THE TENNESSEE VALLEY AUTHORITY AS A
REGIONAL PLANNING PROJECT

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THE TENNESSEE VALLEY AUTHORITY AS A REGIONAL PLANNING PROJECT

THESIS

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By

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PREFACE

Although many studies have been made of the Tennessee Valley Authority, of primary interest to most writers has been the controversial aspects of the Authority since 1933. Consequently, most of the material tends to be highly partisan. Hence, most authorities have tended to allot only minor consideration to the regional planning aspect of TVA. Little emphasis has been placed upon the introduction of the idea of regional planning and conservation, the synthesis of which was vital in bringing about the experiment in the Tennessee Valley. Since the Tennessee Valley Authority is the outstanding example of regional planning not only in the United States but also in the world, an intensive study of this aspect of TVA is profitable.

This study traces the history of regional planning in the United States from its philosophic introduction and its practical origins in conservation to its culmination in the establishment of the Tennessee Valley Authority. The major emphasis, then, has been placed on facts directly affecting regional planning, although other pertinent historical facts are included for basic information.

The project has remained one of the centers of controversy between liberals and conservatives to the present time. The struggle
emanated from the contention by the opposition that TVA was unsuccessful and un-American as opposed to the liberal claim that TVA was successful and a stimulus to democracy and progress. Hence, some stress has been placed on the controversy as it affects regional planning and the future of TVA. Little attempt, however, was made in this study to adjudicate the controversy, but the advisability of regional planning in a democratic society is supported by the results of the research.
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CHAPTER I

BASES OF REGIONAL PLANNING

Although the idea of regional planning as a recognizable concept did not appear until the middle of the nineteenth century, many of its more important aspects were considered for many years previous, especially that of conservation, which represents the basis of regional planning concepts. As early as the American Revolution, there was some official indication that certain individuals were interested in natural resources as the key to the future welfare of the nation. The Continental Congress in March, 1776, recommended to the various states that they establish, at the earliest possible time, a society for the improvement of arts, manufacturing, agriculture, and commerce so that the "numerous natural advantages of this country" would not be neglected.¹

And yet, in the early history of the United States even the idea of conservation was heralded by only a few. By far the majority of Americans believed that the resources of the nation were not only free

but were unlimited in their supply. Even those who recognized that the immediately available supply might be exhausted looked to the West as an unending source of new materials.²

Emphasis on the conservation of soils, forest, water power, game, and all natural resources eventually became a part of the conservation movement. The soil was one of the first natural resources to be exploited, and for this reason primary consideration was given to it by early conservationists. As soil coverage was destroyed and crops were planted, the destructive processes of soil erosion and exhaustion served to focus attention on this problem. Even though a few farmers along the Potomac rotated their crops, when the land was exhausted no attempt was made to restore it; farmers moved on to another plot and proceeded to ruin it also. This process did not go unheeded by the more critical. George Washington, before his presidency, was one of the severest critics of the American farming methods. He expressed doubt that the American methods of farming could even be called a system of agriculture because they were so unproductive and ruinous.³


Washington, like other early conservationists, showed concern for preservation of the land since it was one of the first resources to show ruin and wastefulness. He spent much time working out elaborate systems of crop rotation and devising satisfactory methods of arresting soil erosion. Despite the difference in political ideology which existed between Jefferson and Washington, throughout their lives they corresponded with each other on the prevention of soil erosion, the best fertilizers and manures, and the best seeds to be used in their locality. Nor was Washington satisfied with improving his own land; he suggested to Congress that they establish a government farm to increase and distribute agricultural knowledge.\(^4\)

Thus, the first president not only felt that something should be done; he felt that the government should be instrumental in seeing that it was done. In his eighth message to Congress he declared that agriculture was of primary importance to the individual and to national welfare. The cultivation of the soil was becoming more and more an object of public patronage. Experience had shown that those societies which had grown up for the dispersal of agricultural knowledge were of immense national benefit. Even from his inauguration he believed

that public funds and credit were necessary to develop the resources of the nation.\textsuperscript{5} The Constitution, however, had not specifically sanctioned such planning, and at this time most states still jealously guarded their own sovereignty and did not approve of placing such power in the hands of the central government.\textsuperscript{6}

Jefferson, like Washington, was an agriculturalist and a conservationist. He, more than Washington, saw the destructiveness of such clean-field crops as corn, tobacco, and small grain and suggested that the cultivation of these be minimized or halted. Jefferson, however, did retain the prevalent belief that it was cheaper to buy new land than to manure the old.\textsuperscript{7} But by taking care of the land, he maintained that the fertility could be retained much longer without manuring.

Jefferson, although an avowed opponent of a strong federal government, contributed much to developing governmental power over the states. In his passion for human liberty, he believed like Turgot that

\textsuperscript{5} James D. Richardson, editor, A Compilation of the Messages and Papers of the Presidents, 1789-1897, 10 vols. (Washington, 1896), I, 66, 201.


the future of society lay in the development of the individual small farmer, mechanic and merchant. Yet he wanted to develop all the resources of the country, both physical and human. It was he who acquired the Louisiana territory for future development, and it was he who saved the Northwest territory from land grabbers. Indirectly he affirmed the belief that a powerful government could look after the interests of the individual without destroying his liberty.

Most of the presidents who followed Jefferson found it necessary to insist upon more and more power for the federal government in order to protect the rights of the individual. The right of control of navigation, which ostensibly caused the assembling of the Constitutional Convention, was insisted upon as early as the Monroe administration. With this right established, projects of internal improvements were logically forthcoming. Colonization was a natural outgrowth of such ideas. These traditions were to be extremely important when the right of the federal government to plan a region became an issue.

While the government was unconsciously laying a basis for regional planning, outside the governmental sphere the intelligentsia were developing an interest in an enlightened conservation of natural resources, especially soil. As early as 1785, several societies were

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9 Ibid., pp. 117, 123.
founded for the advancement and dissemination of agricultural knowledge, the first of these being established in Philadelphia on March 1, 1785. Pennsylvania was not only the first state to establish an agricultural society, but it was also the first to attempt any form of agricultural education. Establishment of agricultural societies led to the development of agricultural journals, the first of which was published in Baltimore in 1819.\(^{10}\) Unfortunately, there was a high mortality rate in these early societies and journals due to low literacy and lack of interest among the people.\(^{11}\)

Between the American Revolution and the Civil War several important names stand out in the struggle for agricultural enlightenment. Most of these reformers came from the South where soil depletion from unintelligent farming was most evident. John Taylor of Caroline County, Virginia, was the first to publish studies along this line. In 1812 he published his book, *Arator*, which emphasized deep plowing, the four-field system of rotation, and the restoration of worn out land by enclosure without grazing. Other important individuals in the advancement and spread of agricultural knowledge during this period were John Bardley, Fielding Lewis, John G. Moseley, Dr. Martin

\(^{10}\) *House Executive Document, 51st Congress, 1st Session, No. 410, pp. 810, 813.*

\(^{11}\) *Lewis C. Gray, History of Agriculture in the Southern United States to 1860 (Washington, 1933), II, 783.*
Phelps, George Washington Jeffreys, and John S. Skinner. 12 A severe critic of Southern agricultural methods was George McDuffie of South Carolina, who bitterly attacked the wastefulness of the Southern plantation system. He encouraged planters to improve the fertility of the soil or else reap the results of decreased prosperity. 13

A Virginia successor to Taylor emerged as the foremost spokesman for Southern agricultural reform in the ante-bellum period. Edmund Ruffin advocated the restoration of fertility to the worn out lands of the tidewater and piedmont area as a means of slowing down migration from the Old South. When hundreds of others were moving westward into more fertile areas, he refused to abandon his farm. He discovered in trying to rebuild worn out tobacco land that the lands of Virginia contained a vegetable acid which made them unproductive. By adding marl to the soil he found that he could remove this acidity. Thus Ruffin demonstrated the importance of mineral as well as vegetable fertilizers. His volume, Essay on Calcaceous Manures, spread his ideas through the South. 14

Despite the great strides made in scientific agriculture, this knowledge was not widely used during the ante-bellum South, primarily

12 Ibid., pp. 779-782.

13 Ibid., I, 460-461.

14 Edward J. Dies, Titans of the Soil: Great Builders of Agriculture (Chapel Hill, 1949), pp. 55-64.
because of a lack of immediate need. The South had an abundance of land in proportion to its population, and many planters bought land with the expectation of wearing it out and moving on. The planter used the extensive rather than the intensive system of farming since his primary concern was conservation of labor. High cost of slaves made him more interested in obtaining the maximum from his labor force than in getting the greatest productivity from his land. An avowed distrust of scientific knowledge by many farmers accounted for its disuse. 15

Those who were prejudiced used a few well-meaning, but stilted books by certain writers and professors as an excuse for excluding information and help from science. 16

Not until disastrous crop failures in 1837 and 1838 necessitated the importation of millions of dollars of foodstuffs did the majority of farmers realize the need for improved methods of farming. Rapid exhaustion of the soil along the Atlantic coast had been a major cause of this calamity. From this time on an active interest in agriculture by the national government was fostered. The Morrill Act, to grant land for the establishment of agricultural colleges, was passed in 1862. On May 15 of the same year the Department of Agriculture was established. These early steps were merely the first in a long line of moves made

15 Gray, op. cit., I, 446, 800.

by the national government to further agriculture, especially agricultural education. 17 Thus, the federal government had established one more precedent for inaugurating projects of planned economy when individual and state initiative proved lacking.

Although a few steps had been taken in ante-bellum America toward establishing precedents for regional planning, the basic philosophy underlying this movement emerged from the romantic elements of the French Revolution and gained strength around the middle of the nineteenth century. Indeed, the basic ideas of regional planning can be dated from the earliest conceptions of sociology as evinced by the Frenchman, Auguste Comte. He brought forth the consideration of social problems as distinguished from those of the individual.

Interest in society as a whole was a prevalent thesis during the age of the French Revolution. Continuing in this vein, Comte felt that men had a tendency to act together and that man's mind, which was social, acquired a superiority and power over the individual. Thus Comte became one of the forces in the humanitarian movement of the nineteenth century without which the idea of regional planning could not have developed. Comte's idea that humanity, the history of man, is a

17 House Executive Documents, 51st Congress, 1st Session, No. 410, p. 813,
power above the individual to which one must give allegiance led to the conclusion that the good of society was more important than the individual, who should pledge himself to humanity, the master of society. Hence, man's humanitarian instinct requires him to modify his living and environment.  

Another Frenchman, Frederic LePlay, added materially to Comte's philosophy by noting that the great threat to society is man's innate tendencies toward individuality and selfishness. With this as a premise, he concluded that there should be a permanent, voluntary relationship between the individual and the community in which the individual supported the community in good times and the community provided for the individual under adverse conditions. Despite the fact that many of Le-Play's ideas were reactionary, he contributed much to progressive social philosophy.  

Economics as well as sociology provides a philosophic background for regional planning. The ideas of Werner Sombart demonstrated the possibility of an economic democracy. Capitalism, a stage of economic aristocracy, should be followed by a stage of economic democracy as evidenced by trade unions, co-operative movements, and a new concept of public administration. Sombart wanted to make all of the economic

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and social values, from which laissez-faire had excluded them, accessible to the lower classes. His social theory was complex, yet stimulating. Man, with his herd instinct, lived socially in alliance with equals. A "sense relationship" arose among people whose subjective individual minds became resolved into a super individual mental atmosphere or a "social mind." Stated simply, the whole and part existed in an inter-function in which there is one great whole composed of smaller wholes.  

One of the first persons to try to remove the philosophy of planning from the realm of pure speculation was an Englishman, Ebenezer Howard. Although he was primarily interested in city planning, he set forth many pertinent ideas on planning in general. Romantic and humanitarian in his philosophy, he planned a community on the principles of single ownership, limited profit, limited population, and the use of any surplus money for the benefit of the town. He planned to fit the town into the region by treating rural and urban improvement as a single problem. Howard felt that there was an unnatural separation of society and nature. He stated that "Town and country must be married and out of this joyous union will spring new hope, a new life, and a new civilization."  

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22 Ibid., p. 48.
Lewis Mumford, a modern student of regional planning, maintains that
Howard's ideas are equally applicable to regional planning.  

The most important influences on regional planning to emerge
from the Civil War were the teachings of the Scotchman, Patrick Geddes.
It was he who first taught regional planning, **per se.** Not a unique phi-
osophy, much of his thought was based on the ideas of Comte and LePlay.
First, every citizen must know the bad as well as the good in his region
and must study them with realism. After studying these factors, he
must record his observations and apply the knowledge to his own par-
ticular section of a region in an attempt to find out how the individual
best fits into the whole picture. Geddes called it "regional survey for
regional service." His work represented a synthesis of the ideas of
earlier philosophers on co-operative regional planning. Undoubtedly,
his tour of the United States in 1900 helped plant the idea on the Ameri-
can continent.  

Less than half a century was required for it to cul-
minate in a workable project.

The regional concept had prevailed in American economic and
political thought for generations, but America's allegiance to the doc-
trine of free enterprise long prevented the adoption of systematized

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regional planning. First there was the idea of a frontier or a geographic region which grew into sectionalism. Later metropolitan regionalism was to follow. The fourth phase might be called regionalism for convenience and organization in which business concerns, et cetera, found it convenient to subdivide the country for organizational purposes. From this grew administrative regionalism, primarily limited to the fields of government administration. Finally, a very specialized physiological, economic, cultural, and administrative region was developed, as exemplified by the Tennessee Valley Authority. 25 However, this final step could have occurred only after the traditional American conception of regionalism was fused with the social ideas from Europe.

Modern philosophers have only repeated older ones in trying to relate how regional planning came about. Rupert B. Vance claimed that it was the historical outcome of our times—an attempt to meet problems through a scientific approach. Thus the pragmatic approach dictated that the energies of man be directed by the intelligence of men. Throughout history sporadic reforms had been the method of meeting

the evils of inequality and maladjustment, but now planning could do it
continuously. 26

To many it was only natural that regional planning came first to
the South where a lack of conservation first manifested the need for in-
telligent, co-operative action. The South showed a large ratio of wasted
manpower and land, and under its old wasteful system it could not pos-
sibly attain its highest economic and cultural development. Howard
Odum described it as a land of deficiency and scarcity in contrast to
its abundant possibilities. 27

Based on a philosophy of pragmatic change, regional planning in
the United States was the direct outcome of the revived conservation
movement in conjunction with an increase in federal power. In 1873 a
group of members representing the American Association for the Ad-
vancement of Science presented a petition to Congress requesting that
the government take some action to conserve and limit the use of
America's natural resources. This effort was to no avail. However, a
repetition of the request in 1890 resulted in the establishment of the
Bureau of Forestry under the Department of Agriculture. Under this
program the first national forests were set aside in 1891, serving as a


27 Howard Odum, Southern Regions of the United States (Chapel Hill, 1936), pp. 219, 331.
precedent for the tremendous amount of timber later to be conserved in this manner by Theodore Roosevelt and his successors. 28

In this decade before the turn of the century an ever-increasing interest in the preservation and restricted use of resources was evident. A major factor in this awakening was the journalists and scholars who publicized the waste of the wealth of the country. The oft-repeated idea that an over-rapid development of population would bring increasing problems in finding food had a sobering effect upon public thought. 29

Two reputable scholars published works immediately after 1900, prophesying the future of a system based on waste. In 1905 Professor N. S. Shaler of the geology department at Harvard University issued his work, Man and the Earth. In it he forecast the condemnation of future generations for the spendthrift ways of the past and present. He pointed out that man's very existence, particularly in a highly industrialized civilization such as that of the United States, depended on the conservation of all natural resources. Shaler maintained that the fertility of the soil depended primarily on the ability to restrain its rapid flow to the sea; hence, proper control of water along the route from where it falls to the sea was imperative. Geddes, and later Norris,


would have agreed wholeheartedly. Shaler also realized the increasing importance of water power to modern man; full utilization of power would help hold back flood waters and diminish the speed with which soils are taken seaward. In agreement with the French philosophers, he believed that the wealth a man controlled was his to use but not to waste, a principle which he felt should be enforced through laws. Nevertheless, he realized that only by enlightenment could men really accomplish an effective result. Only when man came to see the world as a wider aspect of himself would he be able to further his own happiness and preserve that of others.  

Another spokesman for conservation was Dr. Charles R. Van Hise, conservation's most ardent propagandist through both books and periodicals. His *Conservation of Natural Resources* first appeared in 1910. He considered conservation a part of patriotism, a responsibility of every individual as well as the state and national governments. Every person who destroyed the natural wealth of the nation was a traitor in his eyes.

Five factors led to an increased awareness of the importance of conservation by the populace: (1) growth of population, (2) the improvement of transportation, (3) the conspicuous consequences of

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exploitation of the land as evidenced by deforestation, depletion of minerals, and soil erosion, (4) growing realization that resources were limited, and (5) a growing sense of responsibility for the welfare of the people. The development of this latter idea was necessary before any long-range planning could be inaugurated.

Under the direction of Theodore Roosevelt, the conservation movement gained its first real foothold. His first official act on general conservation was the White House Conference of May 13, 1908. The idea for such a conference had originated as early as 1903, when the president expressed his ideas to the Society of American Farmers. Following this speech he appointed the Inland Waterways Commission to study the navigable streams of the country. It was after this speech that the Inland Waterways Commission suggested that the president invite the state executives to take part in a proposed conference on conservation in Washington.

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In a speech to the National Editorial Association Roosevelt proclaimed his greatest fears: "Unless we maintain an adequate material basis for our civilization, we cannot maintain the institutions in which we take so great and so just a pride." Ibid.

34 Ibid., pp. ix-xi.
President Roosevelt called conservation the weightiest problem then before the nation. With the rise of civilization and an increase in demand from resources, the average man was apt to lose a sense of dependence on nature; but, he warned, the nation could not continue to advance without the resources which it was using faster and faster each year. Speaking picturesquely he painted a vivid picture of a nation decaying and wasting away as a result of neglect and lack of common sense. 35 Throughout the convention there was a repetition of genuine expressions of fear of complete exhaustion of resources at the mercy of unintelligent planners. 36

Despite the apparent unanimity of the average American, and the state leaders, on conservation, Congress was not so enthusiastic. President Roosevelt met vigorous opposition on his forest and water conservation programs. The difficulty with which a co-operative water conservation bill was passed is exemplary of conservative opposition. During the same month that the White House Conference met, Representative Charles F. Scott of Kansas introduced a bill to enable any state to co-operate with any other state or with the United States Government for the conservation of navigable rivers. It provided for further


36 *Ibid.*, pp. 136-194. Fear was also expressed that the acquisition of water rights by individuals would lead to monopoly, removing the most important natural resource from the people's disposal. Some governors advocated strict government regulation, while all agreed that water power was the nation's most valuable asset.
removal from use of forests in the Appalachian Mountains, as well as pro-
viding for the appointment of a national commission composed of congress-
men. The bill passed the House on May 21, 1908, but a similar bill was
stated in the Senate, where the major opponents of the president were
concentrated. 37 The bill was subsequently introduced into the House
twice during the second session of the Sixtieth Congress, but no com-
parable bill was introduced in the Senate. 38 After several futile efforts
to pass the bill during the second session of the Sixty-first Congress, it
became a law on February 28, 1911, three years after its first introduction. 39

When Roosevelt found the Senate antagonistic to his conservation
plans, he characteristically proceeded to work without their consent.
Without congressional approval he established the National Conserva-
tion Commission on June 3, 1908, "to inquire into and advise . . . as to
the condition of our natural resources and to cooperate with other bodies
created for similar purposes by the states." 40 Gifford Pinchot, a leading

37 Congressional Record, 60th Congress, 1st Session, pp. 6520, 6687, 6526.

38 Ibid., 60th Congress, 2nd Session, pp. 1324, 1390.

39 Ibid., 61st Congress, 3rd Session, pp. 2574-2602. Congressional
opposition to Roosevelt's movement caused a number of public-minded
citizens to organize the National Conservation Association in 1909, ac-
cording to Atwood, op. cit., p. 9.

40 Henry Gannett, editor, Report of the National Conservation Com-
mission, Senate Documents, 60th Congress, 2nd Session, No. 676, 3 vols.;
L, II-12. By the time the National Conservation Commission was cre-
ated, there were thirty-three conservation commissions in the states
and territories.
young conservationist, was made chairman of the commission. The first meeting of this body was held between December 8-10, 1908, and in the opening address, President Roosevelt warned that the development of inland waterways would be difficult because of the interests of special individuals and of special localities.

The report of the National Conservation Commission, published in February, 1909, made the first comprehensive and systematic inventory of the country's natural resources. The general plan of the report was to make the following assessments about water, forests, lands, and mineral resources: (1) that available, (2) that used, (3) that wasted, and (4) the present situation. It cautioned Americans to set their house in order "and begin to live within their means." Included in the report were elements of socialistic and humanitarian philosophy. It reflected the growing opinion that the rapid increase in population gave the current generation a responsibility to the coming ones. The people wronged their descendants by wasting natural goods. Freedom of the individual should be limited by the present and future rights, interests, and needs of the other individuals who comprise a community. This was far

41 Ibid., pp. 115-120.

42 Ibid., pp. 1, 13-15.
from the doctrine of the inviolability of property rights which had persisted previously, to the destruction and devastation of much of nature's gift.

