

How It Worked When It Worked: Electrifying Rural America

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Lyndon Johnson campaigning for Congress in 1941.¹

Introduction

In 1937, while in the midst of his first campaign for a seat in the United States House of Representatives, a young Texan by the name of Lyndon Baynes Johnson stood in front of a gathering of voters at a rural schoolhouse. He promised something that, to those in attendance, seemed little more than demagogic pandering. Johnson vowed that, if elected, he “would see that they got electric lights” in their homes and farms. Upon hearing this, a local man admitted to wondering “just how far would a man go in order to get a vote.” He “didn’t think they’d bring lights out 10 or 15 miles” and to claim otherwise was just hot

¹ http://4.bp.blogspot.com/_p_QCXczy-ME/S-2NBow8b2I/AAAAAAAAAWw/GqMd8VPwUck/s1600/LBJ%20%20Campaigning%201941%20.jpg

air.² Rural electrification, and the basic comforts that would accompany it, was so farfetched that LBJ's claims appeared to be those of a snake oil salesman. This disbelief permeated state and federal government, private industry, as well as rural Americans themselves. Only 10 percent of rural Americans had electricity in 1937. Contrasted with the near-uniformity of urban electrification, America's farmers were all but excluded from the technological advancements of the 20th century. Within twenty-five years of Johnson's promise, 96 percent of rural America was electrified.

Rural America was electrified through a federal government program unafraid of taking bold steps – the Rural Electrification Administration. Unfortunately, American historians and political scientists alike have largely ignored the REA, whose work was the most successful of an era popularly remembered for government market intervention “working.” Emblematic of this era of social and economic revolution was the REA, and its accomplishments have never been paid the attention they deserve. While New Deal agencies like the Tennessee Valley Authority or the Civilian Conservation Corps are well documented in the minds of Americans, the Rural Electrification Administration is paid little mind. It was the REA whose work transformed much of rural America, and in the process commanded the attention of an American population grappling with the rise of a newly interventionist American government. The REA's national popularity hit such peaks, that after barely two years on the ground it could boast that rural Southerners were disregarding “the segregation of races” in order to see to electrification in their towns.³ Indeed, many of the most vocal opponents to the New Deal, like South Carolina's Ellison

² Dallek, Robert. 1991. *Lone star rising: Lyndon Johnson and his times, 1908-1960*. New York: Oxford University Press. p. 178.

³ REA, *Annual Report, 1937* (Washington 1937), p. 13.

“Cotton Ed” Smith, were lifelong supporters of the REA and its work.⁴ This thesis will show how, by tirelessly and prudently working toward success on the ground, as well as relentlessly marketing its triumphs to all who would listen, the REA was able to build enough support to ensure its survival and ensuing success. Its success ought to serve as an inspiration for today’s policy makers, as both its model and tactics should be seriously considered for solving many of today’s policy difficulties.

Formed in 1935, with the intent of producing economic stimulus nationally and social benefit locally, the REA created over one thousand rural electric member-owned cooperatives. The government financed cooperatives with self-liquidating loans for the construction of electric lines and for the wiring of rural houses.⁵ REA cooperatives provided rural Americans with electricity at far lower rates than had ever been thought possible by the private utility industry. That the majority of rural America could be electrified was considered to be an economic impossibility by private utility companies at the time – that it could be done without significant government losses was thought to be almost farcical. The REA’s designers knew better. They correctly predicted that, among other positive signs, farmers’ incomes were on the way up and that this was the moment for rural electrification.⁶ They argued that they could correct a national market failure, achieve near-universal electrification, assist the ailing national economic environment, and get their money back with interest. Whether it was significant expenditures in the raw materials needed for electricity, appliances and efficiency for the newly electrified farmers, or the labor to do the job, rural electrification served as an economic boon to multiple

⁴ Brown, D. Clayton. 1980. *Electricity for rural America: the fight for the REA*. Westport, Conn: Greenwood Press. p. 97.

⁵ The principal of self-liquidating, also known as amortized, loans is paid back over time with interest.

⁶ “Cash Income of Farmer Higher.” 1936. *Los Angeles Times (1923-Current File)*, Sep 20, 21-21.
<http://search.proquest.com/docview/164700330?accountid=10267>.

sectors of the economy. The REA's founders further argued that the social good electricity could provide made it imperative that the government do all it could to bring about its arrival in rural America. Electricity meant indoor plumbing, refrigeration, safety, and so much more to those who would receive it. It ended an era wherein the drudgery of farm life was at its most dichotomous with the convenience of urban life. In an era of Keynesianism, the REA was perhaps the most creative means of dealing with the ill-effects of the Great Depression. In an era of relative rural dilapidation, the REA stepped in to insure that nearly all Americans could benefit from the conveniences of the 20th century.

The REA obsessed over the public's opinion of its work. Morris Cooke, the REA's patriarch and first Administrator, originally envisioned an agency of modest means and temperament. A free-marketer through and through, Cooke mistakenly believed he could count on private utilities to work with the REA in its early days. Despite believing that rural electrification was a losing proposition, the private utilities fought tooth and nail against the REA's efforts – both on the ground and in the public square. Their early opposition made it clear to Cooke, and the rest of the REA, that the enormity of their task would require a determined spirit and an aggressive public disposition. Knowing that its good work would not be enough to assure its survival, the REA fought back against its adversaries with an unyielding barrage of positive marketing on its own behalf. Their efforts included ubiquitous branding, posters, radio and television advertisements, a feature-film, spoon-fed newspaper articles, traveling exhibits, and more. Its gratification did not just come from the results of its work, the REA wanted recognition for its good deeds as well.

This thesis will first provide an overview of the work previously done on the REA, highlighting how much of the REA's work has been, at the very least, unappreciated, if not unexamined. After the historiography, a scientific framework for determining the popularity of various forms of government market intervention is provided. Through this framework much of the REA's success can be explained. Following this, a history of the REA's creation, and overview of its design, are provided. To explain the obstacles facing the REA in its first twenty-five years, a sampling of the many forms of REA opposition is then provided. Cries of "communism" and "socialism," were passionately countered by the REA, in the form of positive marketing done on its own behalf. This next section shows how, by strategically targeting the various populations affected by it, the REA was willing to fight for its own survival. The final section of this thesis will demonstrate the work done by the REA, provide evidence of its economic and social successes, and show how it was able to achieve its goals with a record of achievement almost nobody believed feasible.

Attendees of LBJ's speech had every reason to doubt his promise. The private utility companies, electricity's only potential purveyors, had deemed them unworthy of it. Unlike their urban countrymen, they were too poor and too few in number to merit the investment. While the market had failed them, the federal government refused to socialize the rural electricity industry, and fought off calls for heavily subsidizing private action. Instead, it developed an innovative strategy to successfully correct private industry's failure. Showing a healthy skepticism for the supremacy of the free market, the REA was able to accomplish its task. When we think back to the New Deal, as an era when government "worked," the REA ought to be first on our minds.

Existing Historiography

It has long been thought that there were two simple reasons as to why rural electrification was accomplished. The first was that the government simply decided to do it. The train of thought essentially goes that private industry was wary of spending the money necessary to expand their lines to rural communities, especially considering that even the best-case projections reflected that there was little profit to be gained.⁷ The second reason is that farmers desperately desired electricity and once it was made available to them the electrification process was relatively straightforward. The farmers essentially “did all they could to get ‘hooked up’” as quickly as they possibly could.⁸ This is the basic line of thought one would establish based on a survey of the limited amount of work published on the REA. Ryan Stockwell, in his Ph.D. dissertation published in 2008, took a limited look at the REA and developed the very same two reasons for the REA’s success listed above. Stockwell’s account of the REA is not incorrect *per se*, but it does reflect the uncritical eye of those whose footsteps he followed.

Much of the work on the REA is informed by studies of its first two administrators whose personas and accomplishments gave them a legacy I can only assume prevented those who later studied them from accurately narrating their time at the REA. Morris Cooke and John Carmody’s tenures at the REA were marked by each man’s astonishing ability to accomplish his goals. They both played significant roles in the New Deal, and their personal accomplishments drew a large focus on their tenures. However, Carmody and Cooke’s time at the REA only lasts until 1939, almost twenty years before near-universal rural

⁷ Ryan Stockwell, “The Family Farm in the Post-World War II Era: Industrialization, the Cold War and Political Symbol” (PhD diss., University of Missouri-Columbia, 2008). p. 52.

⁸ Ibid.

electrification was achieved. The REA under Carmody and Cooke was an independent agency with a large amount of latitude given to it. In 1939, the REA was made a part of the United States Department of Agriculture. Thus far, minimal examination has been done on the REA's effectiveness within the broad bureaucratic structure of USDA.

Another limitation of focusing on REA Administrators is that such examinations leave a tremendous amount concealed. In broad strokes, the REA was partially consolidated in a national office, but it also controlled an army of financial experts, engineers, home economists, appliance salesmen, and other field representatives in rural communities across the country. Furthermore, one could equate the cooperatives the REA supported as part and parcel of the REA itself. The REA, as it existed, would not have been without her cooperatives, and the cooperatives would never have come to be without the REA. From early on, REA officers understood that actions taken on the part of their cooperatives would be attributed to the REA itself. By ignoring much of the history of individual cooperatives, the REA's historians have generally restricted the breadth of its story they were able to tell.

Furthermore, historical examinations of the REA display a large reliance on the agency reports as well as publications by the REA. Agency reports are quite useful for understanding what the REA was trying to communicate to Congress and REA publications tell us much about how the REA worked with the communities they operated in. However, the institutional obstacles highlighted in agency reports were only those that the REA wanted to share. Rather than the full reality, they paint a rosy picture of an REA whose

agenda was only minimally opposed by greedy private utilities and a handful of paranoid anti-communist politicians.

There have been two historians, Ronald Kline and Mark Stauter, whose work on the REA dove deep into its history. Kline's book *Consumers in the Countryside* spends significant time looking at the unwillingness of farmers to accept the REA's desire for them to quickly electrify, as well as the failures of the REA's Utilization Division to positively interact with rural Americans. Kline also takes a look at the work performed by the REA Information Service's unit, which was responsible for disseminating advertisements and informational materials on the REA and its cooperatives. The Information Services unit has gone all but ignored by nearly every other researcher of the REA. While Kline did bring light to the work done by the Information Division, his work was by no means focused on it. The Information Division's work was some of the most important done by the REA. Its positive marketing's impact on the REA's success and persistence has never been fully examined. Stauter's Masters thesis focused largely on the national REA after its incorporation into the USDA, specifically on Harry Slattery's tenure as the third REA Administrator. Slattery's tenure was marked with significant turmoil, yet had never been significantly studied until Stauter's thesis was published in 1973. Stauter's Ph.D. dissertation further looks at the REA's organizational difficulties and finds that the REA's organizational structure was not immune from internal and external strife, beyond even what he discussed in his Master's thesis. Stauter's works go a long way toward demonstrating that the rosy picture of the REA painted for itself was quite a bit more complicated than it ever let on. Studies of these two authors reveal that significant portions of the REA's past is yet to be explored.

The REA was fundamentally different from much of the work done by the government during the New Deal. Instead of direct government intervention, the REA's founders chose to invest almost exclusively in capital, instead of labor. Their attempt was to not engage the government in direct control of the rural utility market, but to facilitate the creation of cooperative enterprises, and facilitate them with the tools necessary to do the job. By choosing this path, the REA was able to closely oversee the development of the cooperatives, without needing to manage every bit of the work on the ground. Had the REA chosen to simply fund the existing private utilities, rural electrification would have likely proven a far costlier enterprise. Government ownership of the lines, too, would likely have proven untenable. The organizational structure needed to compensate for the work done by over 1,000 cooperatives could have easily bogged down the REA and prevented it from achieving its task as efficiently as it did.

Theoretical Apparatus

It has long been a preoccupation of progressives about why Americans, who stand to gain from government administered economic and social benefit programs, oppose them on principal. Popular works like Thomas Frank's *What's the Matter With Kansas* fixate on why Americans vote against their best economic interests. Oftentimes it has been thought that this was due to cultural preferences and resentments, which is certainly part of the story. Political scientists have also spent considerable time establishing the importance of policy minutia in the era of today's activist government.⁹ Considering that the vast majority

⁹ Hacker, Jacob S., and Paul Pierson. 2010. *Winner-Take-All Politics: How Washington Made the Rich Richer-and Turned its Back on the Middle Class*. New York: Simon & Schuster. 44.

of Americans will never be able to fully inform themselves of the finer details of policy, easy-to-digest marketing is invaluable in the public debate over government programs. Failure to successfully communicate the true nature and benefits of its programs can stall the government's agenda before it even begins.

Susan Mettler, whose work recently culminated in the book *The Submerged State*, has written extensively about popular awareness of government economic and social benefit programs and how it impacts political support for them as well as future initiatives. Mettler's research has found that an American's ability to recognize the government as the provider of the benefits she receives will play a strong role in determining how positively she will feel about the government's social and economic benefit programs. Those who recognize the government as the force behind the programs are far more likely to support the state's efforts to do so broadly. Of course, this is all be predicated on the government's ability to do an effective job accomplishing its task. Otherwise, any promotional efforts would be nothing more than lipstick on a pig. Using this theoretical apparatus, this thesis will prove that the REA's ability to accomplish universal rural electrification was based in large part on its ability to make its work known to all Americans, rural or not.

In her paper, "Who Says They Have Ever Used A Government Social Program? The Role of Policy Visibility," Mettler describes how, when a random sampling of American citizens was asked if they had ever "used a government social program," only 43 percent of respondents answered in the affirmative, with 57 percent of respondents responding that "they had never done so."¹⁰ The people who responded that they had never used

¹⁰ Suzanne Mettler, "Who Says They Have Ever Used A Government Social Program? The Role of Policy Visibility." Cornell University. (2008), p. 2.

government social programs had significantly more conservative beliefs regarding the provision and raising of funds for government programs. Unsurprisingly, those who claimed to have never used a government program were far less likely to support government programs and the requisite tax increases used to fund them. It should go without saying but without public support for government benefit programs, it will be exceedingly difficult to construct them.

