
WE HAVE SOLD

Our Birthright

FOR A MESS OF

Political Pottage



An Open Letter

to

PRESIDENT ROOSEVELT

and

SECRETARY WALLACE

October 17, 1937

To Mr. Roosevelt and Mr. Wallace:

Back in the desperate days of 1933 we went along with you on your Plowup Campaign—to reduce the immediate supply of thirteen million bales of cotton hanging over us—and by so doing we helped you turn the cycle toward better times. That was heroic treatment.

After that very necessary emergency action, which was successful—the conservatives of the South hesitated a bit—checked up, and carefully took inventory. In the Fall of 1933 you were warned that the 10 cent loan would hurt our cotton exports and shake off our foreign customers. You listened carefully, but you shunned the advice of the world's most experienced economists on this point—went blithely on, and we began to lose definitely our foreign trade the day you spread your 10 cent umbrella over world cotton prices.

One year later the warning was repeated that if 10 cents had been bad a 12 cent umbrella would be worse. We lost more of our outside customers.

During this process you were giving daily notice to all the world that we in America were going permanently on a restriction program—supported by an artificial loan program—warning our good customers that they should look elsewhere for their supply. You were amply warned and pleaded with, but you paid no heed.

You were cited the classic example of the tremendous licking which Great Britain's rubber planters took when that country's politicians, acting contrary to all the advice of the best economists, launched the Stevenson Rubber Plan, wherein the Government of Great Britain, whose subjects then had 75 per cent of the world's rubber supply, became excessively greedy, raised the price of rubber from 16 cents to a fixed price of 25 cents—launched into a system of planters' marketing allotments—to sustain the artificial price of 25 cents. The result: In five years rubber dropped to four cents, all the British planters went broke, and the rest of the world took control of Great Britain's former production monopoly.

You said publicly—not once, but many times during 1933 and 1934—that you had no fear what the outside world would do in the production of cotton; that your experts had surveyed the world and they could not possibly grow any more cotton than they were then growing, which was 7,000,000 bales.

Mr. Roosevelt and Mr. Wallace, you were wrong again. They are now producing 19,600,000 bales.

Also, back in 1933 and 1934, we heard you say confidently that you did not fear the intrusion of substitutes for cotton in our own domestic consumption, which we warned would be the obvious result of your manipulations of 4.2 cents processing taxes on cotton and your artificial commodity loans, and price-fixing.

Mr. Roosevelt and Mr. Wallace, you were wrong again, and we cite you just one instance to prove it. The rayon industry during this five-year period has flourished tremendously and has in this period cut into cotton consumption exactly one-fifth, or 20 per cent, of our entire poundage of domestic cotton consumption.

You were warned back in 1933 and 1934, and each year thereafter, that if you just must continue this ruinous, destructive restriction program, why not be consistent about it, and quit dumping new Government money into an already sick industry by continuously financing the marginal producer in more and more production credit. We refer to the Production Feed and Seed Loans, which operate on direct Federal Treasury grants each year, and Production Credit Associations, which operate on an unlimited supply of cheap Intermediate Credit Bank funds. The evil in this tremendous oversupply of production credit is obvious each year. Too many marginal producers who were already broke and should be out of the production picture are kept alive from year to year by Government grants in "Seed Loans," with the result that their cotton only gluts the market in the Fall of the year and the average producer makes less profit—if any—than he is rightfully entitled to.

There was no emergency in the Spring of 1937, and yet Government agencies through the Farm Credit Administration actually financed the planting of more than 75 per cent of the entire 34,000,000 acres—and now in the Fall of 1937 the whole country has to rush to the rescue of cotton.

You have hundreds of tax-paying county banks, city banks and financial houses whose coffers are flooded with money, crying for good loans, anxious and willing to finance cotton production whenever the Government will retire from this field, and when a legitimate profit seems possible.

The seed loan by itself has in the past six years started 7,000,000 bales (at \$7.00 per acre). The seed loan didn't finish this 7,000,000 bales—it only started it. The merchant and the ginner picked this production up each Summer and Fall (after the Government would waive its first lien to the merchant or ginner)—nobody made any real profit—but the cotton always comes on the market and the Government takes the loss. The important thing is that we have those 7,000,000 bales too much right now. That's the 7,000,000 hung on us by this free and easy method known as the "Production Feed and Seed Loans."

The Production Credit Associations, which operate on Intermediate Credit Bank Funds, constitute a sounder institution, in that they require more collateral in the form of chattels in addition to a lien on the crop—but the fact remains that the terms of these loans are so easy, in comparison to usual private production credit, that an overplanting of acres is inevitable.

And speaking of inconsistency, Mr. Roosevelt and Mr. Wallace, with all the production control you have in your hands, you overlooked forcing

the participants of this unlimited production credit into the requirements and restriction of the 1937 Soil Conservation Act. They were left free to plant all they wanted to.

