MR. PRESIDENT, MR. SPEAKER, MEMBERS OF THE FIFTY-THIRD GENERAL ASSEMBLY, FRIENDS, AND FELLOW CITIZENS:

 On January 1, 1924, as a young lawyer whose college sheepskin and certificate of admission to the Iowa Bar were but two years old, I assumed the duties of county attorney of my native county.

 During the quarter of a century that has followed it has been my great privilege, primarily as an avocation, to serve my fellow citizens in various capacities in the conduct of county, city and state government.

 Thus, I have been afforded an opportunity enjoyed by but few men to observe both the strength and the weakness, the good and the bad in our system of government.

 Institutions and governments, like persons, have distinct personalities. The character of both men and institutions is shaped by heredity and environment.

 During these years of service with Iowa government there has grown within me a deep and abiding affection, for the institutions and the people of the state, akin to the affections of a fond parent for his children.

 Indeed, the relationship of good government, to the multitude of groups and interests within its borders, is similar to that of a parent. Like a good parent, with several children, it should treat each with patience, understanding, firmness, and loving kindness. It is in that spirit that I now address you.

 Graven in granite on the entrance to the archives building in Washington are these words of fundamental truth: “Study the past, the past is but prologue.” How oft the mistakes and heartaches of the child could have been avoided if the voice of loving parental experience had been heeded. How oft the decline and fall of nations with the misery incident to millions of people could have been avoided if the leaders of those nations had observed the danger signs an listened to the voice of experience—the voice of history. The course of nations should be forward, not backward. But we should take care that our car of state is in good shape, that the motor is smooth, the brakes and lights safe. Then we should not drive at breakneck speed, heedless of warning signs, recklessly endangering our freedom and the freedom of the world.

 As you meet in this session, you are confronted with many difficult problems. These problems fall into two classes. There are the basic and long range problems which involve our philosophy of government. There are the secondary and the immediate problems which arise from the conflict between two philosophies of government. The secondary problems can only be temporarily disposed of so long as the conflict in the basic philosophy is undecided.

 Let us first consider some of our basic problems. It is three and one-half years since the war ended and still we have no peace. We are building greater and more destructive instruments of warfare. Why? Because basically the two great wars of our generation are not wars between nations, but wars between two philosophies of life and government.

 One philosophy of government is the philosophy of materialism of force, of human and economic slavery, and atheism. The other is the philosophy of a moral and spiritual life — of love, of mutual cooperation and respect for fellow human beings — and love of God. The names of men and nations, the periods of time, the location of the conflict is ever changing. The basic conflict remains the same. It matters not whether the opponent be a tyrannical English king, a Kaiser Wilhelm, a Hitler, a Mussolini, a Tojo, or a Stalin. The issue remains unchanged.

 In the heart of every loyal American there is one word above every word which expresses his philosophy of government. That word is “Freedom.”

 It is for freedom that we have always suffered and sacrificed. We have recently defeated three dictator nations on the field of battle. That does not mean that we have saved world freedom from tyranny. We have merely saved the chance to save freedom here within the borbers of our own land.

 Today the hearts of men everywhere are filled with fear that they will lose their freedom. Fear that the tyranny of communism or some other ism will engulf them. They read with dismay the story of the disintegration of nation after nation, the ascendency of communism to the power of government, the ruthless elimination of every opponent, the brutalities of the concentration camps. They read the stories of the tremendous destructive power of atomic energy with a morbid interest.

 How do nations like ours lose their liberty? Is there no clue to the terrible disease which is destroying freedom? Is there any remedy for the malady which threatens Christian civilization with destruction? The answer is yes. There are many clues. There is a remedy.

 The basic truth of the story of the prodigal son is the same as it was two thousand years ago. You remember the story. He was a younger son and he said to his father “give me the portion of goods that falleth to me.” And then you remember how he took his journey into the far country and there wasted his substance in riotous living and how finally when the depression had come, according to the Word, “he came to himself” and determined to go to his father and ask that he be made as one of his hired servants. The prodigal son was free. He misused his freedom. Having misused his freedom he wanted a manager and guardian, someone to tell him what to think and what to do. What happened to the prodigal son always happens to a prodigal nation in a crisis. Whenever the citizens of a nation misuse their freedom, and squander their resources, they finally come to want, then they clamor for aid. They ask a paternal government to tell them what to do. “Make me as one of thy hired servants.” And always there will be some dictator listening and willing to tell a nation what it shall do.

 Thoughtful men and women everywhere are concerned with the sweep of communism across Europe and Asia. Many are haunted by the dread fear that secret agents may have obtained the secret of the atomic bomb.

 I say to you my fellow citizens that there exist other chain reaction weapons of destruction, which can be as fatally destructive as the atomic bomb, such as germ warfare, chain reacting propaganda, fifth columns, moral and spiritual decay, and economic chain reactions.

 Now I submit to you that the secret of chain reaction has been known by men for generations. You all remember the old poem, illustrating a chain reaction of other days:

 “For want of a nail, the shoe was lost

 For want of a shoe the rider was lost

 For want of a rider, the battle was lost

 For want of the battle, the Kingdom was lost,

 All for the want of a horseshoe nail.”

 Or the rhyme of the little old woman who found the crooked six pence with which she bought a pig, and how the pig would not jump over the stile so she said to the dog she met, “Dog, dog, bite pig, piggy won’t jump over the stile and I shan’t get home tonight.” And how she kept going a little further and a little further. How her request for help met refusal from the fire, the water, the ox, the butcher, the rope and the rat. And how finally in the words of the old nursery rhyme:

 “The cat began to kill the rat;

 The rat began to gnaw the rope;

 The rope began to hang the butcher;

 The butcher began to kill the ox;

 The ox began to drink the water;

 The water began to quench the fire;

 The fire began to burn the stick;

 The stick began to beat the dog;

 The dog began to bite the pig;

 The pig in a fright jumped over the stile;

 And so the old woman got home that night.”

