Tennessee Valley Authority

Roosevelt began laying the groundwork for swift action on his own agenda. The federal dam building projects he outlined in his Portland campaign speech, with their promise of jobs, were among his priorities, and he invited Senator Norris to join him on a January 21 visit to Muscle Shoals. In brief remarks nearby, he repeated his promise to develop the power of the river to assist the poorest region in the nation. At the dam site, watching most of the Tennessee River's water rushing unused down the Wilson Dam spillways, Roosevelt called Norris over to his car and said, "This ought to be a happy day for you, George." According to *New York Times* reporter James Hagerty, Norris replied with tears in his eyes, "It is, Mr. President. I see my dreams come true."

. . . . That evening, speaking extemporaneously at the state capitol in Montgomery, [Roosevelt] made it clear that his vision was national. "Muscle Shoals gives us the opportunity to accomplish a great purpose for ... the whole Union. Because there we have an opportunity of ... tying in industry and agriculture and forestry and flood prevention ... into a unified whole."

While people in the region responded favorably to his message, critics were unmoved. The *Washington Post* contended there was no justification "in this period of hard times" to "waste still more of the taxpayers' money on this futile project," and Republican Congressman Joseph Martin of Massachusetts said, "Painting rainbows is always a delightful and inspirational pastime."

A week after his inauguration, Roosevelt asked Norris to introduce a bill to create the Tennessee Valley Authority (TVA). He agreed with Norris that TVA should have the authority to construct additional dams and reservoirs on the Tennessee and its tributaries, adding to the power generated at Muscle Shoals, as well as government transmission lines to allow the sale of power directly to municipal utilities and other large consumers. He wanted a public power "yardstick" that would allow people to measure the expected lower rates for power against private rates, as he had promised in his Portland speech. During a working dinner at the White House Norris asked him, "What are you going to say when they ask you the political philosophy behind the TVA?" Roosevelt replied, "I'll tell them it's neither fish nor fowl, but whatever it is, it will taste awfully good to the people of the Tennessee Valley."

In a soaring message to Congress on April 10, he asked for "legislation to create … a corporation clothed with the power of Government but possessed of the flexibility and initiative of a private enterprise." Describing the dam at Muscle Shoals as "but a small part of the potential usefulness of the entire Tennessee River," he emphasized that "Such use … transcends mere power development; it enters the wide fields of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands, and distribution and diversification of industry." While national planning would have been a bridge too far, regional planning to alleviate poverty and unemployment was not. A proposal to build government

power plants for the sole purpose of replacing private power might not win Congressional approval or pass muster with the Supreme Court, but power production in conjunction with flood control and navigation would probably be acceptable.

Chairman John McSwain of the House Military Affairs Committee held hearings and invited witnesses from both sides. Willkie, the leadoff witness for the utilities, sought common ground with the committee. He acknowledged that the public did not think highly of the utility industry and added, grinning, “I know you gentlemen will not take this amiss; but, frankly, I think Congress is in the same boat with us. It is not very popular.”

He praised “the magnificent development plan for the Tennessee Valley” and said the industry had “heard with gratification that President Roosevelt has no desire to impair the investments already in the valley, and we don’t believe the protection of our investments would impair that development.”

. . . . He quickly zeroed in on the major threat—government-owned transmission lines that would allow TVA to sell power directly to current C&S customers. To “take our markets is to take our property,” he argued. Instead, government-generated power should be sold to private utilities for delivery.

In January 1934 [Director Lilienthal] and other TVA officials met with several farmers and businessmen in the rear of Will McPeters’ furniture store in Corinth, the seat of Alcorn County, in the hill country of Northeast Mississippi. Mississippi Power operated a small, inefficient power plant there that served fewer than a hundred households and under one percent of the county’s farms. The agriculture-based economy of the county had been devastated by low cotton prices, its banks had closed, and most farmers cashed their checks and received limited credit at department stores.

