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## TVA's Yardstick Is Dead

SPEECH  
OF

HON. GEORGE A. DONDERO

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 23, 1955

Mr. DONDERO. Mr. Speaker, some 20 years ago when the Halls of Congress echoed with the debate on a bill to establish the all-powerful Tennessee Valley Authority, the New Deal wordmongers coined the magic phrase "yardstick" to rationalize a Government TVA scheme for going into an out-and-out business operation.

Faint though the voices of opposition were in those days, there could be no denial of their contention that it was not in the American pattern that the sovereign Government should enter into competition with its own private citizens in a legitimate business venture—hence this notion that the Government would only be setting an example so that private industry could see how cheaply electricity and fertilizer could be manufactured by a nontaxpaying Government authority.

And so, midst these hectic times, the Tennessee Valley Authority Act was finally passed under the guise of a vast natural resources development—including flood control, soil conservation, navigation improvement—all established functions of Government—with the incidental business of generating and distributing electric power greatly soft-pedaled.

As the years went by and the TVA officials began their annual pilgrimages to Washington seeking appropriations to expand their power empire, the yardstick argument came more and more in evidence to support their requests. We were told that private enterprise, though it was in business to make a profit—necessarily a publicly regulated and limited profit in the field of electric-power production—and obliged to pay taxes both Federal and local, nevertheless must be subject to so-called yardstick competition.

### THE BILLION-DOLLAR CATCHWORD

This catch phrase "yardstick" caught on. And year after year the Congress poured Federal Treasury money into the Tennessee Valley to the extent that now the power investment alone totals \$1,109,220,992. This all-inclusive term seemingly served to brush aside logical

argument which questioned the advisability of financing Government further in this gigantic business venture.

Once having exhausted the water-power potential of the Tennessee River Valley, national defense arguments and the need to firm up uncertain water-power served as new plausible reasons to justify TVA's entrance into the Simon-pure business operation of building and operating steam generating electric power plants.

Thus slowly and steadily the percentage of steam capacity in the TVA's so-called hydroelectric system has grown through the years.

In 1938 it was but 14.5 percent of the total installed capacity.

In 1941 it edged up to 21.3 percent.

In 1952 steam power was up to 28.2 percent.

By 1953 it was 42.6 percent; in 1954, 49.9 percent; and at the end of fiscal 1955 it will be 66.5 percent. And we are also officially informed that when all presently authorized generating capacity is completed the great Tennessee River Valley hydroelectric system will have 75-percent steam capacity and 25-percent hydro capacity.

Who has been financing this steam-power giant? Why, the people of every State in the Union.

Where is now the justification for further development of the great river valley along the lines of flood control, navigation, and the like? This has all been done. Any further expansion of the TVA must come under the category of financing a hard-boiled steam electric business operation with the American people picking up the tab—and getting virtually no return on their investment.

### TVA TAKES FREE RIDE

Proponents of the TVA have long answered the charge that TVA pays no interest and no taxes with the argument that the Federal Treasury was being reimbursed for its investment and that TVA was indeed paying amounts to local governments in lieu of taxes. Let us look at the record, which will show that the TVA has at no time repaid more than 1.4 percent of its total investment in any 1 year.

In 1949, on \$291,198,000 of interest-free appropriated funds, TVA paid the United States Treasury from power revenues \$3 million, or 1 percent.

In 1950, \$2,500,000 was paid on \$320,638,000. That is 0.8 percent.

In 1951, \$4 million was paid on \$423,280,000. That is 0.9 percent.

In 1952, \$7 million was paid on \$616,123,000. That is 1.1 percent.

In 1953, \$10 million was paid on \$800,490,000. That is 1.2 percent.

And in 1954, \$15 million was paid on \$1,055,446,000. That is 1.4 percent.

Where now is that business yardstick about which we have heard so much through the years? The figures I have just mentioned, and many others which show the lack of interest payment, no Federal taxes, and token amounts paid to the States and the communities, reveal the cold, stark truth of the matter. In short, by good business standards with which TVA originally sought to compare its operations, the TVA yardstick is now about 17½ inches long. The rest is Government subsidy and privilege. And it is most interesting to note that in the past few years, while the Congress has become increasingly reluctant to issue any more blank checks for TVA steam-power expansion, we have heard less and less of the "yardstick" term.

### THE FACTS ARE COMING OUT

Can it be that now that the public, heretofore blissfully ignorant of the goings on in the TVA, is becoming aware of the real facts behind this magnificent experiment—can it be that for this reason the many benefits of TVA and the yardstick concept are suddenly being low-pressured?

There is evidence of this right from the valley in the wake of the raging debate on the so-called Dixon-Yates contract. No less an authority than the Knoxville Journal, in the heart of Tennessee, commented recently that the "politicians and the political organization known as Citizens for TVA, Inc., may in fact be hastening the end of the power project which they are ostensibly trying to preserve."

The Tennessee paper adds:

This may well come about through familiarizing the people all over the Nation with the financial details of TVA's operations and the favored spot occupied by all its power users.

The Journal continued with the observation that there once was a period when little was said about the financial operational basis of TVA and that under a spiritual cover the fact that—

The biggest power empire in the world was being built with Federal funds was completely ignored.

Then came the Dixon-Yates debate.