 Important as the effect chain reaction resulting from the splitting of the atom may be on the destiny of the human race, its power to change the course of history is not as great as the power of economic chain reaction.

 The fear that Americans ought to have in their hearts today is not the fear that a Russian agent has stolen, or a Russian scientist has discovered the secret of the atomic bomb. Rather we should be disturbed because the leaders of Russia have discovered and are effectively using another chain reaction weapon—economic chain reaction, destroying the ability of free nations to resist aggression. Let us see how economic chain reaction has destroyed other nations.

 First let us turn the leaves of history to the story of Italy. After the little states of Italy were united, Italy continued as a parliamentary nation for sixty-six years before it became a fascist nation. For forty-six years out of that sixty-six years it operated on a deficit budget. It spent more than it took in.

 Unsound financial policies resulting in continued deficits create an economic chain reacting time bomb, which will eventually destroy any person or any government which persists in the policy.

 When once the Italian government adopted the policy of operating government by borrowing, there seemed to be no escape from its continuance. HAVING DISCOVERED A DEVICE WHICH WOULD KEEP MEN AND PARTIES IN POWER THERE COULD ALWAYS BE DISCOVERED LEADERS WHO WERE WILLING AND ANXIOUS TO USE THE METHOD.

 The council of honest and prudent statesmen against the dangers of deficit spending were ignored, sound advice was made impotent by grants of money which bribed individuals, organizations and local governments. Every community and every organization wanted aid from the national government for roads, post offices, schools, and farm aid.

 The premier discovered that he could buy the political support of a community or a group by spending public money. It finally become impossible to be elected to parliament unless the candidate was able to show that he was sufficiently in the favor of the premier to secure grants of money for his constituents.

 The 1929 issue of the Encyclopedia Britannica describes the situation thus, and I quote: “In their anxiety to remain in office Depretis and the Finance Minister, Magliani, never hesitated to mortgage the financial future of their country. No concession could be denied to deputies, or groups of deputies whose support was indispensable to the life of the cabinet, nor under such conditions, was it possible to place any effective check upon administrative abuses in which politicians or their electors were interested.”

 While individual citizens grumbled against the constantly increasing load of debt they continued as members of organizations to clamor for their share of government handouts. Pressure groups who sought some selfish gratuities without considering the collective effect of such gratuities upon the economy of the whole nation were more powerful than these same people as individual citizens. The policy of subsidy and public spending became perfected into a technique of national corruption and bribery. Public spending became a magnificent drug which dulled the social conscience and debauched the moral, economic, and mental integrity of a nation.

 The people became so addicted to the exhilarating effects of federal grants, financed by borrowed money, that they became unconscious of the cancerous growth which had fastened itself upon their body politic and was slowly destroying their freedom, their economic stability and their

political life.

 Now let us turn the page of history to the story of Germany. The German Empire came into being in 1871 under favorable economic circumstances. Bismarck had extracted from France an indemnity of nearly four and one-half billion marks. This was sufficient to pay the war debt and leave a comfortable balance. By 1913, however, and I want you to mark that date, the federal government was in debt over four billion marks, the states over fourteen billion marks, and the municipalities over five billion marks. A total of twenty-four billion marks. Thus for fifty years prior to World War I the financial policy of Germany was based on deficit spending.

 The speeches of public men condemned this financial policy, yet the practice was tolerated. The Reichstag refused to supply the means by which taxes necessary to balance the budget could be raised. Thus, Germany embarked upon a program of state-owned and operated public utilities to supplement the tax revenue of the government. This in turn led ultimately to adoption of the Nazi socialist policies.

 During the war Germany financed her government on a gigantic scale in the same manner she had financed it on a lesser scale during the preceding fifty years. She came out of the war in 1918 owing a debt in excess of one hundred sixty-four billion marks. To this great national debt was added the burden of reparations. One thing kept leading to another, another and yet another. It always does. Chain reaction went to work.

 Let us take a closer look at the German economy during the period from 1926 to 1931 preceding the Austrian collapse and the rise of Hitler to power. The national debt continued to rise. The national government increased its debt six billion marks and the state governments went into debt an additional fourteen billion marks.

 What were these debts incurred for? For the most laudable of purposes,—playgrounds, swimming pools, schools, hospitals and roads were built profusely. Any virtue carried to excess becomes a vice. So it was with public spending for worthy objectives in Germany.

 In 1936 Arthur Rosenberg in his “History of the German Republic,” wrote, and I quote: “AFTER 1924 THE OFFICIALS LOST ALL SENSE OF THE VALUE OF MONEY AND SEEMED TO BELIEVE THAT MONEY WOULD ALWAYS BE AVAILABLE AT ANY TIME AND IN ANY QUANTITY THAT WAS NEEDED FOR ANY PURPOSE.”

 In 1927 Gustav Stresemann wrote the Burgomaster of Duisberg, and I quote: “I make no secret of the fact that it is above all the policy of the individual states and the municipalities that cause me grave anxieties in the field of foreign affairs. The fact that the Prussian state has granted fourteen million marks for rebuilding of the Berlin opera house and will perhaps make a grant of twenty millions in all, creates the impression in the world at large that we are rolling in money. NOT A SINGLE ONE OF THE VICTORIOUS STATES HAS EMBARKED UPON SUCH AN UNDERTAKING.”

