

Chapter 13

More Like the TVA?

One of the most bitter arguments between liberals and conservatives has been over the government's role in the economy. Liberals say the government should do the things for people they cannot do for themselves. Conservatives believe the government should allow private enterprise to produce what is needed for the people.

In the 1920's a classic battle between liberals and conservatives was fought over a dam and a nitrates plant the national government built during World War I to make gun powder, which could be converted to make fertilizer. But the war ended before the dam and the nitrates plant were completed. In the 1920's, Henry Ford wanted to buy this dam and factory from the government and use the electricity it produced to build his popular cars. But Congressman George Norris wanted the dam and its electricity used to help all the people in the Tennessee River Valley region.

The issue readers will be asked to decide is whether private enterprise in the person of Henry Ford should get the electricity to make his cars, or if the national government should keep the dam and make inexpensive electricity to sell at cost to the people living in the valley while developing its other resources.

The Tennessee Valley

In the 19th century the Tennessee River Valley was rich in fertile soil and abundant forests. Before the Civil War, however, plantation owners wore out the soil by planting too much cotton and not using enough fertilizer. In the late 1800's, lumber companies harmed much of what was left by cutting down trees with no concern for the effects of deforestation on topsoil.

In the 1920's, the resources of the Tennessee River Valley were exhausted and its 4.5 million inhabitants were a proud but poor people. The majority lived by farming a few acres, grazing some farm animals, and doing a little hunting. There were some villages and even large towns. But, on the most part, the prosperity of the 1920's passed by the Tennessee Valley region. Few people had electricity, and fewer still had radios or machines to wash their clothes. Even running water and indoor toilets were considered luxuries rather than necessities. Occasional roads were paved, but the majority were of dirt and barely passable after a soaking rain.

All this may not be so important, except for two facts: First, there were 4 1/2 million Americans living in that area in 1933 – almost 1 out of every 20 people in the entire country. Second, there were seven other river valley regions where relative poverty could be an argument for massive assistance from the national government.

The Tennessee Valley During World War I

During World War I, the U.S. government needed nitrates to make gun powder which required large amounts of electricity. To supply this need the national government began building a huge dam across the Tennessee River and two factories to make nitrates. But the War ended before the dam and both factories were completed. The issue became what should be done with the dam and factories that cost the government \$82 million (the equivalent of over \$2 billion in 2001) to build.

Conservatives, who believed in a limited role for government in the economy, wanted to sell the dam. Liberals, who thought the government should be used to help people, wanted the national government to make cheap electricity for the poor people in the Tennessee Valley.

Henry Ford's Proposal to the U.S. Government

In January, 1922, Henry Ford came up with an idea that conservatives liked. He suggested the government complete building the dam and sell it and the nitrate factory to him for \$5 million. Ford would pay the government 10% of the completion costs in exchange for the electricity it produced. He would also manufacture inexpensive fertilizer during times of peace. In case of war, Ford would make gunpowder to sell to the government. Ford would sell whatever power remained to businesses, or use it to make automobiles. Ford at one point held out the possibility of building a city 75 miles long.

Ford's plan was a 'trickle down' dream. Sell Ford the plant and the dam, conservatives reasoned, and the money would soon trickle down to farmers and automobile workers, and then to people who bought these cars, and so on.

But there were a few problems with Ford's idea. Ford expected the government to sell a dam and plant that cost \$82 million to build for \$5 million plus 10% of the dam's completion costs. Furthermore, Ford did not guarantee that this 75 mile long city was anything more than a pipe dream.

Enter George Norris: A trickle-up Liberal

Senator George Norris did not want one man to control an entire region of the country. He did not want to sell Ford, one, of the richest men in America, two factories and a dam that cost more than \$82 million to build for \$5 million. (Ford claimed the dam and factories were so expensive to build because the government is not as efficient as private enterprise). Norris had another reason he did not want Ford to get the plant and dam. He was a trickle up liberal who wanted the U.S. government to directly help the people living in the Tennessee Valley.

Senator Norris won the first battle for the Tennessee. He gave Ford such a hard time that Ford withdrew his offer. Then Norris tried to get his own bill for government development through Congress. He did but first Presidents Coolidge and then President Hoover vetoed his bill for development of the Tennessee River Valley.

Hoover's Veto Message

In his veto message Herbert Hoover intoned:

I am firmly opposed to the government entering any business, the major purpose of which is competition with our citizens ...For the federal government to go out to build up and expand a manufacturing business is a destruction of equality of opportunity of our people; it is the negation of the ideas on which our civilization is based.

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I hesitate to contemplate the future of our institutions, of our country if the preoccupation of its officials is to be no longer the promotion of justice and equal opportunity, but is to be devoted to barter in the markets⁶.

Roosevelt's Speech for the Tennessee Valley

Hoover's veto stopped Norris for the time being. However, Hoover lost his bid for re-election in 1932. The next President, Franklin Roosevelt, announced his plans to develop the Tennessee River Valley during his first 100 days in office. These plans called for far more than the completion of a dam and the disposal of a nitrate plant. Roosevelt called for the development of the entire river valley area:

It is clear that the Muscle Shoals development is but a small part of the potential usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development; it enters the wide fields of flood control, soil erosion, reforestation, ... and distribution and development of industry. In short this power development of war days leads logically to national planning for a complete river watershed involving many states and the future lives and welfare of millions.

