

PSF

MORRIS L. COOKE

Box

Subject File

PSF; Cooke, M.L.

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PSF: Morris Cooke

RURAL ELECTRIFICATION ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON

THE WHITE HOUSE
MAY 4 1936
RECEIVED

May 4 1936

My dear Mr President

One of the matters which we discussed on Thursday has reached me from another quarter. My information - whether correct or not is to the effect that

1. the third party to the situation does not entertain the views ascribed to him;
2. the party most at interest will leave his medicine "quietly" but will not accept another fact.

This latter fact - if it is one - must have a strong bearing on the solution of this administrative problem.

Yours sincerely

Morris Llewellyn Cooke

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RURAL ELECTRIFICATION ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON

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J. J. - Answer 2-36

May 8, 1936.

My dear Mr. President:

Schmidt, one of the editors of Engineering News Record, a McGraw Hill publication, came to see me yesterday in re the expiration of Lilienthal's term. He said he spoke not only for himself but a Mr. Henry who has done the T.V.A. ceramics work. He was directed to me indirectly through Paul Wooten, the McGraw Hill Washington representative. He knew practically all details of existing situation.

The point in his talk that impressed me - considering from whom he gets his livelihood - was his insistence that T.V.A. is now only incidentally a power proposition. The control of a watershed for water and soil conservation he thought had become the paramount issue. He urged that this is the time to serve notice on the private utilities that peace is the watchword. He deprecated very emphatically D.L.'s early speeches and thought they had made him so completely persona non grata to the industry that he should not be re-appointed.

Yours very sincerely,

Morris L. Cooke

Honorable Franklin D. Roosevelt
The White House
Washington, D. C.

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PSF: Morris Cooke
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RURAL ELECTRIFICATION ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON

May 29, 1936.

My dear Mr. President:

Following our conversation about the legislation creating the National Resources Commission - eliminated as Title II of the Flood Control bill - I have made some inquiry about the possibility of reviving legislation on this subject at this session. Senator Byrd's attitude alone seems to make it impossible. He is apparently not averse to the idea of such commission, but he feels that the legislation presented to date makes the purposes to be accomplished and the techniques by which they are to be accomplished too indefinite. Whether this represents his whole attitude or not I do not know. He says however, that nothing could move him from talking to death any proposal made at this session.

Secretary Hull has agreed to make the principal address at the opening session of the World Power Conference and to do the other things during the week which the Executive Committee think are incumbent upon the State Department. If when you arrive at a decision about the plans discussed for Friday, September 11, you will advise me it will help us materially in our further planning for the week.

In informal conference with representatives of the electrical industry an understanding has been reached that Dr. Durand will be supported as President of the World Power Conference, to be elected in September and to hold office for the six years between now and the next plenary session. Fortunately it was possible to arrange this without debate on the name or two which I discussed with you.

Yours very sincerely,

Morris L. Cooke.

Honorable Franklin D. Roosevelt
The White House
Washington, D. C.

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PSF: Morris Cooke

RURAL ELECTRIFICATION ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON

Gen - [unclear]

P.F.

November 6, 1936.

My dear Mr. President:

You may have read Dr. Arthur E. Morgan's memorandum dated September 28 suggesting the lines along which the power pool negotiations should be prosecuted. But if not, the attached analysis may have some interest for you. I am sure that these recommendations are full of dynamite.

My copy of Dr. Morgan's paper is at your disposal in case you want to see it.

Yours very sincerely,

Morris L. Cooke.

Honorable Franklin D. Roosevelt
The White House
Washington, D. C.

PSF: Morris Cooke

RURAL ELECTRIFICATION ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

(To accompany letter dated November 6, 1936)

On September 29, the day before the power pool conference at the White House - I attended a small preliminary gathering at the TVA offices in Washington on the invitation of Chairman Arthur E. Morgan. Mr. Delano, Judge McNinch, Mr. Manly, Mr. Wehle and Mr. Lilienthal were among those present. Dr. Morgan distributed and asked discussion on a mimeographed "Memorandum on a proposed TVA and Commonwealth & Southern Power Transmission Pool", marked "Confidential" in long hand.