The community leaders who met with Lilienthal that morning organized the first electric cooperative in TVA territory. The member-owned Alcorn County Electric Power Cooperative received a charter from the state on January 17 and then, with one of the first such loans from the PWA, bought the Corinth power plant that TVA had purchased from Mississippi Power. On June 1 the co-op signed a contract to buy wholesale power from TVA. Rates were immediately reduced to half of what Mississippi Power had been charging, and within a year the co-op had repaid half of its debt. TVA also began construction of rural distribution lines, mostly short extensions from the town at first, which the co-op agreed to buy over time.

Hookups to the lines began slowly. D.F. Wright, whose job was to sign up new members, recalled, “People were very skeptical at first, having never heard of an electrical co-op. They didn’t believe we could keep the rates low for very long.” Some were also “really scared of electricity; they thought lightning would strike if their house was wired.” These fears soon faded, however, and another early employee of the co-op, Joe Brawner, said, “It was the greatest thing in the

whole business, bringing electricity to those people. We wired the houses, brought out the appliances, put in the meter, with the families crowded around waiting. When the first switch was turned on, they literally cried and shouted with joy." Alcorn County would become a model for a national rural electrification program.

[I]n February 1936 the Court issued a surprising decision in the *Ashwander* challenge to TVA. An 8-1 majority ruled that TVA had the right to acquire transmission lines to sell surplus power from Wilson Dam and compete in the market. Hughes wrote for the majority: "Certainly, the Alabama Power Company had no constitutional right to insist that it shall be the sole purchaser of the energy generated at Wilson Dam; that the energy shall be sold to it or go to waste."

Justice James McReynolds, a virulent racist and anti-Semite who refused to sit next to Justice Brandeis and so hated Roosevelt that he vowed "never [to] resign as long as that crippled son-of-a-bitch is in the White House," captured the conservative opposition to TVA in his lonely dissent: "We should consider the truth of the petitioners' charge that, while pretending to act within their powers to improve navigation, the United Sates, through corporate agencies, are really seeking to accomplish what they have no right to undertake—the business of developing, distributing, and selling electric power." Hughes drafted his majority opinion narrowly and did not consider this charge. "We express no opinion … as to the status of any other dam … or as to the validity of the Tennessee Valley Authority Act…." This kept the other three conservative justices from joining McReynolds. It also limited the scope of TVA's victory, leaving the door open for a future constitutional challenge.

In August 1939, at a ceremony at the First National Bank in New York, Lilienthal presented Willkie with a check from the federal government. A jovial Willkie said for the newsreel cameras, "Thanks, Dave. This is a lot of money for a couple of Indiana farmers to be kicking around." But off camera his bitterness came through. In a press release he said, "We sell these properties with regret. We do so because we could not stay in business against this subsidized government competition…. This sale does not represent the true value of this investment…." Lilienthal responded in kind. "(Willkie's) statement does violence to the fact recognized in all quarters that the terms of the settlement with Commonwealth and Southern were eminently fair…." SEC Chairman Douglas agreed, but Lilienthal would not have liked his reason: "At the SEC, we always thought Willkie outsmarted David Lilienthal."

While investment by private utilities was sluggish, the federal dams were starting to make a difference. TVA more than doubled its power production from 1938 to 1939, from 766 to 1,723 million kilowatt hours, and Bonneville Dam, which only started commercial power sales in 1938, reached 35 million kilowatt

hours in 1939. This growth would continue apace and would become crucial to the buildup of military power as America's entry into World War II loomed.

TVA was building nine more dams and a coal-fired plant by 1943, and by 1945 it doubled its pre-war capacity and tripled its production to 11.9 billion kilowatt hours, eventually generating ten percent of the power produced for war purposes and making it the largest integrated system in the country. Its rapid wartime buildup vindicated the 1936 *Ashwander* decision, which cited the war powers clause of the Constitution and the national defense origins of the Wilson Dam at Muscle Shoals in upholding TVA's right to sell and transmit power in competition with private utilities.