After giving their first response, the participants were “asked about usage of each of 21 specific social policies, ranging from Social Security retirement and survivors’ benefits to Pell Grants to the Earned Income Tax Credit.” After being asked about these policies, it turned out that 96 percent of respondents admitted to having used at least one government social program, 53 percent more than had originally believed they had benefited from state action.¹¹ Examining those who thought they had never used a government program, when in fact they had, Metter found that those individuals had largely been the beneficiaries of “submerged” social programs. “Submerged” social programs are channeled “through indirect means, including the tax code and subsidies to private actors and organizations, rather than through the more traditional form of direct payments or provision of services.”¹² Mettler’s work concluded that the opinions of whether an individual has benefitted from “government’s social provisions” are not firmly a result of whether that person has actually received them. Instead, those opinions are based on the “visibility of government’s role in the policy.”¹³ While tax cuts are no different than governmentally

¹¹ Ibid., 3

¹² Ibid., 5

¹³ Ibid., 23

administered programs as far as the budget is concerned, they allow the government to blend “‘philosophical conservatism’ with ‘operational liberalism.’”¹⁴

The REA’s challenges were immense, and its opponents numerous. At nearly every turn its activities were publically derided by the private utility industry and its allies. In the face of all this opposition, it survived. It obviously, and quite rightly, would have not survived had its work been inadequate. But it also would have likely not survived had it not worked tirelessly to market itself. No historian has taken a significant look at the REA’s work done to counter the opposition it faced. This argument, that the REA’s continued existence is largely due to its fighting spirit, is a new one and an important one. Those who designed the REA, whether they intended to or not, worked tirelessly to ensure that all those whose opinion of the REA could effect its ability to do its job had the best possible impression of it. Their preoccupation with public approval ought to serve as a reminder as to the necessity of government not just performing beneficial work, but also communicating its good work. Through this communication, the REA was able to convey its existence and avoid being lost in Mettler’s submerged state. It was also able to promote itself in the public battle for hearts and minds.

Mettler’s work often draws the conclusion that the government must engage in direct action in order to avoid the pitfalls of the submerged state. This conclusion would seemingly warrant government programs that look similar to the Civilian Conservation Corps or Works Progress Administration, wherein the state takes particularly direct action in the market. The REA’s example proves that policy makers need not choose between

¹⁴ Ibid., 23

indirect and direct action. Creative capital-focused efforts, empowering socially-beneficial market actors, allows the government to avoid submerging itself while concurrently bypassing the kind of direct intervention that is no longer possible given today's political constraints.

The Incomplete National Power Environment Before 1935

There were several early proponents of rural electrification, but none were larger or more important than Morris Cooke. Cooke, an engineer by trade who practiced for much of his life, was a steadfast believer in scientific management. He believed that by focusing on each stage of production, and making it as efficient as possible, An expert in administration, Cooke spent years working with various companies on improving the efficiency of their operations.¹⁵ In 1911 he was appointed the Director of Public Works in Philadelphia and during World War I worked on negotiating power contracts for government munitions factories.¹⁶ The Governor of Pennsylvania, Gifford Pinchot, later tasked Cooke with conducting a statewide survey of power. Cooke, interest sparked, produced a power report with a “great deal in it about rural electrification.”¹⁷

Beginning to make a name for himself, Cooke found himself appointed by Governor Franklin Roosevelt to be a member of the power authority of New York State in 1930.¹⁸ Cooke's time on the power authority yielded little in the way of action, but it established Cooke's place at the table when it came to discussions of public power in the Roosevelt

¹⁵ U.S. Senate, Committee on Appropriations, 74th Congress, 2nd Sess., *Hearings, A Bill to Provide for Rural Electrification and for other Purposes*, pp. 1-2.

¹⁶ *Ibid.*, 2-4

¹⁷ *Ibid.*, 4.

¹⁸ *Ibid.*, 5.

White House. Roosevelt himself was forced to deal with the difficulties of rural electrification when he received his first electricity bill for his resort in Warm Springs, Georgia and found that it was four times higher than the bill for his house in Hyde Park.¹⁹ Cooke, the lifelong Republican, endorsed Roosevelt for President after working with him in New York State.

Once Roosevelt was elected, Cooke began a ferocious lobbying campaign for the establishment of a federal program for solving rural electrification. Cooke was, by every account, a free-market adherent when he began studying the rural electrification problem. He had publically debated Norman Thomas, the Socialist Party of America's nominee for President and a great advocate of cooperatives, disagreeing vehemently with the socialist's proposed agenda for the country.²⁰ Ironically, it was Cooke who, not long after the debate, would instigate a decades-long war with private industry.

In 1935, at the annual meeting of the American Society of Mechanical Engineers, Cooke gave a presentation arguing simply that cost accounting by utility companies was "far from adequate" and insisted they adopt "a system comparable" to other industries', thereby allowing for cheaper electricity rates.²¹ It was a relatively minor charge, a far cry from radical socialism. Cooke was simply using his expertise to find and correct inefficiencies. Nonetheless, several attendees accused Cooke's presentation as nothing more than anti-industry propaganda. One such attendee was R.T. Livingston, a Professor of Mechanical Engineering at Columbia University. Livingston accused Cooke of "[conveying]

¹⁹ Brown, *Electricity for Rural America*, 32.

²⁰U. S. Senate, Committee on Appropriations, 74th Congress, 2nd Sess., *Hearings, A Bill to Provide for Rural Electrification and for other Purposes*, pp. 9.

²¹ "Engineers Clash Over Power Costs." 1935. *New York Times (1923-Current File)*, Dec 06, 6.
<http://search.proquest.com/docview/101285941?accountid=10267>.

an erroneous impression.” He concluded, “It is propaganda... the paper itself does not warrant serious consideration... It is hardly possible to point out the many misstatements in the paper.” Cooke’s address made no mention of cooperatives; he simply argued that private companies could do better on rates. This simple proposition was met with a furious response awaiting the REA. It was a response that was only going to become more manic as Cooke’s REA became more and more of a reality.

The pre-REA National power environment was a story of two distinct worlds. While urban residents had almost universally forgotten the nuisance of the kerosene lamp, rural residents knew little else. Rural children were forced to do their homework by lamplight, which glowed an inconsistent orange. Reading by these lamps meant straining your eyes against the pages and often meant fighting over the one or two available lamps.²² Flush toilets, a fixture of urban America, were impossible to install without electricity to allow for water pressure. Without indoor plumbing, families bathed once a week, sharing the same water as they took turns bathing from oldest to youngest. Typhoid and other diseases ran rampant as the outhouse reigned supreme.²³ Furthermore, the inability to access electricity deprived farmers of not just indoor fixtures, but of appliances that would significantly reduce working hours. Making matters worse, the Depression hit American farmers especially hard. Farmers simply could not afford the upfront installation costs, let alone the high rates many companies charged. Finally, farmers by and large could not afford to purchase the appliances necessary to make electrification worthwhile. Meanwhile, urbanized areas of America benefitted from near ubiquitous electrification and all the good that came from it.

²² Brown, Clayton D., Smith, Ephraim K., and Walter Cronkite. 2008. *Power for the Parkinsos*. Fresno, CA: Heritage Productions, Inc.

²³ Ibid.

A handful of successful cases of rural electrification were found across the country in the form of member owned cooperatives. The Alcorn County Electricity Co-Op was one such example. Based in Mississippi, a state where only 1.5 percent of farmers had electricity and poverty ran rampant, the Alcorn Co-Op received loans from the Tennessee Valley Authority to begin offering services.²⁴ The farmers it served were not forced to pay the typical surcharge imposed on them from competing private utilities. The farmers' electricity needs were greater than those of urban consumers. Farms required lighting for multiple buildings and electricity to power heavy machinery. Alcorn County saw an influx of spending on appliances once the co-op started operating. Cooperative proponents were buoyed by the fact that solvency was not an issue, as 37 percent of the co-op's revenue was income. Early estimates were that it would take 12-14 years to pay back the TVA's loans; they were paid back in just over four years.²⁵ There were a handful of other successful co-ops nationally, but they were by and large poorly designed and suffered from organizational chaos.²⁶

Still, progressives saw these cooperatives as the solution to the rural electrification question. Prominent rural liberals, like Senator George Norris of Nebraska, had a distinct interest in rural electrification for their constituents. Norris had long been a proponent of public power, long ago giving up hope that private utilities would come through for rural Nebraskans. In 1925, Norris toured the Hydro-Electric Commission of Ontario, which had in 1908 created a vast network of locally owned power utilities. Norris proclaimed that Ontario was the most wonderful demonstration of the possibilities for the generation and

²⁴ Brown, *Electricity for Rural America*, 36.

²⁵ *Ibid.*, 37.

²⁶ *Ibid.*, 15.

distribution of electric current [that] had been given to the civilized world.”²⁷ American private utilities, in response to the positive attention the Ontario project received, distributed a newsletter, called the “Wyer pamphlet” in an attempt to undermine it. But it was too late; liberals had found their model.



Anticipation for rural electrification was widespread.²⁸

The Birth of the REA

The REA was created on May 11, 1935 when President Roosevelt issued Executive Order 7037. The order authorized \$100 million of the \$5 billion appropriated by Congress in the Emergency Relief Appropriation Act to go to rural electrification, administered by a Rural Electrification Administration. Roosevelt’s order also authorized the Administrator of the REA to “initiate, formulate, administer, and supervise a program of approved projects

²⁷ Brown, *Electricity for Rural America*, 17.

²⁸ <http://newdeal.feri.org/images/s34.gif>

with respect to the generation, transmission, and distribution of electric energy in rural areas.”²⁹ The order gave no specifics on what terms the money was to be given on, nor did it proscribe what the structure of the REA was to be, aside from the Administrator who would lead the agency. Roosevelt quickly, and unsurprisingly, appointed Morris Cooke to be the REA’s first Administrator. Cooke was essentially handed a \$100 million check, with little to no plan to speak of. He was flying by the seat of his pants, and everybody knew it.

Cooke knew a tremendous amount was at stake—rural electrification was his life’s work and this was his shot to do it right. On one hand, Cooke had the public power advocates who saw this as their opportunity to achieve their electrification agenda. On the other, he had private utilities that were concerned that they would be cheated out of any potential profit for rural electricity. The private utilities also worried that the public electrification push, if successful, might continue into the urban energy sector.³⁰ Cooke believed that rural electrification would be relatively easy to get off the ground. His belief in the principals of scientific management led him expect a supreme prudence from private utilities. He did not immediately agree with public power advocates about the supremacy of the cooperative model. He also did not agree that the money should simply be turned over to the private utilities. If anything, Cooke was a pragmatist. While industry opponents like Senator Norris mistrusted the private utilities, Cooke was cautiously optimistic about the rationality of the private utilities. He “assumed that the low cost construction loans offered by the REA would be readily snapped up by the private power companies.”³¹ Cooke believed that the Federal Government needed to have an active leadership role in

²⁹ "Franklin D. Roosevelt: Executive Order 7037 Establishing the Rural Electrification Administration.." The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=15057> (accessed April 10, 2013).

³⁰ Brown, *Electricity for Rural America*, 49.

³¹ 7 Stauter, Mark Cordell. “*The Rural Electrification Administration, 1935-1945 a New Deal case study.*” (PhD diss., Duke University, 1973), 7.

administering the funds and was unwilling to just turn the funds over, but did not foresee the private utilities objecting to reasonable oversight.³² Cooke's willingness to entertain private industry worried liberals that their dream of public power would die in Cooke's Hands.³³

Cooperative advocates, sensing their dream of public power slipping away, began a public campaign in opposition to the private utilities working with the REA. Judson King, the director of the National Popular Government League, a group of little impact outside of advocating for rural electrification, wrote a well-circulated newsletter titled, "Who Will Get the \$100,000,000 for Farm Electrification?" In it, he worried that the money appropriated to the REA might just go straight into the pockets of the private utilities. King wrote that if the money was to "be siphoned off into channels which can only serve to step up the revenues of private power utilities" then "the program of rural electrification probably will not be of very much value to the farmers" whom the REA was created to help.³⁴ He cautioned his liberal readers that the private utilities are "on hand in Washington" and trying their best to get the money. King believed that cooperatives, being in but not of capitalism, would be able to employ the self-reliance of Americans farmers in place of the unquenchable thirst for profits that plagued private industry.

In King's writing, he identifies the need for "rugged individualism and the pioneer spirit" in facilitating rural electrification, highlighting the belief that there was something special about American farmers' ability to band together for common benefit. At the time of

³² Brown, *Electricity for Rural America*, 49-50

³³ Ibid., 49

³⁴ Judson King, "Who Will Get the \$100,000,000 for Farm Electrification?" *National Popular Government League Bulletin no. 171* (April 25, 1935). P. 10.

the REA's founding, urbanization had been gaining steam for nearly a century, and with it the rise of factory labor and the reduction of work to the widget and the man-hour. Supporters of co-ops believed that by empowering farmers through cooperation they were not simply improving the agrarian lot, but also striking a blow for the old way of doing things. Echoing the yeomen farmer republican ideals of Thomas Jefferson, an REA agency report once noted that, "Something is lost when each citizen can be no more than a cog in society's great wheel."³⁵

King's note also sought to preempt the criticism he knew would swiftly come from any sort of public power push. King warned farmers to anticipate politicians and utility spokesmen deriding any move toward cooperatives as nothing more than "communism... destructive to the farmer's 'liberty.'" King predicted that if the money was given to private utilities it would be "praised as proper encouragement to business in helping recovery." King dismisses these categorizations offhand as nothing more than "ancient twaddle" that "need disturb no intelligent person." To King this was a simple equation: "the farmers need electricity and this is the only way thousands of them can get it at all."³⁶ Embodied in King's writings was the primary rationale for the use of cooperatives in rural electrification. There had been a market failure on the part of the private utilities, and cooperatives were the most prudent means of solving it. If private utilities had failed, King argued, why should the American people entrust them with the responsibility to right their own wrong? Public power advocates like King, who would later become a senior advisor to the REA, believed that electricity could only be brought to rural America through government-managed

³⁵ REA, *Annual Report*, 1947 (Washington 1947), 32.

³⁶ King, "Who Will Get the \$100,000,000?," 10

electricity cooperatives. King knew that his plan was not socialism, it was socially responsible capitalism, and he was prepared to defend it against any who argued otherwise.

Morris Cooke still needed to be convinced, he was not ready to abandon the private utilities. He had his \$100 million, but he needed a plan. Cooke, during his nomination hearings in May of 1935 before the Senate Appropriations Committee, outright dismissed the prospect of nationalization but remained skeptical of private utilities. He told the senators that the only people who wanted the Federal Government to do all the work itself were nothing more than a handful of “Extremists here in Washington.”³⁷ Cooke dismissed charges that he was an advocate for cooperatives and instead told the committee “we ought to give the industry every possible opportunity to do this themselves.”³⁸ Cooke emphasized time and again that he would pursue the most economically sensible path. Cooke was not swayed by arguments of Jeffersonian democratic ideals, he was a rationalist through and through.