The document sets out what Dr. Morgan assumes to be the basis on which negotiations with private utility companies should be conducted. This document found its way within twenty-four hours to the McGraw Hill Company (publishers of the Electrical World) in New York, was quoted in the New York Times and later was distributed to certain TVA employees. The fact that this Memorandum contained theses quite antagonistic in my opinion to the public interest makes me want to record my feelings in regard to it. This comment would normally have been written to Dr. Morgan as the author of the memorandum.

While the pleasant purposes of this memorandum are quite obvious I would personally feel that I was endangering the public interest as well as my personal reputation were I to act under it or otherwise become a party to it. There is little recognition in this memorandum of the essential qualitative difference of a public and private interest in power matters. It is largely couched in private utility verbiage and patter to which the public group bade adieu twenty years ago. Specifically: -

1. It calls for "mutual confidence" between the parties to the proposed contract, i.e. Uncle Sam and the Commonwealth & Southern (see page 8). I can negotiate with private utilities but give them my confidence never! "Mutual confidence" is not a requisite in negotiating workable contracts.
2. "Agreement on the ends sought" and "points of view which are to control" (see page 1) sounds to me like the Liberty League's demand that the President declare his objectives.

3. "Fair Value" and "prudent investment" are utilized as terms having definitive and fair meanings, rather than terms that when recognized by law inevitably involve acrimonious litigation for their determination. The suggestion of compensation for "initiating and insuring useful developments" sounds like our old friend going concern value to me. There is a fairly definite reference to severance damages on page 17 and elsewhere.
4. The suggestion that matters in dispute be left to a board composed of three members one to be chosen by Government, one by the private interest and these two to choose the third, is only made by one not familiar with the history of utility negotiations. For twenty five years it has been a method preferred by the private interests. But I can recall no case where it has actually been carried out. Unless the private people get the man they want in the third place their representative refuses to agree and the negotiation falls.
5. "A private utility in transferring properties to the public would be justified in asking that its responsibilities to its personnel be assumed" seems to suggest the necessity for in fact continuing the management. The essential difference in public and private point of view in this field would make this inadvisable.
6. On page 10 and following pages an unfavorable comparison is made between the technical situation as it existed in England when the Grid plan was adopted and the present situation among private companies in Tennessee Valley. But no mention is made of the Federal Trade Commission explorations, write-ups, etc. as a source of information as to the private industry in this country.
7. It is recommended that any community wishing to have its own distribution system must acquire the existing one. It should do so of course if the asking price is fair in order to avoid duplicating facilities. But if by prior agreement it is forced to acquire existing property irrespective of asking price the latter will surely be "adequate".

I have purposely sought to confine my comments to matters in the memorandum. But significant matters are omitted as for instance the very keen present desire of private companies just outside the Tennessee Valley to purchase the power not immediately required in the Valley.

After over twenty years of experience in carrying on reasonably successful negotiations with private electric utility companies I am very definitely of the opinion that it is practically impossible for more than one person to conduct such negotiations if the public interest is to be fully safeguarded. To have representing the public two persons approaching the question at issue from radically different standpoints is very hazardous - especially if one of the negotiators feels free at odd moments to take the opposition into his confidence.

In negotiations such as these there is every reason why the appointed negotiator should report progress from time to time to the source of his authority and his instructions. But as to the technique of carrying out his instructions he should be either untrammelled or supplanted.

Morris L. Cooke
Morris L. Cooke.

PSF: Cooke

RURAL ELECTRIFICATION ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON

File Cooke
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P.F.

January 4, 1937.

My dear Mr. President:

I have seen Mr. Fels and he has volunteered to go after that assignment with every energy, even to the extent of making a trip into the South if the end can best be accomplished that way. He expressed the view that if necessary the funds for an extended vacation could be found through private sources.

He thought that some assignment if only of a minor character might give point to a sojourn abroad - perhaps something like a study of "Little Waters" in one or more foreign countries. Without making a commitment I said this might be possible. Mr. Fels may want a word with you about this.

