



1938

## The American Economic System, 1938

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Chap 6

THE AMERICAN ECONOMIC SYSTEM

Wherever constitutional representative government has been displaced by dictatorship, there a free economic system has likewise been displaced by a planned and regimented one. The two changes go together. If we accept dictatorial government, then we must be prepared to abandon the American economic system and way of life along with the American system of government. The American economic system is based on the profit motive, private enterprise, competition, the production and exchange of goods and services under the natural law of supply and demand. Confidence in the government and in the currency are necessary to its working. So are reasonable and cooperative relationships between employers and employed. Everyone knows that, with these elements present, and given a chance to function, our American system has provided more material wealth per capita, a better distribution of that wealth, and a higher standard of living ~~by far~~ than has ever been approached elsewhere.

But our economic system, like our governmental one, developed through the years various glaring faults. Overgrown units of production, and absentee stockholder ownership of vast and powerful corporations, tended to a sort of regimentation, and to narrowed opportunities for the individual. Monopolies and "trusts" arrived on the scene. Abuse of the privilege of incorporation, and "high finance", often set up a too powerful and too remote control of various industries. There was



overcapitalization. The economies of mass power production by machine were not always equitably shared with the public in lower prices and with labor in better wages. There was no adequate employment service to deal with shiftings of labor due to changing industrial conditions. Big business failed to cope with cyclical depressions and periods of unemployment. It was too slow to join with labor to create real company unions, with frank participation in company problems and management; and too slow in creating its own insurance and pension systems, -all this with some notable exceptions. It is friendly and frank cooperation between employer and employe that best fits the character and tradition of the American people. There, and not in the foreign theory of class war imported by the New Deal, lies the sound solution of the "labor problem" in the United States.

*The Savings  
Review*

During more than three decades various soundly liberal administrations and congresses had taken measures that traced a clear path for an American way to cure many of the recognized evils. That way was through regulation, not destruction. There were the anti-trust laws, with their "rule of reason", the impartial regulatory commissions, like the Interstate Commerce Commission and others. There was President Taft's apparently now forgotten proposal for federal incorporation of corporations engaged in inter-state commerce. Corollary to that was the fact that the courts had upheld the doctrine of compelling a public utility to reduce its rates until the return on its investment was a normal one for an established business, - a doctrine capable of wide expansion. The Taft suggestion, with its



wide implications, would have opened up a sufficient field for far-reaching federal regulation where needed. Hitherto also, as of the essence of the American way, the theory has been that we had an impartial government of the whole people, ready to step in as the agent of all of us to maintain order, to prevent abuses, and to see equity done among all groups.

The evolution of American cures for American evils was interrupted by an occasional ~~excessively~~ reactionary administration. Today it is interrupted by the ~~demagogic~~ New Deal administration, that seeks power through excessive radicalism and fantastic experiments, regardless of cost. American progress has been retarded, also, by the selfishness, lack of public spirit, and lack of imagination of many "captains of industry and finance". In great measure risen from the ranks of labor, it has been difficult for these to see flaws in any system that has been so extraordinarily kind to them. They have much to answer for. Reactionaries as well as "reds" fit into the modern pattern of revolution, ~~bloodless or otherwise~~. A sound liberal government may propose reasonable reforms. These seem radical to reactionaries, who therefore withhold their support. To retain power, the government is forced to depend more and more upon radical elements of the "left." Presently the reactionaries, through failure to support a sound liberal government, find themselves, <sup>as now,</sup> under an excessively radical one; and this, in turn, easily gives place to some dictatorship.

America, considering its exceptional resources, is the



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*Understatement*

spoiled child of the world. Finding themselves in 1932 in a serious depression and more or less of a crisis, the American people accidentally acquired a government that, instead of soberly trying to mend matters, and sticking to the platform on which it had been elected, launched, after a few months of good work, on a series of alien experiments. Other countries, far less favored than we, suffered long post-war depressions and met problems quite as acute as ours. They met them with restraint, deliberation, common sense,--and success. They did not kill the patient in order to exterminate the disease, or burn down the village to get the roast pig. Our New Deal party, on the other hand, in the pious name of reform, light-heartedly proceeds to debauch democratic government, to demoralize the people and to paralyze American economic life. Since the first weeks of emergency in 1933 there has been nothing in the American situation to warrant queer experiments or un-American methods. If the New Deal government had valued the American system it would hardly, upon such flimsy pretexts, have chosen paths that lead to dictatorship and socialism. It would hardly have preached hatred and division instead of cooperation.

*as has been pointed out,*

The first evil omen<sup>1</sup> was Mr. Roosevelt's refusal to cooperate with President Hoover during the critical period between the election of November, 1932 and the inauguration in March, 1933. That refusal kept the country on the downward path to deeper depression and crisis. But it set the stage for the big show of seeming salvation through the grant to the new president of almost dictatorial powers,- for the emergency, be it remembered.

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X The big show goes on and at the end of ~~five~~ years the emergency is back with us again in the form of terrific unemployment and near paralysis of production and trade. If this be the cure, it is worse than the disease. If this be "planned economy", it is worse than letting nature take its course. New Deal experiments have cost nearly \$20,000,000,000. of the taxpayers' money, and we are back about where we started,--except that the national morale has also been put "in the red" and the national institutions have been ~~undermined~~ <sup>weakened</sup>. The grotesque and costly failures of the New Deal proves its unfitness to govern the United States. Non-partizan support of those opposed to it ~~in the coming primaries and elections~~ is the ~~only~~ way of escape. What if the New Deal's aims were high, since it so rarely hits the mark?