separated posteriorly.

The cricoid cartilage is a complete ring at the lower part of the larynx, and is in contact with the trachea below.

The arytenoid cartilages are paired and are three-sided pyramids, which rest at their bases on the upper border of the cricoid, and on their apices rest the cornicula laryngis.

The epiglottis is a single cartilage; leaf-like plate, attached inferiorly to the thyroid and anteriorly at the junction of the two wings. Superiorly and laterally, the epiglottis is free, only attached at its base to the thyroid.

There is a fold, the aryteno-epiglottidean, running from the arytenoid to the epiglottis in which the cuneiform cartilage is situated.

The crico-thyroid membrane is composed mostly of elastic tissue, running from the cricoid to the thyroid cartilage and a part of the lateral portion of this membrane is called the inferior thyro-arytenoid ligament, or true vocal cord, and the superior portion, the superior thyro-arytenoid ligament, or false vocal cord.

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The ventricle of the larynx is an oblong depression between the true and false cords. It extends the entire length of the vocal cords and is lined by mucous membrane. It allows free vibration of the true cords.

External to the ventricular band lies a space called the sacculæ. It is an upward extension from the ventricle and is situated in the thyro-arytenoid and ary-epiglottic fold. It is quite prominent at birth, but by the sixth year of life is quite small. In the orang and chimpanzee, the sacculæ is quite a large air containing sack, but in man is a degenerative organ and has no function.

The muscles are divisible into an extrinsic group, passing between the larynx and parts beyond; and the intrinsic group belonging entirely to the larynx itself.

The movements of the cords are quite complicated and are under the control of two nerves; the superior laryngeal nerve, entirely sensory, except for a small branch supplying the crico-thyroid muscle, and the inferior (recurrent) laryngeal nerve which is entirely motor and supplies all of the remainder of the muscles of the larynx.

FUNCTIONS OF THE LARYNX:

In the functions of the larynx we might think speech as being the first to be discussed, but phonation is phylogenetically late, and the development of articulate speech is extremely late.

The larynx in man has nine functions:

1. Respiratory
2. Circulatory
3. Fixative
4. Protective
5. Deglutitory
6. Tussive (cough)
7. Expectorative
8. Phonotory
9. Emotional

1. RESPIRATORY FUNCTION OF THE LARYNX:

These are mechanical and biochemical. The larynx serves as a passageway for air and it also regulates the interchange of carbon dioxide, so that the blood reaction remains practically constant during all phases of respiration. This is one of the main factors in maintaining the acid base balance of blood and tissues. The control in the larynx is through its valve-like glottis, the smallest part of the airway which continuously controls the amount of air going in and out.

The ventricular bands (false vocal cord) by their closure assist in raising the intra-thoracic pressure. The vocal cords may close and prevent air from entering lungs.

2. CIRCULATORY FUNCTION:

The valve-like control of the glottis has a direct effect on the positive and negative pressure in the lungs and causes a pumping-like action of the blood within the thin walled vessel of the lungs, with a direct effect upon the pulmonary circulation.

3. FIXATIVE FUNCTION:

For effective use of the arms, it is necessary to fix the chest by closing the glottis after inhaling air. In lifting and pulling the fixative function is an important procedure.

This function is especially important in animals, such as apes, which depend upon the arms for locomotion in trees, etc., the larynx of animals, such as the cow and horse do not have this function.

This function is also emphasized by the inability of patients on which a laryngectomy has been done to use their arms satisfactorily due to the absence of their larynx with its accompanying glottic closure.

4. PROTECTIVE FUNCTION:

The common pathway of food in man is through the pharynx into the esophagus and it is absolutely necessary that the airway be closed off during deglutition.

The larynx participates in the cough reflex, and the cough reflex is often called the watch dog of the lung. In some animals, such as the deer, the larynx is in direct contact with the nose, and food would not at any time get into the lumen of the larynx or trachea.

The original function of the epiglottis was that of shutting off the mouth from the pulmonary tract so that all air would pass through the nose, so that there would not be any interference with the sense of smell. In man the olfactory sense is almost entirely replaced by that of sight and the epiglottis has become a much less important organ. The epiglottis has become much less mobile and the soft palate is much shorter than previously, therefore, air enters the pulmonary tract when the mouth is open.

The epiglottis is pressed against the base of the tongue during swallowing and does not fall back as a lid in swallowing, closing the larynx, as it was formerly supposed to do. The epiglottis may be removed in large part with little if any effect on breathing, swallowing, etc.

In man the protective function is more dependent upon the aryepiglottic sphincter than with the false, or true vocal cord which lie at too low a level in the larynx to be of much value.

The ary-epiglottic sphincter is highly placed so that if a foreign substance attempts entering the larynx it is impeded and is deflected away from, instead of entering the larynx.

