

Attack on the T.V.A.

By Henry Zon

BEATEN four times, the nation's utilities are making a fifth desperate drive on the New Deal's power program. Utilizing the current squabble among the directors of the Tennessee Valley Authority, they are demanding an investigation of the T.V.A. which, they hope, will indefinitely postpone pending legislation designed to implement the Administration's power program.

Such, in essence, is the basis of the current congressional demand by the Senate Tories for an investigation of the T.V.A. Its starting point is the mud-flinging contest among the T.V.A. directors, but the Knoxville name-calling jamboree is just a convenient excuse for the power trust and its friends to cry "Corruption," "Teapot Dome," "Scandal," "Fraud."

The background of the T.V.A. will help illuminate the present situation.

For fifty years the electrical industry thwarted every attempt to secure state or national regulation of rates or securities. The results were disastrous. Investors lost millions in the Insull collapse, in Cities Service. Consumers paid extortionate rates. Politics, newspapers, schools, colleges, and technical professions were smeared with utility cash, were serving utility ends.

With 1933 the whole superstructure collapsed. A liberal national Administration took office, and the nation turned its face toward public ownership of public utilities. In 1921 Muscle Shoals, no longer needed for the war production of nitrates, gave the nation a chance to establish a super-power system, and Senator Norris of Nebraska led in the attempt to convert the Muscle Shoals dam into a power-producing station.

But the utilities decreed that there would be no generating stations, and the obedient servants in the White House and Congress heeded the decree. Big business was in the saddle and, in fact, in 1928 Josiah Newcomb, the chief utilities lobbyist in Washington, in a merry and brave moment in the Cosmos Club declared, "I represent a nine-billion-dollar industry. We will not permit the United States to build generating stations."

The swing came in 1932, and Muscle Shoals and Boulder Dam were built and converted to the generation of power. The power trust was licked on power generation.

Next the utilities decreed: No public transmission lines. In the T.V.A. Act the right of the government to build transmission lines was declared, and the power trust was licked on transmission.

Municipally owned distributing systems must be stopped, the power trust decreed again. Bond houses refused to deal in public bonds for that purpose, or else charged exorbitant interest rates. When Secretary of

the Interior Harold Ickes offered P.W.A. loans for the building of municipal distributing systems, the companies ran into the courts and secured injunctions.

In January the chastened Supreme Court held in favor of the government, and Ickes is now turning loose over \$99,637,000 to sixty-one projects in twenty-three states for distribution systems. The cities will provide an additional \$47,279,854. The solid front of banker opposition was broken, and the power trust was licked on distribution.

In 1930 the utilities started the New River case, in 1934 the Ashwander case, and in 1936 the Eighteen Company case, all denying the right of the federal government to generate and sell electric power. The Supreme Court threw out the Ashwander case. On January 21, 1938, Judge Florence Allen, in the Eighteen Company case, declared the contested sections of the T.V.A. act constitutional and stated, "These complainants have no immunity from lawful competition, even if their business be curtailed or destroyed." Thus the power trust was licked on the question of constitutionality.

Having failed to top the demand of the masses for cheap and plentiful electric power, the utilities have now turned to a smear campaign while stalling for time. A look at pending power legislation tells why the utilities demand delay.

First, there is the Norris regional conservation bill, embodying a comprehensive program for power production, land planning, soil conservation, and intelligent usage of the nation's natural resources. Because it provides for public control of power it is anathema to the utilities.

Secondly, there is the appropriation for the Rural Electrification Administration. Since the appointment of John Carmody as R.E.A. administrator, the potentialities of electric power have been brought home to thousands of farms, principally through rural distributing coöperatives. At the moment the Senate has appropriated \$40,000,000 for the R.E.A. for the coming fiscal year, while the House appropriated \$30,000,000. Conferees

failed to agree on a figure, the power lobby is fighting to keep the sum at \$30,000,000, and the fate of the appropriation hangs in the balance.

Third, there is pending an appropriation for needed additional construction at the Bonneville Dam in the West, of which J. D. Ross is an able and honest administrator. The utilities crowd is fighting it.

Fourth, an appropriation for the Gilbertsville Dam at the mouth of the Tennessee River is also pending. It is an important link in the T.V.A. structure and means a possible 192,000 kilowatts of electric power.

Fifth, pending in the House Commerce Committee is the Norris resolution, directing the Federal Trade Commission to resume investigation of private utility propaganda and appropriating \$150,000 for the probe. It has passed the Senate and has been pigeonholed in the House for over a year.

