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THOMAS JEFFERSON AND FINANCIAL REFORMS

ADDRESS

of

EDWARD C. EICHER

Commissioner, Securities and Exchange Commission

before the

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Mr. Chairman:

All of us should be thankful that, in today's dark world, we in America can still meet and pay tribute to Thomas Jefferson, secure in the knowledge that we are travelling the road which he laid out over one hundred and fifty years ago. In honoring him, we honor ourselves, for no people could ask for greater honor than to live in his tradition, under a government which seeks to achieve his ideals. And it is particularly fitting that tonight this celebration should be held on the soil which, in 1803, became part of our great country because of his characteristic foresight, courage, and statesmanship.

Jefferson has been properly called "the most conspicuous of American apostles of democracy." His principles have become the very foundation of our form of government, and the basic ideals of our society. He was an aristocrat by birth and position -- nevertheless he proclaimed that "all men are created equal". He was the possessor of substantial wealth and many privileges, yet insisted that *all* men "are endowed by their Creator with certain inalienable rights, that among these are Life, Liberty, and the Pursuit of Happiness". Consistently, in practice and in theory, he fought the special privileges sought by those whose sole claim to extraordinary favor was the accident of birth or the unearned spoils of speculation. He denied all but the natural aristocracy of talent and achievement.

It is only normal that many of the New Deal reforms have their roots in Jefferson. This is the party of Jefferson, and it is his party not only in name, but in deed. I believe it to be particularly appropriate that I should discuss tonight those great accomplishments of the New Deal that are embodied in the three basic statutes which the Securities and Exchange Commission administers. My discussion will demonstrate, I feel confident, that although revolutionary changes have occurred in the fields of business and finance since Jefferson's day, these three statutes are soundly based upon his philosophy.

All three of those Acts, namely, the Securities Act of 1933; the Exchange Act of 1934; and the Holding Company Act of 1935, seek essentially the same objective. That objective may be simply stated to be the prevention of the abuse of financial power -- to help make it impossible for the handful of people who possess great power in the financial world to oppress the rest of us; and to help bring about conditions in which all the people will have an opportunity to obtain for themselves a fair measure of the good things of life.

This is an effort in which the people of Kansas played a pioneer part. It is with some pleasure that I recall that back in 1911, when Eastern promoters were swarming through the Middle West unloading stocks and bonds of doubtful value upon trusting farm folk, the Kansas Legislature enacted a law to control stock fraud and stock swindling in the state. Thus, of all the states in the Union Kansas became the first to adopt a Blue Sky Law. Today nearly every state in the Union has a Blue Sky Law of one type or another and the work of the state enforcement agencies cannot be too highly praised.

But with the growth of the country since 1911, stock fraud and swindling and the more subtle forms of financial juggling became a matter of national concern. And so it was, in 1933, that President Roosevelt asked the Congress to enact legislation governing the sale of securities. I give you the President's own words:

"There is . . . an obligation upon us to insist that every issue of new securities to be sold in interstate commerce shall be accompanied by full publicity and information, and that no essentially important element attending the issue shall be concealed from the buying public.

"This proposal adds to the ancient rule of caveat emptor, the further doctrine "let the seller also beware." It puts the burden of telling the whole truth on the seller. It should give impetus to honest dealing in securities and thereby bring back public confidence.

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"What we seek is a return to a clearer understanding of the ancient truth that those who manage banks, corporations, and other agencies handling or using other people's money are trustees acting for others."

To accomplish these aims of the President, the Acts operate in various ways. The Securities Act -- the "truth about securities" statute -- requires that all material facts be fully and truthfully disclosed before stocks, bonds, and other securities are offered for sale in interstate commerce or by use of the mails. Its purpose is to prevent promoters and bankers from taking money from investors on the basis of misleading or incomplete disclosure. It requires that persons selling securities should tell the people just what they are offering -- so that an informed judgment can be made. It outlaws the shell game and the well-known sale of a pig in a poke.