Thinking only of the political hay they felt they could harvest here in the State—

(Over)



The editorial stated—

a large assortment of saviors of TVA made their appearance, including the Citizens group.

The result has been an unparalleled concentration of attention on the power costs under TVA, with special pleading even outside the State that our area be allowed to maintain its favored position.

The Journal then observes:

The bad part of it is that other United States citizens now know, as a result of all the speeches and newspaper interviews, that these rates do not stem from any mystic TVA formula but straight from the Federal Treasury.

#### TVA APOLOGISTS BLUNDER

The Knoxville paper concludes with the observation that the opponents of the Dixon-Yates contract have let the cat out of the bag, defying the rule, old as the human race, that if you have a good thing it is best to be quiet about it.

The Knoxville Journal conclusions are indeed well founded, for up and down the breadth of the land on every front page the activities of the TVA are being brought to the attention of the public—in many areas for the first time.

Typical of such reaction is that of the Prescott Arizona Courier, which on last December 29, under the title "TVA Power Controversy Backfires," had this to say editorially:

The controversy raised by congressional supporters of the TVA over the Dixon-Yates power contract has backfired on them by turning the national spotlight on the workings of the TVA.

The TVA was inspired and backed by those who believe in state socialism, and until recently, most of the TVA supporters felt it was an outstanding example of what state socialism really can do. The TVA was promoted and eventually established to show how much better a Federal authority, using taxpayers' money, could develop a region than the free competitive enterprise system which has made America what it is today.

The editorial goes on to show how the TVA, through its power contracts with various municipalities, has expanded its power by inserting in these contracts clauses which make it the sole supplier of electric energy, and which preclude these cities and towns from building any additional generating facilities for their own use.

#### CITIES ARE CAPTIVES BY CONTRACT

This voice from Arizona continues:

This monopolistic TVA power contract has been abused to the point where every city and rural electric cooperative which uses TVA power has become an economic captive of the Board of Directors of TVA.

And it concludes:

Further it should be remembered that amid all the charges flying about that the last Congress was a giveaway Congress, the advocates of TVA expansion are hopeful of committing the Treasury to further giveaways of millions and millions of dollars for the benefit of one section of the Nation.

This means that the farmers, the retailers, and all forms of business in other parts of the Nation would be required to put up their tax dollars for the benefit of the TVA region.

In addition it would be well to remember that if all business were operated as TVA operates, there would be no Federal tax dollars to build TVA or anything else, as TVA pays no Federal taxes.

In the same vein there is also comment from a labor union newspaper in Jefferson City, Mo., the Central Missouri Labor News, which recently discussed the Dixon-Yates contract under the heading "Some Sense About Dixon-Yates and Labor."

Having discussed the contract, the editorial goes on to say:

This brings us to the main issue of the controversy. As everyone should know by now, TVA sells power to its consumers at a lower rate than the privately owned electric utilities in other parts of the country for two reasons: One is that the TVA pays no taxes or other charges on a scale comparable to those paid by the private companies. And the other is that TVA pays little or no interest on capital costs, which are met from the United States Treasury.

These factors, reduced to their lowest common denominator, mean that the Nation as a whole is helping pay the electric-power bills of power consumers in the Tennessee Valley.

The fact that TVA electricity is virtually tax free means that the taxes paid by all the rest of us are a little bit higher.

#### TVA SPENDING INFLATIONARY

And the TVA's call upon Government financing can be costly, too. Because it helps raise our national debt, it has an inflationary effect that reduces the value of our money, our savings, and our wage dollar.

The editorial went on to quote a letter of President Eisenhower in November to the chairman of the Joint Congressional

Committee on Atomic Energy in which he pointed out that—

If the Federal Government assumes responsibility in perpetuity for providing the TVA area with all the power it can accept, generated by any means whatsoever, it has a similar responsibility with respect to every other area and region and corner of the United States of America.

I am also reminded of what another great Republican, Abraham Lincoln, said:

The Government should do only for the people what they cannot do for themselves.

Yes, like a piece of wet yardgoods now hanging in the hot sun of public scrutiny, the yardstick is shrinking, shrinking, and shrinking. Only after a thorough airing will we come to know the extent of its fraudulence.

#### CHILDISH TO DENY IT'S SOCIALISM

And to those who say that the public ownership scheme of TVA is not anti-free enterprise, is not a segment of socialism, I refer them to that sincere apologist for and apostle of the political philosophy of Karl Marx, Norman Thomas.

This perennial presidential candidate of American socialism, recently wrote:

The advocacy of public power does not of itself make a Socialist, or the practice of it constitute a full program of socialism. But, of course, the principle behind public development of power is socialistic, and it is rather childish to deny it.

Norman Thomas is a forthright Socialist and as such has been a thorn in the side of the Fabian group who believe in pretense and hypocrisy as means to the end. The Fabians seek to work from within rather than to meet the issue head on at the polls. Norman Thomas scorned such catchwords as yardstick. In fact it was he who first dispelled the hypocritical aura of "yardstick" when he said that the Tennessee Valley Authority was a "Socialist flower in a garden of New Deal weeds."

The shoddy shibboleth of "yardstick" contributed heavily to the extraction of eleven hundred million dollars in appropriations for the state socialism of TVA. Now, as the fiscal and physical realities become more and more apparent, this catch phrase is being quietly buried without ceremonial obsequies in an unmarked grave for outworn words.