Throughout these proceedings, as well as later, senatorial opposition remained bitter. Liberal thinkers blamed this position on vested interests. Because it contained legislation vital to the hour, President Roosevelt was forced to sign an opposition bill which prohibited appropriations for a board or council on conservation unless authorized by law, thus dealing the movement a severe blow. In their opposition the conservatives reverted to the time-honored doctrine of "state rights." E. M. Ammons, governor of Colorado, proclaimed at a conference of western governors held in 1913 that the states traditionally had supreme power over public lands. Governor William Spry of Utah ridiculed the establishment of forest reserves in his state where no timber existed. He declared the administration's policy to be narrow and contrary to American progress. Contending that it did not consider the present generation, he pointed out that the program took agricultural land, the basis of American economy, out of circulation. Instead of keeping the land for conservation purposes, it was the government's duty to get rid of it as cheaply and quickly as possible. He did

not fear the exhaustion of natural resources because civilization had always provided new methods when old ways became unfeasible.\textsuperscript{44} The governor obviously saw no difference between existing and living.

Opposition to the conservation movement concentrated primarily in the West, possibly because there resources were still abundant and highly exploitable. This region felt that the East was trying to obtain a share of their wealth after having wasted its own. One of the West's most outspoken partisans was Senator William E. Borah of Idaho. Condemning conservation as a fad and a "solemn violation of the law," he claimed that conservation meant no practical use of natural resources.\textsuperscript{45} Representative Johnson, of Washington, announced that the Eastern theorists, particularly Pinchot, were ruining conservation by taking too much land out of circulation and by forcing conservation measures upon the West in such large doses.\textsuperscript{46} In defense of Congress' attitude, Representative James A. Tawney supported its work in conservation. Pointing out that conservation cost a great deal, he outlined the government's limitations and condemned Roosevelt's illegal commissions. He contrasted the president's record to that of Congress, which had prosecuted land fraud, established the United States Geologic Survey,

\textsuperscript{44}Congressional Record, 63rd Congress, 1st Session, Appendix, pp. 217-218.

\textsuperscript{45}Ibid., 61st Congress, 2nd Session, pp. 8520-8525.

\textsuperscript{46}Ibid., 63rd Congress, 1st Session, pp. 5971-5974.
passed the National Forest Act of March, 1891, and the Reclamation Service Act of 1902, and created the Waterways Commission and the Forest Service. 47 There was probably little disagreement that all of these were good, but most liberals considered them limited and unable to meet the immediate need.

Much of the reaction to the conservation movement occurred during the presidential term of Taft. The platforms of 1908 remained as an ever-present nuisance to the congressional reactionaries of both parties. The Republicans had endorsed Roosevelt's program and the Democrats had demanded enforcement of conservation which Roosevelt had vainly sought from a reluctant party. 48

President Taft had inherited most, but not quite all the ideas of his predecessor; however, he was never as promiscuous or extra-legal as Theodore Roosevelt had been. The president reserved his message on conservation for a special session in which he attempted to get Congress to validate forest withdrawals. In essence, however, his speech was a general plea for congressional support of conservation methods. 49 Although Taft stated in his message that he was glad that he had inherited the policy, a breach was already appearing between his ideas and those

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49 House Documents, 61st Congress, 2nd Session, No. 533, p. 3.
50 Congressional Record, 61st Congress, 3rd Session, p. 34.
of Roosevelt. In September, 1910, the Second Conservation Congress met at St. Paul. In his message to this body Taft cautioned the members of the tendency to look too much to the federal government in such matters. Although he felt that he was liberal in his interpretation, he was firmly convinced that the only safe course for the nation to pursue was to hold fast to the limitations of the Constitution and to regard as sacred the powers of the states. 51

The split over state versus federal control of conservation broadened at the fifth annual meeting of the National Conservation Congress with Senator John H. Bankhead of Alabama leading the state rights faction and Gifford Pinchot leading the other. The New York Press blamed this split on the fact that the water power states had too many delegates representing exploiters. 52 The Press was not alone in this accusation.

The controversy raged not only in congressional circles, but also within the administration itself. In administrative circles the feud evolved into the Ballinger-Pinchot controversy. Secretary of the Interior Ballinger sided with President Taft in questioning the right of the administration to make even temporary withdrawals without Congress' permission. As far as water power was concerned, he urged the reservation of waters to the jurisdiction of each state. Pinchot, on the

51"The President on Conservation," Nation, XCI (September 8, 1910), 204.

52"Conservation Split," The Literary Digest, XLVI (December 6, 1913), 1103.
contrary, obviously felt that the president had virtually unlimited au-

thority in the area of conservation through his executive powers alone. 53

Up to 1914, the primary emphasis nationally had been on the con-
servation of forests due to the work of Chief Forester Gifford Pinchot.

However, as water power became more important, the liberals began
to emphasize ways of bringing its conservation under control of the na-
tional government. This change of emphasis was almost imperceptible.

It could be that the forest conservationists at first were merely using
the navigation clause of the Constitution as a tenuous legal basis for
the withdrawal of more land in claiming that the preservation of the
forest on the slopes was necessary for the proper control of navigable
rivers. Nevertheless, the control of water power on these streams
became intimately tied with forest preservation and was soon to evolve
into primary importance in the conservation question.

Forest conservation led to more control of navigable streams
from which graduated the idea that water power, unlike other natural
resources, is best conserved when used to the greatest degree. Gif-
ford Pinchot noted that often the government built dams for navigation
and ignored the potential of power that flowed over and out of them.

It was developed, yet it lay idle. But, Pinchot cautioned that the con-
trol of power remained with the people. He envisioned an increased

use of electricity in backward areas and prophesied a project such as the Tennessee Valley Authority. 54 The early conflicts on federal conservation were only another facet of the struggle between federalism and state rights. Now with the suggested entrance of the federal government into competition with the individual, fundamental principles were being assailed. Early conservation methods had been regulatory but now they were becoming socialistic. This new trend, however, was not to find fertile ground in the reaction against progressive ideals that followed World War I.

Wilson's administration was to see the last great surge of progressive ideals on conservation before the slackening period during the twenties, and these ideals centered around water power. New ideas were being presented. A growing feeling evolved that federal control of water power extended to every navigable stream and to all sites owned by the government. Too, the feeling that every undeveloped water site for which a market existed was waste, pervaded the minds of many. 55 The fight was taken up with vigor by the liberals and by the progressive press.


55 Senate Documents, 63rd Congress, 1st Session, No. 243, pp. 3-4.
Representative M. Clyde Kelly of Pennsylvania expressed the liberal view:

The monopoly of such power is dangerous and injurious to the public because it would give those holding it the power to tax every industry . . . dependent upon hydroelectric power. That power in private hands would mean the highest price possible and would in turn enter into the cost of producing the commodities necessary to the existence and comfort of American life. 56

Such magazines as Outing, Independent, Outlook, Nation, and New Republic deluged their readers with diatribes against water power monopolies, equating progressive and socialistic ideas with exalted principles of national patriotism, in order not to frighten their more conservative supporters.

This new spirit justified the control of private enterprise when it existed to the injury of the public good. Century called such a principle brotherhood, not socialism. 57 Outstanding periodicals also focused the attention of their readers on the practices of Old World nations who were solving the problems of depleted natural resources by direct government ownership. Exponents of private businesses upon occasion adopted the new slogans. O. C. Barber, president of the Diamond Match Company, declared that the people must learn that the federal government is the

56 Congressional Record, 63rd Congress, 2nd Session, p. 13675.

57 "The White House Conference of Our Natural Resources," Century, LXXVI (May, 1908), 156.
only agency capable of giving the people the most benefit from their
natural resources. 58 Private enterprise had shown itself extremely
wasteful in its rush to get rich quick while the states had proved them-
selves incapable of handling this dreadful waste and monopoly. 59

From official sources, the fears of the proponents of regulation
were apparently confirmed. An investigation of water power develop-
ment by the Bureau of Corporation showed that there was an increase
in concentration of control of water power by certain private interests.
This bureau suggested federal control of power sites as an effective
regulator for this kind of usurpation. 60 The first important legal bat-
tle to occur over federal and state rights in this matter was the case
of the United States versus Rio Grande Dam and Irrigation Company.
The Supreme Court ruled that in the absence of specific authority from
Congress, a state could not destroy the right of the United States as
owner of land bordering streams. Also the state could not restrain
water in the upper stream which would interfere with the securing of
uninterrupted irrigation by the federal government. 61 The national
government thereby extended its control from just the navigable part

58 O. C. Barber, "Popular Control of National Wealth," Outlook,
GIV (July 19, 1913), 613.

59 "National Conservation," Outlook, XCVI (September, 1910), 14.

60 "Washington Notes," Journals of Political Economy, XV (May,
1912), 513.

61 Senate Documents, 60th Congress, 2nd Session, No. 676, I, 131-
132.
of a stream to the whole body. Future liberals were to make good use of this victory.

Opposed to these advocates of control were those who saw the benefits of conservation but imagined great evils accruing from total supervision by the national government. They readily recognized the government's right to control navigation but insisted that control of water power distribution was limited specifically to the state or to private enterprise.\(^{62}\) Others opposed such control on more reactionary grounds. Liberals even accused right-wing conservatives of working in the interest of water power corporations to block all legislation that would allow public ownership of production.\(^{63}\) Representative Frank W. Mondell of Wyoming, typical of the Western opponents of federal supervision, branded any plan that allowed the national government control over the waters of a state as "federalistic, bureaucratic, centralizing, inequitable, and burdensome."\(^{64}\)

Political and social ideas were changing but much had to be done before a complete blueprint of regional planning could be set up. First,

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\(^{63}\)\textit{Congressional Record}, 63rd Congress, 1st Session, Appendix, pp. 554-555.

\(^{64}\)\textit{Ibid.}, 63rd Congress, 2nd Session, p. 13672.
the local ownership of running water had to be established. No longer did the old condition prevail wherein a man who owned a dam site owned the water passing over it. The idea was growing now that the improvement of a river began at the source and in the forests which covered the surrounding territory. All were important for an enlarged and steady flow; the river was becoming a whole unit, not many parts under individual supervision. On the other hand, interpretations of the Supreme Court still severely restricted unified action by the government, but that would give way before continued assault of the liberals.65 Gifford Pinchot said that the country possessed many separate conservation projects, such as swamp reclamation, forestry, waterways, irrigation, and so on, but that in this way the conservationists were attacking from the outside instead of at the heart of the matter. He realized the necessity of consolidation.66

Thus, by the end of the Wilson administration, the seeds of a planned region had been planted. These were to grow and take shape in definite form during the decade of the 1920's and to find maturity during the 1930's. Throughout the entire period from the settlement of the English colonies to the end of the Wilson administration, hundreds


66 Pinchot, op. cit., p. 11.
of individuals and societies contributed vital information and impetus to the movement toward conservation of the country's natural resources. Social philosophies and scientific research of all kinds were involved.

All of these were important in bringing about a situation whereby a new socio-economic experiment could be made in the fields of conservation and planning. By 1900, the Tennessee Valley had been singled out as a possible site susceptible to improvement as a unit. Little did Congress know when it acquired the Muscle Shoals area that it was embarking upon the most revolutionary political and social project in the history of America. The groundwork had been laid; all that was needed was the removal of traditional conservative blocks erected by state rights apologists.

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CHAPTER II

THE FIGHT FOR MUSCLE SHOALS

"The battle for water control is lost before it is begun if the heavy rains characteristic of the Tennessee Valley fall on hillsides stripped of their forest cover and farms planted in row crops."¹ Upon this premise development of the Tennessee Valley Authority was irrevocably tied to the idea of a planned region. Only through regional planning could the source of the problem in the Tennessee Valley be eliminated, and also only through regional planning could the greatest results accrue from this region.

The battle which raged in Congress for more than fifteen years over the development of this region was many sided. It cut deeply into many basic tenets of American tradition. Often it was fought with a vigorous bitterness emanating from persons firmly convinced that they were supporting the good of the country and that their opponents were attempting to destroy the basis of American freedom. Others entered the fight because it was politically or economically advantageous.

¹Herman C. Pritchett, The Tennessee Valley Authority: A Study in Public Administration (Chapel Hill, 1943), p. 34.
The 138 bills relating to Muscle Shoals which were introduced into Congress between the end of World War I and 1933 \(^2\) provided a basis for the struggle between those who believed that natural wealth could best be developed by individual and private capital and those who felt that only the federal government could effectively perform the task of developing the natural resources in a spirit of unselfishness, "for the greatest good to the greatest number." \(^3\) To the former, only private enterprise could develop the natural resources of the country and at the same time preserve the democratic, individualistic bases of American society. The latter maintained that only the national government could afford to finance such a project and await the slow and often indirect profits which the planning of a region such as the Tennessee Valley offered. \(^4\) According to one of the earliest historians of the Tennessee Valley Authority,

Regional planning is emerging as a possible means of solving certain interdependent and supra-state problems illustrated by the widespread effort to negotiate interstate compacts dealing with water resources, land utilization, . . . and a multiplicity of social and political problems which do not conform to state and local boundaries. \(^5\)


\(^3\) George W. Norris, Fighting Liberal (New York, 1945), p. 246.

\(^4\) Carter, op. cit., p. 37.

The crisis of World War I brought about a change from government regulation of business to government conduct of business, thus aiding the drive for federal development of regions where complete development was economically unfeasible by an individual. Into this category falls the Tennessee Valley project in which the government is engaged in business as incidental to activities of a non-commercial nature. The business activities were projected to pay for those benefits of a non-business nature. ⁶

The story of the actual struggle to make the Tennessee Valley a planned region is the story of a valiant man from Nebraska: Republican Senator George W. Norris. The Muscle Shoals problem, however, arose some time before he took an active interest in it. The struggle began over property that was acquired by the government at Muscle Shoals, Alabama, under the National Defense Act of 1916. In order to supplement the nitrates received from Chile during World War I, the President was authorized, under the National Defense Act of 1916, to determine the best and cheapest method of making nitrates. He was to designate sites upon either navigable or non-navigable streams that could be used for the production of electricity. The act stipulated that the sites would be operated solely by the federal government and that

"any surplus [product] which he [the president] shall determine is not required shall be sold and disposed of by him under such regulations as he may prescribe." Under the direction of Secretary of War Newton D. Baker, President Wilson selected a site on the Tennessee River at Muscle Shoals, Alabama.

This move toward development of the Muscle Shoals was not the federal government's first preoccupation with the region. As early as 1824, Secretary of War John C. Calhoun had advised that the federal government finance a project to remove the impediment to navigation at Muscle Shoals. Although this attempt and another in 1871 proved unsuccessful, they showed that some of the potentials of the Tennessee Valley were recognized early. The region was saved for public development when, in 1903, Theodore Roosevelt vetoed a bill to allow a private individual to construct a dam and power plant at Muscle Shoals. In vetoing this bill, the president stated that he felt that when the government was called upon to improve a river, the improvement should be made to pay for itself as much as was practicable. To him water rights were too valuable and should not be virtually given away.

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7 U. S. Statutes at Large, XXXIX, Part I (1917), 166-217.


9 "Roosevelt on Muscle Shoals," Nation, CXVIII (April 9, 1924), 385.
However, when the war ended, the facilities at Muscle Shoals had not been completed, and Wilson Dam stood half finished across the Tennessee River. There was now a problem of disposing of this "white elephant" since the emergency had passed, and few congressmen even considered the possibility of keeping it. Nevertheless, in 1920, the active conservationist group succeeded in passing a bill known as the Federal Water Power Act which gave the government moderate control over private companies which wished to construct dams on navigable rivers.  

This legislation subsequently proved useful in preventing the transfer of Muscle Shoals to private individuals.

In line with conservative post-war policies, the Republican administration under Harding decided to sell Muscle Shoals to the highest bidder. Consequently, Secretary of War Weeks asked for bids on Muscle Shoals in 1921.  

Although the Alabama Power Company offered to purchase the property first, their bid was given little consideration because of an offer from Henry Ford made July 8, 1921, and modified January 25, 1922. In response to Ford's offer, Representative John C. McKenzie introduced a bill into the Sixty-seventh Congress which embodied virtually all of the Detroit manufacturer's demands and offers. It authorized the Secretary of War to sell to Henry Ford nitrate plant number 1 at

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10 U. S. Statutes at Large, LXI, Part I (1921), 1063-1077.
11 Norris, Fighting Liberal, p. 259.
Sheffield, Alabama, nitrate plant number 2 at Muscle Shoals, Alabama, and Waco quarry near Russellville, Alabama, and to lease to the corporation Dams Number 2 and 3, including their power stations when completed. In return, Ford was to agree to produce fertilizer at plant number 2 which was not to sell for more than 8 per cent of the actual annual cost. The lease, in violation of the Federal Water Power Act, was to be for one hundred years. Ford was to pay $200,000 per annum for the first six years that power plant number 2 was in operation; $160,000 per annum for the first three years that plant number 3 was in operation; and thereafter a sum equal to 4 per cent of the net capital cost to the United States for dams and plants exclusive of the amounts thereafter spent. The government had already expended $106,000,000 on the development of Muscle Shoals. Ford wanted the government also to purchase flowage rights around both dams and to advance the money necessary for completing dam number 2.  

Had anyone else suggested such lenient terms for a private individual for purchasing the Muscle Shoals property, it is doubtful that they would have received as much consideration as did the Ford offer. Ford not only represented a successful businessman of the Horatio Alger type to a generation of Americans preoccupied with getting rich,

but he also represented all the altruistic ideals associated with democracy. In age of big business, when the big businessman represented the true American to a great many, his offer was accepted without question by a large body of the population.

Henry Ford also made what seemed to be concrete promises to the American people. He indicated that he had discovered a secret formula for producing cheap fertilizer. The appearance of an article in The New York Times in December, 1922, connecting Ford with the discovery of alunite aided this insinuation. This mineral was supposed to reduce the cost of the production of fertilizer by approximately one-third. 14

Also Ford's declaration that he saw an "opportunity to eliminate war from the world" by the purchase of Muscle Shoals gained many adherents for his project. Claiming that gold was the sole cause of war, he proposed to show the world the practicability of making natural resources the basis for currency. This would take the profit out of war. Further, natural resources would never collapse as gold periodically did. Ford was forced to add, however, that gold would have to be used as an international scale since natural resources would be unacceptable as a medium of exchange on this level. 15 An American public imbued with


15 Ibid., December 4, 1921, Section 1, p. 1.
the hero worship of the twenties can hardly be blamed for following a
leader who expressed himself so simply and convincingly. Here was
one of America's most successful manufacturers taking time to simplify
and solve problems which had plagued the world for centuries.

As negotiations drew on, the Ford legend grew into a myth. In
1922 it was declared that Ford would create a city stretching seventy-
five miles along the Tennessee River that would rival New York City.
He would accomplish a dream of Ebenezer Harvard: the wedding of the
factory system and rural life. Incidentally, he would produce cheaper
fertilizer, aluminum, and textiles, and in the resulting prosperity
advance educational opportunities. What could be more appealing to
the inanely romantic mind of youthful America in the early twentieth
century—a mind full of grandiose schemes for the greatest nation
on earth?

Unfortunately for Ford's scheme, the Progressive tradition was
not wholly dead despite post-war reaction. Opposition to Ford's pro-
posal immediately arose in the Senate from Senator Norris from Ne-
braska. A member of the Progressive Republican element of Congress,
he believed that conservation did not consist of locking up natural re-
sources or dealing them out to private capital for private gain. He had
first become interested in the public control of water power upon seeing

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16 Littell McClung, "The Seventy-five Mile City," Scientific
American, CXXVII (September, 1922), 156-157.
the advantages which accrued to the city of San Francisco by public development of the Hetch-Hetchy Valley in California. It was his contention that private companies could not develop the district advantageously to the public while bearing the expense of retaining the grandeur and beauty of the region.  

When a bill was introduced into the Senate proposing the sale of Muscle Shoals to Henry Ford, Senator Norris countered on April 10, 1922, with his first bill for allowing the government to operate Muscle Shoals. Norris' proposal was the first legislative attempt along this line, but it was by no means a unique idea. As early as 1920 the Agriculture Committee of the Senate had suggested that nitrates be produced by a government corporation. Secretary Newton D. Baker, the individual who had chosen the Muscle Shoals site, maintained that the government, if anyone, should produce nitrates at Muscle Shoals. He estimated that a profit of $2,900,000 could be made on an investment of $12,500,000 by doing this. Even after leaving office, the ex-secretary maintained that it would be public sin to sell Muscle Shoals to a private individual. However, revelation of waste at Muscle Shoals had proved conclusively to some the inefficiency of government


18 Congressional Record, 67th Congress, 2nd Session, pp. 2212, 5216.
ownership and thus contributed to organized efforts to hurt the drive toward it. 19

Despite the many disadvantages confronting the proponents of public ownership of the Muscle Shoals property, they enjoyed one decided advantage. All bills in the Senate pertaining to Muscle Shoals were referred to Senator Norris' committee on Agriculture and Forestry, and this body recommended the rejection of all bills to sell the property. The committee reasoned that the government was already in the business of making explosives; therefore, it should continue to produce nitrates, thus reducing price through inexpensive electricity. In order to complete Dam Number 2, the committee also suggested the expenditure of more money. In rejecting the Ford offer, Norris and his committee pointed out that Ford could not live to the end of the one hundred year contract. Attention was called, also, to the violation of the Federal Water Power Act which prohibited a lease to be for more than fifty years. 20

In a more philosophical vein, Norris, writing the majority report on the committee, declared that Congress must protect the power that could be generated on navigable rivers for future generations. Furthermore, Congress had no right to give it away because it belonged to the

19 The New York Times, June 1, 1920, Section 1, p. 24; ibid., March 27, 1920, Section 1, p. 12; ibid., February 4, 1920, Section 1, p. 3; "Muscle Shoals—Ours," Nation, CXXIX (December 17, 1924), 668.

public. Norris claimed that Ford had left an erroneous opinion on the subject by keeping quiet. He had led people to believe that he could reduce the price of fertilizer by one half. Naturally, Norris recommended that his bill be passed. 21

Throughout the Sixty-seventh Congress, proposals and counter-proposals were made. In July, 1922, Senator Edwin F. Ladd, on the recommendation of a letter received from the American Farm Bureau Federation and the National Grange, introduced a bill favoring the Ford offer. 22 It was he who had expressed with prophetic lucidness the opposition and connotations of the Norris bill.