The disclosure required by the Securities Act was not solely designed to protect individual investors against fraudulent misrepresentations, or to prevent individual persons from profiting as a result of their deceit. To be sure, that is one of its objectives, and, proceeding on the Jeffersonian belief that people are endowed with sense enough to make sound judgment, it required that investors be supplied with complete and reliable information to enable them to form an intelligent independent conclusion as to the merits of securities. The law contemplates that, with the aid of full knowledge, investment can be, as it should be, a matter of private choice of the investor, and not merely a form of tribute paid to a financial oligarchy. But the Act has a much broader purpose in view -- a basic economic function that is of tremendous importance. As a matter of economic theory, the growth of business in a profit system is regulated and directed, in part, by the willingness of investors to risk their funds in enterprises. The idea is that the collective judgment of investors as to whether it is profitable to invest funds in a particular enterprise is a partial check upon the desirability and wisdom of this enterprise, and thereby contributes to the public interest which is obviously best served by successful undertakings. If investors buy securities without exercising any judgment as to the merits of the business upon which those securities rest, this economic function is not performed, and the flow of capital to business to that extent lacks guidance and direction. Now, if investors are not given full information about the company in which they are asked to invest their funds, they cannot make the business and economic judgment which is necessary if this function is to be performed. Prior to the Securities Act, in many thousands of situations material facts were not supplied to the investor. His purchase -- and the purchases of all investors -- in such cases had no more economic significance than if they were betting on whether the treasury receipts in the Kingdom of Siam would increase or decrease. Failure to supply such information was without doubt one of the causes of the mad orgy of financing which took place during the 20's and resulted in the disastrous

overcapitalization of many business enterprises. The Securities Act, by forcing disclosure of all material facts, makes it possible for investors to exercise this intelligent sort of judgment on the business risks and prospects of the enterprise. It therefore makes it possible for the flow of capital to be guided, by the collective judgment of investors, into channels where it can be used with profit, not only to the individual investor, but to the nation as a whole. I repeat that the importance of this function can hardly be overemphasized.

But disclosure of all material facts when securities are first offered for public sale is not enough. Many of the most spectacular and ruinous collapses of individual fortunes (which have had an injurious effect upon the whole nation) have taken place because of abuses in the markets where securities are bought and sold. The insider -- the officer or director of a corporation who in law and in good morals is charged with a duty to protect his stockholders -- has on occasions been found using his advance knowledge of its business to make money for himself, at the expense of those stockholders, by buying or selling securities on the market; men comprising the inner circle of the great stock exchanges, the pool operators and the speculators, have all manipulated the machinery of trading in securities to make private fortunes at the expense of other people.

No one has more vigorously condemned speculators who seek to enrich themselves at the expense of their fellow citizens in disregard of even the rudiments of fair dealing than Jefferson. His historic controversy with Hamilton over fiscal policy was in large measure due to his antagonism to speculators. He believed that Hamilton's fiscal program was designed to benefit the speculator, or at least would have that effect. Their fight was particularly bitter in connection with Hamilton's proposal to redeem at its face value the paper money issued during the Revolution. Most of this money had been bought up by speculators, and Jefferson opposed Hamilton's proposal because it meant enriching such speculators who had contributed nothing to the national welfare. For the same reason, he opposed Hamilton's program for the assumption of the state debts by the federal government, for it was clear that the original lenders to the states had sold their state warrants to speculators at low prices. Jefferson's comment upon the passage of the Assumption Bill was that, "Twenty million has been thrown in as pabulum to the stock-jobbing herd." Today, history concedes that he spoke truly when he said that the assumption of state debts would never have been ratified if the men who profited by the operation had abstained from voting.

The opposition to speculation expressed by Jefferson is not unusual. The masses of people, from Biblical days to the present, have always resented the sharp trader. In a complex industrial economy such as ours, however, we must be careful to distinguish between the sort of speculation which is to be condemned, on the one hand, and the honest and proper trading which is an essential part of our economic machinery. Our difficulties and disasters in this field have arisen not because men bought and sold securities freely, but because some men who had inside information, or were in a position to make the rules of the markets to suit themselves, or who were ruthless and reckless, wilfully proceeded to deceive, cheat and out-manuever the rest of us.

It is to stop this kind of speculation that the second basic statute that I have mentioned -- the Securities Exchange Act of 1934 -- was passed. This Act can perhaps best be thought of as a code of fair practice for the stock exchanges and securities markets -- a set of rules designed to bring about equality of opportunity and fair dealing for all who desire to buy or sell, and to prevent undue speculation.

