

have them today, if the Five Year Plan is realized, whether there will be any real relief to the Russian people...

“They are not so good as businessmen, as builders, as yet, but they admit quite frankly what they call their infantile illnesses. Though our businessmen tell me that they are very able at pushing a bargain, at making a contract, they admit frankly...this weakness in management and are making efforts to train the newer generation technical experts and managers. But the thing I want to emphasize again is that though they are revolutionary doctrinaires, though they are these Bolsheviks to us, peculiar folks, they have also proven themselves during this thirteen years very able revolutionary strategists.”

**Walter Lippmann:
The American Recovery**

Walter Lippmann, editor of the New York Herald Tribune and an author, addressed The Economic Club of Chicago on April 18th, 1935, on the nation's recovery from the Depression.



“As I see it, the government's borrowing is simply a partial attempt to fill a vacuum in the American economy left by the disappearance of foreign, local, corporate and individual borrowing. It has been a very partial attempt, for the larger part of the government's deficit has been incurred in refinancing old debts. In the year 1934, giving it the benefit of every doubt, the Roosevelt Administration did not add a billion dollars of net additional capital expenditure to what Mr. Hoover spent in 1932. If next year it spends the whole \$4 billion which have recently been appropriated, it will still only half fill the known vacuum and actually it won't, I should suppose, fill it one quarter. There is a deficiency of purchasing power in the economic system which is

between \$7 and \$15 billion and the government's expenditures, large as they may seem, won't begin to make up that deficiency.

“I hasten to say that this is not an argument in favor of a larger deficit. It is an argument which, I think, shows two things. One is that we can not hope to achieve recovery by government expenditure alone. The other is that we can not hope to achieve it at present without government expenditure. The reason I say we can not hope to achieve recovery by government expenditure alone is that the government can not borrow and can not spend between \$7 and \$15 billion a year. It is preposterous.

“The reason I say we can not hope to achieve recovery without government expenditure for capital purposes is that I do not expect foreign lending to revive for a considerable time. I do not think states and municipalities will have the credit to borrow on a large scale until recovery is already achieved. I do think there can be and will be a resumption of corporate spending and of private spending in real estate, but unless it surpasses the volume of 1926-1929 by a large margin there will still be a deficiency due to the loss of exports and of local government spending. This deficiency will appear as unemployment, which has to be covered by federal spending....

“To achieve recovery we have to increase industrial production and employment by about one-seventh and this one-seventh depends upon purchasing power which came from capital expenditures that have dried up. We can not count upon reviving all of it quickly but we can revive a good part of it. The deficiency will have to be met by government expenditure. Now what are the obstacles to the revival of capital expenditure? The usual reply is that businessmen and investors lack confidence and I think that is a good general term, which accurately describes the situation. But it may be of some use to examine the idea a little more closely with a view to finding out more specifically just what the main causes of the lack of confidence are.

“We may take it that men invest money because they hope to earn a profit. There are at present in the minds of men who would decide upon investment two fundamental questions. The first is: Will they be allowed to earn a profit if they can earn one? And the second is: Can they earn one if they are allowed to?”

“The doubt as to whether they will be allowed to earn a profit comes from a belief that the government through taxation will take profits away if they are earned; that through regulation it will prevent them from being earned, and that organized labor encouraged by the government will prevent them from being earned. In short, investors fear taxation, increased labor costs and government regulation of prices. We are in something of a vicious circle. It is the depression itself, which causes agitation for higher wages, lower prices and produces the necessity for great government expenditures which have to be met by increased taxes. The lack of confidence, which the fear of these things produces, inhibits expenditure by businessmen and investors and prolongs the depression, which in its turn increases the agitation that produces the lack of confidence that in turn prolongs the depression. The problem is to break that vicious circle, to restore confidence which will bring about investment, which will relieve the depression, which will reduce the agitation that destroys confidence.

“How can this be done? There is no magic formula. It can be done only by courage and common sense. The time has come, I believe, for the deliberate negotiation of terms of peace between businessmen and investors on the one hand and labor and politicians and the consuming public on the other. I have some hope that within the next three or four months, that is in the present session of Congress, the main items in dispute and the centers of agitation can be firmly taken in hand and definite compromises and solutions reached...It is a question of bringing to the front in the leadership of business practical negotiators who can come to terms with the reasonable men in Congress and in the Administration. Of course, if it is to be assumed that there are no reasonable men on either side, that

everybody in Washington is bent upon destroying business and that everybody in business is bent upon exploiting the country, then there can be no such peace as I have suggested. But I believe the vital interests of the Roosevelt Administration and the vital interests of businessmen are, on this question, identical. Business must have recovery not merely for the sake of profit but for its very existence. Mr. Roosevelt must have recovery or he and his party are ruined. The country must have recovery because a continuation of the depression as severe as this one over a period of years will undermine American institutions.

“I say, therefore, the time has come to make peace by settling the outstanding issues that can be settled. If we are to have peace, we have to push aside all the hysterical people, all the people who would rather fight than eat, all the people who want something else than recovery, all the people who want the depression to continue either because they think it will enable them to put through their pet reforms or because they think it will enable them to defeat the Democrats and elect the Republicans.

“There are a lot of people who have a vested interest in the continuance of the depression. They are the revolutionists on the one hand and the reactionaries on the other. They don't want to recover under Roosevelt either because they hope to swing far to the left or because they hope to swing far to the right. But I believe the great mass of the American people are not interested nearly so much in swinging to the left or to the right, are not interested nearly so much in whether they are governed by Democrats or by Republicans, by Mr. Roosevelt or by someone else, as they are in putting the unemployed back to work and make American institutions secure.”