 In 1930 Chancellor Herman Muller, finding it difficult to increase taxes to raise more money, adopted a deceitful expedient. HE TALKED ABOUT MORE SOCIAL SECURITY. What he really intended to do was to increase the tax rate beyond the increased benefits of social security and to use the surplus by way of a loan to the government to meet its expenses.

 After the Austrian bank failure and our national election in 1932 the German republic failed. It went into receivership. Socialism, fascism, communism, or some other form of Totalitarianism is always the receiver for bankrupt republics. Thus was the stage set for the holocaust we call World War II.

 The increased cost of state and local government is caused primarily by the unsound fiscal policies of the national government. These policies have had an economic chain reaction upon the cost of every service rendered by state and local government.

 “Whose bread I eat, his song I sing.” The state and local units of government are in partnership with the federal government. The senior partner in this partnership has been wasteful and extravagant. It has ignored the fundamental economic laws which no individual business or nation can defy with impunity. Many of the federal grants financed by borrowed money—borrowed in a manner prohibited in our Constitution and the constitutions of many other states—have induced state and local governments to embark upon programs which, in the event of a recession, they will be unable to continue. Yet we plunge recklessly on. Unless the men who head the national government have the mental and economic integrity and the political courage to abandon the course which we have been following, we shall meet with disaster. The freedom and the independence of state and local governments, already greatly weakened, will be totally destroyed. Deficit spending is sapping the strength of the nation’s economic institutions.

 This is what Russia is hoping for. Lenin has said every nation rests upon an economic foundation. Another Russian has said we shall compel America to spend itself into weakness. The Communist understands and is a past-master at propaganda chain reaction and economic chain reaction. This is the reason that he infiltrates into educational, charitable, and patriotic societies. This is the reason that he seeks control of labor unions in vital industries whose disruption would paralyze the modern political Sampson we call America.

 One of the cornerstones upon which this nation was builded is the philosophy that it is the duty of the people to support the government. In the past few years we have been abandoning this philosophy and are more and more living by the philosophy that one unit of government must support another unit of government. That in place of our supporting the government that it must support us. We have become afflicted with a social security phobia. We are suffering from an economic neurosis similar if not identical to that which afflicted both Italy and Germany.

 No sensible person denies the wisdom of sound public charity. Yet every virtue carried to an extreme can become a vice. It seems as if every person or every organization is clamoring for some type of retirement benefits or public gratuity. Many are seeking to secure for themselves preferred types of public gratuities.

 So great has been the expansion in this field during the last sixteen years that today, during a period of the highest employment and the greatest productivity in the history of the nation, the cost of governmental welfare and other nonwage payments has reached a total greater than the combined payrolls of three of the nation’s major industries, the automotive, steel, and rubber industries. These benefits exceeded nine billion dollars—a sum greater than the whole cost of the operation of the federal government prior to World War II.

 The President of the United States in his address to Congress last Wednesday said, and I quote: “We should expand our social security program both as to size and benefits and extend the coverage.” This request is made at a time when our national debt is the greatest of any nation in history. At a time when we are spending billions of dollars to succor the peoples of the nations of a war-torn and bankrupt world as well as arm ourselves against the threat of aggression and world-wide revolution.

 But the Nation’s chief executive has made an even more startling recommendation. I quote: “I recommend that the congress enact legislation . . .

 “To authorize an immediate study of the adequacy of production facilities for materials in critically short supply, such as steel, and, if found necessary, to authorize government loans for the expansion of production facilities to relieve such shortages, and furthermore to authorize the construction of such facilities directly if action by private industry fails to meet our needs.”

 This is nothing more or less than a request that we abandon our present constitutional form of government and adopt state socialism.

 It is the same as Germany nationalizing her public utilities, and England nationalizing her coal mines.

 An economic monopoly in the hands of a government is a thousand-fold more dangerous than such a monopoly in the hands of either individuals or groups of citizens. In the hands of citizens the government can act to curb abuses. In the hands of the government such economic power will be able to crush out the opposition of the small groups of citizens who have the courage to oppose it.

 If embarked upon, it will inevitably lead to the nationalization of every industry. Like begets like. This is the eternal law.

 My friends, the hour is late, later than you think.

 Just as the head of a family who ignores the moral, penal, or the economic law will bring sorrow and disaster to his family, so sorrow and disaster will be the bitter fruits of the unsound fiscal policies of our national government. Economic chain reaction is already at work here in America.

MONOPOLY

 For the next few minutes I ask you to lay aside your political ambitions, your bias or prejudice, and reason with me concerning one of our major problems—the problem of Monopoly.

 Whydo we oppose communism, fascism, nazism: Why did our forefathers leave the old country and come to America? What is the exact opposite of Freedom? The answer is Monopoly.

 Why do we enjoy the highest standard of living in the world?

 Why have we in the short period of 172 years been able to people a continent and outdistance our mother countries in progress?

 Why do the stricken countries of the world turn to us for aid?

 The answer is Freedom; the absence and the restraint of Monopoly.

 The very essence of our governmental system, and the secret of our success, is restraint of Monopoly.

 The soul of the constitution is control of monopoly. The division of the power of government between the legislative, executive, and judicial branches is a restraint upon a monopoly of Political Power.

 The whole Bill of Rights is a declaration against monopoly. It protects us against monopoly by giving us freedom of speech, freedom of assembly, and freedom of worship. It protects us against military monopoly by giving the states the right to maintain militias.

 It protects us against judicial monopoly by guaranteeing trial by Jury, the right to bond, the Writ of Habeas Corpus, and by prohibiting cruel and unusual punishment.