As Cooke saw it, there were five options on the table to achieve rural electrification, each with an element of support behind it in Washington. The first was to simply turn the \$100 million “over to private companies.” The second was to do business through the state-owned municipal utility districts and have them extend their lines out to the countryside. Cooke’s third option was the one he expressed with the least amount of detail, doing “business through cooperatives.” The fourth was the favorite of the aforementioned “extremists” who wanted to facilitate rural electrification exclusively through government-owned lines. This was the only option that Cooke dismissed offhand, saying, “It is so far

³⁷ U.S. Senate, Committee on Appropriations, 74th Congress, 2nd Sess., *Hearings, A Bill to Provide for Rural Electrification and for other Purposes*, 13.

³⁸ *Ibid.*

removed from my own thoughts, that I have not thought out how it might be.”³⁹ Cooke’s preferred option was loans to private companies that would simply correct the market failure electricity executives had themselves created. He explained that since power companies supplied the overwhelming majority of power, and had the most expertise, we ought to aid them “in every possible way.”⁴⁰ However, he did not subscribe to the idea that simply turning over the \$100 million to the utilities would yield success. The private utilities needed to earn the money by offering rates and construction estimates that would prove economically feasible enough for both farmers to be served and profits to be had.

In front of the appropriations committee, Cooke introduced a metaphor for the current state of private rural electrification activity, “skimming the cream.” As Cooke saw it, the private utilities had been greedy, extending lines to the handful of farms that could afford their steep entry costs. In doing so they largely shunned the farmers whose accounts would not prove profitable immediately. Cooke saw this as akin to the process of skimming milk to sift out the richer cream. Cooke told the committee that he believes that the private utilities are ready to admit that they “have taken too much of the cream and not enough of the skimmed milk.” Cooke confidently predicted, “they are ready to go on out to distances that they have not been ready to go in the past.”⁴¹ After addressing a few more organizational stumbling blocks, Cooke wrapped up his testimony by expressing his anticipation for a meeting the following week with representatives from the private electricity industry. Cooke fully expected that meetings to yield an economically viable offer from the utilities, which would then begin an amenable period of rapid rural

³⁹ U.S. Senate, Committee on Appropriations, 74th Congress, 2nd Sess., *Hearings, A Bill to Provide for Rural Electrification and for other Purposes*, 12.

⁴⁰ *Ibid.*, 13.

⁴¹ *Ibid.*, 30.

electrification. For the task he envisioned, Cooke testified that he would need about 100 to 150 people employed at the REA.⁴²

Cooke's dreams almost immediately proved ill fated. The private utilities refused to offer a viable plan for rural electrification. Instead, they insisted on costs that would be untenable to the vast majority farmers. Building lines in the country required large amounts of work to be done in advance. Instead of preparing just a few city blocks of line, rural electrification required substantial investments in wire for even a few houses. To keep it cost effective, the work needed to be done in stages, with poles being set and then long spools of wire strung to connect them. Private utilities planned on doing the work piecemeal, as if they were connecting city blocks. Furthermore, private utilities were wary of how much poor farmers could spend on electricity. Private utilities estimated their building cost per mile would be \$1,356.⁴³ In comparison, REA cooperatives' building expenditures ended up costing around half of that.⁴⁴ Prior to the REA, private utilities required substantial down payments from the farmers, something few could afford, as a means of ensuring early profits. Cooke was wrong, the private utilities were perfectly content to continue skimming cream.

After several months of negotiations "it became apparent [to Cooke] that the utility industry would not borrow any substantial portion of the funds available for rural electrification."⁴⁵ Cooke had wrongly assumed "that the low cost construction loans offered by the REA would be readily snapped up by the private power companies, which already

⁴² Ibid., 28.

⁴³ Brown, *Electricity for Rural America*, 50.

⁴⁴ REA, *Annual Report*, 1947 (Washington 1947), 20.

⁴⁵ REA, *Annual Report*, 1937 (Washington 1937), 14.

held franchise in many of the nation's rural areas."⁴⁶ In the end, only four percent of REA loans went to private utilities in their first year of operation.⁴⁷ Cooke's "patient efforts" with the private utilities were ultimately fruitless.⁴⁸ Private utilities were perfectly content to ignore the fact that the average farmer's income was rising and that, even in areas with "some of the lowest levels of farm income," rural electrification was already proving tenable.⁴⁹ As far as they were concerned, their profits would not be high enough. Rural electrification just was not worth it.

Next Cooke turned to municipalities, with the hopes that they might be willing to extend their lines to rural communities. Again, he was left wanting. REA negotiators found that, by and large, "municipalities... lacked the authority to extend power lines into rural areas." The issue was that "few States had enacted legislation to make possible the distribution of electric energy to farm people through the operation of public bodies."⁵⁰ It was clear to Cooke that the municipalities had little interest in extending their lines into rural communities. After all, they had little to no profit motive and felt no obligation to the farming communities left untouched by electricity. For those reasons, municipalities can largely be excused for their unwillingness to extend their lines. There never appeared to be any real expectation on the part of the REA that municipalities would be willing to handle the increased load, but rather a hope that they would. The REA's leadership now knew that there was no hope of them of building on an existing utility or municipality's organizational

⁴⁶ Stauter, *"The Rural Electrification Administration."* 7.

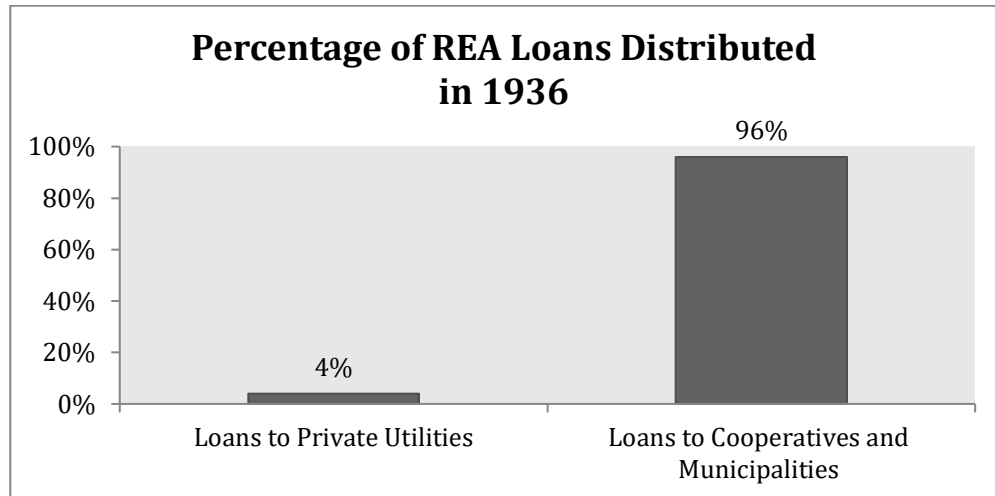
⁴⁷ McCraw, Thomas K. 1971. *TVA and the Power Fight, 1933-1939*. Philadelphia: Lippincott. 87.

⁴⁸ Ibid., 86.

⁴⁹ REA, "Memorandum for the Secretary," (May 20, 1941). Folder "Power 1-1 Rural Electrification Jan. 1 to June 26 (1 of 2)," Box 361, RG 16 Records of the Office of the Secretary of Agriculture. Gen. Corr., 1906-75. NARA.

⁵⁰ REA, *Annual Report, 1947* (Washington 1947), 12.

infrastructure. If they were going to get the job done, they were going to need to do it themselves.



McCraw, Thomas K. 1971. TVA and the Power Fight, 1933-1939. Philadelphia: Lippincott. 87.⁵¹



A worker adjusting electric meters before they are shipped to REA farms.⁵²

⁵¹ <http://www.loc.gov/pictures/item/owi2002050903/PP/>

Cooperatives are the Answer

Whether the REA would have ever considered socializing rural electricity is a question we will never know the answer to, but what is clear is that cooperatives were not the REA's first choice. Cooke, the free-marketer, would have been happy to work with the private utility industry. However, in late 1935 it became clear to Cooke that funding cooperatives, the plan public power advocates had been pushing for years, was the only tenable one forward for the REA to pursue.⁵² The selection of cooperatives for the task of rural electrification was not due to their inherent superiority to other utility providers. The REA would eventually use the rich history of farming cooperatives as well as the Jeffersonian agrarian ethic to justify the superiority of its rural cooperatives. But the fact remains that cooperatives were only selected after all other suitable options were considered. Had the private utility industry been willing to accept Cooke's terms, there would likely have been no attempt by the REA to facilitate the creation of electricity cooperatives. Once it selected cooperatives as the means by which it would complete its task, the REA was more than willing to evoke the rich tradition of democratic economic activity among America's farmers. While liberals like Judson King and George Norris argued this from the beginning, the architects of the REA only adopted this line of thinking after determining it was the most efficient path toward near-universal rural electrification.

As early as 1937, Cooke was publically stating that cooperatives were always the best answer to the rural electrification problem. He called member-owned cooperatives the

⁵² <http://www.loc.gov/pictures/item/owi2002050903/PP/>

⁵³ Brown, *Electricity for Rural America*, 47.

“oldest simplest way of doing business,” and argued that other economic models have become overly complicated with “middle men and agents” and “have added holding companies, and then more layers of holding companies piled on to phase, until in a number of cases they all tumbled down with disastrous effects.”⁵⁴ Cooke, at least in his writings, had fully joined the ranks of George Norris and Judson King.

The REA established a preliminary plan for the establishment of rural cooperatives. In order to address concerns about farmers’ finances, twenty-year loans would be given out at a 2.88 percent interest rate, for the entire cost of building electric distribution lines. The interest rate was set to the government’s cost of borrowing. Additionally, five-year loans were made available “to finance the wiring of the farmsteads and the installation of plumbing systems.”⁵⁵ The REA accepted applications from proposed cooperatives and examined the proposals for “economic and engineering feasibility.” Upon approval, REA would then aid “in perfecting an adequate organization both for construction and operation.” The REA connected its borrowers with engineers, contractors, and sources of power.” The REA would then “review construction plans and contracts,” and as work got off the ground help the cooperatives “with their problems of management and operation.”⁵⁶ Every step of a cooperative’s development was overseen by the REA. Among other responsibilities, the REA had to approve any management appointments the cooperatives made, audit their books, and facilitate the ordering of their supplies.⁵⁷

⁵⁴ *Rural Electrification News*, 1 (January – February 1936): 8.

⁵⁵ REA, *Annual Report*, 1937 (Washington 1937), 5.

⁵⁶ *Ibid.*

⁵⁷ REA, *Annual Report*, 1937 (Washington 1937), 12.

In order to establish the REA as an independent agency, Congress passed the Norris-Rayburn Act in 1936. In 1944, the Pace Act was passed, extending the amortization period to 35 years and fixing the interest rate at two percent.⁵⁸ This loosening of the borrowing terms was prompted by the good health of the REA's early cooperatives. Cooke's original vision of a federal loan-granting agency that only needed between 100-200 employees disappeared before his own eyes.

By 1937, the REA was up and running. It had accomplished very little until then, as it took considerable time to establish its strategy and begin distributing resources. The REA's typical project was composed of "Farmers who in most instances have had no previous cooperative experience except in marketing their milk or eggs."⁵⁹ The average cooperative required 250 miles of power lines, at a cost of \$230,000. It was composed of 800 member-customers, 600 of them farmers, taking up a space of over 300 square miles. The REA estimated that the average customer would buy \$1,000 worth of electricity at a rate averaging 1 cent to 1.25 cents per kilowatt-hour, per year. The cooperative's leadership consisted of one superintendent or manager, a bookkeeper, and a board of directors of seven to fifteen members, drawn from the membership.

The REA insisted on maintaining a substantial presence in its cooperatives. The REA liked to claim that it "[did] not directly manage projects. It only counseled in the management of projects as they get under way and work toward a self-sustaining basis."⁶⁰ In its 1947 Agency Report to Congress, the REA downplayed its responsibilities. REA

⁵⁸ Garwood, John D., and W. C. Tuthill. 1963. *The Rural Electrification Administration: an Evaluation*. Washington: Published and distributed by the American Enterprise Institute for Public Policy Research.71.

⁵⁹ REA, *Annual Report*, 1937 (Washington 1937), 12.

⁶⁰ *Ibid.*, 9.

cooperatives, according to the Report, were “independent, locally owned business enterprises” and as they matured they were “asked to work out independently a proportionally larger number of their own problems.”⁶¹ In reality, the national REA played enough of a role in their operations to merit qualifying the REA cooperatives as at the very least quasi-public. The REA may have believed that each cooperative’s leadership had the “primary responsibility for its success”, but they also knew that the failure of any cooperative would jeopardize the existence of their agency. REA readily admitted to taking certain responsibilities when it came to assisting cooperatives.

The REA bragged about being able to approve the appointment of superintendents, managers, and bookkeepers.⁶² Controlling the appointments served a dual purpose for the REA. First, it allowed them to vet the potential candidates for competence. Second, it fostered a relationship between the national REA office and the leadership of the cooperatives they were responsible for. The eventual amount of “guidance and assistance” the REA provided its cooperatives could “scarcely... be overemphasized.”⁶³ The REA established a management-training program in order to “assist borrowers in developing a sound concept of how their organizations can operate efficiently in providing high quality electric service.”⁶⁴ The REA knew that “in the majority of cases, the people who are responsible for the development of policy and the management of rural electric cooperatives have not had previous experience in the operation of electric systems”⁶⁵ and it did not want to risk their eventual success on a handful of untested executives. To this end, the REA developed a correspondence accounting course “to be used for training

⁶¹ REA, *Annual Report*, 1947 (Washington 1947), 13.

⁶² REA, *Annual Report*, 1937 (Washington 1937), 9.

⁶³ *Ibid.*, 7.

⁶⁴ *Ibid.*

⁶⁵ *Ibid.*

borrowers' personnel as well as REA personnel."⁶⁶ In North Dakota, "REA personnel provided instruction in a 3-weeks' summer course in household electrical equipment at the North Dakota State College of Agriculture."⁶⁷ REA representatives were always present at cooperative meetings and other official events. The REA might have been enthusiastic about the potential of its cooperatives, but it expended considerable effort making sure their leaders, and their cooperatives by extension, were as capable as possible.

Sometimes vulnerable cooperatives were seen as prey by private utilities hungry to undo the REA's development. When private companies failed to prevent the formation of a cooperative, in some cases, they would simply attempt to buy them out.⁶⁸ The REA knew it could not cede any of its hard-won turf. This was not just a matter of pride. If private companies were able to administer the lines, they would be able to undo the reductions in rates that cooperatives achieved for their members. The Craig-Botetourt Electric Cooperative in Virginia, founded in 1936, had considerable organization problems. "In 1940, the REA cited its bylaws for violating eleven principals of a good cooperative. The attendance at its annual meetings averaged fewer than thirty members... [and] it had poor relations with appliance dealers." A few years later "a nearby power company offered to buy the co-op for a half-million dollars." Almost immediately "REA field representatives got into the act and mobilized a publicity campaign against taking the offer." Their efforts proved successful when "a record crowd of seventeen hundred" showed up to defeat the

⁶⁶ REA, *Annual Report*, 1957 (Washington 1957), 14.

