

Economics and Alphabeticals

From a slough of economic despondency Iowa rose in 1935 to within about fifteen per cent of the pre-depression level, according to George R. Davies of the University of Iowa Bureau of Business Research. Business activity increased fully twelve per cent over 1934, which was mainly due to higher prices for farm products. The same tendency was observed in other parts of the country. Even the gloomy United States Chamber of Commerce admitted "failures in 1935 were the fewest and liabilities the lightest since 1919". From Albany, New York, a stationer sent out the cheering news that the sale of red ink was declining.

The Maytag Company showed a net income of \$2,581,096 in 1935 compared with \$1,960,836 for 1934. Preferring to "let the figures speak for themselves", the directors of the Amana Corporation reported total sales had increased from \$536,524 during the first nine months of 1934 to \$703,927 during the same period in 1935. Unable to secure "sufficient cash grain of milling quality" at their Cedar Rapids and Saint Joseph mills, Quaker Oats reported a decrease in earnings from \$5,478,956 in 1934 to \$4,552,501 in 1935.

A survey of Iowa by the magazine, *Sales Management*, revealed the average Iowan's "spendable income" was \$504 in 1935. Des Moines ranked third among the cities of the United States as a market area, while Polk County stood fifth among the 3074 counties with an average spendable money income of \$868. Scott County stood second to Polk in Iowa with \$817, while Monroe County was last with only \$235.

There were other encouraging evidences of the triumphant emergence of Iowa from the depths of the depression. New car registration increased 149 per cent over 1933: March sales actually topped the "boom days" by four per cent. Automobile registration rose from 592,350 in 1934 to 619,658 in 1935, and trucks reached an all-time high with 83,836 registered in 1935.

Using 100 per cent as the base in 1933, employment increased to 119.7 per cent while pay rolls advanced to 133.3 per cent. Wages for farm hands improved considerably. Teachers' salaries increased for the third consecutive year, though they were still approximately twenty-five per cent below normal. Strikes, the most serious being among the mill workers at Dubuque and the bakers in Des Moines, indicated that industrial wages were not keeping up to the rising prices.

Bank deposits increased 87.6 per cent, a condi-

tion which few Iowans would have been willing to prophesy during the gloomy days of 1933. There were 122 national banks in Iowa, 307 savings banks, 237 State banks, and four trust companies. Fifteen new banks were established during 1935. At the close of business on December 31, 1935, State Banking Superintendent D. W. Bates reported an increase of \$54,831,319.28 in deposits over 1934. Loans and discounts had increased \$36,141,850.85. The *American Banker* listed the Iowa-Des Moines National Bank & Trust Company as 146th among the banks of the nation with \$35,804,724 in deposits. Bank clearings in Des Moines were the highest since 1930 and twenty-four per cent ahead of 1934. Throughout the year closed banks continued payments to depositors — the citizens of Bellevue rejoicing when the First National Bank completed its final payment in full in time for Christmas shopping.

While prognosticators sought to read the future and economists endeavored to interpret the past, Senator Louis Murphy estimated on April 19, 1936, that the Federal government had distributed \$553,000,000 in cash in Iowa during the three years beginning with March, 1933. Although Richard Wilson, Washington correspondent for the *Des Moines Register*, believed these figures “apparently were prepared for propaganda pur-

poses", he considered the total estimate to be conservative. "The half billion distribution", Wilson pointed out, "includes loans and grants of federal funds to individuals, organizations and the state." It more than equalled Iowa's farm income in 1935.

Senator Murphy listed the disbursements in Iowa to the principal Alphabeticals. Over \$200,000,000 had been provided for farm credit loans during the three years. AAA benefit payments and corn loans accounted for \$160,000,000 more. The RFC loaned \$73,000,000, relief cost \$25,000,000, and the CCC absorbed almost \$20,000,000. A total of \$21,000,000 had been expended by the PWA compared with a paltry \$5,000,000 by the WPA. Approximately \$120,000,000 of the huge sums loaned to Iowa had been returned to the government. Repayment on corn loans was virtually one hundred per cent, while \$56,000,000 of the \$73,000,000 borrowed from the RFC by banks and private agencies had been paid back.

Most Iowans have been accustomed to associate the alphabet with elementary education or soup. With the inauguration of the New Deal the capital letters began to march and assumed a very commanding position. Their arrangement acquired an esoteric significance about as comprehensible to the average Iowan as cosmic rays.

According to Senator Murphy's compilation the

Farm Credit Administration was the principal government lending agency in Iowa. In 1935 Iowa farmers borrowed \$53,000,000 through the Federal Land Bank, the largest and oldest of the four permanent farm banks grouped under the FCA. Compared with the hectic rush of refinancing during previous years, General Agent Frank O'Connor thought the 1935 figures indicated a return to normality in farm financing. "Instead of being driven to the land bank by threat of foreclosure," O'Connor pointed out, "the great majority of applicants now are attracted by the low interest rate and the long term repayment plan. The four per cent rate on new land bank loans, temporarily reduced to 3.5 per cent, is the lowest rate in American farm mortgage history."