 With the coming of the railroads and mass production, corporations came into existence to carry on the great enterprises of the country. They soon became great and powerful. The oil trust, the beef trust, the tobacco trust and many others became monopolistic. They crushed opposition, exploited the public, exploited labor, and corrupted and browbeat legislatures.

 To curb this new monopoly, The Sherman Anti-trust Act, the Securities Act, the Wagner Act and other laws were enacted. The excesses and abuses of industry created conditions, which in tum led to the creation of a new monopoly.

 To protect their rights against the abuses of corporations, unions were formed. The unions in tum have become monopolistic and have been guilty of every monopolistic practice which gave rise to the necessity to regulate corporations.

 To curb these abuses by unions, the Taft Hartley Law was passed.

 In a short time, it will doubtless be repealed. It will be repealed rather than be amended, not because it is wholly wrong. It is admitted by its opponents that abuses existed that needed to be curbed. It will be repealed because politicians, seeking votes, and labor leaders, seeking greater power, have joined hands to repeal it.

 Monopoly is wrong and it is dangerous. It is dangerous in the hands of the government, of the church, of the press, of the military, and of the great corporations. It is equally dangerous in the hands of ambitious labor leaders.

 The right to work is a basic freedom. For the last several years, unions in a typically monopolistic fashion have, thru the closed shop, jurisdictional strikes, and secondary boycotts attempted to destroy all competition. They denied to men their constitutional freedoms.

 They claimed and exercised the right of economic life or death in the most dictatorial fashion by granting or denying the right of men to work.

 They have increased the costs of food, clothing, and housing by featherbedding and other monopolistic practices. The laborer has been denied the right to work, the farmer the right to deliver his produce to market; and the industrialist and the ambitious politician have been frightened and coerced into acquiescence of these practices.

 To enforce their dictatorial decrees they have resorted to threats, violence, and mob rule.

 A committee of Congress which recently investigated the union strike and riot at Dayton, Ohio, said, and I quote: “The record in the Dayton strike and in other cases forces the conclusion that representatives of international unions seem to feel they can violate the law, engage in violence, destruction of property, defy court orders, assault and seriously beat employees returning to work or engaged in working, without being effectively prosecuted.”

 Any citizen in a free country ought to be able to enter into the place of his employment without fear of injury to himself, his family, or his property.

 He ought to have the right to join the church of his choice or none at all. He ought to have the right to join a union of his choice or none at all. He ought to have the right to work or not to work according to the dictates of his own conscience.

 He ought to be able to work without paying tribute to any organization, particularly if that organization is headed by leaders whose philosophy and purpose is to overthrow his government.

 The closed shop as well as the yellow dog contract and the sweat shops is un-American and anti-American. How can any man enjoy his constitutional right to life, liberty, and the pursuit of happiness when he is denied the right to earn his daily bread?

 To protect these men in their constitutional freedom and their right to work, many states, including Iowa, have passed legislation banning the monopolistic practice known as the closed shop.

 A few days ago the Supreme Court handed down an historic opinion which marks another milestone in the unending battle for freedom; another great step forward in the struggle for civil rights.

 Their words are significant. Listen to them. “Nor need we appraise or analyze with particularity the rather startling ideas suggested to support some of the premises on which appellants’ conclusions rest.

 “There cannot be wrung from a constitutional right of workers to assemble to discuss improvement of their working standards a further constitutional right to drive from remunerative employment all persons who will not or cannot participate in union assemblies.

 “The constitutional right of workers to assemble, to discuss and formulate plans for furthering their own self interest in jobs cannot be construed as a constitutional guarantee that none shall get and hold jobs except those who join or will agree to abide by the assembly’s plans.”

 The meaning of the decision is clear. Any state has the right to ban a monopoly which compels a worker to join an organization against his will. More than that, the state has the duty to protect the civil rights of the worker and the welfare of the public. Industrial peace is essential to our national strength and security. But it will never be secured by political appeasement of monopolies.

 I know not what course you may take, but I shall continue to oppose monopoly by any group, at any time and anywhere.

LOYALTY AND RESPONSIBILITY

 It is not easy to be a free nation. You recall Franklin’s remark in answer to the lady who asked, “Tell me, Mr. Franklin, are we going to have a republic or a monarchy?” He replied, “A republic, thank God, if you can keep it that way.”

 From the end of the Revolutionary War to the end of the First World War, freedom was on the ascendancy everywhere. Since 1913 free governments have been disappearing and dictatorial governments have been increasing. One by one the lights of freedom are being extinguished. The danger signals are up all over the world. The signals in our national capital are constantly flashing warnings.

 Our republic has given us a priceless heritage. Part of that heritage is privilege and opportunity. That’s the part we talk about most frequently. The other part of our heritage is loyalty and responsibility. It is the first duty of every government to maintain order. Order can be maintained only through loyalty and responsibility, or by force. Free government cannot exist in the absence of loyalty and responsibility. Free government is the offspring of loyalty and civic responsibility.

 No family can continue to exist in the absence of loyalty and responsibility. Just as the husband and wife of a family must be loyal and faithful to each other, the individual citizen and groups of citizens must be loyal to their government. Free societies rest upon a foundation of law and of self restraint rather than upon the whim of an individual or group of men. Law is restraint from without. Loyalty is restraint from within.

 Every free nation rests more upon loyalty, that is self-restraint, than upon law. Loyalty can be secured in two ways. It may be bought or it may be challenged. A government which must purchase loyalty in order to maintain its self in power will find that the cost of loyalty is constantly increased, and that the final purchase price of that kind of loyalty can never be paid. Such loyalty is always on the auction block looking for a higher bidder. Dollar loyalty can destroy any nation. For a nation to endure, men must be loyal because of what their government stands for rather than what it does for them as individuals.

