

WHAT SHALL WE DO
FOR THE POOR?

by

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"What Shall We Do For The Poor" was presented to the Special Committee of the House of Representatives appointed to investigate the Interstate Migration of Destitute Citizens. In August 1940 hearings were held in Chicago.

From the testimony presented it was evident no attempt would be made to solve the problem except in a makeshift manner.

The war has temporarily put the problem into the discard but it will again be very serious—probably more serious than it has been during the past ten years.

If they wish to survive, this problem should be solved by those who wish to preserve the right of private ownership of natural resources. Since this group does not have the vision, a blundering, extravagant solution via the "New Deal" is being attempted by the poor.

If an intelligent effort is made the Problem of the Poor can be solved economically, with little interference with the orderly conduct of business, with little interference with the freedom of the individual and without the need for Supermen.

If this is the intent the Solution must be along the following lines.

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A SPECIAL committee of the House of Representatives is investigating the Interstate Migration of Destitute Citizens to see what can be done for them, either by the Federal Government or some other agency.

The problem of Destitute Migrants is part of the larger problem of hunger* and unemployment. It cannot be solved intelligently except as it becomes part of the solution of the whole problem.

The unemployment problem has become especially acute in recent years partly as a result of the World War but mostly as a result of the changed world status of the United States—the change from a debtor nation to a creditor nation.

Since the first settlers arrived in Virginia the United States has been indebted to the rest of the world. The payments on this debt have been in the products of American labor. So long as this indebtedness continued the demand for American production was almost insatiable.

It is generally agreed that our exports in past years have amounted to 10% of our total production. If this figure is correct it means that of the production in this country roughly 90% was for domestic consumption and 10% for foreign consumption.

The change in this world position from debtor to creditor nation would normally result in eliminating this foreign demand so that in the future the United States must consume 100% of its production plus the importations which must be taken if we are willing to accept payments on our loans to the rest of the world. It is too early to know exactly what this import balance should total, but I am arbitrarily assuming that we should import approximately as

*Hunger is meant to include not only hunger for food, but the need for clothing, shelter and amusement.

much in the future as we have exported in the past.

Based on this assumption the United States must consume 110% of the former production instead of 90%, or an increase of 22% of our old consumption quota. Whether these figures are correct is of little importance. They are used only to make clear the necessity for much greater future consumption in the United States.

Under conditions prior to the World War, the largest immigration for any one year was 1,285,000** in 1907—the next largest was in 1914, when 1,218,000 came to the United States from other countries. The gain in population from 1820 to 1930 was 113,000,000 of which 37,000,000 were immigrants and 76,000,000 represented gain in births over deaths.

During all this period of growth there was an enormous demand for labor for clearing land, building houses, churches, schools, roads, public utilities and railroads in addition to the demand of Europe for goods in payment on our indebtedness.

Unemployment prior to the World War was at times a serious problem, but of course nothing to compare with the present problem. The only periods prior to the World War in which there was very little unemployment were periods of unusually great construction of permanent improvements.

In other words, even in the pre-war years our system of distribution was so faulty that labor could not earn enough to satisfy its daily consumptive demands unless a large part of its effort was used to produce something that was not immediately needed—permanent improvements for future use.

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Since 1930 immigration has fallen below emigration. In 1937 emigration exceeded immigration by

**Figures on population, immigration and emigration are from the Chicago Daily News Almanac.

more than 130,000. The birth rate also has decreased. Consequently, there is little demand for labor for additional houses, churches, schools, roads, public utilities, etc.

For the future there will be comparatively less demand for durable goods for a slowly growing population and less demand for labor for producing goods for export. There should be no demand for labor for producing grain, meat, cotton, etc., to be exported. It is not a question of giving a subsidy or bonus for exports. Argentine, Brazil and other countries have a surplus of these commodities and do not want us to compete by the old "Dumping" policy we criticized so severely when Germany was trying to assist the export of her production.

If we will recognize that the creditor nation must consume more than it produces and that it is useless to attempt to interfere with economic law our problem is partly solved.

If we allow freedom to develop mechanical improvements—machines—and believe in the freedom of the individual to work without attempting to control wages and hours of labor through foolish legislation the problem is simple.