⁶⁷ REA, *Annual Report*, 1950 (Washington 1950), 50.

⁶⁸ Kline, Ronald R. 2000. *Consumers in the Country: Technology and Social Change in Rural America*. Baltimore, MD: Johns Hopkins University Press. 221.

takeover.⁶⁹ There were multiple occasions where the REA was forced to fight the acquisition of one of its cooperatives “by conducting... extensive educational campaigns.”⁷⁰

REA engineers were tasked with supervising the construction work on scores of projects and activities. REA engineering advancements reduced rural line costs to less than \$1,000 a mile. Before 1935, private utilities’ rural electrification costs ranged from \$1,500 to \$2,000 a mile. As early as 1937, the REA oversaw a series of projects where construction costs averaged to only \$850 a mile. In 1947 line costs fell further to around \$750 per mile.⁷¹ Engineers were able bring these costs down through a series of technological advancements and workflow improvements.⁷² Construction of materials was “put on a construction basis and decentralized,” in what the REA referred to as “battleship construction,” presumably because much of the line was constructed before being laid. The REA’s construction processes created design materials that were far more consistent than had ever been used before. The poles REA engineers ordered were “slim,” “strong,” and “uncluttered with [the] useless ‘hardware’ and gadgets,” typically affixed to private lines.⁷³ Span lengths were doubled, as conductors were given “steel reinforcement” instead of the “conventional copper and aluminum” utilized by private utilities.⁷⁴ Engineers were sent into the field to monitor the construction of the lines making sure best practices were constantly utilized. Much of the work done to improve construction costs was simple; it did not take any considerable technological breakthrough. The REA’s near immediate ability to bring the cost of lines down was not the result of any sort of miracle, just a wiliness to

⁶⁹ Ibid., 222.

⁷⁰ Ibid., 222.

⁷¹ REA, *Annual Report*, 1947 (Washington 1947), 20.

⁷² REA, *Annual Report*, 1937 (Washington 1937), 7.

⁷³ Ibid.

⁷⁴ Ibid.

innovate that had never been displayed prior. When the private utilities told Morris Cooke it would cost \$1,356 per mile to extend their lines to rural America, he rejected their proposal believing this to be way too high. The REA quickly proved that he had been right to do so.

REA engineers even developed their own appliances in an attempt to make electricity as beneficial to rural Americans as possible. In 1938, the REA announced the development of an electric cranberry bouncer. The engineers determined that a “good cranberry” bounces several inches, while a “spoiled one... will not bounce.”⁷⁵ The introduction of the bouncer allowed farmers to sift out bad cranberries quickly and efficiently, passing on savings to consumers. In 1939, the REA’s engineers worked with the Ontario Hydro-Electric Cooperative, the very same one Senator George Norris was so fond of, to develop a “simple and economical electric current meter” that “could be installed... at half the cost of the meter heretofore in use.”⁷⁶ The meter was considered such a breakthrough that President Roosevelt insisted on displaying it for reporters himself, making front-page news in the process. These meters were easy to read which, in addition to being cheaper, allowed for farmers to read their own meters. These new meters meant fewer in-person inspections by cooperative representatives, reducing the cost of meter reading from about 15 cents to 3 centers a month per meter.⁷⁷ In a further attempt to reduce costs, a low-cost transformer was developed specifically for farmers with very low incomes. At the cost of one dollar per month, these farmers could enjoy “electric lights and

⁷⁵ “REA Devises Cranberry Bouncer.” 1938. *New York Times* (1923-Current File), Aug 30, 19-19.

<http://search.proquest.com/docview/102443054?accountid=10267>.

⁷⁶ “Roosevelt shows Farmers how to Weed Out Meter Costs.” 1939. *The Washington Post* (1923-1954), Oct 25, 1-1.

<http://search.proquest.com/docview/151115740?accountid=10267>.

⁷⁷ REA, “Development of Equipment for Rural Lines and Rural People,” (March 26, 1940). Folder “Organ. 1 (REA),” Box 125, RG 16 Records of the Office of the Secretary of Agriculture. Gen. Corr., 1906-75. NARA.

small electrical appliances.”⁷⁸ In cases where it appeared that it would take a longer amount of time than expected to extend lines in some areas, REA planners “borrowed an idea from circus.” So as to not disappoint their customers, they brought in wheeled electric generators, typically used “for energizing ferris wheels [and] merry-go-rounds.”⁷⁹ Any idea that could help facilitate cheaper electricity was pursued; yielding technological advances that reverberated nationwide.

As cooperatives’ applications poured in, the private utility companies entered a two-year “preoccupation with rates,” which, according to the historian of Detroit Edison, “resulted in part from the policies of ... [the] REA which ‘startled the industry as a whole into self examination.’”⁸⁰ While very few REA projects were on the ground, private utilities had to begin lowering rates in an attempt to reach out to rural customers. This effort yielded the first positive uptick in rural electrification in nearly half a decade. However, the positive market response of the private utilities belied the vicious hostility to the REA and her cooperatives, already rearing its head.

The Relentless Opposition to the REA

From its first days, there was political opposition to the REA. The earliest resistance came in the form of “constant attacks from the private power companies” facilitated by “their Washington lobbies.”⁸¹ The political opposition to the REA was centered in “the

⁷⁸ Ibid.

⁷⁹ Special Correspondence, THE NEW YORK TIMES. 1937. “Tractors Carrying Power to Farms.” *New York Times (1923-Current File)*, May 23, 65. <http://search.proquest.com/docview/102211481?accountid=10267>.

⁸⁰ McCraw, *TVA and the Power Fight*, 74.

⁸¹ Stauter, “*The Rural Electrification Administration*.” 10.

industrial Northeast and Middle West.”⁸² This made sense considering that the rural areas of the country that had already been electrified were almost exclusively in the Northeast and Middle West. Rural congressmen in these two areas did not feel the same level of constituent pressure as their peers whose districts were still illuminated by the kerosene lamp. The pressure was not solely at the national level. Private utilities “spent a great deal of effort in urging state legislation restricting the new cooperatives, mostly through prohibitive taxation.”⁸³ Many private utility executives no doubt were skeptical of the feasibility of the cooperative plan. “Why not sit back and wait for the co-ops to crash and burn?” they surely thought. However, once the REA’s efforts began bearing fruit, private utilities began a well-orchestrated national plan to inhibit its growth. The publicity campaign against the REA was relentless, and continued into the late 1950s. For most of the first twenty-five years of the REA’s existence, it was faced with a private industry that had “considerable effort and money” and was determined to “influence public opinion” against the REA’s work. The vast majority of proposed REA projects “were attacked by a determined publicity campaign[s]” and were forced to fight for hearts and minds both locally and nationally.⁸⁴

“Crème skimming,” the strategic extension of lines only to the wealthiest rural farms, was adopted as the primary tactic private utilities used against any fledgling cooperative. Since REA regulations prevented cooperatives from establishing themselves in any area where a private utility was already operating, the private companies, upon hearing that a cooperative was forming, would extend their lines into the wealthiest parts

⁸² Stauter, “*The Rural Electrification Administration*.” 26-27.

⁸³ Ibid.

⁸⁴ REA, *Annual Report*, 1950 (Washington 1950), 20.

of the proposed cooperative. Without the initial financial strength of those farms, the establishment of the co-op became far more difficult. These became known as “spite lines” and were effective at hampering the early efforts of the REA and in some cases even destroyed prospective co-ops.⁸⁵ The REA’s second Administrator, John Carmody attested that, in 1937, spite lines had “seriously handicapped and even destroyed... a number of... projects.” In some cases, after learning that a cooperative planned to establish itself in an area, private utilities erected spite lines under the cover of darkness, so as to avoid detection by the local residents.⁸⁶ Even after World War II ended, the private utilities’ war against the REA continued, with spite line building and crème skimming picking up right where it left off.⁸⁷ The spite lines represented the most “fruitful maneuver” for the private utilities, but they were by no means the only means at their disposal.

In Texas, private utility salesmen went door to door telling potential cooperative members that government financed lines “were all a dream and would never be built.” They also warned if they were built the government would be able to seize their farms if the lines proved untenable, in exchange for the public investment.⁸⁸ These agents of the Texas Power and Light company also told farmers that all of their neighbors had “signed for power company service” when in fact “few or none” had. Their efforts convinced some prospective members to cancel their contracts with their cooperatives. T.P.&L. also went about erecting spite lines. T.P.&L. crews worked all night erecting lines neck and neck with

⁸⁵ REA, *Annual Report*, 1937 (Washington 1937), 13.

⁸⁶ Special Correspondence, THE NEW YORK TIMES. 1937. “Tractors Carrying Power to Farms.” *New York Times* (1923-Current File), May 23, 65. <http://search.proquest.com/docview/102211481?accountid=10267>.

⁸⁷ Kline, *Consumers in the Country*, 221.

⁸⁸ REA, “Memorandum for the Secretary,” (May 20, 1941). Folder “Power 1-1 Rural Electrification Jan. 1 to June 26 (1 of 2),” Box 361, RG 16 Records of the Office of the Secretary of Agriculture. Gen. Corr., 1906-75. NARA.

completed REA lines. In some places their lines were as close as two feet from each other. In total, five counties worth of projects were hampered by these efforts.⁸⁹

The private utilities did not like the idea of reducing their profits by offering competitive service, preferring instead to wage wars of attrition against the REA and her cooperatives.⁹⁰ Groups like the National Tax Equality Association (NTEA) popped up in opposition to the national cooperative movement. The leadership of the NTEA was made up of executives “facing competition from co-ops” and other pro-business advocates.⁹¹ The NTEA was created in response to the competition that the cooperatives brought to private companies. Their primary aim was to reduce the federal tax benefits cooperatives received. The NTEA lobbied ferociously “to create federal policies that punished farmers” for acting cooperatively.⁹²

The NTEA lobbied congress to alter the federal tax code in order to “eliminate any economic advantage farmers experienced through coops.”⁹³ Surpluses run by a cooperative were not taxed as profits, and could therefore be returned to their members in the form of lower costs. The NTEA was successful in changing the tax code with the passage of the Revenue Act of 1951, which required farmers to report cooperative returns as taxable income. However, the war on cooperatives continued. The NTEA even commissioned a film called “Citizen Dave Douglas,” which shows an average American citizen who “just paid his

⁸⁹ Ibid.

⁹⁰ Stockwell, “The Family Farm” p. 139.

⁹¹ Ibid., 137.

⁹² Ibid., 11.

⁹³ Ibid.

income taxes” only to become enraged when he found out that cooperatives “do not pay taxes.”⁹⁴

Private utility sponsored opposition to the REA popped up in communities almost as quickly as REA employees arrived in them. Newspaper advertisements deriding the REA were published in South Carolina after an REA loan was approved for a transmission facility.⁹⁵ These advertisements were part of a rich tradition of private utilities attempting to undermine any public power efforts. In 1930, The Middle West Utilities Company published an advertisement in the *Wall Street Journal* that tried to explain that the lack of rural power was due to “the limitations of farm electrification,” which it saw as “physical facts easily expressed in simple arithmetic.”⁹⁶ The company even touted its willingness to send a booklet titled “Harvests and Highlines” to any farmer who’d like to read it (by the dim light of a kerosene lamp, of course). In Virginia, “opposition appeared in the public press just prior to the State commission hearings.”⁹⁷ Letters were also mailed to the potential membership of rural cooperatives, oftentimes containing little more than private-power propaganda. College professors, on the dime of various private power companies, were dispatched to “inform” farmers of the impracticality of any sort of REA effort. Professors went door-to-door, speaking to any who would listen to them. One such professor traveled around Virginia “advising farmers against cooperatives, and advising

⁹⁴ Ibid., 161.

⁹⁵ REA, *Annual Report*, 1950 (Washington 1950), 20.

⁹⁶ *Wall Street Journal* (1923 - Current file); Sep 11, 1930; ProQuest Historical Newspapers: The Wall Street Journal (1889-1995) pg. 9

⁹⁷ REA, *Annual Report*, 1950 (Washington 1950), 20.

that they assist the power companies” instead of working with the REA.⁹⁸ As the years went on, the regularity of these anti-REA tactics increased.⁹⁹

The political opposition to the REA came largely from conservative elected officials who did not have a rural constituency to respond to. Congressmen like Michigan Republican Paul Shafer acted as friends of “business interests opposed to coops by charging coops with Communist association.” Shafer argued that “It [could] hardly be denied that this movement (cooperatives), carried to its logical conclusions, would play right into the hands of the Communists... There are known Communists who hold important positions in national cooperative associations.”¹⁰⁰ Schafer also argued that “Tax-exempt cooperatives today represent a threat to the solvency of our government, to our system of free enterprise, and, indeed, to our whole future as a representative republic.”¹⁰¹ Thomas D. Winter, a Republican Congressman from Kansas, accused the REA of trying to “seize control of a large segment of our, economic and political life.” To Winter, the REA was “teeming with Communists, fellow-travelers and bureaucrats who put political theory above... their country.”¹⁰²

The public relations campaign against REA became especially prevalent after World War II “because utility companies raised the specter of that venerable bogeyman, socialism, during the anticommunist fervor of the early cold war to combat the growth of the REA and

⁹⁸ Brown, *Electricity for Rural America*, 71.

⁹⁹ USDA, “Memorandum for the Secretary,” (February 19, 1941). Folder “Power 1-1 Rural Electrification Jan. 1 to June 26 (1 of 2),” Box 361, RG 16 Records of the Office of the Secretary of Agriculture. Gen. Corr., 1906-75. NARA.

¹⁰⁰ Stockwell, “The Family Farm”p. 144.

¹⁰¹ *Ibid.*, 145.

¹⁰² “The Reaction: Farmers Working Together or a Communist Plot?.” Washington Electric Coop.

<http://www.washingtonelectric.coop/about-wec/history/1940s/the-reaction/>. Citing the December 4, 1939 Brattleboro Reformer, also reprinted in the Montpelier Evening Argus.

other forms of public power.”¹⁰³ The REA acknowledged the attacks it faced in its 1947 Agency Report by quoting from an unnamed “businessmen’s publication” which had argued that, “Cooperatives are the mildest form of socialism.”¹⁰⁴ As late as 1950, REA cooperatives were forced to combat rampant smears by private utilities.