 The lot of a woman is determined by the love she accepts. The destiny of a nation is determined by the philosophy it adopts. We have reached that point in our national existence when we must once again recognize the necessity for loyalty to the philosophy and ideals of freedom and the willingness to exercise individual and collective self-restraint in the demands we make upon our government.

 The members of Congress have taken an oath, even as you and I. Their oath, your oath, and my oath, to our God and to our fellow countrymen, is to support and defend the Constitution of these United States.

 If the Congress has information and believes that any person or group or persons is working to destroy this Republic, it is their sworn duty to expose and punish such guilty persons.

 It is to be regretted if some, blinded by partisanship and goaded by political ambition, cause injury to an innocent person, but it is even more deplorable if some, blinded by partisanship and goaded by political ambition, are willing to countenance such treasonable conduct in return for political support.

 The facts seem to be that important official documents have fallen into the hands of unfriendly governments because of the disloyalty of persons in responsible positions with the national government. The fact seems to be that high officials have been negligent in taking action.

 The facts seem to be that some important unions have come under the control of avowed communist leaders. Some of these organizations are in key industries where they would be able to almost paralyze the industrial and military might of this nation.

 The fact also seems to be that many loyal and patriotic union organizations are purging their ranks of disloyal leaders. For this they are to be commended.

 But no student of current public affairs or of the history of nations can doubt that freedom in America is threatened both from without and from within. The situation calls for action. Eternal vigilance is still the price of liberty. In the words of the Revolutionary War commander, “Place none but loyal Americans on guard tonight.”

 Only those who are familiar with the operation of free government can understand the comparative ease with which subversive forces have been able to legally take over the power of free nations. The recent history of eastern Europe is filled with unhappy examples of the effectiveness of the technique by which free nations have been destroyed.

 Every individual and every organization can best serve its own interest today, by subordinating personal and group interests to the welfare of the nation as a whole. We must be willing to give to our nation more than we ask in return.

 The financial demands being made by organized groups upon the national government, the states and local communities appear to be greater than can be borne indefinitely. It matters not how worthy the cause for which the funds are sought, there must be greater self restraint in the askings. We should not forget that there are other causes equally worthy. Nations which are economically sick fall easy prey to quack political doctors just as fatally ill persons so often, in their desperation, fall prey to quack healers.

 In recent years there has been an increase in the tendency on the part of organization groups in agriculture, in industry, and among labor groups to assume the privileges of political parties while avoiding the responsibility of such a political party. They raise huge campaign funds, they adopt legislative programs, and elect candidates pledged to their own selfish interests rather than the welfare of the nation as a whole. These organizations are not responsible to the people as a whole, only to a segment of society. They give no accounting of the funds they have received or how they were spent. Nor can they be held responsible for their actions. They claim to be nonpartisan, to vote for the man.

 Now let’s consider that position. Dictator nations are nations of men and not of laws. They tolerate but a single party. Before the Second World War France found itself paralyzed because fifty odd parties were unable to agree upon a course of action. Other nations have found themselves similarly paralyzed.

 One of the great strengths in America is our two party system. Every loyal American should be active in one of these parties.

 Organized groups who place their own welfare above that of the nation but who assume no responsibility to the nation as a whole tend to have the same effect upon the nation as a large number of political parties.

 This is what Washington meant when he said, and I quote: “However combinations or associations of the above description may now and then answer popular ends, they are likely, in the course of time and things, to become potent engines, by which cunning, ambition, and unprincipled men will be enabled to subvert the power of the people and to usurp for themselves the reigns of government; destroying afterwards the very engines which have lifted them to unjust domination.”

 The importance of responsibility and the necessity for self-restraint is clearly stated by Edmund Burke when he said, “Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites; in proportion as their love of justice is above their rapacity; in proportion as they are disposed to listen to the councils of the wise and good, in preference to the flattery of knaves. Society cannot exist unless a controlling power upon will and appetite be placed somewhere, and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things that men of intemperate minds cannot be free. Their passions forge their fetters.”

 The lesson of the past is clear. If this nation is to be destroyed such destruction is more apt to be achieved by disloyalty, greed, and irresponsibility from within rather than by force of arms from without.

 Freedom cannot exist alone in the absence of loyalty to our ideals of free government and responsibility on the part of every citizen in their private or official conduct. “Men must be governed by God or they will be ruled by tyrants.”

CONCLUSION

 All public law is subject to a higher law, God’s eternal law. Neither men nor nations can break God’s law with impunity. They merely break their lives and destroy their nations.

 Let us then take the proposed legislation and place it in the test tubes and test it by God’s eternal laws. Let us place it under the microscope of human wisdom and experience and carefully examine it to detect whether or not it contains any of the virus of the fatal political plague which is sweeping the earth and destroying free nations.

 Our heritage consists of more than farms and factories, roads and parks, hospitals and schools, and other material possessions.

 Our most valued heritage is a philosophy of life—a know how. This is the blueprint from which the great edifice called America was builded. Shall we destroy that edifice?

 Are we today in our selfishness like the prodigal son of old—asking for our share of the inheritance before it is due us? “Father give me that portion of goods that falleth to me.”

 Are we as a nation taking a journey into a far country where we will waste our inheritance in riotous living?

 When shall we come to ourselves? Will we too someday say, “Make me as one of Thy hired servants”?