In all valvular functions of the larynx the vocal cord in man acts as a check valve on the inlet of air, while the ventricular band (false vocal cord) acts as a check on the exit of air.

Animals with a strong sense of smell macrosmatic, have a very large epiglottis, while those with a poor sense of smell microsmatic, have a small epiglottis, as in man.

The fold of tissue running from the arytenoid to the epiglottis known as the ary-epiglottic fold, is prominent in some animals which eat a large quantity of herbage, so that

fluids and food do not run into the larynx, even though there is no closure of the glottis. In most terrestrial organisms the breathing of air is not interfered with during deglutition for the reason that the two mechanisms are independent. Certain types of fish have lungs and would drown if kept under water.

5. DEGLUTITORY FUNCTION:

The larynx participates in two distinct functions in swallowing:

(1) The larynx is carried upward the moment the inferior constrictor muscles contract in order to grasp the food and forces it downward into the esophagus.

(2) The larynx in man is shut tightly in the act of swallowing, so that no food enters the trachea. This closure is accomplished by the sphincteric action of the ary-epiglottic fold, and also by the check-valve action of the larynx. In some animals there is a direct connection of the nose with the lungs so that it is not necessary for the larynx to be closed in deglutition.

6. EXPECTORATIVE AND COUGH FUNCTION:

The expectorative function is very important as can be illustrated by what happens when a foreign body gets by the larynx and into the trachea or bronchus. When a foreign body gets by the larynx, the cough reflex comes into the picture, and the following procedures take place:

- (1) A deep breath is taken.
- (2) The larynx is tightly closed.
- (3) Positive pressure of the air content of the tracheo-bronchial tree and lung is increased by thoracic compression.
- (4) Sudden opening of the larynx releases the compressed air and the foreign body is coughed out.

The same cough mechanism takes place in expelling mucous secretions and inflammatory products. If this function is disturbed, serious complications may arise and one

may drown in their own secretions. The tussive squeeze function of the peripheral parts of the lungs bring the foreign body and mucous plugs upward into the larger bronchial tubes and through the larynx.

7. PHONOTARY FUNCTION:

There are two ways of producing sound: Either by movement of some part of the man or animal, etc., or by the use of external objects. The sounds might be called intrinsic or extrinsic. Animals and man use whatever object is most convenient in making sound. A woodpecker, or chimpanzee strike a hollow tree to make a sound, man and some animals make sound by means of the esophagus.

Animals with lungs use some part of the pulmonary tract as the method of producing sound.

Birds have a specialized organ at the bifurcation of the trachea, called the syrinx for forming sound and singing. In man and animals with larynges, the vocal cords are the only part of the larynx which is used in producing sound, but if the vocal cords are removed for any reason, other parts of the larynx or throat may be developed and phonation again be possible.

Words are not produced in the larynx. The larynx makes a sound by setting up a vibration of air and the speech is formed by pharynx, palate, tongue, teeth and lips. The column of air is set in motion by the vocal cords by approximating and becoming tense and vibrating.

B. TUMORS OF LARYNX:

1. Benign
2. Malignant

BENIGN TUMORS OF THE LARYNX:

Only a short discussion will be given of this group of tumors, as I would like to give a more complete discussion of the malignant group.

BENIGN TUMORS

A tumor is a localized morbid enlargement.

- (1) Laryngocele
- (2) Epithelial tumors (benign)
 1. Papilloma
 2. Pachydermia
 3. Keratosis
- (3) Connective tissue tumors.
 1. Fibroma
 2. Nonspecific granuloma
 3. Cysts
 4. Angioma
 5. Teratoma
 6. Myoma
 7. Myxoma
 8. Thyroid tumors
 9. Lipoma
 10. Adenoma
 11. Amyloid
 12. Lymphoid
 13. Chondroma

1. LARYNGOCELE:

A laryngocele is really not a tumor, but is an anomaly; but, clinically it is tumor-like. It usually arises from the sacculi of the larynx. In the anthropoid apes there is a huge air sack which serves as a supplementary reservoir for respiratory air available for rebreathing when needed, and in man, the laryngocele is identical with this sack in the ape.

The sack inflates by closing the mouth and raising the intrathoracic pressure and deflates by external palpation.

A small laryngocele would cause a few symptoms, but if large, there is considerable deformity and symptoms accordingly and should be removed by an external operation.

2. EPITHELIAL TUMORS:

(1) Papillomas are usually seen in childhood and are probably the most common of all benign tumors.

They are occasionally seen in adults. This tumor may involve any part of the larynx, but the usual papilloma is situated on the vocal cords and surrounding tissue and often interferes with the voice and respiration.

The respiratory difficulty may be so marked that a tracheotomy is indicated. Removal of the tumor is very beneficial, but recurrences are common and a prolonged course of treatment is not unusual. There is no specific treatment; but, the tumor often disappears at puberty.

(2) Pachydermia.