I seriously doubt if the senator [Norris] really understands the possibilities, yea, the probabilities of his bill . . . a preamble to something more gigantic and, when beyond his control, something that would probably prove frightening in its consequences. 23

The Muscle Shoals controversy caused a split in the "farm bloc." Representative L. J. Dickenson of Iowa, leader of the "farm bloc" in the House, felt that some form of government ownership was the solution. He disapproved selling Muscle Shoals to Ford. However, Senator Heflin of Alabama opposed the Norris bill because he felt it blocked the

21 Ibid., pp. 20-35.

22 Congressional Record, 67th Congress, 2nd Session, p. 10098.

development of power for fertilizer. He adhered to the belief that Ford would reduce fertilizer prices by one half. 24

Several other offers to purchase Muscle Shoals were made in the first session of the Sixty-eighth Congress. However, all were overshadowed by the introduction of a new Ford bill. 25 Several maneuvers were attempted by those supporting the latter's offer. There was even talk of running Ford for the presidency in 1924 in order to save Muscle Shoals for the farmer. Some Nebraskans, in opposition to Norris, proposed to run Ford on an independent local ticket. 26 The Republicans also attempted to rid themselves of Norris, a former judge, by offering him the head of the judiciary committee, a job he had coveted so long. Reluctantly he declined. 27

The new Ford bill was introduced first into the House of Representatives as H. R. 518 by Representative McKenzie of Illinois on December 5, 1923. In debate the general contention of the Ford supporters was that he was working in the interest of the people. Representative

24The New York Times, December 7, 1922, Section 1, p. 4; December 8, 1922, Section 1, p. 4; Gifford Pinchot, an old Roooveltian Progressive, felt that the Muscle Shoals bill should be more harmonious with the Roosevelt conservation program. He called the Ford offer a steal; ibid., August 29, 1921, Section 1, p. 2.


26"Ford, Politics in Muscle Shoals," Literary Digest, LXXIX (October 27, 1923), 13-14.

27Lief, op. cit., p. 256.
Edward B. Almon of Muscle Shoals, Alabama, favored the offer. The bill passed the House on March 10, 1924, and was referred to the Norris committee on March 11, where it received an unfavorable report. Norris argued that power was too vital to be monopolized. The government should take a greater part in the generation, distribution, and regulation of electricity. Such regulation could best be accomplished by the government's participation in production, thus setting a standard for electric rates. Norris revealed some truth when he insinuated that Ford was getting people to invest in his project; hence, they naturally supported his scheme. Norris, in opposition to the Ford bill, declared in the Nation that he "would not give away the heritage of the people even to a saint," and went further to infer that Ford really wanted to monopolize the hydroelectric power in the Muscle Shoals region. "Nothing else," he said, "has ever happened so calculated to shake a man's faith in a democratic government." No action was taken in the Senate during the first session.

A growing public opposition to the Ford offer became evident in 1924. People were beginning to realize that perhaps Norris was right.

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28 Congressional Record, 68th Congress, 1st Session, pp. 36, 3564-3565, 3927, 3940.


31 William Hard, "Mr. Ford Is So Good," Nation, CXVIII (March 26, 1924), 340.
when he said that Ford was being given special privileges because he seemed to be a friend of the people by selling cars so cheaply. Ford was accused of getting Muscle Shoals because of the people's faith in him. The fact that Ford was sixty-one and that the lease was for one hundred years was repeatedly emphasized. One writer accused the government of succumbing to the blandishments of an industrial wizard and ceding to him a new and mightier "Teapot Dome" at the same time it was trying to cancel the first Teapot Dome. Ford's cause was further hurt by his refusal to appear before any congressional committee in connection with his bid.

In January, 1924, Senator Norris concurred with a bill drawn up by the Public Ownership League to develop Muscle Shoals as a part of a "public super-power system," and in February he introduced his second public ownership bill. The Norris proposal, like Ford's, was not free from scathing attacks. In June, 1925, an engineer from Columbus, Ohio, declared Muscle Shoals to be overrated. In comparing water power with coal, he pointed out that water power was no cheaper since

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32 Ibid.

33 "Ford Mesmerism and Muscle Shoals," Current Opinion, LXXVI (May, 1924), 626.

34 The New York Times, April 26, 1924, Section 1, p. 7.

35 Ibid., January 17, 1924, Section 1, p. 20.

it cost to turn water into usable power. He reasoned that the govern-
ment had no more control over water power than coal. 37 To Norris,there was more involved in Muscle Shoals than the production of elec-
tricity; navigation and conservation were vital to his plan, making Mus-
cle Shoals different from a coal producing region.

During the second session of the Sixty-eighth Congress, Senator
Oscar W. Underwood of Alabama introduced a bill similar to H. R. 518.
This bill went to conference on January 27, 1925, where it died for lack
of agreement. 38 No action was taken on the Norris bill. In the mean-
time Ford had become impatient with the hesitancy of the government
and had withdrawn his offer on October 14, 1924. His son in an inter-
view stated that "[p]rodutive business cannot wait for politics." Ford
would wait for an offer from the government. 39

When the opponents of public power realized that Congress would
adjourn before a compromise with the House could be made, by coali-
tion they passed a bill, ostensibly to throw light on Muscle Shoals, that
authorized the president to determine the most favorable condition under
which the property might be leased in order to secure nitrates. This


resulted in a "Joint Committee on Muscle Shoals" which accomplished nothing. The committee investigating Muscle Shoals had suggested in its report that the property be sold to the Associated Power Company, and on April 26, 1926, Representative John M. Morin, head of the committee, introduced a bill to that effect. Norris also introduced his third bill in a modified and simpler form. No action was taken on either.

In the second session of this Congress, Representative Madden introduced a bill to sell Muscle Shoals to the American Cyanamid Company. In the ensuing debate, the fertilizer question was thoroughly considered. The New Republic accused the opponents of public ownership of stressing the production of fertilizer simply to get the farmers' support. It argued that fertilizer could be produced by a cheaper process than the one Muscle Shoals was designed for. Water power, it claimed, was intentionally under-emphasized so that the private companies could obtain these resources and continue to discriminate against the individual consumer, especially the farmer. It was becoming evident by 1926 that the major issue was really water power; fertilizer

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41 Senate Report, 69th Congress, 1st Session, No. 672, p. 60.

42 Congressional Record, 69th Congress, 1st Session, p. 1456.

43 "Fooling the Farmers Again," New Republic, LIII (December 7, 1927), 59-60.
was taking a back seat. No action was taken on this bill or on the one introduced by Senator Norris.

During the Seventieth Congress, Senator Norris introduced a compromise bill concerning Muscle Shoals. The result would be to retain the property for the government, but the bill would also render the government's influence on electric production less effective, since it was not to have complete freedom to compete with the private utilities in the region. Power production at Muscle Shoals was to be restricted to surplus. The bill did, however, call for the building of transmission lines, which had been a limiting factor in the earlier bills. The regional scope of this bill was also less than some of the earlier ones. In essence, all factors led to a lessening of the influence of government owned electricity in the region, hence preventing any effective judgment of the proper costs of electric production. If the government could not enter the electric business on a full scale, the comparison of its expenses and rates with those of private companies would be unreliable. 44

Norris' debate on this bill revealed his loyalty to the regional idea. That he saw the development of the Tennessee Valley as a whole instead of as individual units is evident. He held that the production of power was inseparable from the government's right to construct a dam across the Muscle Shoals. The idea of using Muscle Shoals for the production of fertilizer since cheaper processes had been discovered, he now

44 Congressional Record, 70th Congress, 1st Session, pp. 679, 2405.
discarded as inadvisable. 45 Realizing that there must be a monopoly for efficient usage of electricity, he recommended that it be government controlled since individuals naturally take advantage of monopolies. To him, this stand was only logical since "the government owns Muscle Shoals now, it operates it now, and the question is, shall we turn it over to private monopoly or shall we keep it for all the people." 46 The senator drew support from another source, primarily because of the multi-purpose function of his project. In 1924 the League of Women Voters officially approved his plans for the Tennessee Valley. 47

Senator Hugo L. Black of Alabama opposed Norris because he felt that Muscle Shoals' power would best be utilized for the production of fertilizer. His opposition stemmed from a desire to prevent the farmer from being cheated. Senator William H. King of Utah summed up the views of the opposition when he declared that this was a series of measures devised by

individuals and organizations . . . imbued with Marxist philosophy, or who desire to see the national government extend its jurisdiction and activities which belong to sovereign states and to set up business enterprises in competition with individuals and corporations. 48


46 Congressional Record, 70th Congress, 1st Session, pp. 3757, 4087.


48 Congressional Record, 70th Congress, 1st Session, pp. 4088-4095, 9888.
The bill, however, passed the Senate on March 13, 1928. 49

The next day it was reported to the House and dutifully referred to the Committee on Foreign Affairs. With amendments, it passed the House May 16, 1928, and a conference was necessary. On May 25, the revised bill passed both houses of Congress. The bill was presented to the President on May 26, 1928, and Congress adjourned three days later. 50 President Coolidge failed to sign the bill; consequently, it died.

In branding Coolidge's pocket veto as an ingenious way not to offend the power trust or the farmer, Senator Norris said of the Republican party: "We will have the money to dominate the avenues of publicity and can arouse the enthusiasm of the unsuspecting voter." 51 Using the words of a representative of the power trust, he said, "we will pin the Bolshevik idea on our opponents and sail through to victory on an outburst of partisan...enthusiasm." 52 Muscle Shoals had to wait while the Republicans won the election.

At the opening of the Seventy-first Congress, Norris introduced his sixth bill in favor of public ownership of Muscle Shoals. 53 He

49Ibid., p. 4636.

50Ibid., 70th Congress, 1st Session, pp. 4699, 5708, 8883, 9957, 10103.


52Ibid.

53Congressional Record, 71st Congress, 2nd Session, pp. 2060, 2148.
defended his bill by maintaining that it was not a question of putting the
government into business but one of protecting government property.
The government had the right to control floods and improve navigation. The bill was to be "in the main a flood control and navigation proposition." Power would be only incidental. Flood control, not water power, had always been Norris' paramount objective according to his autobiography. He contended that if cheap electricity were incidentally produced, then it would be a demonstration of the proper use of our streams, a carrying of the government's function in controlling navigable streams to its logical conclusion. He asked for the support of all those who believed in the preservation of the country's natural resources and the prevention of the usurpation of the nation's resources by the power trust in its "unholy greed." Nitrogen, he said, is a more easily and cheaply made product than by the process for which Muscle Shoals was designed. The government should seek these newer ways because if private companies make improvements, they would obtain a monopoly; the government, on the other hand, would give these improvements to the world. Muscle Shoals should be primarily for experimentation. He also pointed out that private enterprise would be

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54 "Should Uncle Sam Operate Muscle Shoals?" Congressional Digest, IX (May, 1930), 143.

55 Congressional Record, 71st Congress, 2nd Session, p. 6399.

56 Norris, Fighting Liberal, p. 260.

57 Congressional Record, 71st Congress, 2nd Session, pp. 6400-6405; Congressional Digest, IX (May, 1930), 143.
principally interested in power and would fail to deal efficiently with flood control and navigation when such action might interfere with power production. 58

Senator Hiram W. Johnson of California commended Norris by saying that the government should produce power for the people. He cited the Toronto Globe, saying that public hydroelectric power is hated because of its merits, because it has rescued the people from the greed of gain. Admitting that there had been a mistake in city planning, he maintained that there still existed a comparison to show that it offered infinitely better benefits. 59

Taking the opposite view, Simeon D. Fess, Republican Senator from Ohio, violently condemned Norris' bill by concluding that it created a board subject to no one; he objected to the making of fertilizer by the government since there was no fixed limit on what the government could spend, and there was always the danger that the government might destroy private business. He admitted that there was a trend toward concentration, and he felt that the government should regulate this concentration. But if the government went into competition, it would not count the element of cost that these citizens must count, thus allowing the government to operate at a loss and still take money from the

58 Congressional Record, 71st Congress, 3rd Session, p. 7086.

59 Ibid., 68th Congress, 2nd Session, pp. 816-819.
treasury. This would be unfair competition. Using Jefferson's argument that the government is best that governs least, Fess claimed that government operation was deadening, that bureaucracy would spread its net and kill the spirit, and that it destroyed the freedom of leadership emanating not from seniority but from a "rugged struggle of merit." The routine effect was obvious, he declared. 60

The American Farm Bureau Federation resolved that the method the government was to pursue in the protection of the public against corporate aggregations was regulation and supervision, not direct ownership. They still favored the Ford proposal and wanted the government to sell Muscle Shoals with a guarantee of cheap fertilizer. Delay was costly, 61 and it might be added that no fertilizer was being produced.

On February 20, 1931, the bill was reported out of conference with the Senate text. After passing both houses, it was presented to the President on February 24, 1931. 62 However, the bill was not the answer to the Muscle Shoals problem. On March 3, 1931, President Hoover returned the bill with a long veto message, declaring that the government would lose two million dollars annually under the Norris plan.

60 Ibid., 71st Congress, 2nd Session, pp. 6497-6503.
61 Congressional Digest, IX (May, 1930), 148.
62 Congressional Record, 71st Congress, 3rd Session, pp. 5548-5549, 5570-5571, 5346, 5815. The bill passed the Senate on February 23; the House, on February 20.
I am firmly opposed to the Government entering into a business the major purpose of which is competition with our citizens. . . . The remedy for abuses in the conduct of that industry lies in regulation. . . . I hesitate to contemplate the future of our institutions, of our Government, of our country if the preoccupation of its officials is to be devoted to barter in the markets. That is not liberalism; it is degeneration. 63

The president's fear that such a precedent would destroy the initiative and enterprise of the American people was shared widely. It was hard for people to make such a drastic change in their political and social philosophy. To many it seemed the destruction of equality and the undermining of the basis of American individualism. 64 Regional planning meant a whole new social and political concept. The need for change was evident; but tradition, fear, and sentimentality proved to be effective in delaying that change. Especially telling was the fear of communism and regimentation. Undoubtedly, Albert Shaw expressed the sentiments of many people when he wrote in the Review of Reviews:

We must all go to work for the government under the slave-driving system now existent in Russia, or we must work for ourselves, under the free system that has made America so prosperous and successful. 65

To oppose such a telling argument as the one above required a person who did not adhere blindly to tradition and who possessed a relatively

63 Ibid., pp. 7046-7048.

64 Ibid., p. 7046.

65 Albert Shaw, "The Unsolved Problem of Muscle Shoals," Review of Reviews, LXXXIII (April, 1931), 53.
liberal philosophy. One such person was Hugo Black of Alabama, who, although not as radical as Senator Norris often appeared to be, was the first person to attack the Hoover veto. He declared that Hoover's figures were wrong and contended that he favored the operation of private business by private initiative when such could be accomplished. The greed of the powerful, he feared, would be the instrument responsible for the destruction of private initiative and competition. Perhaps government competition was the only way to preserve the free enterprise system. Evidently many Senators agreed with Black and Norris, since the measure lacked only seven votes overriding the presidential veto. 66

In the period after the adjournment of the Seventy-first Congress and during the Seventy-second, the two forces attempted somewhat feebly to attain their respective ends. The net result was wasted effort and a stalemate in the struggle over Muscle Shoals. During the interim between the two Congresses, President Hoover attempted to sell Muscle Shoals without congressional approval. 67 He felt that he could do this under his war powers, since Muscle Shoals was war property. This attempt came to naught. 68 Senator Norris half-heartedly kept the issue

66 Ibid., pp. 7070-7098.


68 Congressional Record, 72nd Congress, 1st Session, pp. 206, 5526.
alive by re-introducing his old bill into the Seventy-second Congress. After the bill was sabotaged by Senator Bankhead of Alabama, through damaging amendments, and defeated in the House, Senator Norris declared, "The future of Muscle Shoals [and regional planning] hinges on the November fate of Governor Roosevelt." The situation was summarized epigrammatically in this Alabama folk saying: "Should the Muscle Shoals plant outlast the Muscle Shoals Controversy in Congress, it will be a fine tribute to the engineering skill of the builders."  

69 Lief, op. cit., p. 387.

70 "Muscle Shoals to Plague the Campaign," Literary Digest, CVIII (March 14, 1931), 7.
CHAPTER III

TRIAL AND ERROR: THE FIRST DECADE OF TVA

Even before his inauguration, President-elect Franklin D. Roosevelt made it clear that his stand on the Muscle Shoals question resembled closely that of Senator Norris. In Alabama, after his election, he stated that he upheld the Norris proposal and proceeded to outline a program whose general aspects compared favorably with the Republican Senator's views. Envisioning the development of the Muscle Shoals and the whole Tennessee Valley as merely a forerunner of future projects, he pointed out that the conservation program had been attacked in piecemeal fashion ever since Theodore Roosevelt and Gifford Pinchot had launched the campaign for preservation of the forests. Now, he felt, it was time to unite "all these various developments into one great comprehensive plan within a given region."¹

The President's pre-inaugural comments indicated that he was no enemy of regional planning, and undoubtedly, ardent advocates of the regional idea took heart at his sympathy toward their philosophy.

Perhaps Dr. Arthur E. Morgan, to be first chairman of the TVA board, discovered the underlying motive for Roosevelt's stand when he observed that this man treated human society as having a degree of unity, seeing that no class thrived permanently by the exploitation of another class. He concluded that Roosevelt, by looking at things realistically and by paying little homage to tradition, manifested a unity and solidarity running throughout his thinking. The success of any regional planning project depended upon such an adherence to oneness since the very essence of the idea was the unity of all factors in a given geographic area.

A little more than one month after his inauguration, President Roosevelt took action to carry out his campaign promises concerning the Tennessee Valley and thereby to institute the first comprehensive program of regional planning. In an extremely short message, which he presented to Congress on April 10, 1933, he outlined his program in terse but meaningful phrases. The message read as follows:

It is clear that the Muscle Shoals development is but a small part of the potential public usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development; it enters the wide field of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands, and distribution and diversification 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. It touches and gives life to all forms of human concern.

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suggest . . . a corporation clothed with the power of
government but possessed of the flexibility and initiative of
a private enterprise. It should be charged with the broadest
duty of planning for the proper use, conservation, and devel-
opment of the natural resources of the Tennessee River
drainage basin and its adjoining territory for the general so-
cial and economic welfare of the Nation. This authority
should also be clothed with the necessary powers to carry
these plans into effect. . . .

Many hard lessons have taught us the human waste that re-
results from lack of planning. Here and there a few wise cities
and counties have looked ahead and planned. But our Nation
has "just grown." It is time to extend planning to a wider
field, in this instance comprehending in one great project
many states directly concerned with the basin of one of our
greatest rivers.

This in a true sense is a return to the spirit and vision of
the pioneer. If we are successful here we can march on,
step by step, in a like development of other great natural
territorial units within our borders. 3

Embodied here are all the major points of regional planning, presented
with the force and enthusiasm of a crusader and without equivocation.

With such a man as president of the United States, regional planning
advocates would encounter few of the traditional blocks that had hindered
their drive during the 1920's.

Not hesitating even momentarily at the president's challenge,
Senator George W. Norris, who had already discussed the project with
the chief executive, introduced a bill into the Senate on April 11, em-
bodying all of the president's suggestions. It was reported back favor-
ably with slight amendments from the Senate Agriculture Committee in

3House Documents, 73rd Congress, 1st Session, No. 15, pp. 1-2.
twelve minutes. On April 20, Representative Lister Hill of Alabama introduced his own version of the Tennessee Valley bill. The same day the House Committee on Military Affairs reported it back without amendment. On April 22 the bill authored by Hill was made a special order. The pro arguments were summed up by the author of the bill, who expressed the idealism wrapped up in it while explaining the advantage and importance of its multipurpose aspect. In opposition, Representative Allen T. Treadway of Massachusetts conjured up all the stock arguments against the project that had been used so effectively during the 1920's. Despite bitter opposition from the minority, most of the comments were favorable, and the bill passed the House on April 25 with 306 yeas to 92 nays. Only two Democratic representatives, one from Maine and the other from Texas, voted against the bill.