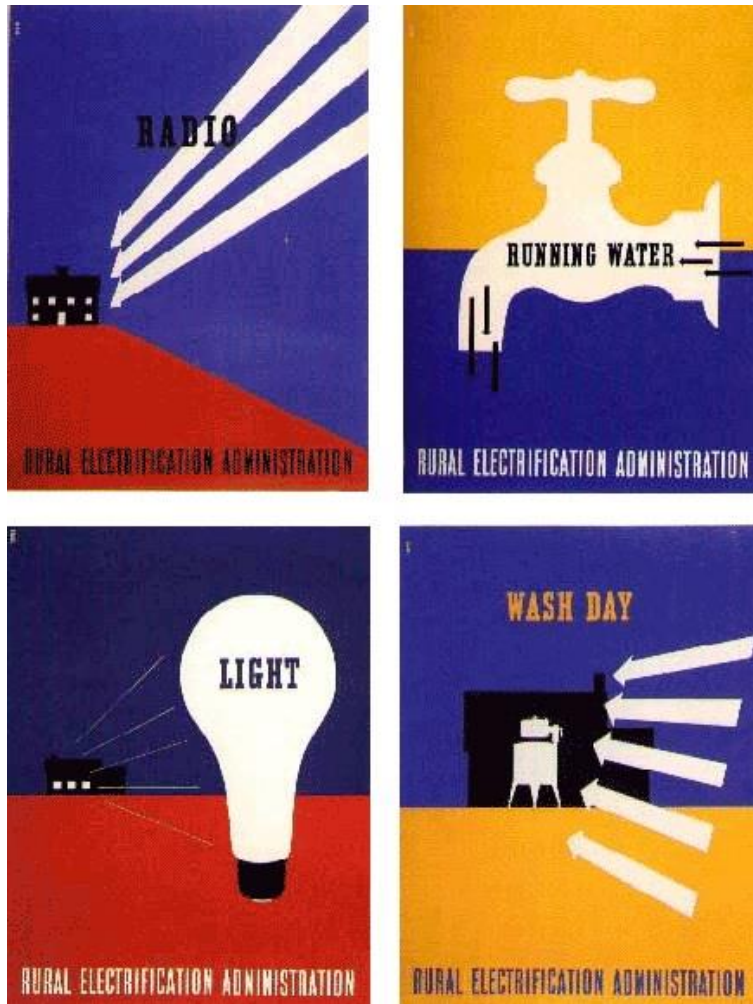
Carl Wild, the manager of a cooperative project in North Dakota, told a group of cooperative leaders that the private utilities attack on his cooperative were “continuously being spread through utility advertising in the press and over the radio,” fifteen years after the creation of the REA. The opposition claimed that co-ops were not “business-managed, tax-paying electric companies,” they were simply massive government subsidies.¹⁰⁵ Wild told how “utilities label rural electric co-ops as socialistic and un-American in an attempt to destroy public confidence and respect for the REA program.” Under the banner of “Misinformation Frequently Heard,” cooperatives leaders recounted the numerous challenges made to their organizations. They recalled being labeled as “a slick way to put the Government in business,” the “first step” toward Communism, the product of a “foreign idea brought over here a few years ago by a crowd of left-wingers,” operating “at the expense of taxpayers,” nothing more than a “Government subsidy”, and in violation of “the American tradition of business-managed enterprise.”¹⁰⁶ These fighting words were endemic of the mercilessness with which private utilities treated their adversaries – either real or imagined. If a national audience accepted the anti-REA narrative as correct, the REA’s opposition would likely have enough political firepower to bring it to its knees. The REA simply could not let the smears levied against it go unchecked.

¹⁰³ Kline, *Consumers in the Country*, 222.

¹⁰⁴ REA, *Annual Report, 1947* (Washington 1947), 27.

¹⁰⁵ Kline, *Consumers in the Country*, 222.

¹⁰⁶ *Ibid.*



Lester Beall's first series of graphic design posters for the REA won immediate acclaim.¹⁰⁷

Taking the Public Fight to Their Opposition

During the first twenty-five years of its existence, the REA engaged in a non-stop campaign of publicity and self-promotion. The majority of its efforts was geared toward its direct customers, rural Americans. Informational brochures, displays, radio broadcasts and commercials, television advertisement, filmstrips, and more were produced to disseminate the REA to Rural Americans. The REA also made a significant effort to ensure that all Americans were aware of its activities. In order to gain national popularity, the REA crafted

¹⁰⁷ Remington, R. Roger. 1996. *Lester Beall: Trailblazer of American Graphic Design*. New York: W.W. Norton.

promotional campaigns to market itself to the rest of the population and show how the program positively affects them as well.

The REA's exhaustive marketing efforts were an attempt to not only counter the attacks levied at it, but spread awareness of its potential for positive impact. By broadly marketing itself, the REA was able to operate in the same arena as the private utility companies it was forced to combat. While currently there is a broad stigma against government propaganda, when government agencies are legislatively required to compete with private industry they are put at a competitive disadvantage by their inability to vie in the battle for hearts and minds. The REA understood that it was in competition with private utility companies and that advertising, being the primary means by which private companies compete, was a necessity. The REA also labored vigorously to show its presence in the cooperatives it birthed. Its campaigns were not always successful and the REA did experience a good deal of rural backlash and apathy – far more than it ever let on. Yet, unlike many of its New Deal brethren, it endured long enough to accomplish the task for which it was set out.¹⁰⁸ It is unlikely the REA would have been able to do so without its broad marketing strategy.

There were two audiences that the REA needed to satisfy: potential rural customers of REA co-ops as well as Americans in general. The public image of the REA, as it related to both audiences, was put in the hands of its Information Services unit. Its first director, Marion L. Ramsay, came into his position having just published a book titled "Pyramids of Power." The book was an account of the battle over the Public Utility Holding Company Act

¹⁰⁸ Stauter, *"The Rural Electrification Administration."* vii.

of 1935, also known as the Wheeler-Rayburn Act.¹⁰⁹ The act restricted the ability of utility holding companies to operate in more than one state. In many ways, Wheeler-Rayburn served as the precursor to the fight over rural electrification.

From its inception, the REA maintained a relatively consistent messaging framework. There were three main points to communicate. One is that the REA's entire existence owed to the failure of private utilities. The second, that improving national economic conditions is that the primary aim of the REA. The third is an emphasis on the moral fortitude of farmers participating in cooperatives and by extension the correctness of the REA's work.^{110 111 112} These were by no means the only arguments promulgated by the REA, but they were by far the most consistent ones.¹¹³

¹⁰⁹ Ramsay, M. L. 1937. *Pyramids of Power; the Story of Roosevelt, Insull and the Utility Wars*. Indianapolis: Bobbs-Merrill Co.

¹¹⁰ *Rural Electrification News*, 1 (December 1935), 1-2; *Rural Electrification News*, 1 (May 1936), 3.

¹¹¹ Stauter, "The Rural Electrification Administration." 6.

¹¹² Stockwell, "The Family Farm," 11.

¹¹³ At different points in time, there were unique arguments that had to be made. For example, during World War II, the REA's detractors fruitlessly claimed that the REA was hoarding metal necessary for the war effort. See: Brown, *Electricity for Rural America*, 83.



Additional graphic posters designed by Lester Beall.¹¹⁴

Marketing to a Rural Audience

In order to spread its message to farmers, convince them to sign up for cooperatives, and combat member apathy the REA blanketed the countryside with advertisements, informational brochures, radio broadcasts and interviews by top REA officials, REA presentations at farmer or agricultural meetings, and REA traveling exhibits.^{115 116 117 118} Very simply, the REA refused to rest until every rural American knew who they were, what they did, and how they can help them improve their lives. One could easily fill a lengthy book chronicling the output of the REA messaging apparatus. REA funded materials ran the gamut from simple newsletters in the mid 1930s, to posters encouraging victory gardens in the 1940s, to television advertisements promoting their various cooperatives in the 1950s.^{119 120} There exist a few especially notable examples of REA advertising worth paying

¹¹⁴ http://www.moma.org/explore/inside_out/inside_out/wp-content/uploads/2012/03/combo3.jpg

¹¹⁵ *Rural Electrification News*, 1 (September 1936).

¹¹⁶ Kline, *Consumers in the Country*, 224.

¹¹⁷ Stauter, "The Rural Electrification Administration," 43; *Rural Electrification News*, 1 (November 1936), 3.

¹¹⁸ *Rural Electrification News*, 1 (August 1936), 23.

¹¹⁹ <http://www.loc.gov/pictures/item/99400959/>

attention to, but arguably the most important bit of advertising was the REA's decision to ensure that its name was included in the resources owned and produced by its various cooperatives. Cooperative building projects featured roadside signs that simply read "REA Cooperative," so all passersby would be aware of who was responsible for the newly-employed men working on the lines.¹²¹ Created by the REA in 1937 in Hayti, Missouri, the Pemiscot-Dunklin Electric Cooperative's headquarters featured the REA logo above, and in even larger font than, its own name. The Callaway Electric Cooperative, founded by the REA in 1936 in Callaway County, Missouri, plastered a large REA decal on the sides of all of their trucks.¹²² The Highline Electric Association of Holyoke, Colorado, created in 1938, featured a rather bland black letterhead on its official stationary, save for the bright red REA logo at the center of the page.¹²³ This policy of blanket visibility by the REA ensured that those who benefitted from its cooperatives knew who the ultimate authority was. Its presence on the ground extended far beyond storefronts and trucks. REA home economists, lawyers, engineers, management experts, and others were constantly in the field working with various cooperatives. Yet the REA's presence was far from the only means by which it marketed itself to both rural and urban Americans.

The REA also published a number of informational pamphlets with titles like "Wiring your Farm and Home" and "Rural Electrification on the March."¹²⁴ ¹²⁵ The former was a basic 11-page booklet, detailing simple instructions and guidelines for electrical wiring, ending with a list of over 200 uses for electricity. It also explained to farmers that

¹²⁰ Kline, *Consumers in the Country*, 249.

¹²¹ Smith, Ephraim K., and Walter Cronkite. 2008. *Power for the Parkinsons*. Fresno, CA: Heritage Productions, Inc.

¹²² Your Cooperative | callawayelectric.com. <http://www.callawayelectric.com/content/your-meter-0>

¹²³ Highline Electric Association, "Letter to the Administrator," (1944). Folder "Organization 1 Agricultural Department (REA)," Box 982, RG 16 Records of the Office of the Secretary of Agriculture, General Correspondence, 1906-75, NARA.

¹²⁴ United States. n.d. *Wiring Your Farm and Home*. N.p: U.S. Govt. Print. Off.].

¹²⁵ United States. 1938. *Rural Electrification on the March*. Washington, D.C.: Rural Electrification Administration.

the REA would provide them with loans of up to 80 percent of the cost of the job for wiring an entire area.¹²⁶ “Wiring your Farm and Home,” along with other purely educational publications, allowed the REA to spread important information regarding electrification while continuing to spread awareness of its supreme roll in the existence of any local rural electrification goings on.

The primary REA publication geared toward Rural America was *Rural Electrification News*, a monthly magazine purporting to accurately detail the actions and progress of the REA. In reality, *Rural Electrification News* was something of a cross between an appliance catalog and blatant propaganda for the REA. The first edition of the *Rural Electrification News* was published in September 1935 and reflected the relative infancy of the REA. The pictures and graphics that were staples of future issues of *Rural Electrification News* were nowhere to be seen. Instead the magazine featured a simple banner. The Electric Home and Farm Authority was given a great deal of attention in the first few issues. The EHFA was another government lending program, whose board of directors happened to be chaired by none other than Morris Cooke. Working alongside with the REA, the EHFA provided individual loans for farmers to purchase electrical appliances. Farmers would then repay the loans through their electricity bills. *Rural Electrification News* readers were told how the EHFA’s purview was expanded by executive order in order to work with the REA Nationally to promote the use of appliances in rural areas.¹²⁷ In later issues, *Rural Electrification News* included articles written by EHFA personnel. George D. Munger, the Commercial Manager of EHFA, penned an article entitled “EHFA: And How it Helps Buyers of Electrical Goods” which explained to readers how the self-supporting loans provided

¹²⁶ United States. n.d. *Wiring Your Farm and Home*. N.p: U.S. Govt. print. off. 12.

¹²⁷ *Rural Electrification News*, 1 (September 1935), 4-5.

would help “all groups concerned” with rural electrification – especially manufacturers. Future editions of *Rural Electrification News* would further highlight the danger of fire to farms lacking water pressure systems, explain that rural highway streetlights “could prevent half of night-driving accidents,” tell of newly electrified rural schoolhouses, and provide the reader with lists of “facts and fallacies” about the REA.^{128 129 130 131} There were frequently offers for the reader to request filmstrips from the REA to explain the benefits and specifics of the program.¹³² An early edition of the *Rural Electrification News* even featured a complaint card that was pre-addressed to Morris Cooke. The Administrator pledged to personally go over each and every complaint card. The card implied a level of accessibility one does not typically associate with government bureaucracy. Yet, it was apropos of an agency trying to market itself as more empathetic to the concerns of farmers than the villainous private utility companies, as well as directly responsible for the welfare of each cooperative member.

¹²⁸ *Rural Electrification News*, 2 (April 1937), 32; *Rural Electrification News*, 1 (January – February 1936).

¹²⁹ *Rural Electrification News*, 1 (March 1936).

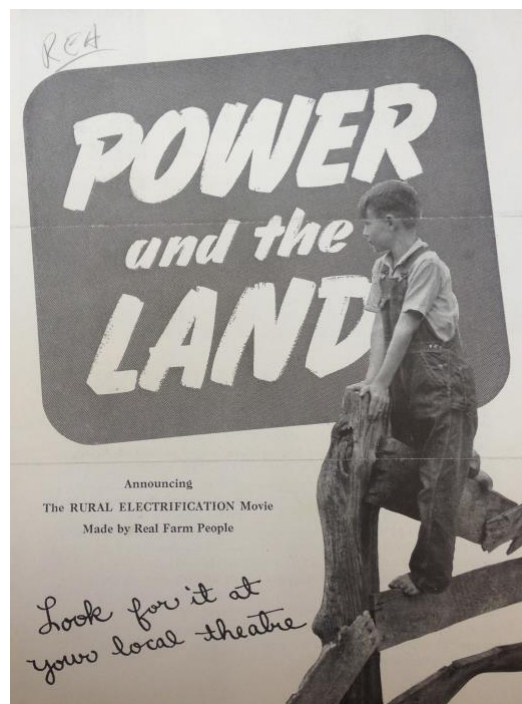
¹³⁰ *Rural Electrification News*, 2 (April 1937), 16-17.

¹³¹ *Rural Electrification News*, 1 (November 1936), 20.

¹³² *Rural Electrification News*, 1 (November 1936), back cover.



EHFA price tags were affixed to appliances that qualified for government loans.¹³³



A pamphlet distributed in advance of showings of Power and the Land.¹³⁴

¹³³ EHFA, "EHFA Price Tag," [1937-1938]. Folder "067.11," Box 15, RG 234 Records of the Reconstruction Finance Corporation. Electric Hone and Farm Authority, 1934-42. NARA.

