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Principal Contents

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An Unbridged Chasm to Cross. Dr. Isaiah Bowman, President of Johns Hopkins University, has, besides rare scholarship, the heart of an explorer, the curiosity of a geologist, the imagination of a geographer and the mind of a statesman. Among his many books are these titles: *American Democracy, Geography in Relation to the Social Sciences, Design for Scholarship,* and *International Relations.* He was editor and part author of *Human Geography.* The unbridged chasm which is the subject of this essay is that which lies between the world of science and the world of political reality.

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The Camel's Back. Dr. Walter E. Spahr presides over the Economists' National Committee on Monetary Policy and edits its monthly bulletin, *Monetary Notes,* which is without mercy for monetary fallacies.

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American Affairs is a quarterly journal of thought and opinion. In that character it is obliged to touch many subjects that by nature are controversial. Its pages are intentionally open to views and ideas that provoke debate. By printing them the National Industrial Conference Board does not endorse them; it undertakes only to acknowledge the integrity of the contributors and the good faith of their work.

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American Affairs

GARET GARRETT, *Editor*

JULY, 1946

VOL. VIII, NO. 3

Review and Comment

By the Editor

In thirty-four months we have built up new instruments of public power. In the hands of the peoples' government this power is wholesome and proper. But in the hands of political puppets, such power would provide shackles for the liberty of the people.

We have demanded of many citizens that they surrender certain licenses to do as they please.

It is to the eternal credit of the American people that this tremendous readjustment of our national life is being accomplished peacefully.

We cannot go back to the old order.

—The words of President Roosevelt.

THAT is a bad moment when the revolution bares its teeth to its own children. They are at first bewildered and hurt. They can hardly believe it. Who are they—the children? In Europe, where this is an old and repetitive story, they are the workers and peasants. In order to establish its own power the revolution must win their allegiance. The workers are won over by holding out to them the idea that they have only to rise, take possession of the tools, and all will be theirs, including the sweetness of revenge; to the peasant it holds out the promise of land, unencumbered of the landlord. Then in a little while it turns out that the state owns the tools and the land both, and toil continues as before. Only now it may be commanded, not by economic necessity, but by authority, and the right to strike against authority is denied. Here the story is new and unfinished. We do not like to think of workers as a caste and the word peasant we have never known. We speak instead of labor and agriculture, or of the wage earner and the farmer. The necessities of the revolution were nevertheless the same. It had to have to begin with the enthusiastic support of both. It won labor by a gift of power—power over the boss. Agriculture was bribed with public funds. The avowed purpose was to redistribute the national income in favor of these two classes, the wage earner and the farmer. They were better off immediately. Their share of the national income was increased. Could the wage earner have believed then that ten years later the President of the United States would be proposing compulsory labor under military duress as a method of ending a strike? Could he have believed that he would be saved from a law of that kind only because the employer—that is to say, the boss—reacted against it with an inborn American sense of its dangerous meaning? *The Wall Street Journal* said: "Power in the executive to draft strikers into the army, even though only those who refuse to work in industries and services that have been seized by the government, outrages every American conception of the place of the citizen in the state. . . . The only means by which it could be enforced is the firing squad." In the ecstasy of receiving his first machine-made checks from the United States Treasury could the farmer have believed that ten years later he would hear an official of the government saying, "The way to get from the farmer the wheat he won't sell is to go and take it." The moment passed. Labor was not drafted. No wheat was actually seized; the worst that happened was that in Chicago the compliance branch of the Department of Agriculture's Production and Marketing Administration issued a warning to farmers that if they refused to sell one half of their wheat at the government's price they would be subject to a fine of $10,000, or to the penalty of one year in jail, or both. Nevertheless, we have seen the teeth. They are still there. They are named. One is *seizure* and one is *compulsion,* and unless they are extracted we shall see them again. They will not grow away.

BY AN act of seizure to end a strike the government now is in possession of the soft coal mines. Having nothing to lose but the taxpayers' money, the government is an easy and generous

boss. To induce the miners to return to work it made a better bargain with them than the private boss was willing to make. And so, as it always is at first, the miners are better off. Have they lost anything? Is this benefit of government without price? Suppose now they should want to strike. Are they free to do it? If they refused to mine the coal on the government's terms they would be striking against the government. Note how the language changes. Formerly if the miners refused to mine coal one could say, when it became very serious, that they were striking *against society,* but even that was an intellectual abstraction. Most people thought of it simply as an economic struggle in which the consumer was getting hurt, and public opinion turning strongly one way or the other would presently end it, because neither side could afford to go too far. But now when that same kind of struggle reaches a certain point the President announces that it begins to assume the character of a *strike against the government,* and that is a very different thing. Thus little by little we become accustomed first to the words and semantic tones and then to the experimental acts of authoritarian government, commanding obedience. For another while we get our coal and our week-end trips to the seashore—and almost unawares we get also the habit of saying, "Let the government do it."