The debate in the Senate proved to be lengthier. Naturally, Senator Norris spearheaded the forces supporting the bill. A multitude of senators objected to specific terms of the bill as well as to the general bases of it. Outstanding among the bill's opponents was Senator William H. King of Utah, who observed that in periods of unrest and economic distress people are likely to act with haste and error. Paternalism and socialism, he stressed, made great headway during periods of depression,
when the government entered into activities that previously were outside its jurisdiction. The odium of socialism and all that that word represents to the American mind has plagued national regional planning from the Muscle Shoals struggle to the present time. This, the greatest socialist venture of the New Deal, early was recognized and branded as such by its opponents. Undoubtedly, the senator from Utah was correct in assuming that the economic crisis of 1929-33 contributed a great deal to preparing the American mind to accept this radical departure from accepted concepts of free enterprise. As a practical consideration many of TVA's supporters, including the president, stressed the number of jobs that the project would offer in this period of low employment.

Aside from Senator King's attack on the philosophic bases of the TVA bill, most of the opposition was restricted to criticisms of practical considerations and wording. Senator Arthur H. Vandenburg of Michigan mildly objected to the payment provided in lieu of taxes, feeling that it was merely a subsidization of the state of Tennessee. Contending that flood control was the most insignificant part of the bill, Senator Warren R. Austin of Vermont objected because the bill would hurt the private utilities. A Rhode Island senator, Jesse H. Matcalf, noted that the bill took tax money to raise production while another bill

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6 Ibid., pp. 2631-2632.
paid farmers not to produce. He feared also that TVA would harm private business and might destroy the people's freedom with what he considered its excessive power. The Senate, however, defeated an amendment by Senator Vandenberg to prevent the completion of Dam No. 2 (the future Wilson Dam) and the steam plant at nitrate plant no. 2. On May 3, Senator William B. Bankhead of Alabama attempted to attach an amendment requiring TVA to manufacture fertilizer. Senator Norris preferred that the corporation merely be allowed to do so if it desired. The Senate sustained Norris' position, who then moved that everything after the enacting clause of the House bill be struck out and his bill be substituted. By a vote of 63 to 20 this was done.\(^7\)

Composing a majority of the conference committee were men who generally favored the underlying purpose of the bill. The necessity for a conference arose from the fact that the House bill did not allow TVA to build transmission lines. Norris strongly objected to the requirement that the Authority first try to lease private lines and then, if it found that procedure economically unfeasible, to obtain consent of the president in order to build its own lines. Too, Norris objected, as he had to the Bankhead amendment, the House bill forced TVA into the fertilizer business. Emerging from conference on May 15, the compromise carried essentially the Senate meaning. The Senate agreed to the

\(^7\)Ibid., pp. 2661-2672, 2676-2691, 2686, 2777-2809.
conference report on May 16, and the following day it passed the House by a vote of 258 to 112. On May 19, President Roosevelt made regional planning a reality by affixing his signature to House bill 5081.  

One determined opponent, Representative Louis Ludlow of Indiana, introduced a bill into the same Congress to repeal the TVA act.  

No action was taken.

The preamble of the bill passed by Congress stated the multipurpose function of the act in providing for flood control, reforestation, proper use of marginal lands, agricultural and industrial development, national defense, "and other purposes." These "other purposes" were defined in succeeding sections. The board of directors, who were to manage the project, consisted of three members appointed by the president and approved by the Senate. Staggered terms of three, six, and nine years were provided for the first directors. In order that the members of the board could devote their whole attention to the project, no member could engage in another business nor could he be connected with a public utility or fertilizer company. Most important of all to those who strongly supported the project, the law required a member of the board to believe in the wisdom of the act, because success or failure

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8 Ibid., p. 5709.

9 Ibid., pp. 2635-2638, 3084-3085, 3125, 3374-3381, 3600, 3681-3682, 3703, 3775.
depended upon the devotion and enthusiasm of those who guided the program. 10

In regard to the fertilizer program, the Authority could contract with commercial companies for the production of fertilizer that TVA might need for its program. It could co-operate with farmers and farm organizations to test new fertilizers as well as with national, state, district, and county agricultural stations and demonstration farms. In experimenting to cheapen the price of fertilizer, TVA received almost unrestricted freedom. As with fertilizer, so in the production of electrical energy Congress delegated the Authority powers similar to those of a private corporation. The right to produce, distribute, and sell surplus power generated as a result of the multipurpose scope of the program lay within the powers of TVA. Preference as consumers of electricity was specifically given to states, counties, municipalities, and other non-profit organizations, while private business would receive subsequent consideration after these. Electricity sold to a state, county, municipality, or non-profit organization could not be retailed for more than a price set by TVA. In the authorization given to experiment with and promote the wider use of electric power and the encouragement to discover cheaper fertilizers, Congress had attempted to write into the TVA Act a moral obligation for the Authority to provide the impetus for

10 U. S. Statutes at Large, XLVIII, Part I (1933), 58-59.
social betterment of the people of the Tennessee Valley region. As is
generally true, the spirit of the act expressed itself in the intangible
meaning of the concrete words.

In order that the states and counties which lost taxable land to the
federal government under this act would not suffer, payment in lieu of
taxes was provided on the basis of gross receipts from electric produc-
tion. Since only electric production and perhaps fertilizer to a lesser
degree would provide profit, the board was to determine how much of
the cost of the properties could be charged to flood control, fertilizer,
national defense, and power. On the basis of such allocation, the book-
keeping was to rest.

However, it was in Section 22 that the real indication of this proj-
ect as one of regional planning could be found. This section authorized
the president, within limits of appropriations made by Congress, to
provide for such surveys and general plans of the Tennessee Valley re-
gion which would be "for the general purpose of fostering an orderly
and proper physical, economic, and social development of said areas."
The following section itemized the objectives of the act by repeating
the preamble and defining "other purposes" as maximum generation of
electric power consistent with flood control and navigation as well as a

\[11\] Ibid., pp. 61-62.

\[12\] Ibid., p. 66.
concern for the economic and social well-being of the people in the Tennessee Valley.\textsuperscript{13} Within these broad powers the Tennessee Valley Authority could embark upon a program of socio-economic rehabilitation quite different from the traditional methods of free enterprise. The act had provided the spirit and the way; it was up to the people to make it work.

Economic depression and a persistent liberal faction, which had existed since the Progressive Era and had refused to die, combined to make possible the emergence of a new social philosophy centered in the Tennessee Valley. One of those liberals, George W. Norris, summed up the situation graphically by noting that

when changes in economic conditions occur regardless of the wish or the demand of man, and especially when . . . rights, if continued, will bring about the destruction of government and civilization, then new laws and new rules must be enforced to protect the rights of humanity and save our civilization from annihilation.\textsuperscript{14}

Many people, perhaps unknowingly, agreed with this liberal Nebraskan in 1933; the workings of unrestrained capitalism had failed to solve the problems of American civilization and now the populace and its leaders were groping to find answers, whether or not they conformed perfectly or even roughly to accepted mores. One of the philosophic principles, and perhaps one that was somewhat more clearly defined at the time than

\begin{footnotes}
\item[13] Ibid., p. 69.
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many others which choked their way through all the panaceas to the top of the crushing mass of ideas, was that of regional planning. In only thirty-five years fundamental changes had been wrought in regard to control of natural resources and, hence, the principle of regional planning, which had been so distant and almost unknown in America, became established. Drought, flood, and wind erosion had taught the need of co-operation. During this period it was not so much a matter of politics or state rights as one of survival. 15

To some who clung tenaciously to traditional concepts of national governmental power, the establishment of TVA seemed to force the federal government into fields where before it had had no authority. To others who felt that traditional concepts could not longer provide a basis for the solution of modern problems, TVA merely rearranged the focus of power. Claiming that government activity in flood control, navigation, forestry, agricultural research, and public power was not new, the latter maintained that the uniqueness lay in the fact that TVA, as a single agency, was entrusted with all of these problems in a given area. 16

As regional planners saw it, the underlying rationale of TVA was the improvement of economic opportunity in the Tennessee Valley along four


major lines: soil conservation, technical research and industrial development, water resource conservation, and power marketing. 17

Basically, the whole key to understanding the motives and methods of the Tennessee Valley Authority was a recognition of its unity, its oneness. To express it cogently, here, in a highly concentrated form, were to be found all of the problems which were helping to ruin American prosperity: denuded hillsides, gullying and erosion, and overcropping. Also, the Tennessee River presented its own peculiar problems such as the barrier at Muscle Shoals, which, along with silting and periodic low water, prevented even a minimum of effective use from its flow. 18 In defending a river basin as the proper unit for regional development, Clarence Hodge maintained, however, that the Tennessee Valley was in reality only a nucleus and did not satisfy all the needs for a planned region. The Authority, of necessity, had to expand beyond its geographical limits, since adjacent regions were served when they had an important relation to the nucleus. Nevertheless, a river valley was excellent for planning, he contended, in connection with problems directly related to water control and could be treated adequately only as an integrated whole. Other problems

17 Joseph S. Ransmeier, The Tennessee Valley Authority (Nashville, 1942), p. 82.

18 Carter, op. cit., pp. 35-36.
crisscrossed the areas, such as industry, culture, and power distribution;\textsuperscript{19} hence, the problem of regional planning was more complicated than the lone development of the geographical area which served as a nucleus. However, any authority controlling such a project would have to be given the power to cope with related problems outside the geographical area in order to be effective.

Even so, the integration of these problems into a unified whole would have to be the work of one agency in order to create wealth from the Tennessee Valley. Wedded to this belief, David Lilienthal observed that what God had created as a whole had to be developed as one, and God had not created natural resources to be subdivided.\textsuperscript{20} Another advantage of an agency such as TVA was that its location in the region where the problems existed contributed to decentralization and allowed a maximum of flexibility. Even though such a bureau had supreme authority over all problems in a certain area, however, it could coordinate its activities with those of other agencies that dealt specifically with problems encountered by a creation such as TVA.\textsuperscript{21}

Because flowing water could know no boundaries or man-made laws and because all uses of water demanded artificial control by private or

\textsuperscript{19}Clarence L. Hodge, The Tennessee Valley Authority: A National Experiment in Regionalism (Washington, 1938), pp. 75-78.

\textsuperscript{20}Lilienthal, \textit{op. cit.}, p. 48.

\textsuperscript{21}Ransmeier, \textit{op. cit.}, pp. 91-92.
public means, the need for an agency with extensive authority was obvious. The line between public and private rights had never been clearly defined. On a small scale a farmer could use water that fell on his land privately, but he had to co-operate with neighbors in terracing and other larger uses and controls of water. Perhaps the fact that the use of water for navigation required so much regulation, which extended even to afforestation problems, could account for its being the starting point for public management of waterways. Private groups were not and are not interested in navigation and flood control, *per se*, and could not be depended upon to accomplish a rounded and integrated system of river development. The alternative was such development by a public agency which could afford to shoulder the meager monetary returns.

In the Tennessee Valley water was the uniting force. Indeed, one authority maintained that a failure to realize that the control and utilization of its water resources in a true multipurpose project would "result in completely missing the point of T. V. A." Norris claimed that he had always maintained that the only scientific way to get maximum efficiency from its water resources was through the complete development of the Tennessee River. And thus, the TVA, concerning itself

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with the long-range results of a river system, "must balance its economic decisions against their social and economic consequences."²⁵ Planning for a river system could be effective when the social good accruing to the people was the result of its efforts, and the attempt at attaining efficiency in a river system was for the people and not for the efficiency itself.

Advocates of the regional planning system had presented many instances wherein they maintained that planning was superior to the system of individual initiative, even for the individual himself and more especially for the community as a whole. For example, a lumber company could cut all the timber in a region and give little thought to floods, erosion, and unemployment, since these considerations were secondary to the company's objective. An agency whose responsibility was all of these must consider the effect on each.²⁶ And if the responsibility for success or failure were placed in one agency, there could be no evasion of responsibility if one area of the program was inadequate.²⁷

Regionalism rested on the supremacy of national interest, since many of the problems were often larger than a single state could cope


²⁶ Ibid.

²⁷ Lilienthal, op. cit., pp. 172-173.
with. 28 The regional planner saw the problem as one in which it was impossible for a private corporation to be large enough to handle the conservation of all natural resources. 29 Regionalism was not merely a variation of sectionalism. Sectionalists have generally combined to support or oppose certain federal legislation, but regionalists insisted that under their plan the federal government acts to meet the regional needs to the benefit of the whole nation. 30 Naturally, however, the success or failure of a regional plan depended to a considerable degree upon its co-operation with pre-existing governments. 31 In other words, sectional interests must not become a force in opposition to regionalism. It was the expressed purpose of the TVA Act not to duplicate or usurp authority and thus defeat by indirection its effectiveness.

Although many adherents to the principles of capitalism disagreed, other people contended that, since Hamilton's time, the government had participated in enterprises which could not be accomplished by private companies or that private companies would not undertake. Actually, at no time did the government not take part in economic activities. Gordon R. Clapp, past chairman of the TVA board, asserted that the attacks on

28 Ibid., p. 157.


30 Lilienthal, op. cit., pp. 157-158.

31 Hodge, op. cit., p. 110. See Hodge, op. cit., Chapter V, for a good discussion of TVA co-operation with state and local agencies.
TVA as destructive to the country's traditional economic system stemmed from a distorted and naive conception of the capitalistic system. He maintained that the government's entrance into the field of public power was no departure from capitalism but merely the introduction of competition into an industry that was "otherwise [a] smug cost-plus monopoly."\textsuperscript{32}

Power production was merely one phase of river development, and the government, in practicing complete water control, should also produce power. In fact, it was uneconomical as well as impossible to divorce the production of power from the other uses of water in river development.\textsuperscript{33}

Senator Norris demonstrated clearly the interrelation of all the facets of regional planning in his defense of the high-type dam. If floods were prevented, erosion would decrease, causing less silt to go into the Tennessee River which in turn would help conserve the land and increase the navigability of the stream. He visualized the time when thousands of people would be forced to leave their homes if steps were not taken to correct some of these abuses. High dams could hold back the flood waters and with a little more expenditure provide for


\textsuperscript{33} Willson Whitman, David Lilienthal, Public Servant in a Power Age (New York, 1948), p. 59.
navigation and electric production. Electricity in turn could be sold cheaply and the reduced rates would cause an increased usage, preventing any profit loss. This fact, he said, was what had brought the "irreconcilable, embittered, and uncompromising . . . power trust—into the fight." To David Lilienthal, the outstanding advocate of electricity production as a part of regional planning, power was a public business, whether run by a public or private agency, and the public's interest must prevail. Regional planning supporters rejoiced at the establishment of TVA as "the first comprehensive development of a river and its tributaries to insure the maximum benefits of flood control, navigation, conservation of the soil, reforestation and cheap electricity."

The Tennessee Valley Authority began functioning as soon as President Roosevelt appointed the board of directors, and before 1933 ended this was accomplished. First, he appointed Dr. Arthur E. Morgan, president of Antioch College, Ohio, an expert on flood control, as chairman; the next member appointed was Harcourt A. Morgan, president of the University of Tennessee and fertilizer expert; and finally David E. Lilienthal, public power advocate, was appointed to the board. Early in its development, critics offered little criticism of TVA except in

34 Norris, op. cit., pp. 262-263, 266.


36 Norris, op. cit., p. 263.
regard to its power policy, which was always to be the most vulnerable part of the program. David Lilienthal, who controlled this part of the program, however, was not intimidated but pushed confidently forward. Declaring that TVA was not an enemy of private utilities, he indicated that any adverse economic effect on them would be taken into consideration in framing the power program. He warned, however, that this would not be the sole determining factor. While asserting that TVA would not needlessly encroach on private utilities, he demanded the right for TVA to go where it wanted to at any time. 37

On September 14, 1933, TVA's first rate announcement occurred. Rates were to be three cents for the first block and two cents, one cent and four mills for subsequently larger blocks. The typical customer would pay an average of two cents per kilowatt hour. The price of $4.50 for two hundred kilowatts compared with $10.85 in New York City for the same amount and with $5.80 in St. Louis, which was reputed to have the lowest rates of any city served by a private utility company. 38 The effects of this rate policy were almost immediately seen. Six months after the creation of TVA, the Georgia Power Company had cut rates from 3 to 37 per cent; during the same time Alabama rates had been reduced by approximately 23 per cent; and the Tennessee Power


38 Ibid., September 15, 1933, p. 1.
Company reduced rates in Chattanooga. In Memphis, the Memphis Power and Light Company offered to reduce rates the day after that city applied for TVA power, while the Mississippi Power Company offered to cut rates in northern Mississippi.\(^{39}\)

As soon as TVA began promoting a full-scale power program, it ran into opposition from the private utilities. The first legal struggle began when on January 4, 1934, the Alabama Power Company agreed to sell the transmission lines that extended from Wilson Dam into seven northern Alabama counties. On September 13, 1934, after the company had refused their request not to consummate the deal, a minority of stockholders of the Alabama Power Company brought suit to stop this sale. On November 28, District Judge W. I. Grubb, in denying a TVA motion to dismiss the suit, ruled that the development of the Tennessee Valley as a social experiment had no relation to the improvement of the river for navigation or national defense. Once the question had reached the courts, Thomas N. McCarter, president of the Edison Electric Institute, suggested that the federal government join his company in testing the constitutionality of TVA in the Supreme Court, pointing out that such a decision would decide once and for all whether the national government had the right to establish such an agency. Knowing that this would broaden and complicate the case for TVA attorneys, the Federal

\(^{39}\text{John T. Montoux, "A Setback for the Power Trust," The New Republic, LXXVII (December 7, 1933), 193-195.}\)
Power Commission refused, claiming that McCarter was asking the government to cast doubt on its own legislation. After his first ruling, Judge Grubb's decision in February, 1935, granting an injunction to the stockholders, came as no surprise. He reasoned that TVA could dispose of unintentionally created power but not of that intentionally created. This decision ordered an annulment of the contract in question and enjoined seventeen municipalities in the Alabama Power Company's district which were under contract to buy power from TVA from doing so. Upon appeal by the TVA, the Fifth Circuit Court of Appeals reversed Judge Grubb's decision on July 17, 1935, declaring that the United States Government could sell property that it owned even if it went into competition with other public or private property owners. Since Wilson Dam was the only piece of TVA property in question, the court limited its decision solely to it by stating that Wilson Dam had been lawfully built under the war and commerce clauses of the Constitution. The Supreme Court made the final decision in the matter in February, 1936, in what has become known as the Ashwander case. Excluding any consideration of TVA's general policies or plans for social experiment, its decision upheld the TVA but left many questions unanswered.

41 Ibid., July 18, 1935, p. 10; Pritchett, op. cit., pp. 60-62.
Chief Justice Charles E. Hughes rendered the majority decision for the high court. He explained that the court had refused to consider the constitutionality of the TVA Act because it was beyond the scope of the question. Upholding the arguments of the Court of Appeals, the Chief Justice declared that there was no limitation on the amount of power the government could sell at a government owned dam, nor was there a limitation on the methods the government could use to dispose of its property. The government could seek a wider market for its power. Judge Louis Brandeis, while agreeing with the majority, contended that the plaintiffs had no standing in court. 42

In the eight-to-one decision, Justice James C. McReynolds voiced the only dissenting opinion. The language of his argument was reminiscent of Hoover's veto of the Norris Muscle Shoals bill.

If under the thin mask of disposing of property the United States can enter . . . [the power business] . . . with the definite design to accomplish ends wholly beyond the sphere marked out for them by the Constitution, an easy way has been found for breaking down the limitations heretofore supposed to guarantee protection against aggression. 43

Consequently, the government should not undertake something not granted under the pretense of exercising a granted power. While maintaining that the government had no right to undertake the operation of an

42 Senate Documents, 74th Congress, 2nd Session, No. 176, pp. 7-17.

43 Ibid., p. 35.
essentially permanent utility system for profit, he declared that the sole
object of TVA was to put the federal government into the power business,
a feeling shared by many conservatives. He also feared the destruction
of the rights and property of private stockholders. "The will to prevail
was evident," he felt. 44

Naturally, the conservatives were not pleased with the outcome
of the Supreme Court's decision. The liberals, on the other hand,
looked upon the whole attempt on the part of the utilities as a conspiracy
of the "power trust" to destroy TVA. Representative John E. Rankin
declared it an attempt to induce the Supreme Court to turn over one of
America's greatest natural resources to a group of selfish interests. 45
Many people on both sides undoubtedly looked upon their opponents as
villains who were trying to undermine a philosophy they considered
necessary for the continuance of the government and a better life.

During the time that TVA was being attacked in the courts, oppo-
position in Congress began to materialize. Various resolutions and bills
were introduced to limit the power of TVA or to investigate the opera-
tion of the agency. 46 During the first session of the Seventy-fourth
Congress, eleven bills were introduced into the House and Senate to amend

44Ibid., pp. 27-35.

45Congressional Record, 74th Congress, 2nd Session, pp. 2459-
2462.