Its effect is not merely to prevent John Doe from taking unfair advantage of Richard Roe. The practices which it outlaws have a basic effect upon our entire economy. The collapse of 1929 is so fresh in our minds as to make it unnecessary for me to dwell at any length upon its causes. Within the securities field methods were prevalent by which a relatively small number of persons were trading in securities in a way that destroyed the useful economic function of this process, to the great detriment of the entire nation. As a Congressional investigation revealed, this uncontrolled speculation was an important cause of the credit inflation which led in turn to the panic of 1929. President Roosevelt, responding to the well-nigh unanimous public demand for federal control over these practices, recommended the adoption of legislation "for the regulation by the Federal Government of the operations of exchanges dealing in securities and commodities, for the protection of investors, for the safeguarding of values, and so far as it may be possible, for the elimination of unnecessary, unwise, and destructive speculation".

The response was the Securities Exchange Act of 1934, which created the Securities and Exchange Commission and gave it regulatory powers over securities transactions and over national securities exchanges. The enactment of this legislation symbolized a triumph of the people over the financial operators who profited unfairly at the expense of defenseless investors. Pool operations, unrestricted "margin" transactions, "wash sales" and similar practices were put under the ban.

Under this statute, great progress has been made by the Securities and Exchange Commission, in cooperation with the forward-looking members of the financial community, toward establishing a fair and open market-place for securities, in which people may deal without fear of trickery or deception -- and in which prices may be established by economic law rather than by the manipulations of speculators. The task has not been an easy one, for the Commission or for the security traders. Most of the difficulties that have arisen have been worked out at the conference table; and it is the exception, rather than the rule, for either party to disregard this sensible and intelligent method of coordinating the efforts of government and the objectives of the financial groups. Indeed, the dominant groups in the exchanges seem to have accepted the fact that their activities are appropriate matters for public regulation. On the other hand, I feel certain that neither the government authorities nor public opinion will tolerate any attempt, however subtle, to impair the effectiveness of this regulation. Pools and other devices by which the public is induced to hold the bag for clever manipulators will no longer menace the security of investors and the soundness of our economy.

These two statutes, the Securities Act and the Exchange Act, will not of themselves assure the solvency and efficient operation of business. Business and economic factors, beyond the purview of those statutes, must determine whether our industries and mercantile establishments are efficient, solvent and successful. The purpose of these acts, in this respect, is merely to regulate the financial machinery so that it will not operate as a cancerous growth on business. It is only in connection with public utility holding company systems that Congress has vested the Securities and Exchange Commission with a measure of power over the fundamental economics of any branch of business.

These public utility systems are of peculiar public concern. The law has long placed gas and electric companies in a separate category because of their

intimate effect upon the life and well-being of all the people and because of their peculiarly monopolistic characteristics. For many years they have been subjected to a large degree of regulation by state and local governments. In many states, the rates they may charge and the services they may perform are controlled by agencies of the local government; and the securities that they may issue must be approved by such agencies.

This regulation, however, was to a large degree rendered nugatory by a variety of factors. Chief among these factors was the formation of corporations which themselves sold neither gas nor electricity, nor any other commodity, but which bought securities of scattered operating companies with money obtained through the sale of their own securities. These companies, generally speaking, were not subject to regulation, and by a variety of practices which I shall not attempt to describe, they virtually nullified the regulation of operating companies' rates and securities by state agencies. More than that, they became tremendous engines of economic and financial power. A single individual, like Insull, using these holding companies, could buy up control of dozens of electric and gas companies and thus vitally affect the lives and well-being of millions of people; and he could obtain this enormous power by means of money that he got from the public at large. He might have not one cent of his own money in the enterprises; but he could control hundreds of millions of capital and draw off millions in profits for himself.

Let me give you an idea of the extent to which power and wealth have been concentrated by means of the holding company device in this field. The five largest public utility holding corporations together show consolidated assets of more than seven billion dollars. One holding company alone -- the Electric Bond & Share Company -- has consolidated assets of two billion six hundred million dollars; North American Company has over one billion two hundred million of consolidated assets; and three other holding companies each have more than one billion dollars of consolidated assets.