I will follow up and advise you of any developments.

Yours very sincerely,

Morris L. Cooke

Morris L. Cooke

Honorable Franklin D. Roosevelt
The White House
Washington
D. C.

RURAL ELECTRIFICATION ADMINISTRATION

OFFICE OF THE ADMINISTRATOR
WASHINGTON

January 4, 1937

My dear Mr. President:

The enclosed remarks of Dr. Arthur E. Morgan at the American Economic Association meeting in Chicago last week do not in my opinion make for the integration of Administration policy even if they do not "give aid and comfort to the enemy". You will note such expressions as -

"the socially irresponsible Napoleonic complex
which dominates some so-called reformers"

"public ownership advocates * * * sometimes men
who do not disclose their real purpose"

"red tape, bureaucracy, logrolling and patronage
* * * might levy a heavier tax than over-
capitalization"

"present blind and emotional campaign * * *
to break up large and efficient systems"

"vast expansion of electrical co-operatives by
Government grants" cause "misgivings"

"electric power issue is not just a glorious
battle which will take one side or the
other to victory"

"treason to paint the utility dragon with less
horrible claws and with less flaming breath"

Perhaps one would not be warranted in saying that Dr. Morgan is out of effective sympathy with New Deal power activities but given the opportunity he would eliminate from their administrative posts nine out of ten of those in responsible charge.

Yours very sincerely,

Morris L. Coon

Honorable Franklin D. Roosevelt
The White House
Washington
D. C.

REMARKS OF ARTHUR E. MORGAN,
CHAIRMAN OF THE T.V.A.
AS CHAIRMAN OF A DISCUSSION ON POWER
AT THE ANNUAL MEETING OF THE
AMERICAN ECONOMICS ASSOCIATION,
DECEMBER 30, 1936

The electric power problem is partly an issue of broad social philosophy, and partly a practical problem of effective organization. Both these elements are important, and to neglect either one would be to leave the problem unsolved.

Through the whole of so-called Western civilization there is under way a deep-seated but slow moving social change, which might be called a social revolution. During the whole course of history it has been common for men in power to see other men as parts of the natural environment, to be used in whatever way they may be most serviceable - as slaves or cannon fodder or serfs or tax-payers or customers. It has been so usual for those in power to take the cream of things and to establish themselves and their families in privileged positions and with vested interests, that the very structure of society has been largely built upon that condition. Not only the evils but the excellencies of civilization are interwoven with that type of social organization. Much of the great music, art, science and scholarship of America, even much of its reform activity, is supported by the income from special privilege.

Very generally a position of power and authority has been

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associated with privilege and exploitation. The slow moving social revolution is a rebellion against the resulting condition of unequal opportunity. That revolution has two sources of strength. The gradually increasing sensitiveness of sympathy and understanding, which leads men in a greater or less degree to share their lot with others, and not to see them just as parts of the environment, like land and forests and animals, to be used as most convenient - this is a real factor in the social revolution which is going on. Without that spirit there would be no social controls but brute force and cunning. Its highest expression is in the dictum, "Thou shalt love thy neighbor as thyself."

The other source of strength for this social change is the growing intelligence and education and the growing sense of power of the common man, which results in revolt against exploitation, and demands that capricious and arbitrary inequalities of opportunity shall be removed. We are slowly discovering that common men by mutual confidence and united action can protect themselves against those who would treat them only as convenient and productive parts of the environment. Often that united action lacks discrimination.

Whenever some new and important economic factor enters our common life, there we find a point of intensified conflict in this

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deep running social revolution. Regardless of how technical and matter-of-fact a treatment of current social and economic issues may be, nearly always there exists in the background this living issue of equality of opportunity, and the elimination of special privilege. To deny this factor in a consideration of social and economic issues is like trying to understand human nature solely by the study of a cadaver, and not by the actions of living men and women.