46Ibid., 73rd Congress, 2nd Session, pp. 5881, 6450, 11106;
74th Congress, 1st Session, p. 6491.
the TVA Act. To offset criticism of the Authority as well as to correct some of the mistakes and omissions of the original act, congressional supporters of TVA agreed to clarifying amendments. On August 31, 1935, President Roosevelt approved an amendment that had been introduced by Senator Norris and Representative John J. McSwain.\(^{47}\) Primarily because of the criticism that flood control and navigation were merely a cover for a power project, the amendment specifically stated that flood control and navigation were the chief functions of TVA. It required that a nine-foot channel be maintained for navigation from Knoxville to the Ohio River and authorized the construction of the necessary new dams to accomplish this. As a result of the argument that TVA could not buy existing power systems, the amendment gave it specific authority to do this. To those public organizations which wished to buy TVA power, the Authority could extend credit for the purchase of existing power systems. The law provided, however, that electric rates would be set high enough to pay the cost of production. Since there had also been some criticism of TVA's activity in the resettlement program, power was granted for participation here.\(^{48}\) It was obvious that many of these provisions were made solely to quieten criticism; others provided needed authority that was lacking.

\(^{47}\) Ibid., pp. 4343, 10023, 11040, 13994, 13967, 14822.

\(^{48}\) U. S. Statutes at Large, XLIX, Part I (1935), 1075-1081.
No sooner had the Supreme Court upheld the TVA Act than circumstances again provided a situation in which the actions of the Tennessee Valley Authority were questioned. This series of events, which ultimately resulted in the removal of the chairman of the TVA board, in TVA's being again challenged in the courts, and finally in an investigation of TVA's actions, began in an attempt by the Authority to purchase property from the Tennessee Public Service Company, a subsidiary of the Tennessee Electric Power Company. David Lilienthal, realizing the need for more transmission lines and not wishing to duplicate private lines, began negotiations for certain lines of this Tennessee power company, only to meet opposition from the chairman of the board.

Dr. Arthur Morgan, who harbored a deep concern for private industry and also feared the abuse of publicly controlled power, supported a pooling arrangement which would have been quite satisfactory to private enterprise. Under this arrangement TVA would combine its power system with other systems in the vicinity and hence become a partner in a regional power monopoly. To Lilienthal the plan was anathema.

The difference between the two board members obviously arose from honest but opposing concepts of the function of publicly owned power as well as evident personal animosity. In an article for Atlantic Monthly, Dr. Arthur Morgan declared his willingness to co-operate fully with private utilities to prevent their destruction. To him it was not the price of electricity but the availability that mattered. The chairman even went
so far as to impute that TVA had not been completely honest in its power dealings. In The New York Times he stated that there should be an attempt on the part of public officials to work with private companies to eliminate abuse. Or, he said, shall the men who administer public power projects drift into the attitude of fight to the finish with private power companies? Taking the attitude that the power industry in 1937 was more honest and decent than in 1933 because of "innate American decency in business" and because business had seen the handwriting on the wall, he contended that the high quality of statesmanship in private business should be recognized and encouraged where it existed. Genuinely fearing red tape, graft, and incompetence in government control of power, he believed that the public power policy should be designed primarily as a potential threat to private utilities and should never compete with them when they were relatively free from abuse. Any power that TVA produced over and above its needs could best be used by selling it to private utilities, he felt. As far as Arthur Morgan was concerned, an immediate pool between TVA and the surrounding utilities was the best solution to the problem for all concerned.

Conservatives viewed Dr. Morgan's plans as the best solution, also. As Arthur Krock editorialized for The New York Times, if Dr. Morgan's

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plan failed and Lilienthal's won, then the Roosevelt administration would have taken its farthest step to the left. He and other Morgan supporters pointed to England's grid system which included publicly and privately owned utilities. Lilienthal was accused of favoring "striking ... suddenly and widely" at private company territory.  

Liberals, on the contrary, looked upon this attempt at pooling as just another way to impair the efficiency of TVA as an adequate measure of the cost of electric production. Senator Kenneth McKellar could not understand why any public official would suggest a pooling arrangement which would make the government a minor partner in a great monopoly. The result would be the disappearance of the benefits of lower rates. The liberal position prevailed when finally, on September 2, 1938, after the removal of Arthur Morgan from the TVA board and the further vindication of TVA in the courts, TVA contracted for purchase of the property of the Tennessee Public Service Company for approximately $7,900,000.  

Although the difference between Chairman Morgan and Lilienthal did not become public until much later, there was evidence of it as early as 1936. The chairman indicated to President Roosevelt that there

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51 Ibid., December 20, 1936, Section 4, p. 3.

52 Congressional Record, 75th Congress, 1st Session, p. 553.

was a conspiracy against him by the other two directors of TVA, and he threatened to resign if Lilienthal were reappointed for another term in 1936. He did not and Lilienthal was reappointed. The immediate cause of the final disruption came over damages claimed by Major (later Senator) George Berry of Tennessee to land flooded by Norris Dam, which supposedly contained valuable marble deposits. Feeling that his was an attempt to exploit the government, Dr. Morgan opposed the other two board members who wanted to proceed with condemnation of the land in the regular manner. As a result of this overruling, Arthur Morgan publicly accused his co-workers, David Lilienthal and Harcourt A. Morgan, of duplicity and alluded to a lack of personal integrity on their part. 54

Once the pent-up disagreement had been uncorked, Dr. Morgan took the initiative in criticizing freely the past actions of TVA. Picturing himself as a lone bulwark against the narrowness and malice of the other two members of the board, he claimed that only his efforts had prevented power production from encroaching on flood control. The board's method of competition with private utilities he also criticized. The taking over of a power company should be done "at a fair price and not with a club," he said accusingly. Coming at a time when Lilienthal was attempting to acquire the Tennessee Public Service property, this statement provided fuel for the opponents of public power and complicated

the negotiations tremendously. Morgan further charged TVA officials with making "unqualifiedly false and unjust' statements," as well as of promoting waste in the agriculture and fertilizer programs. 55 This whole squabble, which Time early branded as "less like the beginning of a Teapot Dome than like charges in a divorce suit," 56 could easily have endangered the whole regional planning program. Indeed, opponents of TVA were hoping for a Teapot Dome. Senator Norris, while continuing to respect and admire Morgan as a capable engineer, recommended his dismissal and accused him of jealousy which had changed his mind about TVA. 57

In an attempt to discover the cause of Chairman Morgan's accusations, President Roosevelt called all three board members before him. The president was particularly anxious to settle the differences because Morgan's statements had come at the same time that TVA was on trial in the Tennessee Electric Service case. However, at three meetings of these four men, held on March 11, 18, and 21, Dr. Morgan refused to substantiate his accusations except before a congressional investigating committee. When it became evident that the president would remove him, the chairman questioned the president's right to do so, since the


act simply provided that any member might be removed by a concurrent resolution of the Senate and House. 58 Acting Attorney-General Robert H. Jackson felt that this did not limit the president's removal powers, and on March 23, 1938, the chairman was notified of his removal. 59

Upon investigation, Arthur Morgan reinterpreted his charges of dishonesty and corruption toward his co-board members as "intellectual" dishonesty. It was asserted by some people at the time that what Dr. Morgan considered dishonesty was really no more than a failure to agree with him. 60 _Nation_ characterized Dr. Morgan to be more of a romantic visionary, believing that the people could not always be trusted to make the right decisions. Lilienthal, on the other hand, was pictured as urging freedom of economic opportunity in giving the people jobs and incomes to spend to their own satisfaction. 61

Immediately upon the outbreak of the feud among the members of the TVA board, both conservatives and liberals in Congress began clamoring for an investigation of TVA. On May 25, 1938, the joint congressional committee formed to investigate TVA held its first meeting. 62 At the end

58 _Senate Documents, 75th Congress, 3rd Session, No. 155, pp. iii-xiv; U. S. Statutes at Large, XLVIII, Part I (1933), 60. 59 _Senate Documents, 75th Congress, 3rd Session, No. 155, p. xiv; Pritchett, op. cit., p. 207._

60 "Dr. Arthur Morgan 'Interprets' His TVA Charges," _Christian Century_, LV (September 14, 1938), 1084-1085.


62 Pritchett, op. cit., p. 207.
of the investigation, the majority, composed of all the Democrats on the committee and one Republican, found that the main purposes of the TVA Act had been honestly and efficiently carried out. The Authority, they declared, had acted with tact and understanding. In summing up the dispute over the feasibility of the multipurpose aspect of TVA, the majority commented that "[t]here is but slight conflict, easily adjustable in practice, between the requirements of flood control and power."\(^\text{63}\) TVA propagandists commented widely on the committee's revelation that there was little difference between the wholesale rates of TVA and those of private utility companies. On this level, then, TVA was not undercutting private utilities, and the few mills difference in wholesale rates did not justify the great difference in retail price that was often evident between TVA and private companies' rates.\(^\text{64}\) Perhaps the investigation of 1938 proved one thing, if nothing else: it showed a unity that could resist strong efforts to break it up.\(^\text{65}\) Such a unity was absolutely essential to the success of any regional planning project.

To add to the problems which devolved on the TVA between 1936 and 1938, on May 29, 1936, nineteen power companies instituted a case

\(^{63}\) Senate Documents, 76th Congress, 1st Session, No. 56, pp. 247, 258.


\(^{65}\) Whitman, op. cit., p. 56.
in the Chancery Court of Knox County, Tennessee, against the TVA, which was to become the Tennessee Electric Power Companies case. TVA in turn had the case removed to the District Court of the United States for the Eastern District of Tennessee, Northern Division. The object of the case was to enjoin TVA from doing anything over and above that allowed in the Ashwander case: i.e., the production and sale of electricity at the Wilson Dam. In December, District Judge John J. Gore enjoined TVA from making further contracts for the sale of electricity or for providing more facilities for electric service. This ruling was in support of a request filed August 19, 1936, by the power companies involved, to restrain TVA from further activities until the case of May 29 had been decided. This sweeping injunction brought TVA activities almost to a standstill and naturally hindered the negotiations for the purchase by TVA of the properties of the Tennessee Public Service Company, which was involved. 66 Important in this case as counsel for the utilities was Newton D. Baker, the ex-Secretary of War, who had selected the Muscle Shoals site as the place for the government owned nitrate project of World War I. Norris branded him as a "backsliding liberal," 67 while John F. Carter referred to Baker as "the man who had deserted


67 Lief, op. cit., p. 389.
the liberal cause, though retaining the liberal label, in pursuit of a profitable law practice for the railroads and utilities. Perhaps the liberal movement had merely evolved beyond the limits of Baker's liberalism.

Of course, TVA appealed the case to a higher court, which in this instance was a special three-judge federal tribunal authorized under the Federal Court Reform Act to hear cases involving the constitutionality of an act of Congress. On May 14, 1937, the Circuit Court of Appeals had voided the injunction ruled by Judge Gore in August, but allowed the claimants the right to maintain the original suit. In November, Judge Florence Allen, speaking for the special court, ruled that TVA was not primarily a power project and that it was carrying out the law in accordance with the TVA Act. Quite important was the ruling that TVA was truly a multipurpose project; all cases involving the constitutionality of TVA revolved around the argument of whether or not it was an all-round waterway development or whether it was primarily an electric power project. The underlying purpose of regional planning had again been upheld. The court declined to comment on the constitutionality of the act in general, since no fraud, coercion, or malice could be determined. It also refused to decide whether high or low dams would be

68 Carter, op. cit., p. 68.
more effective. The private utilities were blasted by the observation that they had no immunity against lawful competition.\footnote{Ibid., January 22, 1938, p. 6; Pritchett, op. cit., pp. 63-65.} On April 18, 1938, the power companies involved appealed to the Supreme Court to stop this regional planning and public power development. Upholding the decision of the lower court, the high tribunal refused on January 30, 1939, to review the case since the power companies had no legal standing to bring suit. Only the state government could bring suit on the basis of state rights, which the power companies were now claiming.\footnote{The New York Times, April 19, 1938, p. 38; January 31, 1939, p. 1; Pritchett, op. cit., p. 65.} This decision, combined with the ruling in the Ashwander case, left little opportunity for the institution of a case into the Supreme Court to test the constitutionality of the act. At present, no decision has been rendered on this point. Conservatives, bitter at this major defeat, accused TVA of winning the case by dubious means, such as pretending that its major function was not power production. They warned that if the court's decision that the electric power companies had no immunity from "lawful" competition stood, then could not the same weapon of government competition be used on some pretext against other industries?\footnote{"Winning But Losing," Business Week, February 5, 1938, p. 52.} Many liberals would probably have agreed with their stand.
The year 1938 had been full and eventful for the Tennessee Valley Authority. One of the major results was a series of amendments coming in 1939, 1940, and 1941. On July 26, 1939, President Roosevelt signed an amendment authorizing TVA to carry out the provisions of the agreement to buy the properties from the Tennessee Electric Power Company. The amounts to be spent for properties in Alabama and Tennessee were specified as well as those for repair and construction of facilities and for loans to non-profit organizations wishing to purchase any of the above property. 74 One die-hard conservative, Representative Robert W. Kean of New Jersey, proposed to solve the problems of TVA simply by abolishing it. In March, 1939, he introduced a bill to this effect. No action was taken. 75

Again in 1940, the TVA Act was amended, this time by Section 39 of the Emergency Relief Appropriations Act for 1941, in order to readjust the payments in lieu of taxes, thus making them more equitable. 76 An amendment in 1941 allowed TVA to lease lands for recreational or shipping purposes. 77 Again, in the same year, an amendment forbade the General Accounting Office to withhold appropriations from TVA.

74 Congressional Record, 76th Congress, 1st Session, pp. 9164, 9141; U. S. Statutes at Large, LIII, Part II (1939), 1083-1085.

75 Congressional Record, 76th Congress, 1st Session, p. 3390.

76 U. S. Statutes at Large, LIV, Part I (1940), 626-627.

77 Ibid., LV, Part I (1941), 599-600.
because of an expenditure which the board deemed necessary for carrying out the TVA Act. Under this amendment TVA was solely responsible for determining its system of administrative accounts and for the form and content of its contracts and other business documents, so long as they did not conflict with a previous TVA Act or amendment.\(^{78}\) TVA advocates welcomed this amendment since it cleared up a long-standing dispute between TVA and the GAO, which had at times hampered the functioning of the Authority.

By 1941 TVA had not only increased the use of electricity in the Tennessee Valley, but in that year man and nature combined to put the project to its severest test. Confronted with a drought, increased demands were levied on TVA for defense power. Primarily TVA power went for the production of aluminum, but some of it was taken for production in ferro-alloy plants, aircraft plants, and other minor industries. By July, 1941, about two-thirds of TVA's power was working for national defense.\(^{79}\) Despite the shortages that were predicted and the possibility of customer rationing, TVA delivered all the power it was under contract to deliver and averaged 750,000 kilowatts during the shortage, to Alcoa, to which it was under contract to provide only 600,000.\(^{80}\) In May, 1941, TVA delivered 129,000,000 kilowatts to

\(^{78}\)Ibid., pp. 775-776.


\(^{80}\)Congressional Record, 77th Congress, 1st Session, Appendix, p. 2565.
Alcoa, one-half of which came from TVA plants while the other was purchased from private companies and distributed by TVA. 81 In October, TVA expressed willingness to join a pool with private power companies in order to avert a shortage, at least until November 10. The Commonwealth and Southern, for instance, had only ten days' water supply left late in October.

Not everyone viewed the success of TVA during these times of stress as commendable. Business Week pointed out that if TVA had not taken over domestic production (i.e., had not run private utilities out) in Memphis, Nashville, Knoxville, and a host of small communities, it would have had plenty of power for defense. Instead, TVA was forced to construct a new dam (Cherokee), install more generators at Wilson and Pickwick Landing Dams, and construct steam plants. 82 TVA antagonists feared that during peacetime this added production might be used to force more private companies out of business.

By the end of 1943 the Tennessee Valley Authority had operated for approximately ten years. During that period it had weathered two major court cases, the removal of a board member, and a full-scale congressional investigation. By that time both advocates and antagonists


82 Ibid., October 18, 1941, p. 11.

had begun extensive propaganda campaigns. But through the haze, cer-
tain accomplishments appeared to be recognizable and perhaps some
criticisms could be seen as valid.
CHAPTER IV

THE CASE FOR TVA

An evaluation of any project as controversial as the Tennessee Valley Authority necessitates a reliance to a large extent on the data furnished by ardent supporters. Realizing that most individuals and organizations would not intentionally falsify statistics, one must also keep ever present the knowledge that such individuals and organizations often select data most favorable, while underemphasizing those which are less flattering. The same statistics can usually be interpreted to give extremely varied results. Any attempt at evaluation of social assets makes the task even more difficult, for this injects into the problem a great deal of intangible material. Evaluation, then, must rest upon the statistics and their interpretations, as well as on the observations and feelings of those friendly or not so friendly to the project. The difference of opinion over the feasibility and success of TVA stemmed from two irreconcilable philosophies. One placed emphasis on general welfare and social considerations while regarding it impossible to maximize benefits and minimize costs. The other stressed the need of economic justification based primarily upon the profit of tangible returns.
The methods of the Tennessee Valley Authority would be classified primarily as pragmatic. The agency has taken any issue that required attention and attempted to meet it so as to achieve good and enduring results by the method best suited for each case.\(^1\) Also in line with this thinking has been the Authority's practice of using existing local agencies wherever possible. The methods employed by TVA were deliberately designed to keep the people from feeling that they are too inept to solve their own problems. Instead, TVA wished to create the feeling that the people were capable of coping with the situation if given the chance. Such methods have little basis in a priori reasoning. Neither has much of the philosophy of TVA been based on idealistic, Utopian principles.\(^2\) After twenty-three years, evidence has led logically to the conclusion that the directors of the project have been working among the people with a realistic view of their problems, despite what the effect might be on the rest of the country.

One of TVA's most crusading defenders has been journalist John Franklin Carter. To him the project bordered on a Utopia, but through his glowing eulogisms can be seen some of the intangible meanings of TVA. From 1928–1932 he was an economic specialist for the State

\(^1\)The New York Times, March 25, 1934, Section 9, p. 3.

\(^2\)C. Herman Pritchett, The Tennessee Valley Authority: A Study in Public Administration (Chapel Hill, 1943), pp. 121-124.
Department and at the same time Washington correspondent for Liberty magazine. After this he became author of a news column, "We the People." An undying faith in the intelligence and dignity of man characterized his thinking. Such a man's opinion is valuable in understanding a program such as TVA, which required for its success an intense faith in the ability of the people to be democratic. Scorning criticism that TVA was not economical, he asserted that in undertaking conservation, recreation, health, production of electricity and fertilizer as part of an integrated program, the total value far outweighed the cost. In other words, a great deal more was gained by a combination of these activities than if they were performed separately. TVA to him showed that Americans could "enrich [themselves] by co-operation where [they] had impoverished [themselves] by short-sighted waste and competition of an earlier culture."³

Undoubtedly, the establishment of TVA reversed the trend of tearing down the natural resources of the country and began the slow process of building them up again. For the first time an effective way was opened for the conservation of the resources of the Tennessee Valley.⁴ TVA had entered the region in order to rectify the economic disadvantage into


which it had fallen. 5 According to the philosophy expounded by the regionalists, this could best be done by a comprehensive and integrated program of the water resources of the Tennessee Valley. Already beneficial results are accruing from the aids to agriculture, forestry, and industry. Each part of the program helped either directly or indirectly to stimulate another part. Better agricultural methods prevented the silting of the rivers; reforestation in turn helped prevent erosion; power production brought new and modern equipment and techniques to the region, thus raising the calibre of agricultural and industrial methods. Because no one economic area has been clearly defined, it has been necessary for TVA to enter many auxiliary fields. To each of these it brought advancement and improvement. 6

One of the major tragedies of the history of inland navigation in the United States has been the uselessness of the Tennessee River. Since the administration of Monroe the obstructions to navigation in this waterway have been a matter of concern. Efforts on the part of individuals, corporations, cities, states, and even the national government had for over a century failed to make the Tennessee River of any adequate


6For a brief but excellent study of the hundreds of major and minor programs engaged in by the Tennessee Valley Authority, see: Tennessee Valley Authority, Tennessee Valley Resources: Their Development and Use (Knoxville, 1947).
importance to the regional or national economy. Finally, in 1933, Congress undertook the task of navigation improvement of this stream with full appreciation of the relation of navigation to other water functions. Even before the establishment of TVA it had been asserted that the high-type dam was the best to accomplish the navigation purpose. By this method a series of lakes could be created stretching from the top of one dam to the foot of the next one higher up the river. Today, there has been created a nine-foot channel, with adequate locks, contemplated even before 1933, from Knoxville to the Ohio River which is sufficient to carry the largest inland boats. As a result, in 1949 more than 431,000,000 ton miles of traffic used the Tennessee River. Along with the function of navigation, these same dams serve to store flood waters.

Flood control was also one of the major stated functions of TVA. Here in the Tennessee Valley existed one of the most terrific flood control problems in the country, partially because of the geologic history of the Tennessee River. Prior to an uplift which forced the river to flow in its present direction, the stream flowed southwest into the Gulf of Mexico. Hence, today, the topography of the lower region is low and rolling, causing the flow of the river to be much slower at its mouth than at its headwaters, thus aggravating flood conditions. Furthermore,

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the recession of flood crests was retarded by the low gradient and backwaters from the Ohio River. The Tennessee Valley Authority used two methods to control floods: a land program integrated with storage dams to "skim the crests off flood waters."  