When you remember that each of these companies is run by mortal men, with human failings, that each has one man as its president and a few men as directors, I think you will agree that we face an appalling situation. So much wealth simply cannot safely be placed in the control of a few men -- particularly in an industry which vitally and directly affects every man, woman and child in this nation. This state of affairs has been appropriately called a "form of private socialism, inimical to the institutions of a free people".

More than this, recent history shows that this power can be and has been abused. Corporation has been pyramided upon corporation; millions of dollars of holding company securities have been sold to the public that are without any substantial basis in the assets or earnings of the issuing corporations; exorbitant charges have been made for so-called services rendered by the holding company systems to operating companies; over-loaded corporate structures have resulted in excessive rates to the millions of families that use gas and electricity; and the concentration of control in the hands of a few people over properties scattered all over the country, has resulted in inefficiency, waste, and a form of absentee landlordship which involves many of the hateful aspects of feudalism.

All of these things the Holding Company Act seeks to correct! It provides machinery whereby the Securities and Exchange Commission can prevent excessive and unwise issues of securities; regulate charges for engineering, accounting and other services; control the dealings between companies in the same holding company system; simplify the crazy pyramids of these systems and bring order and sense to the complex corporate structures; and compel holding companies to give up control over empires which are so large as to constitute a public menace and that are so scattered as to be inefficient, wasteful and anarchistic.

I have not the time to do more than mention these provisions of the Act. In my opinion this statute is one of the most precious achievements of this administration. I am glad to have had a part in its drafting and enactment into law, while I was in Congress; and I am glad that I now have the opportunity to participate in its administration as a member of the Securities and Exchange Commission.

The personal allusions I have just made bring to mind the strenuous fight that was waged in 1935 by special interests to defeat the Holding Company Act in the House of Representatives. The interests won the first round in June, but the Senate investigation of lobbying activities conducted by Senator (now Justice) Black during the summer caused enough misled Congressmen to see the light so that the bill became law in August.

Among the members of the House who voted for the bill on final passage was your own Congressman, the honorable John M. Houston. Not the least of my satisfactions in being with you tonight is the opportunity it gives me to meet face to face so many of Jack Houston's home folks in the District that he represents with such great distinction in the Nation's Capital. I shall carry through life the delightful recollections of our happy and to me, helpful, associations through the years that I served with him as a fellow-member of the House. This progressive and discriminating Congressional District will I am sure keep him at his post as long as he can be persuaded to stay, to continue as the worthy successor of that other distinguished son of Kansas, the honorable William A. Ayres, with whom I also served in the House, and whom I am also proud to call my friend.

To return from my digression, permit me now to consider one aspect of the Public Utility Holding Company Act that I think it appropriate to comment upon at greater length, since it is so closely allied to the basic philosophy of Thomas Jefferson. Jefferson had an abiding faith in the capacity of the people to govern themselves, and a firm distrust of financial institutions which were so powerful as to interfere with the right of the people to control their own destinies. You will recall his great fight upon the first Bank of the United States. He fought this proposal because he believed that the Bank would become an instrument by which the moneyed interests could exercise an unhealthy influence over the government. The danger he feared, namely, that excessively large and powerful financial agencies (of which some of the public utility holding companies are examples) can exercise excessive influence upon our governments, is much more serious today than it was in Jefferson's time. I need not remind you that in some states the great holding companies have in the past poured millions of dollars of money, obtained from the people through charges for electricity and gas, into propaganda and political campaigns. These and many similar facts were developed at length in the notable investigation of public utilities conducted by the Federal Trade Commission, of which your own Billy Ayres is a valued member.

Jefferson saw that the best answer to this problem was to make it possible for the people to govern themselves and to control their own institutions. This cannot be done, of course, if private institutions are more powerful than the people themselves or the people's government. And unquestionably, the great public utility holding companies have in the past been in this category, both politically and financially.