¹³⁴ REA, "Power and the Land," (GPO, DC, [1940]). Folder "Rural Electrification Administration," Box 1688, RG 208 Office of War Information, NARA.

Marketing to a National Audience

In May of 1937, residents of New York City were treated to an exhibit set up by the Rural Electrification Administration in Rockefeller Center. Behind glass display cases were models of an electrified farm, with its modern conveniences. Also on display were facts and figures regarding the REA's design, successes, and future goals.¹³⁵ There was little to no REA activity in New York, including rural upstate New York. This was not Washington D.C.; there were no politicians whose votes needed swaying. The presence of the REA, so far from any of the direct actors relevant to its existence, made little sense. Yet, there was a purpose to the REA exhibit – to present the best possible image of the REA to all Americans. From its earliest days, the REA spent considerable energy not only ensuring that it was performing its duties as efficiently and effectively as possible, but also attempting to make sure every American was informed about its efficiency and effectiveness.

While the majority of REA marketing was directed toward rural America, its most spectacular production was most certainly not. *Power and the Land* was a feature film purporting to be a documentary. The REA commissioned Pare Lorentz's U.S. Film Service to tell the story of one rural family's procurement of electricity. The film was shown all over the country. The script was designed for a national audience who knew little of the REA's painstaking efforts to persuade farmers to join its cause. *Power and the Land* spoon-fed the REA's narrative about why it came to be, and how wildly successful it was, to the public. The official brochure for the production featured the slogan "Made by Real Farm People" on its cover, and everything about the presentation of the film was designed to make it feel

¹³⁵ *Rural Electrification News*, 2 (April 1937), 32.

that just that way.¹³⁶ To the national audience, the farmers in the film were marketed as symbolic of our national identity, industrious and self-reliant. Any connection the audience might draw between private utilities failing the farmers, and private industry failing America as a whole on the road to the Great Depression was just fine by the REA. Instead of addressing rural electrification in representative terms, the REA devised a strikingly simple storyline to sell itself to the American people.

The film follows two days in the life of Bill and Hazel Parkinson's family and their interactions with other local farmers. The first day depicts life on the Parkinson farm before electricity, and the second shows life with electricity. The Parkinsons lived in rural Ohio and were served by the Belmont Electric Cooperative. The official brochure, which was distributed to communities wherein the film was scheduled to play, described the Parkinsons and their neighbors as appearing in the film because they felt it "was their responsibility" to inform Americans "about rural electrification and the benefits it had brought to them." The brochure finishes its description by calling *Power and the Land* "honest" and "a very real picture of sturdy American farmers... behave[ing] before the camera just as they do in real life."¹³⁷

In reality, Bill Parkinson was reluctant to participate in the filming. His first concern was that the five dollars per day offered to him was far too low. His neighbors, the ones the brochure tells us felt that it was their "responsibility" to appear in the movie, called Parkinson a fool for agreeing to such a low fee. However, the director of the film, Joris Ivens convinced Parkinson that five dollars a day was the best he could do. After all, it was an REA job, and cheap distribution, not profits, was paramount. The second problem was that

¹³⁶ REA, "Power and the Land," (GPO, DC, [1940]). Folder "Rural Electrification Administration," Box 1688, RG 208 Office of War Information, NARA.

¹³⁷ Ibid.

the Parkinsons had only received electricity a few months prior to filming, and like most recent recipients of power, only had a few appliances and no indoor plumbing. In order to show the full potential of electrification, the REA arranged for numerous appliances, including indoor plumbing, to be installed. Indoor plumbing was especially expensive and required an additional bathroom built onto the house, as builders of pre-electrification farmhouses assumed that outhouses would bare that particular load. Bill Parkinson arranged for his family to keep many of the appliances once filming finished.

While the film was marketed as a “documentary,” it never really was. Instead, *Power and the Land* allowed Ivens to show “the social benefits of a government program.”¹³⁸ For his part, Lorentz, the director of the U.S. Film Service agreed to make the film partly because the REA “was developing a reputation as one of the best New Deal programs” and he wanted to see it succeed.¹³⁹ Ivens preferred to direct the subjects of his films in dramatic reenactments in lieu of filming their lives as they actually happened. This allowed him to “film the truth as he saw it.”¹⁴⁰ This approach meshed well with the Information Services unit who wanted to display the positives of rural electrification, while glossing over unfavorable realities like the typical two-year wait it took “to organize a cooperative, get the government loan, and install electric wiring and lines.”¹⁴¹

The film’s narration, written by Pulitzer Prize winner Stephan Vincent Benét (who the REA chose over John Steinbeck to write the script), was more than willing to editorialize at certain points as well. As the Parkinsons sit down to dinner at the end of the first day, we are told that even though their non-electrified lives are hard, “the things we

¹³⁸ Kline, *Consumers in the Country*, 192.

¹³⁹ Snyder, Robert L., Smith, Ephraim K., and Walter Cronkite. 2008. *Power for the Parkinsons*. Fresno, CA: Heritage Productions, Inc.

¹⁴⁰ Kline, *Consumers in the Country*, 192.

¹⁴¹ *Ibid.*, 194.

cherish most about America are here at this table.”¹⁴² This one specific glorification of the Parkinson family was emblematic of *Power and the Land* as a whole – a full-throated exclamation of the moral superiority of the American farmer. Another scene depicts Bill Parkinson and his neighbors in his field cutting stalks of corn. In a poetic cadence, the narrator sings “It’s the same job that we used to do// we built the 48 states that way// When we get together we’re hard to stop// we can raise the crop and harvest the crop// we can get the power and get the light.” Keep in mind; this was supposed to take place before any discussion of forming an electric cooperative had taken place, yet the narration is already equating the REA’s work as an extension of sacred American principles. The message was loud and clear: this is not socialism, this government-enabled democratic capitalism in its most American form.



*Farmers working together to make their lives better was a constant theme in Power and the Land.*¹⁴³

¹⁴² Ivens, Joris, Edwin Locke, William P. Adams, Fritz Mahler, and Douglas Moore. 1992. *Power and the Land*. Burbank, Calif: Discount Video Tape.

¹⁴³ Ibid.

Power and the Land went to great lengths to highlight the failings of the private utilities. Early on in the film, while depicting the hardship of the Parkinsons' non-electrically assisted farm labor, the narrator made a point of telling the audience that the reason there was no electricity available to them was that the "power companies want a profit." Because of the greed of the private utility, farmers across the country were "left in the dark," pun certainly intended. After a beat, the viewer is told Benét's opinion on the status quo, "seems wrong somehow" he tells us. Later on in the film, after the farmers have finished working together to cut the corn, they sit and discuss how much easier life would be with electricity. One farmer points out that their local private utility "won't do it," but that he's heard of a new source of power: "government." He tells the others that a new agency for "rural electrification" has been created, and they decide to have a town meeting to find out more about "government power, for our farms." At the town meeting, residents from all around gather to hear from an REA representative about the program. The residents hear a short synopsis of how the REA's cooperatives operate and are explicitly told that "there are no private investors, no profit making." After no real discussion, the townspeople decide to form the Belmont Electric Cooperative. The message is clear, private industry has failed these farmers and the government has come to their rescue.

The rest of the film shows a day in the Parkinson's newly electrified life. They perform many of the same tasks they did the day before, only this time they are completed with great ease. The second day serves as somewhat of a video catalog for a bevy of appliances. The film ends with the line, "The long day ends, things will be easier now," conveying to the viewer that the era of farm drudgery is being ushered out by the arrival of the REA and rural electrification—that a new era of rural life is beginning.

Power and the Land opened on August 31, 1940, in St. Clairsville, Ohio, in the theater nearest to the Parkinson's farm.¹⁴⁴ Never missing an opportunity to brand itself, a large banner reading "*Power and the Land: an REA Production*" hung outside the theater. In December, the film opened in New York and Washington, D.C.¹⁴⁵ It was a hit. Movie critics applauded Ives ability to produce "a quietly effective social documentary."¹⁴⁶ The National Board of Review of Motion Pictures awarded *Power and the Land* honorable mention as the second best documentary released in 1940.¹⁴⁷ The *New York Times* announced its New York premiere as the top event of its local events write up.¹⁴⁸ It received wide distribution thanks to a deal the REA signed with RKO Radio Pictures, one of the Big Five movie studios at the time. The deal stipulated that movie theaters did not have to pay RKO the fee typically charged in order to show a movie. Within a month of its release more than a thousand theaters booked *Power and the Land*.¹⁴⁹

There is no way of knowing the full impact of *Power and the Land*. What is known is that it was a wildly popular film designed to advertise the REA to not just rural audiences but a national audience as well.¹⁵⁰ The film was highly engineered to communicate to its audience the three main messages of the REA: its existence is due to the market failure brought on by private utilities' indolence, the REA was making the nation as a whole better, the actions of the farmers behind the fledgling cooperatives was not government overreaching, its was simply an extension of the time honored, self-supportive tradition of

¹⁴⁴ Kline, *Consumers in the Country*, 195.

¹⁴⁵ Ibid., 193.

¹⁴⁶ Ibid., 195

¹⁴⁷ "'Grapes of Wrath' is Deemed Best Picture of Year." 1940. *The Washington Post (1923-1954)*, Dec 23, 2-2. <http://search.proquest.com/docview/151253367?accountid=10267>.

¹⁴⁸ "Of Local Origin." 1940. *New York Times (1923-Current File)*, Dec 10, 33. <http://search.proquest.com/docview/105311260?accountid=10267>.

¹⁴⁹ Kline, *Consumers in the Country*, 195.

¹⁵⁰ U. "U.S. Film Unit Gives 3 'Hits,' but Loses Out." 1940. *The Washington Post (1923-1954)*, Mar 26, 21. <http://search.proquest.com/docview/151220135?accountid=10267>.

America's frontiersmen. Twenty years after it was released, *Power and the Land* "was still occasionally being shown" in theaters.¹⁵¹

Power and the Land served as the REA's most prolific display of national outreach, but it was by no means its only effort. The REA's Information unit made sure to keep the nation's attention on rural electrification by making a point of highlighting various humorous or outlandish stories that came across its desks. One such example appeared on the front page of the *Chicago Daily Tribune* in August 1938. The REA reported to the media that a rural woman complained to the agency that her new electric refrigerator "was making ice cubes too fast." Not understanding that the ice would stay frozen, she would take the trays of ice out and try to make use of them and then replaced the trays with fresh water.¹⁵²

Perhaps the most bizarre story publicized by the REA was on the lengths that J.D. Murphree, a farmer in New Port, Arkansas, went to secure electrical service for his house in 1947. His local cooperative had reportedly told Murphree that his house was "too far from the line to be served." Upon hearing the bad news, Murphree "returned home and put skids under his house, hitched a tractor to it, and moved the building half a mile," just close enough to receive service.¹⁵³ The story was published in newspapers across the country, and served as a powerful account of the rural desire for electrification.¹⁵⁴ The idea of a farmer would move his house, which one would imagine was built deliberately near his cattle or crops, half a mile away ought to draw the veracity of this story into question. As

¹⁵¹ Kline, *Consumers in the Country*, 248.

¹⁵² "Housewife Registers Kick; Refrigerator Too Speedy." 1938. *Chicago Daily Tribune* (1923-1963), Aug 28, 1-1. <http://search.proquest.com/docview/181932414?accountid=10267>.

¹⁵³ REA, *Annual Report*, 1947 (Washington 1947), 7.

¹⁵⁴ "Unable to Get Electric Wires Strung to Home, Moves House to Lines," 1947. *Niagara Falls Gazette*; June 5, 10.

we know, the REA was particularly good at crafting stories in order to create positive press for itself – whether or not the Murphree tale is true, it certainly made for a good story.

The REA's national advertising efforts even managed to make a splash in the art world. In 1937 and 1939, the REA commissioned avant-garde graphic designer Lester Beall to produce two series of "modern-art social-realism posters for the agency."¹⁵⁵ Beall's first posters were shown at the New York Museum of Modern Art, almost immediately after their release in November 1937.¹⁵⁶ The museum's director, Alfred H. Barr Jr., hailed them as "far more worthy of serious consideration as works of art than can usually be accorded official design," and went on to highlight the "boldness of symbolism" as one of the most distinguishing features of the posters.¹⁵⁷ The commissioning of Beall's avant-garde artwork was true to form for an agency that wanted to be on the very cusp of the national zeitgeist.

Since there were no national opinion polls measuring the REA's efforts to market itself to as wide an audience as possible, we can only rely on hints as to the success it garnered in the process. Reports of *Power and the Land* being popular nationwide, or of Lester Beall's posters gaining wide recognition, seem to corroborate the proposition that the REA enjoyed a great deal of publicity outside of just rural America. It is highly unlikely that it would have been able to achieve this popularity without a promotional campaign. Furthermore, absent its positive marketing the REA would have likely succumbed to the attacks made against it by its opponents. The constant negative messaging utilized against the REA could have easily convinced voters who had no experience with it, and knew

¹⁵⁵ Kline, *Consumers in the Country*, 189.

¹⁵⁶ Examples of Beall's posters can be found on pages 43 and 46.

¹⁵⁷ "Lester Beall and the Rural Electrification Administration." MoMA. www.moma.org/explore/inside_out/2012/03/22/lester-beall-and-the-rural-electrification-administration

nothing of its work. Through the work of its Information Services division, the REA never allowed it to come to that.

Below are images displaying the branding arranged by the REA at several of its cooperatives:



A truck belonging to the Callaway Electricity Cooperative in Fulton, Missouri features an REA logo on its door.¹⁵⁸

¹⁵⁸ "Your Cooperative | callawayelectric.com." callawayelectric.com. <http://www.callawayelectric.com/content/your-meter-0>



The office of the Vernon Electric Cooperative in Westby, Wisconsin featured an REA sign over its front door.¹⁵⁹



A truck belonging to the Southern Maryland Electricity Cooperative.¹⁶⁰

¹⁵⁹ The office of the Vernon Electric Cooperative in Westby, Wisconsin; Empowered by the Past: Red State Co-ops Go Green by Brooke Jarvis — YES! Magazine." YES! Magazine — Powerful Ideas, Practical Actions — YES! Magazine.