In a multipurpose program such as this one, much depended upon the work of the small, but capable, corps of engineers in recording with accuracy the precipitation habits of the Tennessee Valley. Water movements had to be anticipated in time for the dam mechanisms to function without seriously impairing any one phase of the project. Since TVA was much more than a flood control project, action had to be taken to sufficiently empty reservoirs of water stored for power production and navigation purposes before the flood waters arrived and yet not to the point of impairing the efficiency of the former. In order to predict the crests of floods, in 1938 TVA had 154 daily gauges and forty-two recording gauges as well as access to information from 147 gauges operated by other agencies. As one authority stated optimistically, "for the first time in history, man is in the driver's seat and holds the reins of control on a river of major proportions."  

This statement could well apply to more than flood control in the Tennessee Valley.

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10Ibid., pp. 261-264.
Naturally, the evaluation of the worth of flood control rests upon hypothesis, since it would be impossible to know the damage prevented unless the damage were done. Nevertheless, experts have continued to estimate the value of flood control in dollar terms in order to show the economic feasibility of TVA's flood control program. Such valuation has considered none of the sorrows, anguish, and destitution saved millions of average people who would have been the living victims of these theoretical catastrophes. It has been estimated that the TVA system would take seven to eight feet off flood waters in the Tennessee River. In 1936, while TVA was still in its inchoate stage, four feet were estimated to have been removed from flood waters at Chattanooga. The next year, Norris Dam, 650 miles upriver, was believed to have removed six critical inches from flood waters at Cairo, Illinois. Year after year such savings continued. As late as 1954, experts estimated that TVA saved Chattanooga alone $12,000,000 in flood damages by lowering the crest of a flood fourteen feet below what would have been its normal state at that city and thirteen feet at Knoxville. 11

Although navigation and flood control were the constitutional powers on which the TVA program rested, the whole regional planning project would have collapsed if any one of the major functions were removed. A very important part of this program has always been that of

the experimentation with and the manufacture of fertilizer. This work entailed a great deal more than mere laboratory tests. It reached into the broad field of freight and price discrimination, forestry, marketing, and hundreds of other things attendant to making agriculture profitable. Unless, for example, the farmer could process and find markets for his alternate crops, he could little afford to practice crop rotation. TVA had to see that this could be done if they intended to integrate the proper use of fertilizer into an enlightened agricultural program. One of the most important problems that the Authority had to deal with along this line was soil erosion. Fertilizer was only a part of the agricultural process and its costs were a drain instead of an aid when used with poor agricultural methods. 12

Along with its fertilizer and agricultural program, TVA brought many other advantages to the farmers. By helping preserve the forests, it slowed down the erosion process. It made available to the farmers and forest owners the materials, techniques, and knowledge needed to develop and use effectively their lands and timbers. The big bottleneck in regional development was often the study and solution of problems. This process took much more capital than the individual or even the

farmers collectively could acquire; therefore, they had to continue old, cheap, but wasteful methods even when they were aware of improved ones. As well as bringing technical knowledge and initial financial help, the Tennessee Valley Authority has helped lighten the farmers' burdens by providing them with ample inexpensive electricity. Between 1933 and 1947, TVA expanded the number of farms served in its power area from three per cent to sixty-six per cent; yet, there is still a great demand for electricity.  

Although the fertilizer program had no stated constitutional basis, it was not around this part of the program, but around the production of power, that the major arguments arose. Power was an incidental product in the regional planning of a watershed; however, it was also indispensable. To John F. Carter it appeared to serve as a "catalyst which energizes the whole operation."  

Hence, if the government was to finance and guide the unified control of a river system, it had to have control of power production also. A private company simply could not collect enough benefits to effectively operate flood control and navigation programs. TVA advocates believed that if private business were unwilling to pursue all of the functions of stream development for the good

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14Carter, op. cit., p. 42.
of the people, then business had to relinquish its control over one of these functions. 15

The integration of the program would bring about more economy to all parts of the project. The generation of electricity, often uneconomical alone, became sound when combined with other necessary public services. The choice of a program with or without power production was one between a program permitting river control at a reasonable cost and one of providing flood control and navigation at a much greater cost. Only TVA could bring all the uses of the valley within the people's reach. Herein lay one of its major values; in solving problems beyond the scope of private initiative or state and local control. 16

The key to realizing the potentialities of the power age lay in the production and distribution of electricity at a low rate. Because of the tremendous mark up in electric prices the average individual could not afford the comforts of electricity. Thus the potential progress and development which electricity could accomplish was blocked. Private utilities had proved their inability to cope with power problems in 1933, and the Insull scandals had destroyed the power industry's credit with the people. TVA's entrance into power production resulted first in the reduction of rates and secondly in a revelation of how public utilities

16 Ibid.
were farming out their taxes among the people. Privately owned utilities, operating as non-competitive enterprises, tended to collect profits out of proportion to taxes paid. On the other hand, co-operative enterprises could sell electricity cheaper and consequently increase the taxable wealth of the community. Hence, the consumer paid less for his electricity, and consequently increased his consumption. The resulting increase in electric power use brought prosperity and an increase in incomes. The consumer, then, paid more taxes directly to the government without bearing the excessive profits he formerly paid private utility companies. Thus TVA, with its emphasis on a program of integrated regional planning, assumed that the enrichment of private investors was not the major purpose of public utilities. 17

Most public power advocates claimed that private utilities should lower rates and emphasize the wider use of electricity. Even private utilities have admitted that their most profitable customers were those who paid the lowest prices but used the most electricity. They, too, advocated the use of more electricity to bring prices down, but the people could not increase their use of electricity until prices were reduced. Naturally, a business firm would not be readily willing to take the initial drop in profits that would be inevitable in such a program. Consequently, a stalemate resulted where high rates and low consumption

17 Carter, op. cit., pp. 90-93.
predominated. There seemed to be only one way to remedy the situation—create competition. To an industry that was not ordinarily competitive, TVA proposed to offer such a situation. The result was to force down rates and to force the private electrical industry to expand and, hence, enjoy greater profits, to say nothing of providing more people with the comforts of electricity. This was demonstrated by the fact that the utility companies adjacent to the Tennessee Valley showed the most increase in production and profit. In support of the latter contention, Senator Sherman Minton of Indiana declared that the Tennessee Electric Company, forced by TVA to reduce rates, recovered the entire amount of the reduction in five months. Its revenues consequently became larger than before the reduction, and in 1934 it won the Edison Electric Institute award for its remarkable increase in sales.

As important, if not more important, to the public power advocates was the psychological and social result of increased use of electricity. To them, this was valued in terms more important than money. Speaking for this group in Congress, Representative John E. Rankin painted a picture wherein TVA made the difference between drudgery and luxury.

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20 Congressional Record, 74th Congress, 2nd Session, p. 3105.
In his passionate appeal he stressed the lightening of the woman's load. In washing, for example, she did everything by hand from pumping and carrying water to poking clothes over a hot fire before the advent of TVA; now with TVA electricity, she washed without effort except for hanging out the clothes. He cited the purchase of radios as a great psychological factor in relieving the drab monotony of life on the farm. Other advocates of public power cited similar justifications of TVA as a social asset.

The story of the reduction of electric rates and the increase in the use of electricity in the Tennessee Valley is revealing. In 1933 the Commonwealth and Southern, the major electric company in the Tennessee Valley, reported that it could see no market for the power the TVA intended to produce. By 1940, but before the era of defense production, the demand for electricity in the Tennessee Valley was more than double the level of consumption which private company officials had envisioned. The rates for the area near TVA in 1939 were three cents per kilowatt hour as compared to 5 1/4 cents in 1933. In the TVA area, monthly consumption increased from 600 kilowatt hours in 1933 to 1,450 in 1940 for the average family. Not only did the reduction in rates reduce

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21 Ibid., pp. 10670-10673.

22 Willson Whitman, David Lilienthal, Public Servant in a Power Age (New York, 1948), p. 76.

23 Clapp, op. cit., p. 8.
the average electric bill, but it also increased the purchase of electrical appliances. Whereas in 1940 the average sales per customer for electrical appliances in the country as a whole was $22, in the Tennessee Valley it was $46. 24 This increased use, plus low rates, helped bring many of the conveniences of modern civilization into the Valley. Only in this way could the people of the Valley ever be induced to pull themselves from the lethargy into which centuries of devastation and under-privilege had cast them.

To one TVA authority the striking reduction in rates to domestic consumers after 1932 was proof of the success of TVA as a yardstick to measure the proper cost of manufacturing and distributing power. 25 Lilienthal believed the yardstick successful because it led to a realistic re-examination of the feasibility of low rates. 26 To the accusation of government subsidization of TVA's power production, Representative Rankin answered that it was the people who subsidized the "power trust" through the exorbitant electric rates they paid. The Army Corps of Engineers showed that before 1933 power at Muscle Shoals was being sold to private companies at two mills per kilowatt hour. TVA sold to non-profit organizations for six mills, yet the retail rates of the private

companies were much higher than those of retail organizations that bought from TVA. Representative Carl D. Perkins of Kentucky noted that TVA was ahead of schedule in repaying the money invested in the power program. Admitting that the rest of the project was subsidized, he felt that the power program paid its way and that the government saved much by not having to buy its electricity from private utilities at higher prices. 27

Aside from the assets of improved flood control and navigation and the cheaper retailing of electricity, the TVA program brought many other economic advantages to the Tennessee Valley, many of them never to be measured in dollars. The opportunities provided thousands of men and women must be considered in any appraisal of TVA. 28 The income of proprietors and employees of manufacturing plants in the Tennessee Valley increased from $83,200,000 in 1933 to $623,000,000 in 1947, while incomes from trades and services for these two groups increased from $145,700,000 in 1933 to $910,000,000 in 1947. This was an increase of 525 per cent for this region as compared to 307 per cent for the nation as a whole. 29 Whereas in 1933 Valley residents

27Congressional Record, 74th Congress, 2nd Session, pp. 10671-10674; 83rd Congress, 1st Session, pp. 3873-3874.

28Lilienthal, op. cit., p. 45.

paid 3.4 per cent of the national income, in 1955 they paid 6.2 per cent. Much of this prosperity resulted from the location of new industry and the relocation of old industry from other parts of the country in the Tennessee Valley. Lilienthal warned a Virginia audience in 1944 that the South would have industry whether it wanted it or not. He informed them that the South could avoid the common penalties of industrial development by local and regional planning. Industry did come, for in the Tennessee Valley could be seen a rapid expansion of industrial development. With this development, land prices rose and people began to remain in the region instead of flowing out of it. Industrial expansion gradually accomplished a shift from agricultural to industrial emphasis.

The benefits of TVA operation were not restricted to the Tennessee Valley. The purchase by Valley residents of $100,000,000 worth of electric ranges in 1948 contributed materially to the prosperity of other sections of the country. The expansion of municipalities caused the purchase of thousands of dollars worth of goods from all over the country. Also, of the $579,000,000 worth of goods purchased by TVA in 1949, $325,000,000 came from other regions. Other advantages

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31 Whitman, op. cit., pp. 78-79. For specific incidents of success and prosperity brought to the cities of the region by TVA see: Clapp, op. cit., pp. 56-68.

32 Clapp, op. cit., pp. 53-55.
contributing directly or indirectly to the prosperity of other regions would be the increased use of pleasure craft on the lakes and the higher income which allowed the people of the Valley to purchase more and better automobiles, farm machinery, clothing, and sporting goods. 33 To all of the other advantages brought to the region by TVA could be added the higher incomes due to the recreational resources, providing not only the people of the Valley more pleasure but also extending those benefits to people from other regions.

Among other programs of TVA were an enlightened health program, concern for the race problem, and moves toward raising the educational standards of the region. Furthermore, regional planning, like anything that has tried to create the intangible qualities of happiness and enthusiasm for living, had to give aesthetic satisfaction. Aside from the natural beauty created by thousands of miles of lakeshore and hundreds of square miles of productive soil, TVA had enhanced nature's beauty by the introduction of new architectural methods. Lifting themselves high above the river could be seen massive and artistically created dams and power houses. 34 Truly, TVA has tried to ferret out every facet of the people's personality and stimulate its expression.


34Huxley, op. cit., pp. 49-100.
These programs, carried on as far-reaching experiments for the public good, had no immediate profit motive.

Probably one of the most important intangible results of TVA, as far as regionalists were concerned, was the stimulus it gave to planning in other localities. Although none of the other programs actually put into practice were as large as TVA, they became important steps in a healthier outlook toward the improvement of society through planning. The Tennessee Valley Authority made mistakes, but much of this could be attributed to a complete lack of precedent for regional planning. 35 Other planning programs could profit by these mistakes. President Harry S. Truman, in making the dedication address for Kentucky Dam at Gilbertsville, Kentucky, in 1945, pointed that no two valleys were alike but that the underlying principles of TVA could provide guidance for these regions. To him TVA was just plain common sense "hitched to modern science and good management," and that would apply to any valley. The important lesson to be learned from TVA was that only by integrated river development could the most service be obtained from it. 36

Regional planning advocates, and particularly people who have been closely associated with TVA, contended that its most outstanding


achievement was the social reconstruction and preservation of a democratic society in the Tennessee Valley. Before TVA came, the region was one of tragic waste, lacking almost entirely the advancements of modern civilization. There were exceptions in regions around the larger cities where educational, industrial, and social progress existed, but primarily the Tennessee Valley before 1933 was devoid of these things for the majority of its residents. The Tennessee Valley Authority pioneered in the field of social planning and reform for this region. The significance of TVA accomplishments, according to Lilienthal, was the "advance... made in the thinking of the people." Since people who were economically insecure could not exercise their freedoms and consequently became wedded to prejudices while being prey for the emotional appeal of demagogues, only people with relative economic security could charter their

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37 Harold Rugg, "T. V. A. — A Social Laboratory for the Nation," Scholastic, XXXIV (April 22, 1939), 14S-18S.

future with any degree of certainty and freedom. Although the people to-
day are still far from reaching the level of economic capacity that their
natural resources indicate as a potential, they are striding faster to-
ward their goal because they are spurred on by the non-paternalistic
aid of a sympathetic friend. 39

A people, in order to use effectively the opportunities given them,
must also be given the chance to choose. No matter how beneficial op-
portunities are, they lose some of their worth when they are imposed
from above. The Britisher Julian Huxley warned planners not to forget
that happiness cannot be dictated and that power, even when intellec-
tual and beneficial, corrupts. Planners, he declared, must remember
"that the free activity of individual human beings is a basic element in
democracy, and must override any temptation of efficiency or immedi-
ate prosperity." In short, he warned that planning must be done with
the people, not for them. 40 To many, it appeared that TVA did just
that; it was a grass roots movement. The agency worked with the people
to educate them to make the right decisions and then presented them
with all the possibilities, good and bad. In this way, democratic prin-
ciples could be channeled to accomplish a common purpose. The


40Huxley, op. cit., pp. 119-129.
co-operation, however, had to be voluntary and based upon the knowledge that the result was best for the individual as well as the whole. TVA directors were not so naive as to believe that people could rid themselves entirely of selfish motives, but contended that they had to be taught the proper relation of their interest to the whole. The spirit of democracy contained a willingness, at times, to co-operate for the good of society with a secondary emphasis on the individual. Yet only by the use of non-coercive methods could TVA "revitalize the spirit of democracy" by letting the people effectively express their opinion on the solution to problems they considered vital. Understanding and active co-operation by the people and their institutions were necessary in order to make regional planning work. TVA's job, then, was one of instilling a spirit into the people as well as one of helping them provide for their material needs. \(^{41}\)

In a period of concentration of power toward the center, TVA demonstrated that regional planning agencies were one way to prevent the isolation of the citizen from his government. By bringing the abilities and powers of the central government to meet the problems of complex society under the control of individuals of a region, regional agencies could preserve the advantages of centralization without destroying the

\(^{41}\) Lilienthal, \textit{op. cit.}, p. 90; Hodge, \textit{op. cit.}, pp. 182-183.
democratic privileges of the people. In one sense it strengthened democracy in a period when the individual was nothing as compared to private bigness. As a matter of fact, one of TVA's greatest contributions was its emphasis on democratic participation in solving regional problems. The practice has been for TVA to let local and non-federal agencies do the job when it was possible. Often jobs were let to these agencies when TVA could have done them alone while keeping within its jurisdiction. TVA's function was that of a leader who stimulated and guided. This was planning in its broadest sense.\(^2\) In TVA's electrical and agricultural programs, there has been no compulsion. Even TVA's demonstration farms have not generally been established wholly by the government. First the farmers as a whole had to agree on the demonstration, after which the farmers who chose to participate paid all the ordinary expenses while TVA furnished fertilizers and technical advice. No farmer could participate without his full consent.\(^3\) One writer for a popular magazine came close to finding the key to TVA's success in the Tennessee Valley when he wrote that "unless the people of the Valley are behind the TVA, it becomes just another big power grid operated from Washington instead of Wall Street."\(^4\) Undoubtedly he was right,


\(^3\) Huxley, op. cit., p. 31.

\(^4\) Stuart Chase, "What the TVA Means," Reader's Digest, XLV (October, 1944), 39.
for the success of the project could not be written into the act; the people had to create that. Consequently, the major weakness of TVA was revealed to be that it would not work unless its program was carried out in the right spirit.

Reports from the Tennessee Valley seemed to reveal an overwhelming local satisfaction with the actions of TVA. Almost unanimously the people have reported that the Authority's activities have not drugged local action but, on the contrary, have in many cases stimulated it. The opinion of George Fort Milton, a Chattanooga editor, represents what one educated Valley resident thought about TVA. He wrote that the people of the Valley were gradually beginning to realize that only TVA could bring all the advantages needed for the development of the region. Most of the people were pleased that the Authority had not been paternalistic. As the initial zeal and superior attitude of the crusader died down, any resentment toward the Authority waned. The important thing was that "TVA is now of us and not of others. . . . It is . . . the spirit and the purpose of the valley."45 Indications are that Milton was not alone in his opinion and evidently was speaking for the majority. Professor Clarence Hodge concluded in his work in TVA that a great mass of Valley residents sympathized with and supported the regional objectives and activities of TVA.46


46 Hodge, op. cit., p. 227.
If the statements in 1945 of the governors of the seven states affected by TVA indicated the feelings of the people, then there could be little doubt that the people favored the program. All of the statements were favorable in their general content, and all of them praised TVA for its co-operation and its freedom from arbitrary methods. Governor J. Melville Broughton of North Carolina, though professing a strong belief in state rights, felt that TVA embodied no "threat to the rights of this state." He praised in particular the equitability of TVA's payments in lieu of taxes. Even more eulogistic and enthusiastic was the governor of Tennessee, Prentice Cooper, who maintained that only TVA was capable of developing the river system. As far as Tennessee was concerned, the activities of TVA had "proved an uplifting, progressive, civilizing influence on [the] people, and whatever opposition once existed in Tennessee [had] completely disappeared." Governor Chauncey M. Sparks of Alabama denied that TVA had usurped any local power. The Georgia governor's only complaint was that TVA's influence had not penetrated further into his state. In general, all the governors praised the raising of the cultural and economic levels and the stimulating of progress by such things as flood control, navigation improvement, and aid to the farmers in curtailing soil erosion. 47

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47 Congressional Record, 76th Congress, 1st Session, Appendix, pp. 53-55.
According to the annual report of TVA in 1952, one of the region's greatest assets today is the new confidence of the people in the strength of their own resources. As a result of this new-found confidence, more state and local agencies have been created to deal with natural resources; hence, the states are shouldering more of the burden of conservation and planning, especially the financial burden. The total public funds expended by state agencies to build up a resource base increased from $5,600,000 in 1934 to $37,750,000 in 1950. Actually, the increase of independent state programs encouraged by TVA has resulted in economy of federal expenditures. 48 In summing up the intangible contributions of TVA to the philosophy of the residents of the Tennessee Valley and to the philosophy of government as a whole, former chairman Gordon Clapp observed that TVA has been an excellent example of what Americans could do in the right spirit with the energies of free men and women. The TVA spirit has made advocates of sincere opponents of the TVA program, he asserted. 49

To ardent supporters of TVA's methods the intangible results have accounted for a major portion of its success. In evaluating the profit of the project, the reason that some people claimed TVA profitable while others contended that it was unprofitable arose from the


disagreement over what costs a government owned power system should be called upon to bear in regard to operating expenses, depreciation, amortization, interest, taxes, and other non-incurred costs. Many of these TVA has not borne because it was a public enterprise. Yet, all opponents have agreed that estimates for these should be included. But even when they were in agreement over the inclusion, a wide breach has existed over how much to include. Just as the whole basis for the evaluation of the success or failure of TVA depended upon the philosophic principles used, so, too, does the question of allocation. One authority felt that for this reason, there was no use arguing the point. 50

The suggestions for allocation ranged from the simple three-way division of 33 1/3 per cent for each of the major activities (navigation, flood control, and power) to the speculative division on the basis of estimated benefits rendered by the dams to each of the three major activities. TVA has settled, however, on a division based on justifiable expenditure for each activity. Under this system an attempt was made to estimate as closely as possible the expenditure for each of the major activities; then, the activities making a profit would be responsible for repaying the amount of money expended on those profit-making functions,

while the government would subsidize the rest of the non-profit benefits. Opponents have always claimed that the allocation for power was insufficient and misleading. Since the first few years, TVA has been showing a small but recognizable profit in its power program under its system of bookkeeping—enough, it was felt, for a public agency primarily concerned with the general development of a region.\footnote{Huxley, \textit{op. cit.}, pp. 27-28.} In 1949 the Federal Power Commission, through an independent investigation, upheld TVA's allocation of nineteen per cent of costs to navigation, nineteen per cent to flood control, and sixty-two per cent to power. Its report stated that under this system, which the commission considered reasonable, power benefits would exceed power costs.\footnote{Tennessee Valley Authority, \textit{TVA—1950} (Washington, 1950), pp. 10-12.} A summation of TVA's attitude toward the allocation problem was well expressed by Ransmeier in his book, \textit{The Tennessee Valley Authority}. He wrote that the government is not interested in water control from a strictly commercial standpoint and . . . social and intangible economic benefits are not susceptible of pecuniary evaluation. It follows that public policy rather than prospective economic returns typically must be the final guide of public investment.\footnote{Ransmeier, \textit{op. cit.}, p. 399.}
CHAPTER V

THE CASE AGAINST TVA

In 1934 the Christian Century magazine predicted that TVA would face a terrific opposition campaign. This aggressively liberal periodical foresaw that much of the opposition coming from the press would be presented in a clever and evasive manner, such as claiming that TVA denied Americans the freedom to worship. The magazine was not far from right when it prognosticated a veritable fight for TVA's life. ¹ No sooner had the agency been formed than opposition appeared. Much of it can be discounted as the maliciousness of special interests. But some of the antagonism apparently emanated from a sincere conservatism and fear for the individual freedoms and liberties of the people. A people steeped in the economic tradition of capitalism could hardly be expected not to look for a profitable return on such a munificent experiment.