The Holding Company Act gives the Securities and Exchange Commission the power to put an end to this intolerable situation. It is designed to make our public utilities, under private ownership, more responsive to the interests and needs of consumers and investors, and to save the industry itself from the ruin to which a few financial wizards were fast carrying it. It makes it possible for the control over local companies -- which enter virtually every home in every city and village -- to be exercised by the people through their local governments. It requires that every holding company restrict its operations to a single area or region which is not so large as to impair the advantages of *localized management, efficient operation or the effectiveness of regulation.*

These simple words -- localized management, efficient operation, and the effectiveness of regulation -- are, in my opinion, a new charter of democracy for the people of this country. They are of tremendous significance as applied to the vital electric and gas industries, which are literally the nervous system of our national economy. But more than that, I believe they point the way to a greater, healthier and more stable America of tomorrow.

America must move forward; and the emphasis upon the breaking up of feudalistic financial empires and upon the strengthening of regional businesses and regional financial control which is found in the Holding Company Act, points the road along which we may travel with profit. Too long has this section of the country, the far West and the South been bound to the great financial centers of the East by the interwoven golden threads of remote but effective control. Too long have the essential industries of these regions been in bondage to the financial centers of the country. The result has been the unsympathetic administration which always accompanies absentee rule and the slow starvation which always occurs under the typical absentee landlord who feels no obligations to or dependence upon his tenants.

Under the leadership of William O. Douglas, who next Monday lays down the Chairmanship of our Commission and takes his seat as a Justice of the Supreme Court, the Securities and Exchange Commission has made a beginning, within the narrow scope of its powers, on the task of regionalizing and localizing the nation's financial machinery. In this, I am happy to say, we have had excellent cooperation by progressive leaders of industry and finance who are sincerely concerned over the necessity for putting our business and financial house in order. We have encouraged regional and local markets for securities; we have started a study of the financial needs of small business and of ways and means to meet those needs; we have attempted to standardize and simplify our regulatory duties under the statutes so as to facilitate the issue and sale of small amounts of securities to obtain capital for small enterprises; and under the Holding Company Act a variety of measures have been taken -- in addition to those I have already described -- that are designed to encourage local participation in the profits and control of local business. This is, of course, a bare beginning on a problem which has been too long neglected and which now imperiously demands solution.

There is one further aspect of the work of the Securities and Exchange Commission upon which I wish to comment. Jefferson wrote: "The execution of the laws is more important than the making of them." If that was true as to the laws that were in force in Jefferson's day, it is particularly true of the administration of those unavoidably complex and technical laws that Congress has entrusted to our Commission. It is only natural, therefore, to find that the Securities and Exchange Commission, like many similar agencies, has been given the power to determine whether or not certain activities should be permitted or proscribed, and under what circumstances others may be conducted. Such authority was necessarily conferred upon the Commission in order that it might adequately cope in the public interest with the intricacies of expanding business activities that are nation-wide in their impacts and therefore beyond the control of state and municipal governments.

Administrative adjudication is flexible and pliable. The administrative agency is the mechanism by which a responsive government works responsibly; a means by which informed judgments may be made on a multitude of technical problems that are vital to the public interest. It would be hopeless to attempt to exercise the workaday powers of government by any other means. And administrative agencies have creditably borne their responsibility. Administrative agencies have been critically judged, and, in impartial quarters, have been found not wanting.

In the heat of political debate these great non-political reforms of the New Deal are often forgotten. They are overlooked simply because they are no longer a subject of debate - because they are accepted almost unanimously. With characteristic courage and sympathy for the needs of the nation, President Roosevelt drove right to the heart of the financial evils. He called for and obtained laws governing the activities of those who desecrate the Temple of democracy with dishonest financial schemes. He insisted that in their dealings they be governed by old fashioned simple standards of honesty and fair play. He demanded that the control over the nation by a handful of powerful and selfish men in the East be broken. What he has accomplished here is a monument which will long stand as another great memorial to the vitality of the real brand of Jeffersonian Democracy in this country. It is in the best American tradition. It is in the best Jeffersonian tradition. It is in the best Roosevelt tradition. Without Roosevelt, and without such other far-seeing liberals as Jack Houston, Billy Ayres, George McGill, Ed. Patterson, and Randolph Carpenter that Kansas has contributed to our national councils, the program would not have been possible. Most of the bills were enacted into law over strenuous opposition from vested interests, which always resist every effort to suppress monopolistic activities or to deprive them of valuable franchises for exploitation. These measures are all necessary to preserve the capitalistic system for the common good, and to prevent its destruction. In that sense, I say that they are truly and genuinely conservative.