In this condition there is a thickening of the mucous membrane and it may be localized or diffuse; often seen in patients who abuse their larynges, or who drink or smoke to excess.

The treatment is the removal of the growth and correction of the possible etiology.

(3) Keratosis.

Keratosis is cornification of the epithelium. This area is often very white in color, firm, involving one or both vocal cords. Hoarseness is usually very noticeable.

Treatment is the removal of the diseased area.

3. CONNECTIVE TISSUE TUMORS:

(1) Fibroma.

This is a common tumor of the larynx and is a connective tissue involvement.

This tumor may be caused by trauma to the cords. The vocal nodule is the common form of the fibromata. The vocal nodule is the common tumor of singers, preachers, lecturers, sale crier, etc.

The treatment is the removal of the tumor and correction of the vocal abuse.

(2) Non-specific granuloma.

This tumor is rather uncommon and not very important, and will not be discussed.

(3) Cysts.

Cysts are moderately common in the larynx, may be congenital or acquired. They are most often seen attached to the

epiglottis, but may also come from the cords or other parts of the larynx. They may originate in glands or within the connective tissue.

Removal of the cyst is necessary for cure of the disease.

(4) Angioma.

An angioma, a blood vessel tumor, is not uncommon in the larynx. They may be small and attached to the true cord, or large, filling the entire larynx.

Treatment is the removal of the tumor, usually done by the transaural route, very large tumors would be done by the external approach.

(5) Teratoma.

A teratoma is a tumor containing foetal remains, such as: teeth, hair, etc., this tumor in the larynx is quite uncommon.

(6) Myoma.

A myoma is a tumor of muscular elements and is very uncommon in the larynx.

(7-8-9) Myxoma, Thyroid tumors and Lipoma.

These tumors are very uncommon and will not be discussed.

(10) Adenoma.

An adenoma is a tumor of glandular structure and is seen only occasionally and may be cystic or otherwise. Some of these tumors may take on malignant qualities.

(11) Amyloid.

This type of tumor is not uncommon in the larynx and may be associated with amyloidosis and other parts of the body, or be entirely localized in the larynx. Histologically, it is characterized by amorphous flakes, or spaces in the section.

Removal of the growth is indicated in the localized type.

(12) Lymphoid.

This type of tumor may involve the larynx, is not common and is very sensitive to X-ray treatment.

(13) Chondroma.

Cartilaginous tumors of the larynx are quite rare, but are occasionally seen involving the cartilages of this organ and especially of the thyroid or cricoid. The tumor may involve a large part of one or more of the cartilages, causing many symptoms, necessitating tracheotomy, etc.

Syphilis and tuberculosis often involve the larynx but will not be discussed in this paper.

MALIGNANT TUMORS

Pre-cancerous conditions:

Pachydermia and leukoplakia are often pre-cancerous conditions.

Fibromata, teratomas, cysts, etc., may take on malignant degeneration.

A malignant disease is any morbid process in which cells have the power to invade normal tissue. There is local destruction of normal tissue, recurrence after removal and the development of metastasis and a toxic reaction from the products of neoplastic growth.

TYPES OF CANCER:

- A. Epithelial
- B. Mesoblastic

A. *Epithelial Tumors*

- (1) Epithelioma
 - (a) Squamous
 - (b) Prickle
 - (c) Basal
- (2) Glandular adenocarcinoma

B. *Mesoblastic Tumors*

- (1) Fibrosarcoma
- (2) Osteosarcoma
- (3) Angiosarcoma
- (4) Lymphosarcoma
- (5) Metastatic Tumors

(1) EPITHELIAL TUMORS (MALIGNANT)

Carcinoma of the larynx is a very common disease and occurs about ten times as often in men as in women, and about 70% of cancer of the larynx occurs between 40 and 60 years of age, but may occur at any age; is rare under 20 years of age and seldom seen in the very old.

Tobacco and alcohol are etiological factors. About 90% of all cancers of the larynx are of the flat, squamous, epithelial type. Only a small percentage are of the basal cell or glandular type.

About 80% of all cancer of the larynx originate on the true vocal cord. Cancers of the larynx may be divided into intrinsic or extrinsic groups. The intrinsic are those on or below the true vocal cord, while the extrinsic are those situated above the true vocal cords involving the arytenoids, epiglottis, etc.

Intrinsic cancers metastasize very much less than the extrinsic. Cancers may involve the cords for a long period, even years, while the extrinsic cancer is comparatively a rapid growing tumor.

SYMPTOMS:

Hoarseness is often the only symptom of far advanced cancer of larynx.

The hoarseness is persistent and progressive. Pain and difficulty in breathing and swallowing are late symptoms, and these latter symptoms would depend upon size of tumor, or the area involved.

DIAGNOSIS:

Visualization of the growth and biopsy are necessary to make a diagnosis. The excised portion of tumor must be studied by a competent pathologist, usually, there is little difficulty in making a correct diagnosis of the lesion.