Electric power is such an important new development that it naturally becomes one of these points of intensified conflict. With its enormous expansion, some men in the age old manner of men in positions of power have manipulated the industry so that great tribute would flow to themselves. Abuses in the industry have been great and quite general. They have taken the form of over-capitalization, excess charges by service companies owned by insiders, excessive rates, prejudiced propaganda, and the misleading of investors. Against those excesses we have rebellion, quite generally honest rebellion, honestly led; but sometimes led by embittered and prejudiced persons, sometimes by impractical enthusiasts, and sometimes by those ever-present parasites who attach themselves to any promising movement primarily to promote their own interests.

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Correction of utility abuses also has been furthered by the innate decency of many men in the industry. Men of self-respect and of honorable business standards more and more are coming into positions of responsibility in the power industry. The very nature of the business, being one of service to the community, tends to develop in responsive men a spirit of service; and pride in fine technical achievement tends to have the same effect. Moreover, those in power in the industry are beginning to see that unless they bring about necessary changes, those changes may be imposed by the public in a more drastic and arbitrary manner. That process of correction is far from complete, but in so far as it actually has taken place it should be fully recognized. Those whose mental sets were determined by conditions in an earlier stage of the industry or by the most offensive present day organizations, may call it treason to paint the utility dragon with less horrible claws and with less flaming breath, but honest recognition of the facts is essential.

Both those who now control private utilities and those who are pressing to correct abuses have today a very grave obligation. There is a strong pressure over the world in dealing with the deep running current of social change, to eliminate an attitude of reasonableness and mutual inquiry and to fall back on arbitrary force and violence. This drift is of very serious import. The

way of Russia, Italy, Germany and Spain is not impossible here. The Attitude of calloused exploitation which still characterizes certain of the less responsible private utilities, and the socially irresponsible Napoleonic complex which dominates some so-called reformers, are alike serious. Patience, tolerance, mutual understanding and a spirit of adjustment are necessary on both sides.

I have said that the electric power problem is partly a matter of social philosophy, and partly a question of effective organization, and that neither element can be safely overlooked. Both private utility managers, and those in public life who would correct their abuses, make a grave mistake when they treat the power issue as solely or even chiefly as a matter of political attitudes, for it also is a difficult problem of organization.

Private power people who denounce public ownership in toto with a cry of "graft" and "incompetence" are doing neither their industry nor the public any long-time public service. Electric power supply is a public matter which must be under public control. The manner of that control must be arrived at by open-minded inquiry and experiment and not by irresponsible propaganda. A teacher of electrical engineering who worked under my direction once gave a very restrained and discriminative talk on public ownership of power. The general manager of a large utility system severely

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criticized me for allowing it in his territory. He said that it made no difference how restrained and moderate the discussion had been, that his company had won that territory and intended to hold it by every means in its power, that the question of public and private ownership was a closed issue in that territory, and that the least suggestion of encouragement to discuss it was an offense to his company. Such an approach is no contribution to the problem.

On the other hand, there are public ownership advocates, sometimes open advocates, but sometimes men who do not disclose their real purpose, who see nothing to the power issue but a dramatic public battle which will mark them as heroes. The issue is not so simple as that. America has as yet no well matured methods for administering public power. Our governmental machinery, grown up largely around clerical and administrative work in our national capitol, is not developed to handle efficiently the exigencies of large scale utility business. Red tape, bureaucracy, logrolling and patronage are grim realities which unless greatly reduced might levy a heavier tax than overcapitalization. America has as yet made relatively little contribution to the technique of government administration of large scale business. The full development of that technique will take time. I strongly favor public ownership projects

which will help in the development of efficient methods, but I believe that the welfare of public business as a whole will best be promoted by intensive application to a limited range of public undertakings, rather than to vast expansion before we learn how.

Neither have we arrived at any clear understanding of the best ways of administering the power industry in particular. The present blind and emotional campaign in some regions to break up large and efficient systems, in order to hurriedly advance local public ownership, may result in great economic waste and duplication. We do not yet know how large or how small distribution systems will be most effective, or how to organize them. Also the willingness to destroy honest and necessary private investment by an emotional campaign may levy a heavy tax in the form of loss of confidence by investors in governmental integrity. An unnecessary building up of duplicating personnel may be hard to deflate when public jobs become vested interests. It is easy to organize a vast expansion of electrical cooperatives by government grants, but old time experienced cooperators have misgivings. They know that regardless of the excellence of central administration, both managing skill and the cooperative spirit in local undertakings are of slow growth, and that an epidemic of failures through inexperience

and bad management may set back the interests both of public ownership and of cooperatives.