When you took office, Mr. Roosevelt and Mr. Wallace, you said we would not lose our world cotton trade if we followed your artificialities. We blindly followed you, but you our leaders have confounded us completely. At that time we were exporting 55 per cent of what the outside world consumed. Today, four years later, we are down to 23 per cent, and getting weaker every day.

And now, Mr. President, you propose a special Congress. You will propose further reductions, further restrictions, further artificialities—a permanent Farm Bill.

You will continue to tell the country you have another mandate to save us from the mess that "someone else got us into." But the worst thing you will do will be your attempt to link your pet bill—the Wages and Hours Bill—to the need for drastic and immediate action on cotton—and you will trade till the cows come home, and threaten to keep Congress in session at Christmas time in order to gain your objectives.

Now, Mr. Roosevelt and Mr. Wallace, the South has followed your leadership long enough—our backs are to the wall. You haven't any solution to offer except more reduction, more artificialities—more subsidy checks—the sure road to economic ruin.

This road simply leads us into 7½ million bales for home consumption needs only. It means the absolute closing down of one-half the gins, the oil mills, the refineries, the compresses and will certainly affect the railroads, the shippers and the ships. It affects one-half of the former employment afforded in the 14 cotton producing states of the South.

It means that the South will go into dairying, corn and hog production and beef production—to the ruin of the corn belt. It means that the tremendous generative power of all of our former cotton export dollars is gone forever. We shudder to think of its effect on manufacturers of automobiles, radios and the thousand other items. When the South goes down—God help the rest of our country!

All of this seems certain to happen in the next year or two.

Now there is a way out—but it does not happen to fit into your political scheme of things at all.

To adopt it you must admit that all your other theories and policies now appear to have been completely wrong—and you can "save face," because when you started you said you would be one of the first to lead us off an experiment if and when it proved to be unworkable.

The only way to rescue this situation (if it is not now already too late) is to make a complete about-face and to follow somewhat the advice of experienced economists.

We urge that you approach this problem on a business-like basis instead of a political basis.

We insist that it is good business to approach it just as a successful manufacturer of automobiles approaches his prospective purchases—he simply says “We are going to give you this year a better car than we gave you last year for less money.”

We have got to give our exporters definite assurance so that they can, without fear of contradiction, say to our former world customers “We want your business back on our American books. We want you to come back to American cotton. We believe you like American cotton better than certain inferior foreign growths and we can assure you that our Government has had enough of restriction policies and artificial price umbrellas and if you will come and look over the samples of our own supply, we can assure you that our Government officials will not come out with some new announcement about price or supply which would cause you embarrassing losses on your forward commitments.”

We should be prepared to say to the rest of the producers of the world: “Look out!—here comes the United States in 1938 with the biggest crop of the finest cotton in its history at a price so low that you had better go slow on your plantings. The United States is going to sell it cheaper than you can possibly produce it.”

Now, how to make this drastic change? It is just as simple as the announcement itself.

1. Withdraw all the production feed and seed loans.

2. Clamp down on the requirements necessary to get a loan through Production Credit Association. Make the terms a bit harder, which will throw most of this type of financing back to private financing institutions.

3. Cancel out all the county and township Acreage Allotment Committees, for they will not be needed.

4. Let the Soil Conservation Act of 1938 have nothing to do with cotton restriction or reduction. Let it stand honestly on its own merit, which is simply soil conservation—and prevention of soil erosion.

5. To offset the South's handicap on tariffs, subsidize the production of cotton on a quantity basis for one year only, 1938, giving each producer four cents per pound on all he can produce and let him be his own judge on his own finance and acreage.

6. Reduce the tariffs drastically by executive action during 1938 to promote the flow of our cotton into export.

7. Release cotton quickly from its present locked position in the 1937 loans so that it can flow freely into export now.

Yes, it is as simple as that.

It must be done even though it hurts. We in the South are ready for the shock and the suf-

fering it may cause for one year or so—but it is far better that the country absorb the shock and suffering, if any, now while prosperity appears to be permeating most businesses—than to have the whole country later flat on its back, demanding more and more inflationary fiats to come to its rescue.

There is nothing new in the plan we are suggesting—but it is particularly fitting to the present real emergency and it is the only way for the South to absorb its share of the country's unemployed—and the only possible way for the nation to balance its budget, without direct inflation.

It may be too simple to fit the present complex political setup—which desires to wangle the South into agreement on the Wages and Hours Bill and a lot of other artificial schemes and theories—and your risk on that all depends on whether the South will rise up in its might and present that same solid conservative front which it has done on other occasions.

Mr. Roosevelt and Mr. Wallace, the responsibility for these things rests definitely upon you. You cannot dodge them, but you can correct them, and you should.

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