Occasionally, the exact type of tumor may be difficult to determine. Whether benign or malignant, changes are present is usually not in question.

TREATMENT:

If a diagnosis has been made early while the tumor involves only a small area and especially of the cord with a prompt complete removal of the tumor, the prognosis is good, and a cure is obtained in a large percentage of cases.

In such a case an opening of the larynx, thyrotomy, and removal of the growth is all that is necessary. If the growth is extensive and late, or is extrinsic, a laryngectomy is necessary; but, the prognosis as to cure is still high, about 85%. If the diagnosis is made late and metastasis has already taken place to the lymph nodes in the neck or has metastasized to other parts of the body, the prognosis is bad; but if only nodes in neck are involved, a neck resection with the removal of the larynx saves a high percentage of the cases.

The X-ray has been used for all stages of cancer of the larynx, but local resection of the growth is preferred by most doctors and practically all surgeons.

If a cure can be accomplished with the X-ray, it would be preferred over laryngectomy, but at times, the after-effect of the X-ray is more unsatisfactory than the laryngectomy with an esophageal voice.

The speech training with development of the esophageal voice plays a very prominent part of the rehabilitation of these patients on which a laryngectomy has been done. The treatment and prognosis of cancer of the larynx are much more satisfactory than cancer of many parts of the body.

MESOBLASTIC TUMORS (MALIGNANT)

Tumors of this type are only occasionally seen and a complete discussion of these will not be given. It can be said that they are usually rapid growing, usually metastasize early and are usually inoperable and have a bad prognosis as to cure, even though they are usually quite sensitive to the X-ray.

SUMMARY:

A short discussion of the anatomy of the larynx was given with a discussion of its functions and tumors. Both benign and malignant tumors were discussed, but a more complete discussion was given of the epithelial malignant tumors of vocal cords.

THE PROPOSED INCOME TAX AMENDMENT

By HODGES H. HONNOLL

(Read at Meeting of "THE EGYPTIANS," May 20, 1954)

One of the most serious problems confronting the people of the United States today is that of excessive taxation. For a number of years taxes have been increasing at an alarming rate, until at the present time they constitute an almost serious burden and really a threat to our economy. Between April 30, 1945 and June 30, 1952, a period of seven years, of which almost five years were peacetime years, the federal government collected 323 billions in taxes, which is 75 billions more than that collected during the entire previous life of the Republic, beginning with 1789.

In five peacetime years from July 1, 1945 to July 1, 1950, the period immediately preceding the Korean war, the federal government spent 214 billions, which is greater by 34 billions, the total amount spent during 152 years from the beginning of the Republic in 1789.

Due to the huge waste and extravagance, the cost to each man, woman and child in the fiscal year ending June 30, 1950 was over \$300.00 and has been steadily increasing to the present date.

In other words, in the final analysis, the problem resolves itself into the simple question of whether we are to have a country based upon private enterprise and the constitutional form of government or socialism.

One of the plans of the Communists is to inaugurate the heavy progressive income tax and abolish all rights of inheritance. By this means Marx knew that he could dry up the sources of private capital, which are essential to the continued existence of the capitalistic system.

In order to operate successfully, industry must have a steady continuing supply of new capital, which, in the final analysis, comes from the savings of corporations and individuals.

Excessive taxation lessens or destroys the incentive to produce, save and invest such capital in industry, and at the same time reduces the supply by the amount of the tax. Much of the capital for the maintenance and expansion of industries is supplied by persons having the larger incomes. The heavy progressive income tax strikes directly at this source of supply. At the present time individual incomes are graduated from 22 per cent on incomes of not over two thousand dollars to a high of 91 per cent on incomes of over \$200,000.00. The rates on the larger incomes amount to virtual confiscation.

In the case of death taxes, the rates levied by the federal government run to a high of 77 per cent and are in addition to the inheritance taxes imposed by the states.

In Tennessee the rates are not excessive, but amount to a total of 15 per cent on collateral inheritances and 7 per cent on direct.

In some states due to the high rate of estate inheritance tax in larger estates, the total federal and state inheritance tax amounts to more than the value of the estate.

Few people have ever done anything about taxes but complain. The reason for that is that they feel hopeless when they face the vast governmental machinery which levies and spends the tax income.

Beginning in 1939 with the state of Wyoming, a movement has been inaugurated by the various states, calling for a constitutional amendment limiting the power of Congress. The substance of these resolutions is to limit the power of Congress to levy any tax, either income, inheritance or gift tax in any amount in excess of 25 per cent, with the further provision that in case of a grave national emergency, Congress, by a vote of three-fourths of each House may, for a period not exceeding one year, increase beyond that limit.