It would be difficult if not impossible to separate completely the motives of the opposition. Undoubtedly, the scrupulous fact-gathering of the special interest groups added solidarity to the arguments of sincere

defenders of rugged individualism. Also, one would be led to believe that
the special interests obtained support for their cause where they found
it, by insisting that they were the guardians of individual initiative.

The Tennessee Valley Authority has continued to be controversial
until the present time. Gordon Clapp observed that it would become un-
important and non-controversial only when it became insignificant. Un-
like many other New Deal measures, this project was permanent; there-
fore, those who opposed its philosophic bases had to fight vigorously to
expose and destroy it, since there was little hope that it would eventually
become unnecessary. For this reason, repeated attacks on every possi-
ble phase of the project were made. Another situation which lent TVA
to controversy was the fact that the major aspect of the project as far as
regionalists were concerned—that of regional planning—could not be
specifically represented in court.  

Opponents, then, fighting in the
courts and in periodicals, could easily picture TVA as a failure by
merely omitting its regional aspect. Critics of TVA often scorned its
social rehabilitation as too expensive, while emphasizing the lack of ma-
terial profit. They also declared TVA invalid as a pattern for other re-
gional projects since conditions differed elsewhere.

Region* (Chicago, 1955), p. 3; *The New York Times*, November 8, 1946,
p. 33; David Donaldson, "Political Regionalism," *Annals of the American
Academy*, CCVII (January, 1940), 141.

3 One of the most reasoned attacks on TVA from this point of view is
to be found in Raymond Moley, *Valley Authorities* (New York, 1950), pp. 12-
22.
In scoring the opponents of TVA, David Lilienthal maintained that most conservatives were unimaginative people who could prove by common sense and statistics that anything new and vigorous was "unsound, impossible, visionary, and wasteful." People, he said, had opposed the transcontinental railroad because it would hurt the investment of the stagecoach and turnpike companies. Consequently, TVA was bad because it encroached upon the profits of private utility companies. Many had branded Henry Ford a crackpot, for it was obvious that a manufacturer could not sell his product cheaply while paying men five dollars a day. He would go out of business.  

Even if the opposition was unimaginative, as David Lilienthal contended, it, nevertheless, was extremely influential in determining the course of TVA. If the agency were to survive, it had ever to be aware of its opponents and their strength and prepared to meet their challenge.

By far the most capable and outstanding opponent of the regional planning project was Wendell L. Willkie, president of the Commonwealth and Southern Power Company which controlled many of the state and local power agencies in the Tennessee Valley region. The month after the act was passed, he claimed that TVA would make $400,000,000 worth of stock worthless.  


5 The New York Times, April 15, 1933, p. 22.
arguments revolved around the damage the Authority would do to private enterprise. Nevertheless, he pictured himself as a defender of the democratic privileges of free choice and individual initiative. Walter Lippman agreed with Willkie that the creation of government competition in power in the Tennessee Valley would stifle healthy private utility development in the rest of the country. Advocating a limitation on government owned utilities, the latter nevertheless maintained that TVA should exist because of its beneficial effects in the Tennessee Valley.

It was Willkie, however, who initiated and synthesized the opposition to TVA. This critic pointed out that taxes would be higher in a region where power plants were municipally owned. Attacking the TVA power program in particular, Willkie predicted an excess of electricity. He, as a power company official, felt that the capacity of electrical distribution in this valley had been reached. From the inadvisability of further electricity production in the valley, he turned to a denunciation of the cost of this production. Over 50 per cent of the cost of TVA was allocated to flood control and navigation, which, as non-profit activities, were subsidized by the government. To businessmen such as Willkie, this allocation was too great and actually represented a subsidy to power production which private utilities did not receive. In defense of the practice of private companies, Willkie asserted that private

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6 Congressional Record, 75th Congress, 3rd Session, Appendix, pp. 533-534.
initiative had advanced electric use thus far and consequently this proved that holding companies as the co-ordinators of electric power production and distribution were vital. Only because of the holding companies had distributing agencies been able to lower rates under TVA competition. Because they had thus saved private industry, government officials harbored an intense feeling against them. In concluding his critical analysis, Willkie branded TVA a "foolish fad and fancy of the moment."  

Power companies were not the only opponents of the generation of electricity by TVA. Early in 1934, representatives of the coal industry predicted that the coal marked in the Tennessee Valley would be destroyed and thousands of people thrown out of work. Stressing that the region was already favorably endowed with an abundant supply of coal, they could see little use for added production of electricity by water power. As late as 1939, citizens of the coal mining region of Kentucky presented a resolution to Congress opposing TVA.  

Most critics did not see TVA as a regional project but looked upon its conservation program as a mask for its power activities. Assertions were that there was little connection between conservation and power production, since other departments of the government accomplished  

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8 "Will Government Operation of Power Benefit the Public?," Congressional Digest, XIII (October, 1934), 239-243; Congressional Record, 76th Congress, 1st Session, p. 1608.
the same purpose without producing electricity. Critics contended that if the real purpose were flood control and navigation, then TVA was a wasteful and expensive way of accomplishing it. The least expensive way of producing electricity was through private utilities which could not shift the deficit to the taxpayer, and, they contended, multipurpose dams were not the best type for flood control and navigation. Hence, by separation of the functions of water planning, efficiency could be attained, they felt. Obviously, opponents were comparing the cost of a single project of navigation, flood control, or power production with each of the comparable units of TVA. In such a comparison, however, often it was forgotten that the cost of one structure served one or more functions and thus its total cost should be divided. Generally, the total cost of a structure performing more than one function amounted to more than a structure serving only one of these functions. Consequently, if the total cost of the more expensive structure were compared, in toto, to the cost of doing the job singly, then it would appear that the single purpose project was more profitable than a multipurpose one. Another attack leveled at TVA was that the Authority did not pay interest on the money the government had borrowed to initiate it. Public utilities, on the other hand, paid interest on borrowed money. 9 Seemingly, this was a legitimate complaint.

Most important to regional planners was the accusation that multipurpose dams were impractical. Reservoirs had to be full of water for powermaking purposes and consequently could not serve flood control functions. Somewhat ironically, it was observed that the flood control problem had been solved by permanently inundating the lands subject to flood. Colonel R. C. Powell, Army division engineer at Cincinnati, claimed in 1937 that TVA had refused to hold back waters at Norris and Wheeler Dams to help alleviate flood conditions on the Ohio River because both were filled for power production. The above statements were presented to Congress by representatives of the land and water users’ organizations in order to counteract tax-subsidized propaganda by TVA.\(^{10}\)

Throughout the first decade of TVA operation, opponents criticized every phase of its program and activity. In 1938, Styles Bridges, Republican senator from New Hampshire and perhaps the project’s severest and most uncompromising critic, combined with Democratic Senator William H. King in leveling twenty-three charges against TVA. Most of these charges were merely a restatement of previous charges centering around the accusation that TVA was unprofitable, damaging to democratic traditions, and destructive to private business. John Montoux of the Memphis Press-Scimitar analyzed and refuted these charges.\(^{11}\)

\(^{10}\)Congressional Record, 79th Congress, 1st Session, pp. 4521-4522.

\(^{11}\)Ibid., 75th Congress, 3rd Session, pp. 3082-3083.
In 1940, the Knoxville News-Sentinel accused the Authority's opposition of using E. Hofer and Sons of Portland, Oregon, who were noted opponents of government ownership of power, to publish material against TVA. In 1928, the Federal Trade Commission revealed that this company had received $85,000 for "canned" editorials against public ownership of utilities. 12

Opposing the claims of TVA supporters that the Valley residents welcomed the project, some writers asserted that in reality it was a burden on the people. One of this group wrote for Fortune in 1939 that the Tennessee Valley did not want progress, but instead wished to continue in its own happy, carefree, independent way. Contrary to the TVA characterization of Valley residents as largely burdened with poverty and illiteracy, the writer charged that they were in actuality quite content and undesirous of change. He predicted that many Valley residents would never use superphosphate or electricity because it would require hard cash. Money making necessitated the loss of leisure time, which supposedly the occupants of the Tennessee Valley enjoyed more than higher civilization. This article, like many others in opposition to TVA, was characterized by the use of emotional phrases beclouding the issue. Many of these statements became meaningless under careful analysis; however, their effect on the casual reader was incalculable.

12Ibid., Appendix, p. 815.
Such insinuating phrases as the one that Valley residents, being "too poor even to own slaves, automatically became Republican and Unionist when the slave-owning Democrats of the South seceded," must have affected voting in other sections of the country. Obviously, not everyone in the Tennessee Valley admired TVA. One power company employee, writing for the Saturday Evening Post, indicated that TVA threatened his job. To him it was merely politics disguised in order to get votes. Although not representative of majority opinion, such statements lent support to conservative opposition.

During the period of the Second World War, critics lessened their attacks on TVA. By 1945, TVA's significance and strength had grown. Because of the importance of TVA power in winning the war, many previously unflattering periodicals either slackened their criticism or even occasionally praised the agency's operations. One Wyoming businessman stated in 1945 that he found no radical socialists in the project and that, as far as he could discover, TVA was operating in the black. He saw TVA encroaching on no private business except public utilities, which he felt was nothing new.

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14 John Fort, "I Work for a Power Company," Saturday Evening Post, CCX (September 11, 1937), 27.

15 In 1946, Vassar established a course in which TVA would serve as the basis for a regional study. Emphasis was placed on TVA's scientific and social factors.

16 "A Republican Banker Visits the TVA," American City, LX (October, 1945), 139.
This lull, however, proved to be merely a period of preparation for a renewed attack during the conservative reaction following the war. The criticism that began re-emerging in 1945 emphasized the inadequacy of TVA's accounting methods. The contention was that by unfair allocation and the failure to include certain charges which private utilities had to pay, TVA misrepresented the worth of the power program in the Tennessee Valley. This extreme view which advocated that no non-monetary benefit be counted in an evaluation, was opposed by the public claim that power expenses should be based on public interest "and without reference to any 'investment' in power equipment."\(^{17}\)

Undoubtedly, opponents were displeased when, by an amendment in 1947, Congress extended the privileges of TVA. After that year, the Authority could make contracts and commitments without regard to fiscal year limitations. Hence, projects which required more than a year for completion could acquire appropriations for the entire project at once. However, Congress bent to the will of the opposition in prohibiting the initiation of power projects without the approval of Congress.\(^{18}\)


\(^{18}\)U. S. Statutes at Large, 80th Congress, 1st Session, LXI, Part I (1947), 576-577.
Its author, Frederick L. Collins, had been editor of the Woman's Home Companion from 1911 to 1920. Highly influential among journalists, he was president of the Periodical Publishers Association of America (1920-1921). A resident of West Falmouth, Massachusetts, he held membership in the conservative Union League. His work was characterized by satirical references to TVA and constant charges of socialistic, communistic, and fascistic designs in regard to those who supported it. In particular, Collins stressed the destruction of individual initiative. (Writing in a semi-fictional style, he portrayed the individuals who opposed TVA as typical rugged individualists who believed that government control would destroy, no matter how beneficial such control appeared. The correlation between private initiative and "the American way" was emphasized. Taking a narrowly nationalistic view, the book was tremendously emotional in its appeal, but at times became careless in its interpretation of the facts. In the final analysis, Collins concluded that TVA was nothing but a grandiose conspiracy to run the unblemished electric utilities out of business and institute unpatriotic socialism at a tremendous waste to the taxpayer. To Collins, American business was being taken away from the people and given to the politicians. The propaganda in this work was characterized by the extremism found in much of the literature adverse to TVA.

The author attacked all phases of the TVA program in every way possible. From insinuating that Roosevelt and Ickes had a personal
grudge against private utility companies, he passed to a condemnation of the multipurpose aspect of the project. Ignoring the fact that TVA dams serve navigation, conservation, and other purposes, stress was laid on the incompatibility of flood control and power production. The importance of the dams for navigation purposes was dismissed as unnecessary, since in modern times navigation on inland waterways was insufficient to warrant any large expenditure. As far as soil erosion was concerned, any dam could serve that purpose, he maintained. Picturing TVA dams as nothing more than flood control dams superimposed on power dams, Collins revealed a lack of faith that TVA could anticipate floods.  

As far as TVA's claim that its cheap electricity was justification for its existence was concerned, Collins maintained that electricity was one of the smallest items in the average businessman's budget and that it was also inconsequential to the housewife. Even at that, he felt that TVA electric rates did not represent the true cost of electricity production. Accusing TVA of fraudulent and misleading bookkeeping, he noted that the Authority did not comply with the rules of the Federal Power Commission as other electric companies had to do. As a result, TVA allocated costs among the major purposes of TVA, which he, along with most other opponents of the project, believed gave TVA power an unfair

advantage. If TVA power rates were to represent the true cost of electricity, they should be set high enough to cover the costs of the whole project, since the dams were "obviously power dams." Instead, he asserted, power assumed the burden of only one out of every three dollars spent. If all costs were included, "a highly publicized alleged profit of $25,000,000 turned into an actual loss of $40,000,000," this critic claimed. 20 TVA supporters naturally considered Collins' plan ridiculous. John F. Carter pointed out that in 1930 the government had agreed to give all of the power produced in the Tennessee Valley to private industry while bearing the full expense for navigation and flood control with no possible way of paying any of the cost. 21

Collins also used another method popular with the opponents of TVA by branding it with any name which was anathema to democracy in the mind of the average person. To him, TVA was entirely the work of socialists from the beginning. The people had been fooled only because they had thought the Tennessee Valley Authority was an attempt to salvage a piece of United States property. Insinuating strongly that Lilienthal was a socialist, Collins inferred, although never quite said, that this TVA director attempted to fool the public by using the word "democracy" instead of socialism when referring to the project. He


21Carter, op. cit., pp. 93-94.
charged Lilienthal with making misleading statements in regard to the
growth of property values in the Tennessee Valley. Obviously, Collins
believed that democracy and socialism were entirely incompatible. He
even more strongly insinuated that Senator Norris was a communist.
Somewhat incongruously, he drew a parallel between what TVA was try-
ing to do and what Hitler did in his first few years in power. 22 In his
analysis, this critical author precluded any value accruing from intangi-
ble benefits. Power assumed to him an importance that made any other
benefit inconsequential. As with most opponents, Collins failed to see
the Tennessee Valley as a whole, i.e., as a planned region. Each dam
had to do the job assigned to the whole project in order to prove its
worth. He could not see how a combination of dams could produce a re-
sult that was different from merely the sum of the separate dams taken
individually. Herein lay the impossibility of reconciling proponents
and protagonists of TVA. The proponents believed that the combination
of the project had a value within itself; the protagonists had little con-
ception of regional planning except as it adversely affected power profits.

Oftentimes in their eagerness to discredit TVA, critics misrepre-
sented the facts. In 1942, when a drought occurred in the Tennessee
Valley, causing TVA and other power producers to be hard pressed to
meet added water needs, Collins accused TVA of having to receive help

22 Ibid., pp. 86, 92-97, 71, 40.
from private power, when in actuality the case was reversed. Moreover, he gave all the credit for winning the war to private power companies. Misstatements such as these were not uncommon among TVA opponents. As late as 1953, Congressman Ralph Gwinn of New York asserted that hundreds of industries had moved from New England to take advantage of the cheap power. He mentioned the Massachusetts Knitting Company of Columbia, Tennessee, only to discover that it had removed to the Tennessee Valley in 1931. Another accusation leveled against the projects by Collins and other critics was that TVA did not pay taxes and consequently the people outside the Valley area were "scrimping and going without" to provide for the people in that area. Reference was made here to the fact that TVA paid no federal, state, or local revenue. Furthermore, Collins maintained that the money paid in lieu of taxes to the states was little more than hush money.

A more scholarly criticism of regional planning, with particular emphasis on TVA, was published in 1950 by Raymond Moley, former member of Roosevelt's "brain trust," under the title Valley Authorities. Despite his more moderate tone, his criticisms followed relatively the same basic pattern as those of Collins and other critics. He alleged

\[23\] Collins, op. cit., pp. 19, 37.

\[24\] Congressional Record, 83rd Congress, 3rd Session, p. 6663; Appendix, p. 3404.

that in any multipurpose project, non-reimbersable items would naturally foot the bill for "electric power at something below real cost." Denying Lilienthal's assertion that TVA was a stimulus to democratic action, Moley maintained that federal subsidization, which he considered TVA to be, was a narcotic to those that received it and unjust to those that provided it. Under this system he felt that the government would use its energies to propagandize the people, thereby destroying their freedom of discussion. The greatest danger in regional authorities, he pointed out, was the lack of control over them. First, the President and Congress were too far removed from jurisdiction over them, making it exceedingly difficult for either to change policy by removals and new appointments. Not only was federal authority limited, but regional agencies concentrated too much power in an agency independent of state and local control. 26

Moley, in his opposition, attacked more fully the philosophy of regional planning than did the other critics, who were primarily concerned with the power program. Declaring that navigation and the distribution of water were only two of the unifying forces in modern society, he maintained that no region could be integrated solely on natural factors; other factors, such as economic, cultural, political, and ethnological ones had to be considered as important. With methods of transportation,

26 Moley, op. cit., pp. 60, 63, 52, 55.
communication, and distribution ever changing, regional planning was quickly becoming outdated, according to Moley. In reality, he felt, regional planning was little more than the reinstitution of the feudalistic system, which traded individual liberty for the promise of material benefit. Since regional planning provided a means for concentrated control, the influence of the national government would be increased over the individual. Undoubtedly, this would have an adverse effect because of an "external urge to plan the lives of others, it [TVA] offered unlimited scope for an insatiable instinct." Moley's general case rested upon the belief that regional planning would destroy the American system by undermining its moral fiber. Even greater was his fear that, once the crusading zeal had gone, political bosses would take over. Thus, in order to protect the rights of the state and local governments, planning should be done only by the compact system between the states and the federal government. Always the preservation of local rights should be given consideration. Unfortunately, Moley made no suggestions for remedying the situation which he alleged existed in the Tennessee Valley. He obviously did not wish to do away with TVA; yet he felt the Authority too powerful and insufficiently restricted.  

Although the critics of TVA still emphasized many of the things that they had stressed since 1933, the tone of criticism shifted somewhat  

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27 Ibid., pp. 11-22, 47-48, 50-51.
after 1945. This shift was best described by Lilienthal, who stated that by 1946 the cry of "it can't be done" had been abandoned. No longer were the arguments centered around the impossibility of combining flood control, navigation, and power. Furthermore, the criticism that private business in the Tennessee Valley would stagnate had largely been given up. Instead, critics used a negative approach by branding TVA a "failure." Attempts were made to show that the Authority operated at an enormous deficit by charging all the activities of TVA, from planting trees to munitions research, to the power program. Lilienthal countered this attack by claiming that private utilities paid large federal taxes because much of their taxes were on excess profits, indicating that if they would follow TVA's lead, their complaint against the Authority's failure to pay federal taxes would be unjustified. 28

Even before World War II, some emphasis was being placed on TVA's failure to make a profit. Criticism in this vein argued that a material profit should be the sole basis for judging TVA success. Many people believed that TVA was promoted, organized, and financed by politicians, well versed in the art of spending other people's money, but with little or no experience in the practical method of business—of making ends meet. 29


29 Ernest R. Abrams, "Your Stock in TVA," Saturday Evening Post, CXX (October 17, 1937), 82.
In 1937, a corps of private electric utility analysts studied TVA's statements and concluded that the Authority was selling electric power for less than 60 per cent of its cost. 30 After the war, the Edison Electric Institute, which represented 75 per cent of the private power utilities, also attacked TVA on the basis of the Authority's reports. In 1945, Charles W. Kellogg, the Institute's president declared that if the Tennessee Valley Authority had paid taxes and interest on the $35,000,000 it made on power transactions in 1944, it would have a deficit of $17,420,000. 31 One of the most bitter New Deal critics estimated in 1947 that if TVA had paid only the interest on the money borrowed by the government for the construction of power facilities in the Tennessee Valley between 1933 and 1944, it would have had a $15,000,000 power deficit. 32 Hundreds of other accusations purported to show that TVA would show a deficit if it conformed to the bookkeeping practices of private utility companies.