 Study the past. The past is but prologue. The companionship and the words of wisdom of the great men of the past, Washington, Franklin, Jefferson, Lincoln, Burke, and a host of others, is ours for the asking. Yes, even the companionship and wisdom of the Master himself.

 Shall we abandon their companionship, and turn a deaf ear on the counsels of our Fathers? Shall we desert our faithful companion, the Goddess of Liberty, and listen only to the alluring voice and see only the seductive figure of the Goddess of Materialism? God forbid.

 Our Father’s God to Thee

 Author of Liberty

 To Thee we sing.

 Long may our land be bright

 With Freedom’s holy light

 Protect us by Thy might

 Great God our King.

May the Lord bless each of you and be gracious unto you. May the Lord make his face to shine upon us all and give us peace.

DIVISION II

 I once sat where you now sit. I know something of how difficult it is for you in the short time you are here to fully or adequately inform yourself on all phases of the problems you are called to pass on.

 Government today is much more complicated than it was 25 years ago. The danger of tinkering without considering the over-all effect upon all departments of government has greatly increased. There is a great need for a comprehensive picture and understanding of things.

 I wish that time permitted a full discussion of the many current problems facing you. It does not. If at any time any of you feel that my experience or any information I possess may benefit you, I will be at your command.

 Neither does time permit a review of the accomplishments of the last four years. I will mention but a few: State Aid to Schools and Cities and Towns made imperative by the mounting inflation in the cost of government. Important revisions in our systems of taxation, a state-wide Retirement Act, the largest building program for Board of Control and state educational institutions in the state’s history, the beginning of a program to widen and salvage our primary roads; aid to rural roads on the basis of need, extensive industrial development aided to a great degree by the new Iowa Delevopment Commission; a revision of the administrative machinery of the Board of Control, including provision for directors of mental institutions, of dietetics, of farm operations, of prison industries, of child welfare and of penal institutions; extensive work in the fields of soil conservation and river development; new programs for aviation and safety.

 Let us briefly consider one of the problems you will be called to act upon. Three excellent reports concerning roads, flood control and building code are ready for your consideration.

ROADS

 From the time of the first road—until this moment—roads have presented a continuing problem. Simply stated the problem is this. Iowa has more miles of road in relation to the number of people and the number of square miles than any other state.

 The income from gas taxes has increased approximately 25 per cent, while the cost of maintenance and new construction has increased approximately 100 per cent. Hundreds of old bridges were built too light and too narrow to carry modern traffic.

 The old paving is too narrow and it is becoming increasingly hazardous to travel. The amount of maintenance is constantly increasing.

 To protect our original investment in primary roads, thousands of miles of paving must be widened and resurfaced in the next ten years.

 The rising costs of maintenance added to the cost of bond retirement and increasing maintenance costs, have left too little for new construction.

 The funds now required to retire bonds will be freed in 1950. Such added funds, however, will be insufficient to meet road needs. The two major road problems are materials and funds. With road costs having increased approximately 100 per cent and income increased but 25 per cent, the need for more funds to salvage older roads, for maintenance, for bridges, for rural roads and to complete our primary system is obvious.

BOARD OF CONTROL

 Though much progress has been made, the problems of the Board of Control are very great. The slate roofs on many buildings are in need of replacement, miles of gutters should be replaced.

 An appropriation for tiling will bring more than a thousand acres of farm land into increased production.

 Plans have been developed for new canning plants and deep freeze units. There is need for much new kitchen equipment.

 A vocational education program has been instituted at some of the institutions. It should be expanded.

 The Board of Control is the only major spending agency which does not maintain its own accounting system. Lack of proper information has handicapped the board. Legislation to meet this problem has been prepared.

 A study has been made of the furniture needs of the institutions. These can and should be co-ordinated with the operation of the furniture factory at Ft. Madison.

 Much has been accomplished in spite of a shortage of men and materials. But the neglects of thirty or forty years cannot be remedied in a few months. The administration programs have been greatly improved. Much remains yet to be done.

SCHOOLS

 During the last four years thirteen of the nineteen recommendations of the School Code Study Commission have been, in part or in whole, enacted into law. These programs have been of great aid to our school system.

 There are, however, some fields in which the schools can, by their own action, improve their lot. Reorganization of small school districts will afford our children a better education at a reduced cost. A high school with fifteen or twenty pupils cannot offer an adequate number of courses, employ a sufficient number of teachers, or provide the equipment or the student competition essential to an adequate high school education.

 The last two sessions of the legislature have passed reorganization bills. Some progress, but not enough, has been made in this field. Political ambition, the selfish economic interest, the desire to continue as an administrator rather than a teacher, and other factors have served to act as a brake upon needed progress in this field.

 Many high schools are providing high school education at a loss of more than thirty per cent for each tuition pupil. This is unsound. The state of Kansas has met this problem by passing a county tuition tax law and a county equalization fund tax law. These laws are working successfully and challenge your study. One effect of such legislation is to require industries which locate in rural districts for the express purpose of avoiding their share of this cost of government, while permitting their employees to enjoy all the privileges of living in town, to pay their fair share of school costs.

 With the experience gained, state aid to schools can be put on a more sound basis. It should be increased within the limits of sound financing.

 Our experience in extending aid to counties, for child welfare without any standards to guide them, indicates the hazard of the state assuming a certain portion of the cost of local education without restrictions. Such a law will primarily benefit the large communities which are best able to carry the educational load of the state and will work to the definite disadvantage of the small communities. Large educational plants with their great variety of courses will receive the lion’s share of the funds, while the small school, most in need, with a few pupils and a limited number of courses would probably not receive the aid they were entitled to.