He explained that the "general purpose of the Farm Credit Administration is to provide a complete, permanent credit system for agriculture. The four major units are intended to be self-sustaining and independent of government capital. They now operate with part of their capital advanced by the government. Ultimately the cooperative credit institutions will return all of these funds to the public treasury, and these farmers' banks will be owned entirely by the borrowers themselves."

The activities of the Reconstruction Finance

Corporation were believed to have been in some measure helpful to every person in Iowa. The RFC made loans to banks, trust companies, building and loan associations, insurance companies, and mortgage loan companies, extending credit when all other sources had been exhausted. Its books on December 31, 1935, showed the purchase of \$5,863,000 worth of preferred stock from banks, a small fraction of which had been refunded. Of the \$46,778,291.35 loaned to banks, \$42,189,689.71 had been repaid. Building and loan corporations had returned all of the \$1,107,689.75 they had borrowed. Twenty-two loans amounting to \$3,500,000 to Iowa insurance companies were promptly repaid. Agricultural credit corporations had returned all but a few thousand of the \$45,000,000 advanced to them. Municipalities were not so fortunate: only \$31,000 of the \$7,000,000 borrowed was repaid. To the RFC belongs much credit for easing the shock of deflation in Iowa.

The Home Owners' Loan Corporation was created on June 13, 1933, to "safeguard home ownership as a guarantee of social and economic stability, and to protect home owners from foreclosure, tax deed or contract forfeiture, and to relieve them of the burden of excessive interest and principal payments, as well as to provide for the necessary

repairs or reconditioning of their homes." The distress of Iowa home owners was demonstrated by the fact that 31,914 applications totaling \$65,054,000 were filed in this State. Of these, approximately 12,000 were eliminated by rejection or voluntary withdrawal and about 19,000 were closed at an aggregate sum approaching \$38,000,000. With the remaining applications pending it was expected that close to 20,000 loans aggregating about \$39,000,000 would be made by June 12, 1936, when loans to individuals by the Corporation ceased in accordance with the Act of Congress. The benefits of the HOLC were far-reaching. It not only prevented the loss of homes but it actually stabilized and even increased the value of urban property.

Beginning in May, 1933, with sixteen camps, the Iowa CCC reached its peak in August, 1935, when forty-six camps had been established. At that time there were 177 officers, 6516 juniors, 909 veterans, and 736 local experienced men enrolled. During the year 1935 the CCC expended \$6,099,101.03 in Iowa. The organization has performed important work in Iowa, coöperating closely with various State and Federal agencies. Highways have been cleared of snow, assistance rendered in flood areas, artificial lakes built, depleted soils terraced, limed, and fertilized, tem-

porary and permanent dams constructed in gullies, and trees planted on badly eroded tracts.

More than \$60,000,000 was disbursed through the Iowa Emergency Relief Administration in the three years ending December 31, 1935. During this period the number of cases receiving relief ranged from 26,356 in December, 1933, to the peak of 67,043 in January, 1935. By December, 1935, however, this number had dropped almost one-half, and forty-four of the ninety-nine counties were able to carry their own relief load without assistance from the IERA. This readjustment aroused no local enthusiasm, however. "The federal government has cut into less than half its funds for Iowa relief in November and tells Iowa counties to take care of their own unemployables and pauper families", protested the *Dexter Sentinel*. "So, the dead cat is back on our own doorstep after being dragged all over the neighborhood."

Of the sixty millions expended on relief in Iowa the Federal government contributed sixty-six per cent, local governments raised twenty-seven per cent, and the State provided seven per cent. Fully \$20,000,000 were required of these three agencies in 1935 to care for those persons regarded as employables but needing temporary relief. The emergency relief load was further lightened in

1935 when the Works Progress Administration was established by executive order on May 6, 1935. Iowa's quota was set at 22,000 to be employed by Thanksgiving — a figure that was actually exceeded by nearly a thousand. The constantly changing personnel of families receiving unemployment relief indicates that most Iowans are not stolid, shiftless ne'er-do-wells. Very few have refused to work when given a chance. Only a third of the families receiving aid in October, 1933, were on the relief rolls in October, 1935.

The parade of the Alphabeticals aroused opposition in Iowa as well as elsewhere. Aside from such problems as State rights, individual liberty, regimentation, and class discrimination, conservatives began to wonder in what manner and by whom the ever-mounting debt was to be paid. "It is time the administration awakened to the folly of its present extravagant spending of the taxpayers' money", warned the *Le Mars Sentinel*. The *Albia Union-Republican* was equally indignant: "One would think that eventually the administration would remember its 'planned economy' and plan a little of the same." But in 1935 most Iowans still believed strongly that times were better and many benefits had been derived from the Alphabeticals.

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