How much governmental intervention there must be in the process of translating these laws into action that will effectively "promote the general welfare" depends upon industry. In this connection I quote a pertinent paragraph from an address delivered by Chairman (now Justice) Douglas a year ago:

"The social and economic objectives which will be won in this country have been clearly defined by the administration. If industry regulates itself in accordance with these standards, there will be no need or excuse for prodding from Government. If industry -- whether it be an exchange on the one hand or a utility company on the other -- will

work with the law rather than around it, setting the pace in tune with the national will, as defined by the legislation, it will produce results which will make it necessary for Government to act only in a residual role.

"I know that there are sufficient brains, courage, and integrity in business to do this. Those who made industrial America can provide anew a leadership under this new social contract. They will find cooperation in those terms in Washington. They will find fairness, intelligence, and tolerance, and genuine assistance in solving their problems. If they will recognize and accept the new social contract which the times and the affairs of men have written and which this administration has articulated, they will find that they can assume a real position of leadership and proceed under their own motive power without pushing and prodding by Government."

Before I conclude, may I refer to the comment too often made that Thomas Jefferson opposed change and the expansion of governmental regulation. I think it is time that this notion be corrected. If it is true that Jefferson affirmed his belief that the government which governs least, governs best, it is also true that he lived to decry it.

It is utterly superficial to appraise Jefferson's political philosophy as expressed in his early writings, apart from the institutions of his time. His was essentially an agrarian outlook. Jefferson thought in terms of individuals, families, and small communities, quietly managing their own affairs. In 1816 he wrote to a friend reaffirming his basic faith in the citizenry and its ability to govern. At the same time, he acknowledged that the government which he had envisioned in his early youth was necessarily "a government restrained to very narrow limits of space and population."

Because Jefferson deemed it the duty of government to promote the welfare of the man, he knew that democracy would not work unless it accepted the principles of change. Shortly before he became President, Jefferson expressed his impatience with those who "look backwards instead of forwards ... and recur to the annals of our ancestors for what is most perfect in government". And later he wrote:

"The idea that institutions established for the use of the nation cannot be touched nor modified, even to make them answer their end, because of the rights gratuitously supposed in those employed to manage them in trust for the public, may perhaps be a salutary provision against the abuses of a monarch; but it is most absurd against the nation itself."

The powers which Jefferson, during his long years of struggle against tyranny and privilege, thought should alone properly be entrusted to government, proved inadequate when he became the responsible head of the Nation. And it is a credit to him as a thinker that he saw so many of the weaknesses in his earlier opinions and modified his views as he realized their deficiencies. As an outstanding advocate of "free commerce with all nations, political connections with none," he later sponsored the imposition of an embargo; as an outstanding opponent of the First United States Bank he is reported to have urged his party to support the creation of the Second Bank of the United

States; and as an advocate of strict construction of the Constitution, he was prepared to ignore his earlier ideas in order to justify his purchase of the Louisiana territory. Enough has been said to show that Jefferson took a broad view of the Constitution in practice. We are now not concerned with pushing forward our geographical frontiers as was Jefferson and his age, but we are still concerned -- indeed, we are greatly concerned -- with adapting our laws, habits, and institutions so as to improve the lot of mankind and to destroy its bondage to privilege.

It is interesting to find that less than a decade after his retirement from public life, he wrote to a friend:

"Some men look at constitutions with sanctimonious reverence, and deem them like the ark of the covenant, too sacred to be touched. They ascribe to the men of the preceding age a wisdom more than human, and suppose what they did to be beyond amendment. I knew that age well; I belonged to it, and labored with it. It deserved well of its country. It was very like the present, but without the experience of the present; and forty years of experience in government is worth a century of book-reading; and this they would say themselves, were they to rise from the dead. I am certainly not an advocate for frequent and untried changes in laws and constitutions. I think moderate imperfections had better be borne with; because, when once known, we accommodate ourselves to them, and find practical means of correcting their ill effects. *But I know also, that laws and institutions must go hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths disclosed, and manners and opinions change with the change of circumstances, institutions must advance also, and keep pace with the times.* We might as well require a man to wear still the coat which fitted him when a boy, as civilized society to remain ever under the regimen of their barbarous ancestors." (Italics supplied)

