

FDR's TVA Provides a Model for Development

By Nancy Spannaus

April 10, 2018—If one had to pick one project initiated by President Franklin Delano Roosevelt (FDR) in his first 100 days which has had the most lasting success, the choice would clearly be the Tennessee Valley Authority (TVA). FDR announced his intention to procure legislation for the TVA on April 10, 1933 with these words:

I, therefore, suggest to the Congress legislation to create a Tennessee Valley Authority, a corporation clothed with the power of Government but possessed of the flexibility and initiative of a private enterprise. It should be charged with the broadest duty of planning for the proper use, conservation and development of the natural resources of the Tennessee River drainage basin and its adjoining territory for the general social and economic welfare of the Nation. This Authority should also be clothed with the necessary power to carry these plans into effect. Its duty should be the rehabilitation of the Muscle Shoals development and the coordination of it with the wider plan.

Muscle Shoals was a hydroelectric dam/nitrates project that had been begun in the period of the First World War, but never completed. But to FDR and his collaborators, primarily Republican Sen. George Norris from Nebraska, this one dam project would be the starting point for the in-depth development of an entire 7-state region which was riddled with poverty, malaria, and constant devastation by flooding. That region—the watershed of the Tennessee River—was destined to be a model of regional development copied the world over.



FDR signs the legislation creating the Tennessee Valley Authority (TVA)

Congress passed the [TVA legislation](#) on May 18, and work began immediately, aided by the other employment programs (the Civilian Conservation Corps, the Works Progress Administration, etc.) which FDR's New Deal put into effect, as well as the Reconstruction Finance Corporation. Step by step, the TVA transformed this region and its population through a network of hydro-electric dams; provision of cheap electricity; resettlement in new housing; establishing fertilizer plants and other industries; and making available a wide swath of essential services such as libraries, agricultural experts, medical services, and the like. Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia all benefited enormously from this project.

As FDR envisioned, the TVA was a government-owned and financed corporation, but run like a private corporation with its own board. Federal appropriations ended in 1959, but throughout its existence, the TVA has produced revenue from sales of electricity and fertilizer, in particular. In 2014, the TVA [completed](#) payment of what it called the \$1 billion original taxpayer investment in the utility. Overall, the TVA has paid \$3.6 billion to the Federal government, and continues to do so at the rate of \$7 million a year. It has a statutory debt ceiling of \$30 billion which it is paying down.

The attempt by private utilities to have the TVA—which was undercutting them by providing cheap electricity—declared unconstitutional, was defeated by a Supreme Court ruling in February of 1936.

The American System in Action

The TVA's approach reflects [American System](#) thinking at its best. The project called for in-depth investment in the land, physical infrastructure, and the people, with the aim of improving their well-being and productivity over decades. The “pay-off” was not to be measured in dollars and cents (although the TVA eventually could do so), but in the upgrading of a region's ability to provide not only for itself but for the nation as a whole. This intention was fully vindicated through the TVA region's contribution to the World War II effort, through the nuclear facilities at Oak Ridge and the electricity-intensive aluminum production, in particular.



The Watts Bar nuclear plant run by the TVA.

A detailed report on the TVA's remarkable transformation of the Tennessee Valley is available [here](#) under the History section of this blog.

The funding model of the TVA need not be copied today. As Alexander [Hamilton](#) pointed out in his *Report on Manufactures*, the current Federal government debt can be turned into bonds which will serve as a capital base for a bank which can fund just such major projects (in high-speed transportation, waterways, etc.) today. A revenue stream to service that debt will have to be provided, but over time, as in the case of the

TVA, the debt will be “extinguished” through the productive results of the project itself. A proposal for just such a [funding mechanism](#) is already circulating on Capitol Hill.

The short-sighted (or incompetent) in Congress and the Administration are still trying to destroy the TVA today, despite its resounding success. How about turning the tables? We should call for more TVAs, based on a vision of a fusion-power-based society which will provide a new culture of science-based prosperity for all. And collaborate with others around the world to accomplish the same.

Widget not in any sidebars