In short, the electric power issue is not just a glorious battle which will take one side or the other to victory. It is a complex technical issue which requires not only fighting blood, but creative ability and patient building, with a period of experimental development to discover new governmental forms, and of education in responsibility for public business. In my opinion, when effective organization of the power industry is achieved it may have some of the characteristics of private organization and some characteristics of public ownership. Perhaps private investment will be associated with public control. Enforced cooperation between public and private industry may be the necessity which is the mother of invention. Part of our energies should be reserved from fighting over the issue and used to trying to solve it.

Electric power is not just another product on the market. It represents a social revolution. For countless centuries men and women have worn out their lives in physical toil. Now for the first time comes the promise of a source of power which can be almost universally available, infinitely divisible, always waiting at hand, and so cheap that for many uses its cost can

almost be forgotten. As hope of that alleviation rises to full life and expectation, it must not be unnecessarily deferred. For would-be exploiters to say, "Give us just one more decade of rich financial returns and we will give up our preferred position" - is not a tenable attitude. The resentment it would arouse would be a menace to social stability. However, the genuine difficulties of economic adjustment should be recognized by those anxious to eliminate abuses, and there should be on each side a constant proffering of fairness and reasonableness in response to any evidence of that attitude on the other side. The losses due to bitter conflict would be far greater than the loss of reasonable give and take of honest efforts to find common ground. Those who should protect the public interest should not quickly relinquish any of their weapons, but they should use them to insure the common good, and not in an emotional spirit of retaliation against past wrong doing. The art of planting the seeds of reasonableness and of mutual confidence, and of giving the young plants a chance to grow without tramping them down, is a great art. Most of Europe has not learned it. Let us hope that we in America may do so.

PSF: Morris Cooke

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Personal

Cooke?
Gen. D. Roosevelt - 37

January 5, 1937.

My dear Mr. President:

In accordance with our conversation this is to ask you to accept my resignation as Administrator of the Rural Electrification Administration as of about February 15. As you know Mrs. Cooke and I are planning to go on an extended trip out of the country. The REA is now a seasoned organization and fully competent to carry on along lines you Mr. President have sponsored from the beginning.

I believe so thoroughly in what is being accomplished that this association with your Administration has been a heartening experience. And for the solid satisfaction which I have gotten out of my various assignments and for the inspiration of your support and far-sighted leadership I shall always be deeply grateful.

Yours very sincerely,

Cooke.

Honorable Franklin D. Roosevelt
The White House
Washington
D. C.

PSF: Morris Cooke

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THE WHITE HOUSE
WASHINGTON

9/16/37

MEMORANDUM FOR THE PRESIDENT

I saw Secretary Ickes yesterday in regard to your proposal and he preferred not to reach a decision about it pending my presenting the matter to Mr. Delano, which I did this morning. Mr. Delano gave me the impression that the plan had merit but he in turn, did not care to commit himself until he had communicated with Secretary Ickes. Having done this, he quoted Secretary Ickes as saying he did not care to reach a decision in this matter until Mr. Delano had talked to you.

As a matter of fact, the National Resources Committee has launched a new and seemingly very comprehensive review of the Drainage Basin studies. They hope to have in your hands by January first, a new set of conclusions. I think they probably feel that the budgetary study which you now propose will be more than taken care of by these new studies.

My conclusion is that NRC will be unable to get out an answer to Judge Whittington's request in the six or eight weeks available and, (2) that with the present attitude of the National Resources Committee that the Committee of three which you suggested would be too seriously handicapped to make any sort of satisfactory report possible.

I must not give you the impression that anybody opposes your suggestion, but there is very decided lack of enthusiasm along the line.