 At the Governors’ Conference I introduced, and the Conference adopted, a resolution for the study of the school program of our states. You will receive this report during this session. It should receive your careful consideration and study.

FLOOD CONTROL AND WATER USE

 Flood control and water use is of increasing importance to us. We must have a legally constituted body to study and handle this problem. It can well be constituted, in whole or in part, of persons already in state service, whose duties deal with some of the problems connected with water use. Such an agency, however, should be an independent agency and not a department of an existing agency.

 In considering specific programs much consideration ought to be given to loss of agricultural or mineral resources, loss of tax revenue and the permanent injury to the political and economic system of a community, the problem of displaced persons, and the danger of Federal Control over large areas of land within a community or the state.

PERSONNEL DIRECTOR

 Iowa government is big business. It employs thousands of people. In the past the ability to lobby a large appropriation, political pull, and many other things determined the compensation paid. Employees doing the same work ought to receive the same pay whether they work for the Board of Control, the Highway Commission, the Board of Education or some other agency.

 There is no reason why the auditor for the state university should receive a larger salary than the treasurer of state or the state auditor.

 No position in state government is more taxing or difficult than that of Governor. No public official should receive a greater compensation than the Governor of the state.

 During the last year and a half great strides have been made in equalizing salaries, but equality and justice cannot be achieved without extensive revision of our statutes.

 The Interim Committee has made a careful study of this problem. Their recommendations are worthy of action by you.

BUDGET

 The aviation commission is not under the budget law, the commerce commission is maintained in part by fees and in part by appropriation. Both should be brought under the budget.

 The practice of appropriating sums of money and then granting authority to a legislative committee to supplement the funds of departments in need of funds has led to careless fiscal policies by the heads of some departments.

 Under the budget law the responsibility for the budget rests upon the Governor. He cannot maintain the control that should be maintained over expenditures, if a department can by-pass his office and secure additional funds from such a committee.

 This practice is destructive of the budget law. Under this law the Governor has authority, sometimes alone and sometimes with the approval of the Executive Council, to transfer funds to meet certain emergencies.

 Any contingent fund to meet emergencies should be under the Governor or the Executive Council. They are on the job every day. They are more familiar with the problem than any part time legislative committee can possibly be. They were elected by the people from the whole state and are responsible to the state as a whole for their action.

 I would not again approve a large contingent appropriation to a part time committee. Not because of lack of confidence in the committee, but rather because of the temptation on the part of departments to be careless or extravagant.

 There is another way in which state budgets are being disrupted. That is by funds allocated by the Federal Government, directly to some department of government. Of times the state has little or no control over these federal funds.

 More and more often the reason or the excuse for some proposed action is, “It won’t cost the state anything. We’re going to pay it out of federal funds.”

 This is not only poor business but its effects on other departments, who do not have such funds, is bad.

 This danger is inherent in all grants-in-aid. We are developing a double standard for relief in Iowa. If the relief is paid for by local funds, one standard is followed. If it is paid for from state or federal funds, a different standard is followed.

 The inflationary effect of grants-in-aid on the costs of local government is hard to estimate.

 To check this trend the states of Pennsylvania and New York have enacted laws greatly increasing the powers of taxation to local governments in lieu of increased state aid. The experience of these two states is worthy of your consideration.

 A special tax committee composed of Governors and members of Congress adopted a resolution calling on Congress to reduce grants from the federal government to the states by 20 per cent and to surrender to the states some of the fields of taxation, which might more properly belong to the states.

 The inflationary effects of grants-in-aid is to centralize the power of government. It will lead to stateism and federalism, if unchecked.

LEGISLATIVE COUNCIL.

 The problems of government are becoming increasingly complicated. I have been constantly impressed with the fact that the head of one department knows little of the related problems of another department.

 Few people indeed have anything like an over-all view of the current problems of state government.

 No legislator in 100 days can possibly give the needed study to the problems on which he is called to pass judgment.

 When a Governor or the head of a department steps out, his knowledge and experience is lost. Last session I sent back for correction approximately a dozen bills that were defectively drafted.

 To meet this problem we have resorted to special study committees. These committees have been doing outstanding work and should be continued. But we need a legislative council, with a permanent secretary, as a repository for legislative and administrative experience. Year after year departments file their annual reports. They are seldom read, let alone analyzed. They should be compared to the reports of previous years, the reports of other departments, and the reports and experiences of other states.

ECONOMIC OUTLOOK

 The economic future is obscure. Some experts predict stability at the present levels; others see further inflation; still others see a recession and point to decreased employment in certain industries, and the fact, that in some lines the inventories are large. These and other reasons are cited. Iowa, however, is fortunate to face the future in excellent financial condition.

 You are required to make appropriations the last of which will be spent thirty months after you make them. This presents a difficult problem. Yet certain facts are very clear. Every farmer, every business man, every state and local government today is in partnership—in partnership with the Federal Government. Its action as the senior partner will be the controlling factor in the economic picture in the next two years. To a substantial degree, states and local governments have lost control of their finances. This is true because of the ability of the Federal Government to inflate the cost of local government by its action. It is true because of the effect of matching programs on the cost of local government.

 The economy of states whose basic and major industry is agriculture, tends to fluctuate more violently than that of industrial states. From 1941 to 1946 income tax payments increased one hundred fifty-three per cent in South Dakota; one hundred eighteen per cent in North Dakota; ninety-four per cent in Iowa; seventy-three per cent in Illinois, and sixty per cent in Ohio. Sales taxes increased accordingly.