¹⁶⁰ <http://www.smeco.coop/images/truck.jpg>



The office of the Howard Electric Cooperative in Fayette, Missouri featured an REA banner on the side of its building.¹⁶¹



The office of the Pemiscot-Dunklin Electric Cooperative in Hayti, Missouri displayed its REA affiliation in larger letters than its own name.¹⁶²

¹⁶¹ <http://howardelectric.coopwebbuilder.com/sites/howardelectric.coopwebbuilder.com/files/page-images/oldoffice.jpg>



A Pemiscot-Dunklin Electric Cooperative truck, complete with REA door decal, erecting REA lines in Missouri.¹⁶³

REA as Socially Beneficial Economic Stimulus

On a bitterly cold January morning in Lebanon, Indiana, with “icy winds blowing across the Boone County flatlands,” 500 farmers gathered around a narrow hole dug five-feet deep into the frozen ground. Six months earlier, the Rural Electrification Administration had granted a \$567,926 loan to the Boone County Rural Electric Membership Cooperative (REMC). The REMC had spent the next six months “hiring employees, setting up an office, purchasing materials, and signing up members.” The

¹⁶² Hayti, Missouri. Member of the U.S. Rural Electrification Administration (REA) cooperative at the annual meeting. Rothstein, Arthur, 1915- photographer. Created/published: 1942 July. Library of Congress reproduction number: LC-USW3-006592-D DLC (b&w film neg.) Digital ID: (intermediary roll film) fsa 8d07508

¹⁶³ <http://lcweb2.loc.gov/service/pnp/fsa/8d07000/8d07400/8d07473v.jpg>

REMC's initial goal of energizing a modest 60 miles of line was starting that day. Morris Cooke dug the first shovelful of dirt and watched as workers placed the first "creosoted utility pole" in it. The event's observers moved into the Lebanon High School auditorium to watch a short play depicting the future benefits of electricity.¹⁶⁴ Following the play, Cooke rose to speak. Cooke's address attempted to explain the mission of the REA as socially beneficial economic stimulus. The REA called its work as geared toward both "social and economic advance." The REA's Annual Report for 1938 stressed, "The social responsibilities of the program... along with the need for 'comprehensive [economic] development.'" ¹⁶⁵ The REA's 1938 agency report stressed the demand for "comprehensive development" right alongside the "social responsibilities" of the national rural electrification process.¹⁶⁶ The REA, in this sense, always considered itself as a facilitator of socially beneficial capitalism.

In his speech, Cooke first addressed the local economic gains that will come from the REMC, telling the assembled farmers that "this co-op will mean employment for local artisans, laborers and clerks, increase in the business of local merchants; a market for the output of line material producers throughout the country."¹⁶⁷ He continued to explain the local economic benefits by emphasizing the increase in business local contractors will see, and how the "makers of wiring supplies will pay more wages and buy more material."¹⁶⁸ Furthermore, through the work done by EHFA, the purchase of appliances and equipment for the newly wired farms will benefit "hardware stores, plumbers, farm equipment dealers,

¹⁶⁴ Emily Schilling, *Power to the People, A History of Rural Electrification in Indiana*, 1985, 14-21.

¹⁶⁵ Garwood, Tuthill, "The Rural Electrification Administration," 39.

¹⁶⁶ REA's annual report for 1938 (P. 67), 39 AEI

¹⁶⁷ *Rural Electrification News*, 1 (January – February 1936): 7.

¹⁶⁸ Ibid.

electrical shops, and those who make the things they sell.”¹⁶⁹ Placing the REA firmly within the Keynesian framework of the time, Cooke claimed that for every dollar spent on building lines, three would be spent on wiring and appliances, predicated an influx of 600 local wiring jobs. The *Rural Electrification News* printed Cooke’s speech, allowing the Information Division to emphasize specific lines of the speech. Curiously they only chose two lines to italicize. The first was when Cooke noted that even though rural electrification was tremendously important to Boone County “*It means a lot more to workers and businessmen in practically every state in the Union.*”¹⁷⁰ While the local economic impact was clearly quite important to the designers of the REA, the ability to affect the national economic climate was paramount.

The Federal Government designed the REA very specifically with the intention of improving national economic conditions. Historians who have studied the early REA have accurately concluded that the early justification given for the program was centered on the “boost” it would provide largely through the building of “lengthy rural power lines.”¹⁷¹ In his Boone County speech, Cooke told the crowd that 70 percent of the REMC’s spending would go to “making business and pay[ing] wages across the county.” That Cooke was willing to tout the national economic benefits of the REA at the cost of informing the assembled crowd that only 30 percent of REMC spending will yield local stimulus is a remarkable testament to the national focus the REA had. He reemphasized that point by actually telling the crowd that the vast majority of the money spent would go to national

¹⁶⁹ Ibid.

¹⁷⁰ Ibid.

¹⁷¹ Stauter, “*The Rural Electrification Administration.*” 6.

“manufacturers, so that they can pay wages and buy more raw material.”¹⁷² Cooke predicted that 7,000 light bulbs will be purchased due to the REMC’s efforts, and “goodness knows” what else. Cooke tried to hammer the point home, shunting statistics and tugging at the farmers’ heartstrings by reminding them that because they are building these lines “people all over the country feel a little more prosperity returning and they buy more,” and slowly but surely happiness and economic prosperity will return.¹⁷³

Following the same messaging formula of the Information Services unit, who more likely than not wrote the speech for him, Cooke justifies the work of the REA because of the failure of private utilities to fulfill their responsibility to provide rural Americans with electricity. Labeling them “too slow,” and telling the farmers “therefore, you, yourselves, determined to undertake to get the electric service to which you are entitled.” Cooke emphasized the moral correctness of the farmers’ actions, saying, “I know of no more creditable undertaking.”¹⁷⁴ And for any who might be wavering, Cooke reminded them that they benefitted from the power of their numbers, they were no longer individuals forced to negotiate with the powerful utility companies on their own. Now, together, they have the “equality of opportunity, upon which this nation is founded.”¹⁷⁵ Cooke referenced Agriculture Secretary Henry Wallace’s terminology of cooperatives as “social discipline” to describe the moral advantage of farmer-managed businesses. Cooke liked that idea because it explains why farmers were better adept at coping with a temporary “loss of inconvenience” in exchange for the betterment of the group and their own benefit “in the long run.” This was a telling departure from the early designs of the REA as little more than

¹⁷² *Rural Electrification News*, 1 (January – February 1936): 7.

¹⁷³ *Ibid.*

¹⁷⁴ *Ibid.*

¹⁷⁵ *Ibid.*, 8

a lending agency for private utility companies. A few short years after hoping to lend primarily to private utilities, Cooke's advocacy for public power now knew no bounds. Cooke's speech ended with a description of what happens when a cooperative forms. He says it does not do so to try "*to get the greatest profit with the smallest risk,*" instead the purpose shifts "*to the much more constructive aim of taking electricity to just as many people as possible who can use it effectively and contribute to the success of the group effort.*"¹⁷⁶ Cooke's speech reflects his own personal understanding that the profit motive can no longer be trusted to garner what is most socially and economically desirable.

Cooke's speech covered some but not all of the economic aims of the REA. REA financed projects were designed to stimulate economic recovery across multiple industries. In its 1937 Agency Report, under the headline "Benefits of the Program," in large bold font the REA listed the established national economic benefits of the REA.¹⁷⁷

| Basic Industry | Benefits |
|--------------------------|--|
| Lumbering | One million trees "felled, trimmed, and treated" |
| Metals | 90 million "pounds of copper, aluminum, and steel required for the line conductors alone." |
| Employment | 16 million man-hours required for line erection and assembly on the job. Indirect labor is several times as great. |
| Transportation | 10 million car-miles used in bringing the finished materials to the job |
| Electrical Manufacturing | \$60 million of house-wiring equipment and electrical appliances in addition to line construction materials |

¹⁷⁶ Ibid. Original emphasis.

¹⁷⁷ REA, *Annual Report, 1937* (Washington 1937), 18.

The report quotes from F.A. Merrick, the President of the Westinghouse Electric & Manufacturing Co., who estimated that rural electrification would yield a one billion dollar economic stimulus over the coming decade in business between “line equipment, home and farm appliances, and machinery.” Due to its economic potential Merrick deemed rural electrification as ‘worthy... of unqualified support by anyone interested in America’s economic welfare.’”¹⁷⁸ It should serve as no surprise that manufactures of electrical appliances wanted the market for their products expanded to the countryside. The report also cites a National Resources Committee report that found that the “power demand” of rural electrification as constituting “the largest single undeveloped market for electric energy” in the country. The implication was clear, rural electrification, if it could be achieved, would represent a sorely needed economic boon for a country still reeling from the Great Depression.

The REA further highlighted the beneficial effect electricity will have on property values, transportation, and the general attraction of moving to rural America.¹⁷⁹ The REA gave a rough explanation of another one of the effects they expected to occur from their work. They argued that the demand for the fruits of farmers’ labor necessitated an increase in their productive capacity, one that could only be brought through electrification. In order to keep up with each other and stay competitive, all farmers would eventually need to electrify.¹⁸⁰ Evidence already existed for this reaction. Electricity use in 1937 was already

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ REA, *Annual Report, 1947* (Washington 1947), 17.

outpacing the estimated capacity beyond what the cooperatives reasonably expected farmers could use.¹⁸¹

A decade later, in the REA's 1947 Agency Report, the economic gains of rural electrification were made clear. A study by the Bureau of Agricultural Economics found that the average farmer had "shaved 1 minute from the production time for each gallon of milk and 2 minutes from each dozen eggs." To put this improvement in efficiency in perspective, in 1946, 4.6 million dozen eggs, and 13.9 billion gallons of milk were produced.¹⁸² Mobile pasteurizers at dairy farms and electrically heated brooders led the way to these efficiency improvements.¹⁸³ To emphasize how, a little over a decade after the first REA cooperatives began operating, the mission of the national REA leadership changed from funding to actually managing rural electrification the 1947 agency report spells out how "REA is continuing to sound out the special needs of rural people, to encourage research work and the manufacture and distribution of special equipment that meets these needs."¹⁸⁴ The REA was not simply approving loans; it was spurring technological innovation.

The REA's early goal of keeping construction costs low through "simplification and standardization" was an unmitigated success.¹⁸⁵ Having brought down labor and material costs from between \$1,500 to \$2,000 per mile to a far more manageable \$750 per mile.¹⁸⁶ The postwar REA was still concerned with bringing costs down, and achieving economic stimulus through rural electrification, but its tactics were broadening to a nearly unrecognizable degree. Home economists were dispatched across the country to

¹⁸¹ Ibid.

¹⁸² Ibid.

¹⁸³ Ibid.

¹⁸⁴ Ibid., 18-19.

¹⁸⁵ Ibid., 20

¹⁸⁶ Ibid.

demonstrate the newest technologies to co-op members. The REA worked closely with national manufacturers, sometimes even prompting complaints from appliance manufacturers who felt that the REA's advantageous position over them led forced them to accept frustratingly low profits.

In 1939, the *Chicago Tribune* reported on an REA letter, sent to electrical appliance manufacturers and dealers, announcing a ninety-day drive to obtain new customers. The plan was for voluntary workers to solicit appliance sales from rural customers. The REA wanted the appliance manufacturers to give the solicitors "special discounts of thirty-five to forty percent on the price of the appliances purchased." Only the solicitors would receive the discounts, as incentive for them to sell as many appliances as possible. The manufacturers apparently did not appreciate the REA's nudging, referring to the letter as part of a pattern on "badgering tactics" and part of a new style of "governmental interference with private business." It should be remembered that the REA only approached these manufacturers because the government was providing consumer loans to facilitate the purchase of their products as well as soliciting volunteers to sell their appliances for them. The complaints of the manufactures did not center on the idea that they would be losing too much money should the REA deal go though, but rather that the REA was further infringing on their ability to set prices. One can only imagine how frustrating it must have been for REA leaders to be so openly challenged by an industry benefitting so greatly from governmental action. However, distain for government action clouded the judgment of many in the early days of the REA. However, many manufacturers were more than happy to work with the REA. In Iowa, six manufactures co-sponsored a sixty-day sale of electric ranges. The ranges were sold at a remarkable 25 percent

discount.¹⁸⁷ The REA justified such a program by arguing that group-sales would lead to approximately 500 ranges being sold to the approximately 5,000 REA customers in the area. Such practices were common for the REA, whose Utilization Division worked tirelessly to ensure that energy usage was constantly maximized.

The Utilization Division's task, of attempting to maximize electrical usage further emphasized the desire of the REA to serve as an economic stimulus program. The REA's responsibility was rural electrification. Yet it spent considerable effort on trying to ensure the economic viability of its cooperatives. The larger the electrical load taken on by the cooperatives the higher its revenue, and the higher its revenue the faster the cooperative could pay back its loans.¹⁸⁸ The REA called the work done by Utilization "load building," literally building up the electrical supply, one appliance at a time.¹⁸⁹

¹⁸⁷ "Appliance Cuts by REA Expected to Spur Sales." 1939. *New York Times* (1923-Current File), Mar 19, 89. <http://search.proquest.com/docview/102977403?accountid=10267>.

¹⁸⁸ REA, *Annual Report*, 1937 (Washington 1937), 5-6.

¹⁸⁹ *Ibid.*



REA posters promoted the social benefit of universal rural electrification.¹⁹⁰

Area Coverage

As World War II raged on, the REA's economic mission shifted from trying to electrify only the farms that they believed could afford electricity to a focus on universal electrification. In 1944, the Pace Act made it a legislative requirement that the REA adopt a policy of area coverage, where every house in a geographic area, regardless of potential profitability, has lines extended to it. Before the war, the REA did not want for detractors claiming that its plans would never prove feasible. With several years of rural electrification under its belt, the agency felt it had accrued the requisite data to justify a policy of universal electrification. Less than one percent of borrowers were delinquent on

¹⁹⁰ <https://remagazine.cooperative.com/About/PastIssues/November2011/PublishingImages/PostWarBoom.jpg>

their loans, and it was clear to all that rural electrification was far from a losing proposition.¹⁹¹

Successful in a more limited rollout, the Pace Act aimed to extend electricity to every rural American – not just those “fortunately situated in the more densely populated sections of rural areas.”¹⁹² Area coverage was seen as the ultimate social responsibility of the REA, as it “serves all whom it is feasible to serve.”¹⁹³ Area coverage was made easier by the two other major provisions of the Pace Act. The interest rate on REA loans was set at a fixed two percent, and the repayment period extended to 35 years. While servicing the most sparsely populated rural areas would be a less profitable endeavor, they too were now deemed worthy of electrification. At the time the Pace Act was passed, only about 40 percent of farms had electricity. The REA decided to forego only pursuing the most potentially profitable projects and instead sought to ensure that electricity was available to all. Area coverage represented the economic ethos of the REA, capitalism for social benefit. Even the REA’s detractors at the American Enterprise Institute praised area coverage and referred to it as “the task for which REA was created.”¹⁹⁴ Had the previous years of electrification been rockier, with significant financial struggle on the part of the cooperatives, it is unlikely that area coverage would have ever come about.