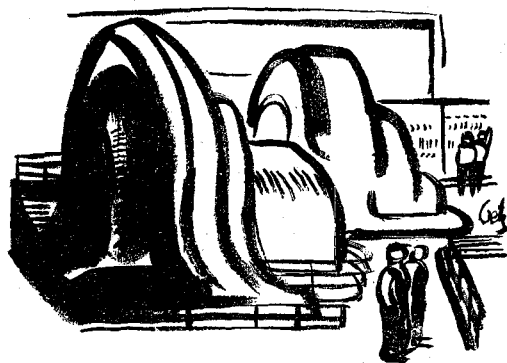
Thus defeated on four fronts and facing a rout, the power trust grabbed at the alleged T.V.A. scandal as a reliable red herring with which to divert attention. Had the T.V.A. directorship been serene and harmonious, the enemies of the T.V.A. would have filled the air with other charges to secure an investigation of the T.V.A.

That the investigation, which seems sure to come, will be an impartial, fact-finding investigation is unlikely. Senator H. Styles Bridges (R., N.H.) tipped his hand when he refused the suggestion of Senator Norris that they both stay off the investigating committee. This same Senator Bridges, it will be recalled, was the man whose heart bled for Tom Girdler during the Little Steel strike, who demanded that the Post Office deliver food and clothing to the sinks in the plants, who shouted for law and order when the Post Office Department refused to perform strikebreakers' duties, but who raised not a peep when Chicago police shot, in cold blood, ten steel workers.

Bridges has been joined in his demand for an investigation by Senator King (D., Utah), a sanctimonious tory, who thinks that the housing act is "communistic" and sure to lead straight to Socialism. King's chief target in recent years has been the relief appropriations, and it has been his sadistic delight to cut and slash at those appropriations at every turn.

On the other hand, despite all the hullabaloo, the investigation is likely to produce little, for, in the words of Representative Jerry Voorhis (D., Calif.), the administration of T.V.A. has been "clean as a hound's tooth." The probe is apt to center on the three-man T.V.A. Board of Directors.

In charge of the power end of the T.V.A. is David Lilienthal. Well versed in the tricks of the power trust, he has, in many instances, beaten them at their own game and even sold



Arthur Getz

ge blocks of power to industry in a competitive market sought by the private utilities. It was Lilienthal who forced the utilities to concede the principle of valuation based on reasonable investment, and he is currently engaged in negotiations with Wendell Willkie, head of Commonwealth & Southern, for the purchase at a fair price of utility systems within the T.V.A. area.

Lilienthal has placed the T.V.A. on a contractual basis with the unions involved, with the result that the T.V.A. is one of the most highly organized of government agencies. He believes in the right of workers to organize and bargain collectively, and at the 1936 convention of the American Federation of Labor in Tampa made a solid speech showing the relationship between the T.V.A. and the workers of the nation.

Dr. Arthur Morgan, chairman of the board, is in charge of the engineering phases of T.V.A. Prior to his appointment, he was President of Antioch College in Yellow Springs, Ohio, and, as an engineer, he built a number of flood control dams on Ohio's rivers. These dams, it is reported, all bear neat plaques declaring that they shall never be used for the generation of public power.

Shortly after Morgan was appointed to the T.V.A., he told Judson King, power expert of many years' standing, "I want to tell you one thing. I am not going to fight the power companies." In 1936, when President Roosevelt indicated opposition to a policy of "power pooling," Morgan issued a long statement urging "coöperation" between the government and the private utilities on a basis of "mutual confidence," the setting up of power "pools," and denying municipalities the right to establish their own distributing systems in competition with the companies.

Senator Norris declared, in comment, "I was amazed at Dr. Morgan's position. Had I read his statement without knowing its author I would have unhesitatingly declared that it was the work of a power trust attorney."

IN MARCH, 1937, Morgan wrote in *Antioch Notes*, the publication of the college he once headed, "The company union afforded a golden opportunity for those in control of industry to discover an approach to industrial democracy and to develop capacity in workers for sharing both opportunity and responsibility. The fact that the very name has come to be hated by labor, and that commonly it has come to stand for methods aimed at preventing such sharing, is evidence that management often has failed to make wise use of a great resource."

The A. F. of L. International Brotherhood of Electrical Workers could not take that. An article by Marion Hedges, research director for the union, in the official journal remarked, "Here we find the same Protean words, the same sleight of hand of language, the same high-flown approach to the labor problem as Mr. Morgan manifests in his approach to the power problems. Here also, however, is abject conservatism masking as liberalism, misinformation parading as scholarship, and dan-

Bread and Butter Letter

Thanks for a perfect weekend at The Manse;
From hikes to hiccups, it was simply great!
We were especially glad to have the chance
Of looking over your renowned estate;
Your private golf links and trout stocked lake,
Your sunken gardens, stables, aquarium,
Are excellent—and certainly will make
A first rate Workers' Sanitarium.