The end of World War II saw New Deal critics and conservatives faced with a more favorable climate of public opinion for renewed attacks. Obviously, one reason for the reinvigoration of the opposition was the unfriendly relations with the Soviet Union which produced in this

30 Ibid.


country a fear of communistic domination. In all probability, the entrenched interests which opposed TVA saw a good chance here to discredit the Authority and capture some of the benefits of the Tennessee Valley while effectively scotching any idea for further expansion of the regional planning philosophy. If the two could be connected, i.e., TVA and communism, then the people would begin to see it as a threat to democracy. As early as 1935, opponents had seen the advantage of attaching the odious tag of socialism to TVA. Such a plan of attack on TVA had been formulated then by the assistant director of the Illinois State Bureau of the National Electric Light Association, who said that his idea "would be not to try logic or reason, but to try to pin the Bolshevik idea on my opponent." 33 Joining with the private utility companies, the American Liberty League attempted to do this to TVA. The League denounced bureaucracy as thriving on interference in the affairs of individuals and the conduct of business. They pictured the lives of the people of the Tennessee Valley being shifted with no consideration being given to their feelings. 34 Norman Thomas, Socialist candidate for president, lent credence to this accusation when in 1944 he lauded TVA as an example of what "socialism might do." 35


A scathing attack on TVA as socialistic was again made in 1950 by Representative Charles A. Plumblee of Vermont, who typified the conservative reactionary of the post-war period. Equating American socialism with Marxism, he felt that it directly conflicted with American constitutional freedom. While accusing President Truman of being a socialist, he cited TVA as an example of a dictatorship set up within a democracy. Plumblee warned the American people that they must not be a party to change or they would threaten their prosperity by ideology foreign to their way of life. In particular, if change continued, the United States would likely become dominated by an out-and-out Russian type communism. Besides attacking TVA on anti-American grounds, the New England representative accused TVA of refusing to aid many people in the Valley who asked for help as well as exercising too much power over human destiny. 36 All of the opposition to TVA did not come from one section of the country, however. Representative Bruce Alger of Texas returned to a charge that opponents of regional planning had used in the 1920's; that such projects were unconstitutional. He maintained that the founding fathers had held in both the Declaration of Independence and the Constitution that free enterprise came from God, not government. Moreover, nowhere did the Constitution grant the government

36 Congressional Record, 81st Congress, 2nd Session, Appendix, pp. 134-137.
license to compete with private utilities. Following this strict constitutional interpretation, he asserted that private business could not endure against government competition. 37

The future of TVA as a regional planning program re-emerged as a congressional question in 1949. In that year the Authority requested appropriations to build a steam plant at New Johnsonville, Tennessee, in order to meet demands for additional power. TVA opponents immediately questioned the constitutional right of the Authority to construct steam plants in peacetime in order to supplement its hydroelectric production. 38 As the conservative element gradually gained control, this dispute offered a chance for them to attempt limitation of TVA's power. Although public power advocates won the initial battle and TVA was allowed to construct this plant, when it came before Congress in 1953 with a request for funds to build a steam plant at Fulton, Tennessee, in order to meet increasing demands in the Memphis area, the conservatives had gained control of the presidency as well as of Congress. The proposed plant would have cost $100,000,000, which the United States Government would have had to borrow. Congress refused the request, feeling that the Tennessee Valley Authority should not be further expanded as a federal power facility not wholly hydroelectric. In its refusal Congress

37 Ibid., 84th Congress, 1st Session, Appendix, p. 4382.

38 Ibid., 81st Congress, 1st Session, pp. 4276, 4356-4360.
also made reference to the fact that the government was nearing the statutory debt limit, and, therefore, any further burden should be absolutely necessary. Consequently, in 1954, President Eisenhower did not recommend further appropriations for new facilities. Instead, he suggested the removal of TVA's obligation to the Atomic Energy Commission and the transference of this obligation to private enterprises. 39

In keeping with the president's views, on January 4, 1954, the Bureau of the Budget asked AEC to proceed with negotiations to get some private power company to furnish from 500,000 to 600,000 kilowatt hours before the fall of 1957. Immediately after the proposal was made, Edgar H. Dixon, president of the Middle South Utilities, Inc., offered to provide the necessary power. The following month, Eugene A. Yates, president of the Southern Company, agreed to co-operate with Dixon to produce the needed power for AEC. 40 Yates had been an opponent of TVA since its inception. In 1933, he had maintained before a House committee that there was no market in the Tennessee Valley for the power that the Authority proposed to produce. 41 However, in 1954, he wanted to help increase the power production in that region.


40 Ibid., pp. 3-4.

41 The New York Times, April 14, 1933, p. 29.
No sooner had the negotiations for the contract begun than public power advocates attacked the move as a threat to TVA and public power generation, while conservative supporters of private utilities hailed it as the first step in a movement to curtail government participation in the power business. The dispute raged for over a year in the press, in periodicals, and in Congress. TVA was directly affected, since the Mississippi Valley Generating Company, formed by Dixon and Yates, proposed to inject their production into the TVA power grid at Memphis, lightening TVA's load there and allowing it more power in Kentucky, where the atomic installations were located. In co-operation with the president, the Republican-dominated Congress voted 55 to 36 in July, 1954, to allow AEC to replace from private sources electricity it received from TVA. In order to break a Democratic filibuster in opposition, the Senate remained in session until 4:30 a.m. President Eisenhower supported the Senate move, but consistently denied any attempt to destroy TVA. On November 11, 1954, the contract between the Dixon-Yates company and AEC was signed. Approval by the Joint Congressional Atomic Energy Commission was then necessary. By a strictly party vote of ten Republicans to eight Democrats, the contract received approval. This committee declared that the issue in question was whether TVA should expand to provide its service area with all the power

it needed, no matter by what means. To the majority, approval of the TVA appropriations would mean taking money from all sections to give it to a single section. The majority characterized such a policy as "rank, unrestrained, unadulterated socialism."\(^{43}\)

Throughout 1954, administration backers fought for approval of the Dixon-Yates contract. One writer agreed that the Dixon-Yates plan would cost the government more money per year, but would avoid a federal capital outlay of $100,000,000 and the risk of having a power plant not needed in the future.\(^{44}\) Senator Bridges read into the Congressional Record newscaster Cedric Foster's support of the Dixon-Yates deal and condemnation of TVA. Declaring that the Eisenhower administration was pledged to stop this "American trend toward socialism," Foster appealed to the people to stop the socialistic trends toward bureaucratic strangulation of the body politic. If these trends were not halted, he maintained, the country could not strive forward as it had formerly done under the free enterprise system.\(^{45}\) Senator J. H. Fulbright of Arkansas sustained Dixon-Yates, an Arkansas company, as bringing private power utility rates into competition with TVA. Since

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\(^{45}\)Congressional Record, 84th Congress, 1st Session, Appendix, p. 641.
Dixon-Yates met this competition, he felt that public power proponents should be satisfied unless they believed in public power merely for the sake of public power. 46

Although Democrats won a majority in both houses during the November, 1954, elections, public power proponents feared that the contract which had already been approved would become effective before the new Congress convened in January. However, two things prevented this. The contract could not go into effect before the Securities and Exchange Commission approved a projected stock issue to help finance the plant. Even then, Congress could refuse appropriations to uphold the government's part of the bargain; and the second session of the Eighty-fourth Congress was dominated by Democrats. As soon as the new Congress met, ardent TVA supporters began to throw blocks into the Dixon-Yates path. This was excellent strategy inasmuch as the contract itself provided that if the appropriate regulating agencies had not made approval by February 15, 1955, either party might withdraw. 47

Thus, if the Democrats could block legislation until then, cancellation was possible. Under constant urging from the liberals, the Democrats used delaying tactics until, on June 23, the city of Memphis announced that it would refuse Dixon-Yates power and instead would build its own

46Congressional Digest, XXXIV (January, 1955), 22.

steam plant. Hence, the Dixon-Yates contract became unnecessary since it was to provide for the Memphis load. President Eisenhower took this opportunity to order cancellation, on July 11, of the project that was causing such difficulties for his administration. Nevertheless, the Democrats placed the blame for the whole Dixon-Yates contract at Eisenhower's door.  

In defense of the administration a New York Times reporter stated that the president had favored Dixon-Yates because he believed that the Tennessee Valley's resources were nearly fully developed. His opposition to the further expansion of TVA emanated from a philosophy that "the Federal Government could not continue to permit the Tennessee Valley Authority to expand beyond its geographical boundaries unless it lent the same hand to all other river valleys." Indications were that the president's views were similar to those attributed to him by the Times writer.

Although most conservatives felt that the Dixon-Yates contract was a return to the free enterprise system, liberals looked upon it as a threat to the future of regional planning. If the one active regional planning project were destroyed or curtailed, chances for other such projects would be less favorable. Due to the rapid economic expansion in the

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49 Ibid., p. 16.
Tennessee Valley, even the mild limitations suggested by the Eisenhower administration would ultimately destroy the project. The development of water power in the region had almost reached its limit, and in order to continue, TVA had to have steam power. Friends of TVA looked upon the conservative measures as a part of a large campaign to hand over all government produced power to private companies and thus, by indirection, undermine future valley authorities. In this vein, a writer for the liberal periodical, Reporter, asserted that Dixon-Yates was "an expression of the Republican belief that privately produced power, no matter how much more expensive or inefficient, is better than publicly produced power, no matter how cheap or efficient." Specifically, Dixon-Yates was an attempt to ring the perimeter of the TVA power region with a power monopoly and gradually strangle it to death, according to TVA adherents. Most of all, TVA supporters feared the fact that an agency, the Atomic Energy Commission, which TVA had no control over, was making the deal. If this plan were approved, then the precedent would deny TVA the sole right to make deals for its system, hence, opening the way for an undermining of the activities of the project. The Atomic Energy Commission had no provision for regulating

50 Bruce Catton, "Threat to All TVAs: Giveaway Program No. 2," Nation, CLXXVI (June 20, 1953), 321-323.

power costs while TVA was required by law to distribute electricity at the lowest possible rate and still be self-supporting. Since TVA's part in the contract might require additional TVA funds for power transmission lines, the cost to its customers might rise. Representative Chet Holifield of California predicted that TVA would be charged with a nine-million-dollar transmission line from the middle of the Mississippi River to the TVA grid as well as with the maintenance thereof.

Opposition to the contract was also made on the grounds that it would be uneconomical for the government. Some Dixon-Yates opponents claimed that the loss to the government would be at least $92,000,000. Representative Holifield reported that the general manager for AEC, General K. D. Nichols, placed the loss to the government over and above what TVA could do the job for, at $3,685,000. It was also pointed out that three of the five members of the AEC board, along with two of the three TVA board members and a large group of public power congressmen, both Republicans and Democrats, were opposed to the Dixon-Yates contract. Representative Clarence Cannon of Missouri, in retaliation for the accusations of socialism against TVA,

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52 Congressional Digest, XXXIV (January, 1955), 16.
53 Congressional Record, 83rd Congress, 2nd Session, p. 11737.
branded the Dixon-Yates deal an example of "creeping monopoly" that would hinder the development of electric power for atomic energy. 56

Somewhat revealingly, The Reporter magazine correlated the conservative attacks on TVA after World War II to the Muscle Shoals controversy after the First World War. After both wars, it maintained, there "had been a concerted move to transfer the control of public resources to private enterprise." Senator Norris' role in 1921 was compared with that of Senator Morse in 1955. The writer wondered if the American people feared more a few Washington bureaus "created to finance and foster a wide range of publicly owned power systems" with control of 20 per cent of the nation's power more than they feared "fifteen New York holding companies who controlled eighty percent of the nation's electricity production." 57

Although few people realized it, the success or failure of Dixon-Yates could have had a tremendous bearing on the future of regional planning. Even those who wished to deprive TVA of some of its control over water power did not quarrel with its success in conserving other natural resources. Unfortunately, natural resources could not be separated as easily as could the economic interests businessmen had in them. As a result, many liberals feared that "the only serious casualty of this

56 Congressional Record, 84th Congress, 1st Session, p. 9015.

57 Albert Lepawsky, "Why Public Power Is Here to Stay," The Reporter, XIII (October 6, 1955), 33-34.
decade's power battle may be the TVA concept of coordinated development of all a region's resources. . . . If that principle becomes a casualty, it is a great one. 58 Just as regional planners had hinged their program on the constitutional basis of flood control and navigation, they saw this program endangered through its power program.

The Eisenhower administration revealed its conservatism toward the Tennessee Valley Authority in many ways. One important opportunity was given President Eisenhower to influence TVA's future when Gordon L. Clapp's term as chairman of the board expired in 1954. The success of the project depended on a controlling board sympathetic to the broad aspects of the TVA Act. Liberals, undoubtedly, were for Clapp's reappointment, as were the people of the Tennessee Valley. 59 Nevertheless, Eisenhower allowed the chairman's term to elapse without comment. Senator Lester Hill declared this a revelation of the president's attitude toward TVA and attempted unsuccessfully to show that he had violated the act by not reappointing Clapp. 60 Finally the president appointed General Herbert D. Vogel, who claimed before the Senate investigating committee that he believed in the feasibility of TVA as required by law. Nevertheless, Senator Wayne Morse of Oregon


60 Ibid., p. 14.
objected to Vogel's appointment. First, he declared the appointment unwise since Vogel was a member of the Corps of Engineers who had been traditionally hostile toward TVA. Scoring the Eisenhower administration for tending to appoint too many high military officials to civilian positions, the senator feared a military type control of TVA that could easily destroy its effectiveness as a democratic institution. 61 The Senate, however, approved Vogel, who differed widely with the interpretations of the former TVA chairmen, as well as with the other two members of the board. Representative Joe L. Evins of Tennessee, in reviewing Vogel's stand on TVA after he became chairman, accused him of a reversal of attitude. During the investigation of Vogel for chairman, no one could have been more pro-TVA, Evins maintained; but later as chairman, Vogel advocated the Dixon-Yates "partnership" and consistently opposed increased appropriations for the project. Also he differed with TVA's traditional use of the force method of construction by supporting the contract system. Vogel's attitude toward the spirit of the project was partially revealed in his complaint before the House Public Works Subcommittee that foreign visitors put a great strain on TVA. 62

61 United States Senate, Committee on Public Works, Hearings, Nomination of Herbert D. Vogel to be a Member of the Board of Directors of the Tennessee Valley Authority, 83rd Congress, 2nd Session, 1954, pp. 63-75.

62 Congressional Record, 84th Congress, 1st Session, Appendix, pp. 4309, 4350.
In essence, the central theme of the Eisenhower administration toward TVA appeared to be one of limitation. The Republicans had revealed their reaction in 1948 when a Republican-dominated Congress had refused to allow TVA to build a steam plant because it would have been a violation of the TVA Act which declared power "incidental." Only four Democrats voted against this bill. Representative George A. Donders of Michigan represented a majority of the Republicans when he made four suggestions for TVA to obtain extra power. The Authority could buy from surrounding private companies, cancel contracts to industrial consumers, municipalities could buy large blocks from private companies or could build their own plants. He believed the Valley cities to be in TVA's "captive clutches." The Republicans, however, were not the only ones to desire a limitation of TVA. Democratic Senator Kenneth McKellar sponsored a bill to bring TVA's expenditures under closer control of Congress. McKellar, a self-avowed TVA supporter, long had wanted more congressional control over the Authority, and he had been an outspoken critic of David Lilienthal during his tenure with the Authority.


64 Congressional Record, 83rd Congress, 1st Session, pp. 4847-4848.

President Eisenhower, during his campaign and after his election, repeatedly assured the public that he would not "impair the effectiveness of TVA." In a speech at Memphis during his 1952 campaign he had lauded TVA as a great experiment in the development of natural resources, but he warned that it should not be taken "as a rigid pattern for such developments in other areas." His opposition to further regional planning projects was mildly revealed throughout his campaign. Still, he maintained that if he were elected president, TVA would be "operated and maintained at maximum efficiency."

His administration, however, has been characterized by definite tendencies to curtail TVA influence, even in the Tennessee Valley. Complaining in the summer of 1953 that the federal government so dominated power in that region that it was solely dependent upon government expenditures in order to expand, Eisenhower stated that he wished to get away from the socialist situation where the federal government was the controlling factor. In June of that year the president referred to TVA as an example of "creeping socialism" and was immediately attacked by all liberals. The governor of Tennessee stated that the people of his region were "frankly not satisfied with the policies of the national Administration with respect to TVA."

Political necessity forced the president to deny that he meant that all of

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TVA was socialistic, but that certain features were alarming from the standpoint of his philosophy. He failed, however, to clarify his standpoint.

The people of the Tennessee Valley, along with the liberals throughout the country, made it plain that any administration or political party which desired a limitation or destruction of regional planning in the Tennessee Valley would have to find some way of guaranteeing the same advantages that such a program offered the people. The free, independent people who had looked with suspicion on the "foreigners" and their plans in 1933 were ready to back these same plans when they were attacked in the 1950's. Any opposition would have to fight twenty years of success as far as most of the Valley's people were concerned. Too, consideration had to be given to the tremendous loss and dislocation which would be caused by the destruction of such an agency. This fact alone would present almost insurmountable problems if Congress decided to destroy the project.

Despite the necessity of backing down on his public statements, the president continued to take an extremely conservative view toward the Tennessee Valley Authority. After TVA had warned that power demands would outstrip supply by 1957 if facilities were not soon begun,

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the president proposed a 77 per cent slash in funds for TVA in 1955. He made it clear that TVA should become partners with private utilities and rely on them for its future power needs. He also recommended that TVA look for a new means of financing other than through congressional appropriations; he indicated that he favored a self-financing program. TVA devotees considered his request that the Authority pay $75,000,000 to the national government in 1957 as another effort to kill the project. Eisenhower's request was $40,000,000 more than TVA had contemplated. 68 Liberals continued to feel that the Eisenhower administration was unsympathetic, if not hostile, to their program of regional planning, while conservatives continued to label the administration's program as the retreat from socialism that the Republicans had promised. 69

As the TVA program was endangered by the post-war reaction to any form of collectivism and government control, liberals began to support a campaign to prove the success of regional planning. The majority of a committee in the Democratic controlled Eighty-fourth Congress pointed out that one way in which TVA had been constantly attacked was through an attempt to prevent funds from reaching it. They wondered if


69 "Why Shouldn't TVA Get Some Real Competition?", Saturday Evening Post, CCXXVII (October 23, 1954), 10.
an agency serving 1,300,000 customers should be thus hampered. Ex-
chairman Gordon Clapp warned the country that private ownership
versus public ownership of power had subordinated the major question:
the adequacy of electricity regardless of ownership. An ample supply
of electricity at the lowest possible rate was the basic force for eco-
nomic expansion in a competitive enterprise system, Clapp maintained.
Observing that the present expansion program for power generating fa-
cilities did not assure the country an adequate power supply in future
years, he demanded a margin of power supply that would quickly accom-
modate an adjustment to national defense. Heavy capital requirements
plus a lack of competition had encouraged private utilities to restrict
expansion of their generating means and, hence, discouraged the wider
use of electricity, according to Clapp. While private companies had
traditionally waited for the demand, he claimed that publicly owned
utility systems had been very successful in anticipating energy re-
quirements. For these reasons he felt that publicly owned power should
continue to compete with that produced privately.

The tendency for some proponents of TVA as well as most of the
opposition has been to concentrate on the power aspect of the project
alone. Antagonists failed to realize the significance of the whole program

70 House Reports, 84th Congress, 2nd Session, No. 1897, pp. 32-33.

71 Gordon R. Clapp, "Too Little Electricity," Publication of the
Tennessee Valley Authority (Knoxville, 1954), pp. 3-4.
which resulted in a combined program of flood control, navigation, power production, and general socio-economic rehabilitation for a region. Instead, the emphasis has been upon the unprofitability of one phase removed from the whole. Joseph J. McMurray, former member of the National Resources Planning Board, bemoaned the trend toward one-purpose dams designed only to prevent floods and not to provide for cheap electric power. He saw the failure to develop hydroelectric power as the cause for the industrial lag in the Northeast. He felt that such development should be "basin wide" as exemplified by TVA. 72

Thus, despite the reaction of the 1950's and the trend toward government sympathy with private business, advocates of government controlled power production as a part of regional planning are ready to renew the fight to defend their cause. In this struggle at least the advantage of precedent is with them. However, if other factors continue to compel the people to support conservative administrations, then undoubtedly some changes will be wrought in TVA. In all probability, these changes will not be the ones desired by those who supported the project from its inception. The heritage of regional planning can never be eradicated from our history, but its future progress may rest on the serious debate which continues in Congress over TVA's financial program and the character of future administrations.

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