Area coverage did not slow down the REA, or its cooperatives. After the metal rationing of World War II ended, the REA resumed its frenetic growth. In 1947, the REA

¹⁹¹ REA, *Annual Report*, 1950 (Washington 1950), Table 11.

¹⁹² REA, *Annual Report*, 1947 (Washington 1947), 4.

¹⁹³ *Rural Electrification News*, 1 (August 1936), 23.

¹⁹⁴ The authors of the AEI report largely praised the universal electrification achieved by the REA. They critiqued the favorable government loans as a subsidy, but did not argue that rural electrification would have been possible without governmental intervention. Their writing focused on the irrationality of the REA’s existence, a decade after near-universal electrification had been achieved, a topic outside the focus of this thesis. See: Garwood, Tuthill, “*The Rural Electrification Administration*,” 71.

reported that it had connected more customers that year than any before it, “on an area coverage basis for the first time.”¹⁹⁵ The REA relied on its cooperatives to carry out the area coverage legwork. With a network of fledgling cooperatives, all but a handful in existence for more than a few years, it could not have been an easy task to convince them to extend their lines out as far as possible.

Largely through the efforts of community volunteers, an unelectrified farm survey was performed by over 90 percent of REA borrowers by the end of 1947.¹⁹⁶ These studies served to identify “every rural establishment that might demand service,” their completion reflecting the seriousness with which REA cooperatives followed the REA national office’s directives, in addition to their on-the-ground motivators. Within a few years of the Pace Act’s passage, cooperatives were beginning to achieve their area coverage goals. By 1948, six Iowa cooperatives had already connected at least 90 percent of customers in their area.¹⁹⁷ These results were not necessarily typical of the 1,019 REA borrowers in 1947, but the rest were not far behind.

Once the Pace Act was passed, the REA’s economic agenda changed little except for scale. The pace of electrification continued, and by the mid-to-late 1950s, near universal rural electrification was achieved with over 95 percent of rural America electrified. So far, no economic studies have been performed measuring the effect of REA loans. Yet the health of the cooperatives created by the REA cannot be questioned. By 1959, the total amount of funds advanced by the REA was \$3,860,944,715, or about \$30 billion in 2012 dollars. Reflecting the health of the cooperatives in its care, only two borrowers – with combined

¹⁹⁵ REA, *Annual Report*, 1947 (Washington 1947), 4.

¹⁹⁶ *Ibid.*, 10-11.

¹⁹⁷ *Ibid.*, 10.

loans totaling \$100,877 – were delinquent more than 30 days.¹⁹⁸ The rest of the REA's loans were paid back, with interest. Of the 1,080 cooperatives that borrowed from the REA, 45 reported annual deficits in their net margins, at a total sum of \$864,516.¹⁹⁹ The total net worth of REA borrowers that same year came to \$515,193,679. Only two REA borrowers' debts were ever foreclosed on, at a total loss of \$44,478 to the government. These cooperatives, whose membership was made up entirely of rural Americans dismissed by private utilities and their allies, were able to accomplish what few believed they could. They established over a thousand highly profitable enterprises, which in turn spurred tremendous economic growth.

One needs only to learn that by 1959, there were a total of 4,654,000 customers of the REA to imagine the tremendous boon to manufacturing rural electrification served.²⁰⁰ Especially when one considers that each of these borrowers required wiring and plumbing services and no doubt purchased appliances for their homes and farms, not to mention the construction costs associated with extending lines to their homes, you can imagine the total economic impact of rural electrification.

Studies on the effect of rural electrification were performed, hinting at the economic benefit of the REA on the national appliance industry. Citing figures in *Electric Merchandising*, Harold Jons, of the REA Research Section reported that in 1936, there was already a 25 percent increase in spending on appliances.²⁰¹ In late 1936, the *Los Angeles Times* reported that a study in *Electrical World* found that the Southeast, an area

¹⁹⁸ REA, *Annual Report*, 1959 (Washington 1959), Table 7-8.

¹⁹⁹ *Ibid.*, Table 9.

²⁰⁰ *Ibid.*, 1.

²⁰¹ *Rural Electrification News*, 1 (June 1936). 5.

populated by the typical REA demographic, showed “the largest gain in average consumption of electricity” anywhere in the country.²⁰² Later in 1936, writing in *Rural Electrification News*, Morris Cooke made it clear that cooperatives must use “first class materials” in order to ensure that electrical appliances would work properly, and allow for “possible future expansion” so as to accommodate future appliances.²⁰³ In 1949, a study by the Edison Electric Institute found that rural electrification opened up a market to appliance manufacturers estimated at \$750 million for that year alone. The study concluded that there was an average retail market for appliances of around \$150 per customer.²⁰⁴

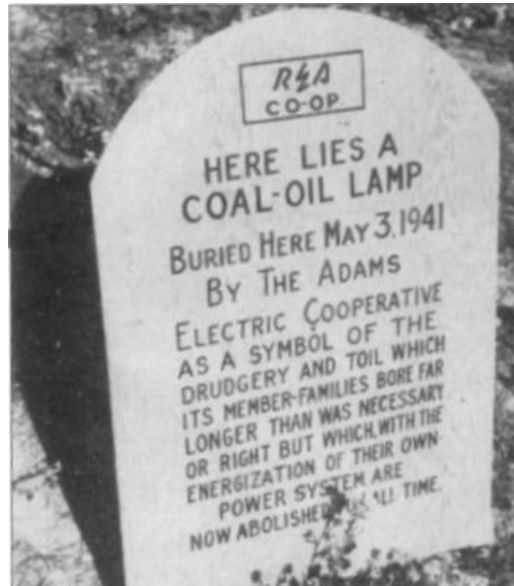
From its beginning, the REA’s policies blended social welfare and economic development. Providing the numerous social benefits and conveniences associated with electricity was a primary aim of the REA. With electricity came indoor plumbing and refrigeration, greatly improving the sanitary and health conditions of farms. Pressurized water systems gave farmers the ability to put out fires before they could burn out of control. Rural Americans no longer needed to stand in front of a roaring gas stove all day, with the arrival of the electric range. Quite simply, electricity meant that American farmers could finally be brought into the 20th century with the rest of their countrymen. Electric lights meant that farmers no longer had to rely on the dim-orange glow of the kerosene lamp. The Adams Electric Cooperative’s members were so excited to be rid of the dreaded lamp that they held a mock funeral for it, tombstone and all. On its face proclaims “Here lies a coal-oil lamp. Buried here as a symbol of the drudgery and toil” the farmers were forced to endure

²⁰² “Sales of Electric Appliances Jump.” 1936. *Los Angeles Times* (1923-Current File), Sep 20, 21-21. <http://search.proquest.com/docview/164700330?accountid=10267>.

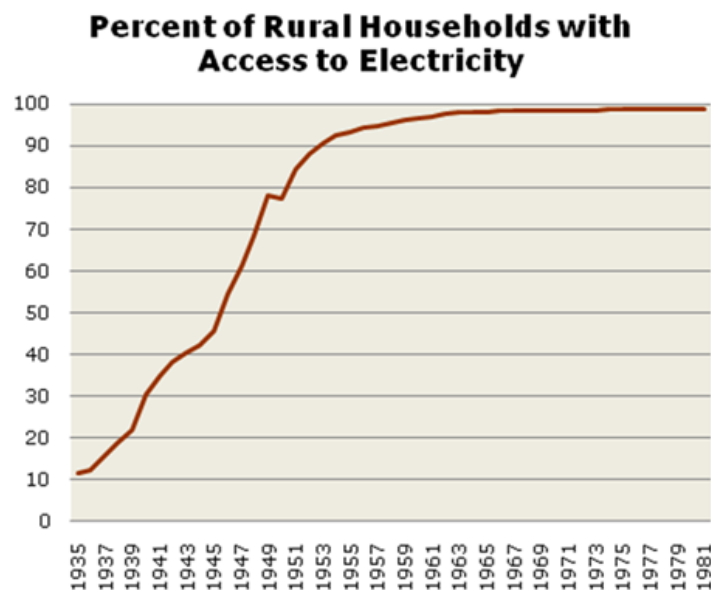
²⁰³ *Rural Electrification News*, 1 (August 1936), 23.

²⁰⁴ “Electrified Farms Push Appliances.” 1949. *New York Times* (1923-Current File), Oct 29, 21-21. <http://search.proquest.com/docview/105628731?accountid=10267>.

for “longer than was necessary or right.”²⁰⁵ Of course, chiseled distinctly into the top of the tombstone, is a simple logo reading “REA Co-op.”



The ceremonial tombstone erected by the Adams Electric Cooperative celebrating the demise of the kerosene lamp.²⁰⁶



USDA figures on the progress of rural electrification.²⁰⁷

²⁰⁵ Brown, *Electricity for Rural America*, 70.

²⁰⁶ <http://www.rurdev.usda.gov/rbs/pub/jan99/1960p21.GIF>

Conclusion

When asked to recall the New Deal, many think of an era defined by strikingly direct government action. Agencies like the CCC and WPA, which directly employed Americans in government jobs, are remembered as symbolic of President Roosevelt's agenda. Not so for the REA, an agency that as early as the 1970s was largely forgotten by historians and political scientists. Given today's political environment it is the REA who serves as the New Deal era's best model for government intervention. Direct government employment and other extreme forms of government market intervention are unlikely propositions in today's America. In place of these interventionist policies has risen a submerged state, whose work is performed through an increasingly complex tax code, and whose benefits are not even recognized by those who receive them.

The Rural Electrification Administration's success has been largely mistaken by history as evidence that its task was simple. The REA's struggles to survive were numerous and onerous. There is no evidence that when, in 1937, *Business Week* predicted that the REA was "doomed to failure," it was speaking from anything other than a consensus viewpoint.²⁰⁸ However, the REA prevailed. What was originally conceived as a means of simulating private line construction, with little to no market intrusion necessary, rose to become a behemoth when the private utility industry's asking price was deemed too high.

²⁰⁷ U.S. Department of Agriculture. Rural Electrification Administration. "Brief History of the Rural Electrification and Telephone Programs," April 18, 1982 (accessed at <http://rurdev.usda.gov/rd/70th/rea-history.pdf>). Cited by: http://che.nelson.wisc.edu/cool_stuff/energy/grid.shtml.

²⁰⁸ "USDA Marks 70th Anniversary of Landmark Rural Legislation." United States Department of Agriculture. www.rurdev.usda.gov/rbs/pub/jul05/70th.htm

The REA then had to fight to exist. Opponents launched waves of negative advertising. They denounced the REA as socialism, communism, un-American, and untenable. It met their criticism in kind, with a relentless promotional campaign. Fiscal conservatives refused to believe that the private utility industry had missed a market failure as big as the broad side of five million barns. They were wrong. The federal government intervened, and did so with a focus and fiscal seriousness far surpassing their private competitors. The REA ensured its loans were not going to those with the saddest stories, but to those whose business models ensured that the loans would be paid back. From day one, the REA fought tooth and nail to ensure that its job would be done right. When the private utility industry said it would cost more than Morris Cooke believed it would to efficiently build lines, the REA went at it alone. When the private utility industry built spite lines to try to cripple cooperatives before they began, the REA refused to turn back. The REA was attacked at every turn, and each time it did what it needed to do to fight back. Its leaders knew that their job was too important to be felled by misinformation and corporate greed. The history of the REA is not one of government triumphing over capitalism; it is a history of capitalism triumphing over private indolence.

The REA saw to the creation of over one thousand rural cooperatives and by 1959 had provided nearly four billion dollars in loans.²⁰⁹ For fiscal year 1959, electric borrowers' payments to the REA totaled over \$144 million, of which over \$45 million was interest. Only two borrowers were in arrears more than 30 days at the end of the year. Twenty-five years after its creation, the REA's borrowers were serving five million farms and

²⁰⁹ REA, *Annual Report, 1959* (Washington 1959), 12.

purchasing more than 22 billion kilowatt hours of electricity every year.²¹⁰ For every farm electrified, equipment was purchased and production increased. For every farmhouse electrified, appliances made life more convenient. For every project, electricians and plumbers were given work. In each of the industries profiting from rural electrification, workers were hired and materials purchased. For every person who benefitted from the improved health and safety that came with electricity, life was made more enjoyable.

In this modern age, where government market intervention is seen by many as some new sort of five-year plan, there is much to learn from the REA's first twenty-five years of practical, socially beneficial, market intervention. Government agencies that compete with even the most lethargic private corporations can always expect to be attacked by fiscal conservatives. Leaving the American people to research the pros and cons of a government program and expecting them to come to an accurate conclusion is a recipe for disaster in today's political climate. One need look no further than the example of Obamacare, a moderate and principally conservative attempt by the government to further regulate the health care market. According to a poll by the Kaiser Foundation, 42 percent of Americans are unaware that Obamacare remains the law of the land.²¹¹ Forget evaluating the pros and cons of it, Americans are unaware Obamacare even exists – the largest government benefit legislation since the Great Society does not exist in the minds of nearly half the country. Government's ability to market itself, as the armed forces are allowed to do, ought to be a top priority for those who advocate for the social benefits of public action. In order to begin to undo the negative image effect of maintaining a submerged state, the

²¹⁰ REA, *Annual Report*, 1959 (Washington 1959), 16.

²¹¹ "'Obamacare' Poll Finds 42% of Americans Unaware It's Law - ABC News." ABCNews.com - Breaking News, Latest News & Top Video News - ABC News. <http://abcnews.go.com/blogs/politics/2013/04/obamacare-poll-finds-42-of-americans-unaware-its-law/>

government must be willing to poke its head up and market itself to the average Americans. After all it is their support and participation that will determine whether or not the program exists. The bravado of the REA serves as an excellent model for our relatively spineless government of today.

The REA's history serves as a direct challenge to what many believe to be true about free market capitalism. Private industry, left to its own devices, failed to seize an opportunity to bring electricity to rural America. In its place stepped the federal government. It was the state that was able to efficiently allocate capital and resources and it was the state that made the wise investments. Private companies reacted not by trying to innovate and develop rural electrification systems that could compete with REA cooperatives, but by building spite lines and engaging in defamatory public relations campaigns. In 1935, only a handful of people thought rural electrification possible. Only a few years later, it was reality. The federal government determined that rural electrification held significant enough social and economic benefit as to merit action on its part and then designed a program to facilitate it in a financially responsible way. Then the government defended its work against all who derided it. Looking toward today's need for low interest loans for urban agriculture, redevelopment projects in poverty-stricken areas, green electricity, or even self-driving cars, the history of the REA ought to fundamentally shift the way we perceive the government's proper role in efficiently allocating capital for the greater benefit of society. The REA should forever remind us just how quickly the supposedly impossible can become the obviously inevitable.

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