Up to the present time, twenty-nine States have adopted similar resolutions. Thus, it will require only three addi-

tional states to demand of Congress to call a convention or submit to the states for adoption the proposed resolution. Congress will have no alternative, nor can its action be vetoed.

Four states have attempted to rescind their resolution. They are, to-wit:

ALABAMA, ILLINOIS, KENTUCKY and WISCONSIN

However, in the opinion of various constitutional authorities, this cannot be done and in the event of the passage by three more states will in all probability result in lengthy litigation.

Prior to 1913 Congress had no authority to tax incomes and by the adoption of the 16th amendment the federal government was authorized to levy income taxes without limit. Following the adoption of this amendment, provision was made for an income tax of 2 per cent, which only applied to incomes in the topmost brackets. The opponents at that time of the adoption of the 16th amendment were alarmed over the probability of Congress levying a tax as high as 10 per cent.

There are two ways of amending the Federal Constitution. The amendment clause reads as follows:

"The Congress, whenever two-thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the Application of the Legislatures of two-thirds of the several States, shall call a Convention for proposing Amendments, which, in either case, shall be valid to all Intents and Purposes, as Part of this Constitution, when ratified by the Legislatures of three-fourths of the several States, or by Conventions in three-fourths thereof, as the one or the other Mode of Ratification may be proposed by the Congress."

Dean Erwin N. Griswold in the August, 1952, edition of the Atlantic Monthly has a very interesting article on the proposed amendment by the States and puts forth the following unfavorable results of the plan of limiting the power

of Congress to tax income as proposed. He says in effect that by far the largest proportion of our national expenditures is directly related to national defense. Congress, therefore, would be subjected to irresistible pressure to replace a large part of this lost revenue by some other means than by income taxes.

In the first place, it would be virtually inevitable that the 25% tax rate would become not merely the maximum, but also the minimum rate. It is also clear that Congress would be forced to reduce deductions and exemptions sharply, possibly resulting in a flat tax of 25% on gross income.

He states further that there are other alternatives. One of these is a sales tax possibility, and that a sales tax of 15% would be a probability to meet the required needs. Another possibility, he says, is the natural consequences of the great increase of state income taxes, considering that a number of projects now financed by the Federal Government would be transferred to the States.

Another of the consequences of such a proposed amendment would be the effect upon the credit of the United States. It is evident that Government bonds would decline sharply in value and there would be a rush to cash in savings bonds, with the consequence of failure of savings banks and insurance companies. Clearly, his fears are groundless. Instead of impairing the Government's credit, it would be strengthened, for an expanding economy with the ever increasing national income and wealth which would be promoted by the amendment is the best guarantee of national solvency. Moreover, in addition to the income tax, there is in sales and excise taxes a potential source of revenue of very substantial size which could, at any time it is needed, be resorted to.

He uses as an additional argument the fact that the tax burden would shift from the rich to the poor.

He evidently overlooked the fact that the major portion of income taxes are now paid by individuals with net incomes of less than \$4,000.00.

An article in the National Tax Journal from March, 1954 makes an estimated distribution of net income and taxes paid by individuals in 1953.

The article states that there are sixty-three million individual taxpayers with a net income of less than \$2,000.00 who paid fifty-three billion dollars; that there are ten million individual taxpayers with net incomes of less than \$4,000.00 who paid twenty-seven billion dollars, and that there are two million individual taxpayers with net incomes of less than \$6,000.00, who paid nine billion dollars.

Thus, it would seem that seventy-five million taxpayers, out of a total of seventy-seven million, have net incomes of less than \$6,000.00 and that they pay eighty-nine billion dollars, out of a total of one hundred seventeen billion dollars.

While the various States were engaged in pressing the 25% resolution, Chauncey W. Reed introduced his tax reduction amendment; the substance of the resolution introduced in the House of Representatives by him provided the following:

Section I repeals the 16th Amendment under which the present income tax is levied and collected.

Section II provides a limitation of Congress to levy taxes, duties and excises to 25 per cent. Provided, however, that by a vote of three-fourths of all members of each house it may fix the maximum top rate in excess of 25 per cent for a period not exceeding one year and provided further, that it does not exceed an additional 15 per cent.

Section III provides abolishing all inheritance and gift taxes altogether.

Of the two methods proposed the Reed-Dirksen is decidedly the best. It has been endorsed by the House of delegates of the American Bar Association in its meeting in Chicago on February 25, 1952.

Dean Griswold evidently did not consider the Reed-Dirksen bill or it evidently had not been introduced at the time he wrote his article.

Some of the various answers that have been made to Dean Griswold's criticisms are: He states that it might result in a flat tax of 25% on gross income. It is true that there is nothing in the proposed amendment about net income. However, any attempt to impose a tax on income other than what in the light of past experience might be reasonably considered "net income" will undoubtedly arouse wide spread opposition and will lead to an early abandonment of the attempt, for it should be remembered that there are over 77 million individual income tax payers and their voting power is impressive.