Some changes must be made (begging your pardon),
We shall tear down the wall around the garden,
Increase the help, change shifts at 1:00 and 7:00,
Also increase their pay—perhaps we'll even
Retain your favorite servant at the door
To say, "He doesn't live here any more."

HOWARD NUTT.

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gerous administrative policies made to look like expressions of noble emotions.

"One reads 'Company Unions' with amazement. One is confounded by the confusion of mind displayed by Mr. Morgan. One finds the article misinformed, almost ludicrous in its mixture of values and its distortion of facts. No thoughtful man can believe that the head of the T.V.A. could have put his initials to this crazy-quilt of labor philosophy."

Harcourt Morgan is the third director of the T.V.A. Formerly President of the University of Tennessee, he is concerned with the fertilizer division of the Authority. Because hundreds of thousands of farmers benefit by the cheap fertilizer produced by the T.V.A., his department has been relatively free from attack.

Critics of President Roosevelt point to the Morgan-Lilienthal feud as a case in point when they object to the present Administration. Mr. Roosevelt's critics of the unfriendly stripe are saying, "We told you so all the time," and proceed from there to indict the Administration, from the handling of the Social Security Act to the manipulation of gold reserves. It will be an important item of argument among that class of Republicans and tory Democrats who say, "We like what the President is trying to do, but we abhor the way in which he does it."

Though political wiseacres are holding their heads at the open White House conferences with the T.V.A. directorate as a gross violation of the adage, "Never handle a hot poker on the front porch," there are those in the Presidential circle who are convinced that Director Arthur Morgan, by his refusal to produce facts to back up his charges and his open defiance of the President, is playing into the President's hands.

A striking parallel to the present proposed investigation is the attempted smear of the On-

tario hydro-electric system, which is publicly owned and operated.

The province began serving fourteen municipalities in 1910. By 1921, 268 municipalities were being served with public power, and domestic rates had been forced from an average of 9.3 cents per kilowatt hour to an average of 2.5 cents per kilowatt hour.

The success of the Ontario publicly owned and operated electric system alarmed Canadian bankers and utility magnates, just as now the success of the T.V.A. is striking panic in the hearts of American utility interests.

Sir Adam Beck, chairman of the Ontario enterprise, was called a "ruthless Czar," just as Senator Bridges called Lilienthal a "Hitler"; vast sums had been misappropriated, just as charged by the hidebound General Accounting Office in a remarkably timed statement; there was extravagance and corruption, just as charged in regard to the Berry marble claims; plant capacity was too large, just as charged now; the debt would bankrupt the province, just as charged now.

The result was that in 1922 the Gregory Commission was appointed to investigate the Ontario Commission. It spent \$505,801 and twenty months in its probe, during which time the utilities and the reactionary newspapers had a field day.

The headlines of the *Toronto Globe* of March 14, 1924, told the story of the investigating committee's report to Parliament. "Rash Charges of Irregularities Were Baseless, Ghost Stories That Faded upon Investigation, Completely Vindicates Hydro-Electric Project and Even Commends Sir Adam Beck's 'Notable Service to His Province,' Province Pays \$505,801 to Learn Hydro Is Sound," the *Globe* said.

Later one Samuel S. Wyer of Columbus, O., wrote a pamphlet attacking the Ontario Commission and sent it to members of Congress at the time the Norris Muscle Shoals Bill was pending. Subsequent investigation showed that the Wyer pamphlet was paid for by the private utilities. Purportedly based on the investigation of the Gregory Commission, it was proved filled with falsehoods, and Chairman Gregory repudiated it entirely.

But the Gregory investigation served the purpose of the Ontario utilities. It cost the province of Ontario half a million dollars, it delayed and hampered the work of the Ontario Hydro Commission, and it served as the basis of propaganda in the rest of Canada and the United States.

So it is with the T.V.A. investigation. Though nothing is proved, though the T.V.A. is fully vindicated, though the utilities are shown in their true colors, the investigation will provide a springboard for the utilities and their propaganda, and it will delay the whole advancement of the T.V.A. program.

Driven to the wall, the utilities are striking back, using the same blackguard methods they have always used. Representing as they do some of the largest financial interests in the country, the utilities give a clue to what may be expected when a program of broad social reform marches forward.