In the future there will be a much smaller demand for labor for the production of durable goods and for commodities for export. That means possibly 10,000,000 people will not take part in future production because they will not be needed unless the standard of living is much higher than can be visualized at this time. This 10,000,000 people can be allowed to starve, in which case consumption demand would be still further reduced and other millions be out of employment, or they can be fed—furnished with the necessities of life—a reasonable amount of food, clothing, shelter, and, maybe a picture show

once a week. They can easily get this now by committing some crime and going to the penitentiary.

In Illinois it costs about \$25.00 per month to furnish the inmates of the penitentiary plenty to eat—plenty to wear—a home that is warm, with modern plumbing and picture shows and other amusements.

The Civil War veterans received \$30.00 a month pension and were consumers and not producers. Those who were not satisfied with that could get a job. Most of them were satisfied and were not in competition with other workers. Their problem could have been solved with a “make work” program with a tremendous overhead expense and in so far as they would do necessary work they would have been competitors in the labor market and the tendency would have been to reduce wages for all workers. Reclamation schools could have been established to try and fit them for some kind of work and in so far as it was successful they would again have been competitive in the labor market. Social workers could have been employed to furnish them the food and clothing they should have instead of what they wanted. This again would have meant a tremendous overhead expense.

These various expensive paternalistic schemes were available fifty years ago as well as today but Congress handled the problem in the simplest, most economical way—in the way to preserve the self-respect of the veteran. He was allowed to spend his money his own way—he could travel or he could stay at home—he could spend it all in a few days or he could make it last a month—he was not bossed—he was a free man—he was respectable.

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The problem today is much the same problem we had after the Civil War with the exception we are not claiming a war record of the destitute as justifica-

tion. We have 10,000,000 poor and many more rich* who are out of work. All these millions, whether poor or rich, are the leisure class, supported in idleness by the productive efforts of those other millions who are gainfully employed.

We are not worried about the demoralization of the rich who live without work. We do not ask that jobs be created for them nor that reclamation schools be established to rehabilitate them. We consider them respectable whether they have earned and saved their own wealth or if it has been inherited. Their children are not forced to work through fear of starvation. If they find a job with satisfactory hours, pay and working conditions they take it if they wish. Young and old have economic freedom.

The poor do not have economic freedom. They are forced to take almost any job offered or starve— young as well as old. Some of them are allowed to work on the various “make work” programs of the Federal Government, but they are told if they get a job in private industry and quit the WPA job they cannot get on again. In so far as the WPA jobs are concerned any useful work done is in direct competition with free labor. Work that is done as part of a work relief program has a tendency to reduce wages because it is done by relief clients. For example, the regular street repair worker cannot get a job unless he is on relief so since he is out of a job he goes on relief, gets his old job back on part time and has a lower income than he had before.

Wages and hours legislation take away freedom of

**The term rich is used to indicate people who are not dependent on a daily wage—whose family or wealth would prevent immediate hunger if the income from individual effort was suddenly cut off. In the group of rich would be included not only those who have savings and investments, but those who have a fairly secure income from their daily efforts. It would include all men and women over eighteen, who are not gainfully employed. The poor are the rest—who are always close to the starvation line.*

choice by the worker, and lessen the opportunity for employment. The worker should be free to work as many hours a day as he wishes and for any wage, but if he can fall back on an unemployment wage or a dole he will not be forced to work long hours for less than a living wage. People do not work in sweat shops because they wish to, they take jobs of this kind through fear of starvation. Children do not work in factories because they prefer to work rather than play. Unless they take these jobs the family will be hungry.

The rich do not take the long hour jobs if pay is low and working conditions unsatisfactory. These jobs are taken by the poor.

The Declaration of Independence presumes that all men are free and equal. The Preamble to the Constitution presumes liberty "for ourselves and our posterity" is of sufficient importance to justify the establishment of a Federal Government. No one has freedom or liberty who is forced to work or starve. We have spent probably five billion dollars a year for the past seven years to solve the problem of hunger among the poor. We have killed five million little pigs so people could eat more at a higher cost. We have passed an enormous amount of legislation so that industry would have more restrictions and the additional employment has been among lawyers and accountants who have been hired by the thousands to help industry steer safely through the maze of legislation. We have passed Federal Social Security laws and similar legislation in most of the states and the result has been to increase the cost of production and lessen purchasing power of the consumer. It has made it almost impossible for a man over forty-five to get work. He now has the opportunity to starve between the age of forty-five and

sixty-five. It has encouraged the use of labor saving machines because no social security tax is paid on machine work. Even the Federal Government will not hire men of fifty or sixty in Governmental work.