With reference to the possibility of a sales tax he overlooks the fact that with a maximum tax of 40% which the Reed-Dirksen amendment provides in an emergency, together with a manufacturer's excise tax of 10% on all products except food, liquor and tobacco, would compensate for any loss of revenue due to the proposed amendment, even though all inheritance taxes are abolished. The inheritance taxes, as large as they are, yield only 1% of the total revenue now collected.

As an alternative a retail sales tax of 8% excepting foods, liquor and tobacco, would yield a like amount and these, if imposed, would be purely emergency measures and would disappear with the ending of the emergency.

He also overlooks the stimulating effect on our economy of lower tax rates. Eventually the lower rates would wipe out any immediate loss of revenue and result in an even greater revenue than that proposed by higher rates. Economists tell us that the levying of confiscatory rates destroys the income from which the Federal authorities expect to gain revenue. What the levying or higher rates actually accomplishes is to prevent the possibility of a saving by the wealthy and thus to dry up what formerly was the first source of venture capital for founding new enterprise and expanding the old.

Daniel A. Reed, chairman of the House Ways and Means Committee, on June 19, 1953, said:

"In the 80th Congress, we balanced the budget for the first time in 17 years—Harold Knutson (of Minnesota) was chairman of the Ways and Means Committee then and I was ranking member. We cut taxes and as a result got more revenue. Instead of a 20-billion dollar deficit, we paid 5 billion dollars on the national debt and had a surplus at the end of two years of 8 billion dollars."

Mr. Andrew W. Mellon, then secretary of the Treasury of the United States is quoted as saying in his book, *Taxation, the Peoples' Business* in 1924, Page 16, "It seems difficult for some to understand that high rates of taxation do not necessarily mean large revenue to the Government, and that more revenue may often be obtained by lower rates. There was an old saying that a railroad freight rate should be 'what the traffic will bear'—that is, the highest rate at which the largest quantity of freight would move. The same rule applies to all private business. If a price is fixed too high, sales drop off and with them profits; if a price is fixed too low, sales may increase, but again profits decline. The most outstanding recent example of this principle is the sales policy of the Ford Motor Company. Does anyone question that Mr. Ford has made more money by reducing the price of his car and increasing his sales than he would have made by maintaining a high price and a greater profit per car, but selling less cars? The Government is just a business, and can and should be run on business principles."

In his testimony before the Senate Finance Committee on July 5, 1951 regarding the then pending revenue bill, Dr. Willford I. King, economics professor emeritus of New York University, said:

"This analysis (covering Federal income tax rates and revenues for the years 1913 to 1942, inclusive) reveals the fact that the levying of confiscatory rates destroys the income from which the fiscal authorities have expected to gain revenue. Surprisingly enough, this destruction occurs to such an

extent that income tax rates taking more than 26 per cent of the incomes of individuals have succeeded in raising no more revenue than could have been obtained by a 26 per cent rate.

Moreover, the course that should be followed is to cut the huge waste and extravagance out of civilian and military budgets rather than resorting to the increase in taxation.

With reference to his charge that as a result of the reduction great pressure on the State to take up the functions now performed by the Federal Government and that the natural consequence would be a great increase in the rate of State income taxes.

If the sole effect of the amendment were to restore to the States some of the functions now performed by the Federal Government, this would in my opinion make the amendment worth while for in the past twenty years we have seen such a steady increase in the assumption of the powers by the Federal Government and an accompanying decrease in the powers and duties of the States, it has created what Professor McDavitt, of Duke University Law School, characterizes as "the most diabolical and the most treacherous and the most uncontrollable force known to man." This concentration of power in Washington, at the expense of the States, has been effected largely through the abuse of the taxing and spending powers of Congress and the unwarranted extension of the power of Congress to regulate inter-state commerce beyond the limitations of any reasonable definition of that term. The States and municipalities are better fitted than the Federal Government to perform the services which are primarily of State or local concern and they would do so at a much less cost. With the return of these powers and duties to the States the combined spending of the Federal and State governments would undoubtedly be lower than under the present division of powers and duties.

The guarantee that an individual is not to be deprived of his property without due process of law if his property is taken from him or rendered of little value to him by excessive

taxation. The freedom of the individual, which is the highest prize of all, is not safe without a curb on the taxing power. Congress should no more have unlimited power over one's property than over his person; for, in the oft-quoted language of Chief Justice Marshall, "The power to tax involves the power to destroy."

It is worthy of note that the constitutions of nineteen states contain curbs on the taxing power of their legislatures, and that in four of these states the curb relates to taxes on income.

Accordingly, I submit: (1) That the taxing power of Congress should be limited by constitutional amendment, and (2) That the Reed-Dirksen Amendment, which is the one approved by the American Bar Association, should be adopted.