 The Iowa financial system, based as it is primarily upon sales and income taxes, is extremely sensitive to changing economic conditions. Such a system feels the impact of prosperity most keenly. Such a system must also expect to experience the sharpest decline in revenues in the event of less favorable conditions. A mild recession might reduce Iowa’s revenues severely. The sharp drop in agricultural prices in recent months points out the danger. As I pointed out a year ago, the present state financial structure is based on inflexible tax rates. In times of prosperity we have too much money and accumulate surpluses. This in turn leads to the temptation to create governmental standards of living which cannot be maintained in time of recession. The huge budget askings of the various departments of State government, none of whom are familiar with, or has the responsibility for the financial welfare of the state as a whole, indicates the danger of such surpluses. On the other hand, under too rigid a tax structure, in the event of recession, there will be too little money to bear the necessary costs of government. I say to you again that the income tax rates in the state ought to be flexible. If they are not made flexible, the day will come when it will be necessary to return to a property tax.

 During the last several years, as the result of war and post-war inflation, coupled with prudent management, the state has accumulated a large surplus. The people of the state, in their wisdom, have approved·a bonus to the veterans of World War II. The financial condition of the state is such that most or all of this bonus can and should be paid from surplus funds now on hand. These funds were accumulated to a substantial degree, out of wartime prosperity and taxation. They should be used to meet this obligation. Should this reserve be used for other purposes and the bonus paid from property taxes, over a twenty year period, the veteran himself will be paying the major portion of the state’s gratuity. The time to pay your debts is when you have money to do so. It is easier to pay them with a “cheap” dollar rather than a “dear” dollar.

 Payment now, from these funds, will save the Iowa taxpayer millions of dollars of interest money. It will remove that amount of tax load from property and thus leave local units of government in a better position to finance themselves. It will leave the state and the local communities in a much stronger position to meet the problems of any recession which might overtake us. By paying this obligation with a “cheap” dollar instead of a “dear” dollar, millions of dollars of purchasing ability will be saved and kept in the hands of our citizenry.

 I have had prepared a number of different tables showing the cost of city, county, school district, and state government, and also the cost of relief, and of highway improvement in Iowa during the last twenty years. Because of the difference in accounting systems there are some minor omissions and perhaps duplications. They do, however, show the trends and paint a picture of the tremendous increase in the cost of government.

RELIEF

 I suggest that it would be helpful if this legislature created a special study committee to study the administration and the cost of relief.

 The three most rapidly increasing costs of government are roads, schools, and relief. The report of your special committee to study the road problem is on your desks. Two school study committee reports have been received by previous legislatures; a major portion of the recommendations contained in them have been enacted into law.

 The cost of relief has been increasing more rapidly than any other expense of government. I have had the Social Welfare Commission gather figures showing the cost of relief for the last twenty years. In 1928 the counties were bearing the whole cost of relief. The cost of relief in 1928 amounted to two million, four hundred fifty-eight thousand, six hundred one dollars. In 1947 relief costs in Iowa amounted to thirty million, four hundred fifty-nine thousand, nine hundred seventy- two dollars, and if the amount paid out by way of unemployment compensation benefits is added, it amounts to thirty-two million, eight hundred seventy-four thousand, one hundred twelve dollars.

 A couple of years ago I had a population trend study made and presented it to the last Legislature. Population trends are one of the most vital factors affecting the problems of government.

 In the last generation the span of human life has been greatly increased. This study says, and I quote: “Persons sixty-five years of age and older increased from one hundred six thousand in 1900 to two hundred twenty-eight thousand in 1940. Estimates predict a continuation of this rapid increase until 1970 when the number of persons over sixty-five is expected to be approximately 50 per cent larger than in 1940.”

 Today Iowa is enjoying full employment and peak prosperity. Yet the Social Welfare Department is asking for an increase of ten million dollars to carry the relief load.

 If the number of persons over sixty-five continues to increase as this study predicts, it is to be expected that a certain proportion of these persons will be added to the relief rolls.

 If, in the next twenty years, we should suffer any major recession, based upon the present cost of relief, the load will be staggering.

 The churches and charitable organizations were the first to enter such social welfare fields as education, hospital service and care of orphans as well as care for the aged. The state followed later. A need exists for public owned homes for the aged.

 Many persons can be better cared for in community homes for the aged than they can care for themselves in their own homes. They will get better food, better housing, cleaner linens, better medical care, at a lesser cost.

 The need for community housing for the aged is shown by the long waiting lists at homes for the aged and the rapid increase in private nursing homes.

 The state and federal government is spending twenty-four million dollars a year for old age assistance in Iowa. A saving of 10 per cent a year would amount to two and one-half million a year.

 Local homes for the aged could be financed from such savings. At present the federal law is a serious obstacle for caring for our aged in tax supported institutions. Many aged persons are anxious and able to pay for their care in such a home. Many children would welcome the opportunity to provide such a home for their aged parents.

 In any event, this whole problem should be studied now before we are confronted with an emergency.

CONCLUSION

 It has been an honor and a privilege to serve this great state as its chief executive during the last four years.

 It has been a troubled era, marked by the ending of two great wars, and the problems and readjustments incident to a postwar period.

 I express my heartfelt thanks to the host of friends both inside and outside the official family without whose advice and loyal help the achievements of this administration would have been more difficult or impossible of achievement.

 As I lay down the duties and responsibilities of this office I look forward with keen anticipation to the opportunity of enjoying more frequently and more intimately the companionships of my many friends. This is a privilege which the burdens of the office have of late too frequently denied.

 Relieved of official duties, it will be a real pleasure to serve my government, once again, in that most important of all positions—that of a private citizen.

 So long as men shall strive to build a better society, a better state, a better nation, or a better world, there shall be honor and glory in all work well done.