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This maze of legislation is gradually sterilizing the brains of the industrially competent. We read of many who have sufficient wealth and energy to engage in new productive enterprises who say they prefer to live on their income and not take chances with new projects because they do not care to lose their position of economic security. If a new project is profitable they must give most of the gain to the Government and if not they must stand the loss.

This maze of legislation is steadily building up an aristocracy among the rich—a leisure class who will live without work—who will live on a dole as certainly as do the poor in England. And as time goes on the leisure class will become large enough to consume the production of the poor.

In 1932 Mr. Hoover was defeated because there were too many people who were afraid of hunger. Now, eight years later, we are no closer to solving the problem of hunger but we are afraid of communism.

People do not take up communism or untried schemes if they have enough to eat and a fair amount of enjoyment. They do not violate the criminal laws if their stomachs are full. The number of crimes that are not caused by hunger is negligible. Police departments, courts, jails and penitentiaries are necessary to protect rich people from those who are hungry. The Russian Revolution was caused by too large a proportion of people who were hungry. Whether Russia has solved the problem is of no consequence. The mass killings of the Russian aristocracy would not have taken place if no one had been hungry.

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The solution of the problem is simple and can be accomplished simply. If we can realize that society does not need the production of the ten million poor people and the rich who are unemployed, the problem becomes only a problem of distribution. The solution is as simple with one hundred and thirty million people as with a single family. When a family of three or four or a dozen has one or two out of employment, the family does not allow them to starve. The family does not worry whether unemployment results from laziness nor do they build something they do not need to give the unemployed member a job. That is too expensive. The family divides up with the unfortunate member and gives him enough to get along. If it is not enough he is free to find a job and get more. If he does find a job the family stops the contribution.

It is generally agreed that no one should be allowed to starve in a land of plenty. Of course, we can employ thousands of social workers to furnish food and clothing and shelter to the hungry and build up a tremendous overhead expense. We can organize employment bureaus as has been done by states and the Federal Government, but these do not create jobs. We can organize schools to teach people how to do different kinds of work. But none of these schemes will increase the consumptive demand. The effect of all efforts to put people to productive work when they are not needed is to reduce wages.

The only practical way to eliminate destitution or hunger is an unemployment "wage" or "assistance" or "dole" given willingly and without penuriousness by the Government. It should be given to everybody who needs it and we should not quibble about whether the unfortunate has a free room or owns a modest home or has a relative who should help.

It should be given so long as the person needs it, and it should be stopped if he gets a job. If it is given to people at work it has the effect of reducing wages. Workers will work for less money if they have outside income. It should be given to the unemployed who need it whether they want to work or whether they prefer to play—whether they are on a strike that is justified or not—whether or not they are physically able to work.

The unemployment wage should be enough to furnish a reasonable amount of food, clothing, housing and entertainment, but it should not be high enough to satisfy the wants of those who are needed in production and who are the proper age for production. This assistance should be the same for all parts of the United States for only in that way can uniform wages be maintained and the New England cotton mills, for example, be fairly competitive with Southern cotton mills. It should be given to all, whether white or black, male or female, of whatever religion, faith or nationality, the sole requirements being need and residence in the United States. Some check up should be made after the allowance is given, but not before. It should be made periodically, but not often, to be reasonably sure the recipient needs the assistance and is not working, but it should be given freely because our problem is to increase consumption, to raise the standard of living of the poor and to lessen the danger of disease from malnutrition.

It is not possible to establish a proper unemployment wage without experience. It must be an arbitrary figure to start. Payment of \$20.00 a month for a single man or woman, \$35.00 per month for a man and wife with an allowance of \$10.00 a month for each child under eighteen would be all right to start. That would mean a family, consisting of man, wife

and two children, would receive \$55.00 a month so long as they are unemployed.

This may be too high but it would cost less than the five billion dollars we are probably now spending and it would solve the problem. We could give twenty million people \$20.00 per month for five billion dollars a year. As an offset we would materially reduce the cost of police protection, courts, jails and penitentiaries. We would reduce much of the cost of hospitals because malnutrition is responsible for many of the patients in free hospitals.

A payment of \$20.00 per month would amount to \$240.00 a year. It would eliminate from employment all those who are not receiving a living wage, but the largest number who would be eliminated would be the older people whose wants are small and who now remain on the job through fear of starvation. It would eliminate many women who would rather keep house than work and it would eliminate children from employment and give them a chance to play or go to school.