The drift toward big government is indicated by the increasing federal drain on national income over the last two decades. Federal expenditures for the fiscal year 1929 amounted to less than the total income of California's inhabitants. For the last fiscal year ended June 30, 1953, federal expenditures took the equivalent of the income of all people west of the Mississippi River and in addition, all income of the inhabitants of Mississippi and 55 per cent of those of Alabama.

The foregoing data cover only federal expenditures. If total state and local expenditures were added, the area would be extended to include the remaining portion of Alabama, all of the individual income of the people of Kentucky, Tennessee, Georgia, Florida and South Carolina, and three-fourths of the individual income to inhabitants of North Carolina.

The federal tax take has, of course, absorbed a steadily larger percentage of incomes in the last 20 years. In 1929, tax payments to the federal government were 4.4 per cent of the national income. By 1939, the percentage exceeded 9 per cent, and by 1945 it was 23 per cent. Last year federal taxes

absorbed 24 per cent and this year the percentage will be at least 25 per cent. This is the federal take alone. Adding state and local taxes, the total burden this year is about 32 per cent of our national income.

Under the Reed-Dirksen amendment Congress is deprived of the power to impose death and gift taxes at any time, and this means of raising revenue is left exclusively to the States, thus ending an undesirable duplication of taxes. These taxes constitute but a trivial part of the Federal budget—about 1 per cent at the present time, which is only enough to pay the expenses of the Government for about 3 days.

In judging the merits of the proposed amendment, it is important to remember that we have in this country the capitalistic or private enterprise system, with the rights and advantages of private ownership. This is the system under which this country has prospered beyond all others and grown to greatness. For this system to operate successfully, there must be a steady, continuing supply of new capital—billions of dollars each year to start new industries and to maintain and expand existing industries on which so many jobs depend.

Excessive taxation discourages the creation of capital and its investment in industry, and it reduces by the amount of the tax the amount that can be saved for investment.

In the final analysis, the problem resolves itself into the simple issue of whether we are to have in this country a system of society based upon (1) private enterprise and our constitutional form of government, or (2) socialism. Both reason and the experience of other countries lead inevitably to the conclusion that our present system of confiscatory income and death taxes, if long continued, will ultimately result in the establishment of socialism in place of our present system.

Adoption of the proposed amendment would:

- (1) Provide needed assurance, which statutory law cannot provide, against recurring abuse of the federal taxing power, and aid greatly in the formation of much needed venture capital.
- (2) Would over the years increase the national wealth and the federal revenue.
- (3) Would aid greatly in saving our free enterprise system and in preventing the establishment of socialism.
- (4) It would restore to the states the power to be financially independent and to free themselves from federal domination.

THE EGYPTIANS

PROGRAM

YEAR 1954-1955

1954

Oct. 21—The Desk and the Sword—General A. P. Stewart
DR. MARSHALL WINGFIELD

Nov. 18—Responsibilities of the Commercial Banker
ARTHUR W. MCCAIN

Dec. 16—TVA—Experiment in Socialism
JOHN F. MOLONEY

1955

Jan. 20—A Layman Looks at His Church
FRANK FAUX

Feb. 17—Art—A Brief Survey
I. L. MYERS

Mar. 17—Are Present Federal Regulations of Financial Institutions
Essential to a Sound Economy?
WILLARD W. SCOTT

Apr. 21—The Liberal Arts in America
DR. PEYTON N. RHODES

May 19—The United States and Latin America
W. R. HERSTEIN

THE EGYPTIANS

EXCERPTS FROM THE MINUTES

YEAR 1953-1954

Oct. 15, 1953—Three new members were welcomed—W. R. Herstein, I. L. Myers and Ernest C. Ball.

Jan. 21, 1954—New member W. W. Scott was welcomed to his first meeting.

March 18, 1954—With 23 members and two guests this was the largest meeting in recent years.

May 20, 1954—A resolution electing Mr. Sanford Morison, secretary of The Egyptians from 1913 to 1935, an Honorary Member, was passed unanimously.

President Halliburton announced that we were closing the 41st year of The Egyptians.

Officers for the 1954-1955 year were elected: Mr. Wesley Halliburton, President; Mr. W. C. Lassetter, Vice-President; Hubert Garrecht, Secretary-treasurer.