I, therefore, suggest to the Congress legislation to create a Tennessee Valley Authority, a corporation clothed with the power of government but possessed of the flexibility and initiative of private enterprise. It should be charged with the broadest duty of planning for the proper use, conservation and development of natural resources of the Tennessee River area for the general social and economic welfare of the nation. This Authority should also be clothed with the necessary power to carry these plans into effect.⁷

Conclusion

You have just read arguments for and against the U.S. government developing the entire Tennessee River Valley. Liberals like Norris and Roosevelt thought the government should be used to make the country a better place for all people to live. Conservatives like Henry Ford and Herbert Hoover thought that the government competing with business would destroy the spirit which built America – private initiative and free enterprise.

Suggested student exercises:

1. State the argument that Henry Ford should be allowed to develop the Tennessee-Valley Area and Norris's objections, or state the argument that the U.S. government should develop it and Hoover's objection.
2. Read the epilogue part of this chapter and point to the facts that support (or refute) your opinion about the government rather than private interests developing areas such as the Tennessee Valley.

6 . Congressional Record, 71st Congress, 3rd Session, pp. 7046 – 7048,

7 Franklin Roosevelt, *The Public Papers and Addresses of Franklin Roosevelt*, ed. Samuel I. Roseman, Vol II, (New York: Random House, 1938) p 122.

Epilogue



The Dam named after Senator Norris

Congress voted to establish the Tennessee Valley Authority less than 10 weeks after Roosevelt proposed it. The agency had wide range of powers to conserve and develop the Tennessee River Basin and its surrounding territory for the betterment of the whole country. Thirty years later the TVA could boast of the following accomplishments:

- Building 16 huge dams in 7 years and a total of 21 altogether. Two of the dams were built in a record time of 14 months. The tallest dam was 46 stories high.
- Building lakes 3/4ths the size of Rhode Island in back of the dams. These lakes are still used by tens of thousands of people each year for camping, swimming, fishing, and other forms of recreation.
- By 1964 collecting almost one-half a billion dollars through sale of electric power to individuals and businesses.
- By 1964, saving a total of \$316 million dollars through flood control.
- Digging a 9 foot deep channel running the 650 mile length of the Tennessee River for the purpose of navigation, saving shippers \$282 million by 1964.
- Producing millions of tons of inexpensive fertilizers and passing the savings on to farmers in the Tennessee Valley.
- Supplying 180,000 customers with cheap electric power –and proving that regular electric companies could make more money, because of increased use, on a nation wide basis by charging less for their electricity.

A Good Example

One of the many stories of TVA gives a very good example of what government can do to help people and private enterprise.

Before TVA started producing fertilizers, it tested out several different kinds. This way, the government got to know what kind of fertilizers were best for the soils in this area.

Since many farmers in the Tennessee Valley had never heard of fertilizer, TVA set out to show them how it could improve their crops. Many farmers were given free fertilizer, if they promised to keep careful records of its effects on their crops. In this way doubters among the local farmers could find out just how much fertilizers can help them.

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The farmers also needed a new crop they could sell for cash. TVA officials came up with the idea of planting strawberries. But strawberries could spoil very quickly. Therefore, the TVA technicians invented a new method of freezing them so they do not lose their flavor. A private business bought the right to produce these new freezers, and sell them to farmers. Now farmers had a new cash crop and private industry made money by selling freezers. In addition, many businesses moved to the Tennessee Valley basin to take advantage of lower electric rates, leading to the creation of jobs in this area.

The Other Side of the Story

There usually are at least two sides of a story. Read and try to evaluate the following arguments made by people opposed to TVA:

1. Flood control – It is true that TVA prevented flooding. But it also flooded a great deal of land when it created all those lakes in back of their dams. The total amount that TVA did was to flood out an area 3/4ths the size of Rhode Island. The cost of the flood control was \$3.5 million in interest on the money borrowed to build TVA. Yearly damage caused by floods before TVA was only \$1.5 million. The value of the crops lost due to the permanent flooding was \$13.4 million in one year, 1941 – and much more in other years.

2. Electricity – Yes, there was cheaper electricity for customers in the Tennessee Valley. But, one of the reasons the electricity was cheaper was that the Tennessee Valley Authority did not have to pay taxes. TVA did not have to pay high interest rates on the money it borrowed. And it could charge the expenses for producing electricity to funds set aside for building the dam. Government competition with private companies was not fair (at least to the electric power companies in the Tennessee Valley), and drove a number of them out of business.



3. Coal and nuclear energy – By 1964, about 3/4ths of all the electricity made by TVA came from coal generators, and not from electricity made by TVA dams. Over the past 20 years, TVA has begun to produce nuclear energy, and its plants are among the worst run in the country.

4. The Danger of too much Government – David Lilienthal, director of TVA for many years, admitted it could be really be dangerous. He said that if TVA were controlled by selfish politicians electricity would only go to those towns that voted the 'right way'. He said that if TVA were run by the wrong people, they would have too much power over businesses and local government in the area.

Having read the proceeding, do you think the U.S. should have built TVA? or build more projects like it? Why or why not?