It would not eliminate those of production age, probably between eighteen and forty or fifty because their wants would not be satisfied with \$20.00 a month, but it would take care of the few who are naturally lazy and it would take care of those who are thrown out of employment by machines and help them bridge the gap between the time the job is lost and a new one found.

Schools are turning out millions of young people each year who would like to work and have difficulty finding a job and who cannot find one unless some one is displaced.

An unemployment wage would eliminate the competition of the laborer forced to work or starve and by eliminating this competition industry would be forced to pay a living wage.

Some may think \$20.00 a month is not enough to live on. It is not enough to live on comfortably in the large cities, but there is no reason why those receiving this assistance should not move to the smaller towns or to the country. There are many country districts where people can live comfortably on this amount. But if they are not satisfied with this they will find it much easier to get a job.

The effect of this unemployment assistance is really that labor will buy out the cut throat competition from those who must work or starve. It is the policy capital follows when a competitor continually under-sells the larger organization. Time and again we have read of the large corporations consolidating with a competitor with the result that prices are higher and the one who sells out has probably received enough to live on afterwards.

This unemployment assistance is really a cooperative annuity furnished to everyone in the country. It is not necessary to cut down consumption to save enough money to pay some insurance company for an annuity. The only way the insurance company can loan its money to pay the annuity is to put it into some productive enterprise and this further aggravates the problem, for our problem is a problem of consumption and not of production.

It will increase the consumption of all who are now saving money for old age, or periods of unemployment because they will always know they have \$20.00 a month to fall back on whenever they are in need, and they will have less incentive to save.

Few wage earners can save \$6,000.00 in a life time of work and have it safely invested at 4% to produce \$240.00 a year. If they are able to save \$150.00 a year for forty years they are not able to invest it intelligently and still each of us should gladly pay the small amount each worker would have to pay to

allow those who are not producers to have reasonable economic security.

The simplest way to handle this cooperative annuity, "dole", or unemployment wage, is through the Federal Government. A check mailed each month would mean little overhead and it would be free from incompetent or dishonest handling. It would not involve the question of residence. The migrant would have his check as easily as the stay at home.

It should result in the elimination of most of the recent restrictive laws on business. It should result in the elimination of taxes for unemployment and old age. It should result in the elimination of most of the tariff laws which restrict foreign trade. We should not object if some foreign country sends us goods we would like cheaper than we can make them. It would help towards a friendlier feeling between nations because we would then take the products of foreign labor as they took the products of our labor for three hundred years.

We would have a happier people because we would collectively guarantee the poor as well as the rich against the fear of hunger. It would be an easier problem for young people to find a job. There should be a saner Government.

With a saner Government we would have less interference with natural economic law. People whose ability is valuable in production would not be encouraged to join the leisure class. Competent people are energetic and would prefer to work if they can see far enough ahead to warrant making plans. They would willingly take chances in new enterprises if there is a fair chance to make a profit. Many new enterprises would get under way if ability was not discouraged through Governmental interference. In spite of recent propaganda the profit motive is not a

criminal motive. The ability to produce at a profit is an ability which society should encourage and not hinder by excess profits taxes, capital gains taxes and innumerable other interferences.

As a creditor nation we will have a larger leisure class—non producers—than we had so long as we were in debt to the rest of the world. If we prefer to live in peace and friendship with the rest of the world we must make provision for the idle rich and the idle poor. In either case the leisure group will live at the expense of those who are producing. We can sterilize the brains of the rich by our present system of unwise legislation and let them be the leisure group, or we can feed the poor who are not at work and keep the best industrial minds busy producing goods for everyone.

The wants of the American people are almost unlimited. The ability of America to produce is almost unlimited if those who would like to work are encouraged. To increase the income of the rich does not materially increase consumption because too much of their increased income would be saved; but to increase the income of the poor means to increase consumption to the full extent of their increased income. Not until one hundred and thirty million Americans have all of their wants satisfied should we discourage industrial ability.

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War preparation is the alternative. We can put enough people into a war machine which will consume all of the energy of all of the people. With this war machine we may be able to force other nations to buy our goods. We may be able to prevent "barter" trading between nations for we are told it is immoral to "barter". Then if we can collect in gold we can bury it in the ground. But at any rate we will know we are the greatest nation in the world—hated by everyone!