THE EGYPTIANS

OFFICERS AND MEMBERS

YEAR 1953-1954

Officers

Wesley HalliburtonPresident
George AwsumbVice-President
Hubert GarrechtSecretary-Treasurer

Honorary Members

Rabbi W. H. Fineshriber
Alfred H. Stone
Dr. R. B. Maury
Bishop Thomas F. Gailor
Sanford Morison

Members

Major Thomas H. Allen	Dr. McDonald K. Horne, Jr.
Walter P. Armstrong, Jr.	Dr. A. P. Kelso
George Awsumb	W. C. Lassetter
Ernest C. Ball	Arthur W. McCain
Bishop Theodore N. Barth	John F. Moloney
Lucius E. Burch, Jr.	I. L. Myers
Dr. Charles E. Diehl	Dr. Peyton N. Rhodes
Frank Faux	Gilmer Richardson
Hubert Garrecht	W. W. Scott
Wesley Halliburton	Dr. W. Likely Simpson
Charles G. Henry	Dr. Neuton S. Stern
W. R. Herstein	Thomas F. Turley, Jr.
Dr. T. S. Hill	Dr. C. B. Weiss
Dr. Ralph C. Hon	Dr. Marshall Wingfield
Hodges H. Honnoll	W. A. Wooten

CONSTITUTION AND BY-LAWS

As Amended to May 31, 1954

ARTICLE I.—Objects.

Section 1. The subscribers hereto associate themselves for the purpose of discussing, at stated times and in a social way, such topics as pertain to the welfare, culture and happiness of the people, particularly of our own locality, state or nation. No resolution shall ever be passed committing the club as a body to any proposition.

ARTICLE II.—Name and Membership.

Section 1. This organization shall be known as THE EGYPTIANS, and shall consist of not more than thirty-three regular contributing members, who shall be citizens or residents of Shelby County, Tennessee, of recognized standing, ability and influence in the community, with other associates as provided in Section 2.

Section 2. Honorary membership may be tendered only to non-resident persons distinguished in the walks of education, literature, science or art; and such associates having no votes, shall be exempt from payment of all dues and assessments.

Section 3. Any member may nominate an individual for membership, submitting a brief statement of the candidate's qualifications to the officers of the club. If by majority vote of the officers, the candidate is acceptable, the officers shall circularize these qualifications to the members of the club at least one week prior to the following meeting. A secret ballot shall be cast by mail, with the minimum number of affirmative votes for election equalling at least two-thirds of the total membership, and if not more than two adverse votes be cast by the members, it shall be the duty of the secretary to invite such person to become a member.

ARTICLE III.—Officers.

Section 1. The Officers of the club shall be a President, Vice-President and Secretary-Treasurer, each to be chosen by ballot at the last meeting in May, to serve one year, or until a successor shall be elected.

Section 2. As a compensation for his services, the Secretary-Treasurer shall be exempt from the payment of all dues, charges and assessments.

ARTICLE IV.—Meetings.

Section 1. Regular meetings of the club shall be held at 6:30 p.m., the third Thursday in each month, between October 1st, and June 1st, beginning the third Thursday in October, except as provided in Section 2.

Section 2. The club may, at any session, change the date of a succeeding meeting, or the President, with reason therefor, may change the date of the next meeting or call a special meeting as may be required.

Section 3. In the event of change or call for special meeting, as provided in Section 2, the President shall direct the Secretary to notify members thereof.

Section 4. Any member who shall fail to attend at least three meetings during a season without excuse shall be conclusively presumed to have resigned and such implied resignation shall become effective without action of the club. He shall, however, be sent the publications of the club for the full period for which he has paid dues.

Section 5. The time consumed by any paper shall not exceed thirty minutes and in the discussion which follows, no member shall speak more than once and not exceeding ten minutes, until all other members present shall have had the opportunity of speaking.

ARTICLE V.—Dues and Assessments.

Section 1. The annual dues shall be nine dollars and ninety cents, payable in advance, provided that a member admitted after February 1st shall be required to pay only one half the annual dues for the balance of the year.

Section 2. A special assessment, if necessity arises, may be levied at any regular meeting by an affirmative vote of a majority of all the members of the club.

Section 3. Failure to pay dues or assessments within sixty days of notice shall be considered as forfeit of membership.

ARTICLE VI.—Quorum.

Section 1. Eight members shall constitute a quorum for the transaction of business.

ARTICLE VII.—Amendments.

Section 1. This Constitution and By-Laws may be amended at any regular meeting, provided the proposed change has been announced at the previous meeting and is adopted by an affirmative vote of a majority of those present; and provided, that not less than eight affirmative votes shall be necessary.

Section 2. Article II may be altered or amended only at the annual meeting (last meeting in May), previous notice of proposed change having been given.

ARTICLE VIII.—Papers.

Section 1. Any member of the club who shall fail to present a paper or deliver an address on the date assigned him, without an excuse that shall be satisfactory to the Officers, shall thereupon forfeit his membership. The Secretary shall give each member, to whom a paper or address is assigned, at least three months notice of the date assigned to such member. The subject of any paper or address shall be selected by the writer with the advice of the Officers and the Secretary shall announce topics for discussion not less than two months in advance.

Addendum.

On January 10, 1922, the following rule was, on motion, unanimously adopted and recorded: That out of town guests brought by members of the club be welcome; That members introducing guests who are residents of Memphis, be charged \$2.00 (or such an amount as shall be determined from year to year) per meeting for each guest.