Jefferson lived too early to visualize clearly the industrialism which began to appear on the horizon in his later years, but he was conscious of its coming. By 1816 he was prepared to acknowledge that the agricultural society of his day was yielding its supremacy and that a place must be made for industrialization in the nation. By that time his party had moved far on the road toward nationalism. Sentimentally, Jefferson could only regret this trend, but as a wise and understanding statesman the aged leader looked down from his Virginia mountaintop not disapprovingly.

Jefferson, accordingly, if he were to apply the talents of his statesmanship to the solution of today's pressing problems, would certainly stress the need for greater buying power in the masses of our citizens who produce the wealth of the nation. The deficiency in such mass buying power is at least one (and probably the most important) of those business and economic factors that are beyond the purview of the Securities Act and the Exchange Act, and that, as I have heretofore stated, can alone determine whether our industries and mercantile establishments are efficient, solvent, and successful. I speak of the subject here, not as an SEC Commissioner, but as a Middle Westerner to whom these problems have tremendous significance.

As a practical matter, the word "masses" is synonymous with the farmer and the laboring man. They are the two legs of our great "economic man", and unless both legs are strong and healthy he can not stand erect. And this he must be able to do, else our profit system will not survive. Nor can we expect the return of normal re-employment unless he does stand erect.

The numerical importance of workers in agriculture and workers in industry in our population is so great that they are unquestionably the key to normal re-employment if for no other reason than their reciprocal capacity to consume one another's products. In Jefferson's time, American agriculture bartered its surplus products for industrial goods from Europe. I say bartered, because there were then no appreciable tariffs or other artificial impositions to interfere with fair exchange. There can be no doubt that in these times Jefferson would be the first to recognize the unbalance that exists as a result of the progressive shrinkage in the comparative exchange value if the money return, both gross and per capita, that now for almost two decades has been occurring in agriculture and only to a lesser degree in labor.

Knowing these things, our Government seeks to achieve a larger income for both these basic economic groups by protecting the farmer from surplus-glutted markets and by helping labor to protect itself from labor surplus. National welfare requires -- in fact sound and lasting prosperity requires -- that the farmer receive a reasonable profit over his costs of production, and that the wages of labor be maintained.

A government which had a farm program and no labor program would be as hopelessly lop-sided as one which had a labor program and no farm program. A wage earner who cannot earn a fair wage can never pay a fair price for his goods nor can he consume a fair amount. A farmer who cannot sell his products at a fair price and in fair volume can never consume the products of industrial labor. Farmers and labor are the Siamese twins of our capitalistic economy. They cannot live alone. They cannot move in different directions. Jefferson saw this at the beginning. Roosevelt sees it now.

Today -- thanks to a government that stands ready and willing to help both labor and agriculture to attain a healthy balance -- they each have a great opportunity. Labor can increase its annual wage level, establish a true partnership with industry, and, with the farmer as an ally, can become a powerfully constructive force in our national economy.

If, therefore, in the light of our expanded industrialism, one would speak with that kind of unenlightened literalism which is always inaccurate, it might be said that we can have no Jeffersonian democracy because we no longer have a Jeffersonian country. But his statements on the essential ends of government have never been successfully challenged. Certainly it cannot be gainsaid that in any age, those who are beneficiaries of an unjust economic and social order would do well to keep his philosophy in the background. While conservative in the highest and truest -- the most altruistic and democratic -- sense, his precepts contain no comfort for the standpatter or the reactionary. Rather his was the conservatism that stems from the admonition of the Apostle Paul to "Prove all things" and then to practice conservation by "holding fast to that which is good." Jefferson's teachings insist upon human values, and call for change whenever

such values are forgotten or disregarded. It is no wonder that he has never been a favorite of the money-changers and that the unfortunate have ever regarded him as their champion.

It is said that the last whispered words of John Adams' falling breath were: "Thomas Jefferson still lives." Thomas Jefferson has passed from the earth, but John Adams' words were true. They are still true and they will continue to be true so long as men shall yearn for peace and freedom.

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