REGARD the strike of the soft coal miners in perspective. Long before the situation had become critical it was evident that the principle of collective bargaining had broken down. Why? Because the government had set the pattern of direct intervention in economic disputes. It was equally evident that the government's own substitute for collective bargaining had broken down. That substitute was fact finding. Everybody knew that when the crisis came the government would take over the mines. It was necessary beforehand, however, to make of John L. Lewis the image of reckless labor leadership drunk with power. What were the three simple facts? First, the miners broke no law. Second, they broke no contract. Third, they committed no violence. Certainly no thoughtful person could look at these facts without being upon notice that the book had not opened there. It opened, in fact, eleven years ago when the revolution passed a law deliberately intended to foreshorten the economic power of one class and to increase at the same time the power of another. Simply, by law, there was a transfer of economic power from those who pay wages to those who receive wages—on the ground that in the practice of collective bargaining the power of organized labor had been inferior to that of the employer. Besides granting organized labor a monopolistic power—the power to say who should and should not work and on what terms—the law conferred upon it also the privileges and immunities necessary to implement the monopoly, such as complete immunity from the antitrust laws and from the laws against extortion and conspiracy, in so far as acts of extortion and conspiracy might be connected with a labor dispute. Now, what will any class do with a grant of power? What would labor do with it? Was it not expected to exercise it? Did the government not set up a National Labor Relations Board expressly to assist labor to exercise it? Did not the government's labor policy actively favor compulsory unionism?

FOR ALL that has happened since, you may draw a simple diagram. When the government has intervened in the economic affair to make an arbitrary transfer of power from one economic class to another, and when in the course of time that power begins to be exercised in a manner that is intolerable, as of course it will be, then what will the government do? Will it redistribute the power, or part of it, back to where it was? Not so. If organized labor seems to have too much power, the government will not restore the balance by taking part of it away from labor and giving it back to the employer. That is not politically feasible nor is it in the nature of government. Whatever power government takes from labor it will take to itself. That is what now is happening. Every law that is proposed to touch the labor-management relationship with hope to improve it aims to increase the power and authority of government. This will continue no doubt until some kind of temporary equilibrium is found, with both labor and management less and less free to make their own bargains and to settle their own disputes.

AFTER ALL ITS gifts to social and economic progress and its contributions to a higher civilization, it seems almost incredible that it should be necessary to document the advantages of individual freedom as the agency responsible for this accomplishment. Apparently this was taking too much for granted. If one seeks for the underlying cause of the questions about it, amounting almost to rejection of its benefits, he

can hardly fail to trace it to the propagandizing of its destructive counterpart, the craving for an unattainable equality.

When the zealots of the French Revolution made their bid for a "new order," they inscribed upon their banners, "Liberty, Equality and Fraternity." The blood that flowed from the guillotine soon made a mockery of the fraternity aspiration, and the reason is not far to seek. The explanation is to be found in the flood of hatred proceeding from the egalitarian frenzy.

So, notwithstanding the manifold bestowals of individual freedom since the tumbrels of Robespierre were emptied of their last victims, those who have set their sights for the acquisition of political power have been engaged in the unceasing effort to exploit and magnify the disparities proceeding out of social inequalities to build up their instruments of power.

Individual enterprise, with its honest and steadfast adherence to the sanctity of contract between man and man, has been belittled and smeared as inefficient and inadequate for the larger needs of mankind. In spite of the fact that through production it has multiplied the energies of men, expanded the gratuitous gifts of Nature, and through the distribution of its benefits has raised living standards to a level hitherto unknown, it has been declared weighed in the balance and found wanting, to be superseded by the Omnipotent State.

The News

ONE of our gifts to the world is an emphasis on freedom of communications, meaning by that freedom of the reporter to report the news from everywhere with no editing of it by the political censor's blue pencil. We hold ourselves up to be the historic example. We have it. Our free institutions are founded upon the doctrine that you have only to give the people light and they will make the right decisions. But is it so simple? The innocent assumption is that the news will be neutral, as of course above all else it ought to be, since it is through the news that we see the world and see ourselves, and by the news that we form our opinions and judgments. The fact is that a great deal of the news we read is not neutral. A great deal of it is written by the American Newspaper Guild, and the American Newspaper Guild, besides being a CIO union, has become an active partisan political organization. At its thirteenth annual convention in Scranton it adopted a resolution calling for "full voluntary participation by local Guilds" in the work of the CIO-Political Action Committee, and a permanent Guild-PAC Committee was created; and then in a series of resolutions it took the CIO line on various subjects of a controversial character, including legislation pending in Congress. It resolved further to spend $120,000 in the next year on organizational work, particularly designed to increase its influence in Atlanta, New Orleans, Newark, Cincinnati and Kansas City.

How much of the news that appears in American newspapers is Guild written nobody can really say. Each newspaper knows its own Guild members, of course, but whether it likes it or not it is helpless because under the law no writers may be dismissed because they belong to the Guild. But it is impossible for the newspaper editor himself to know how much of the news he receives from the press associations and the news agencies is Guild written; and a press association or a news agency is in the same case as a newspaper. Once its writing staff is organized no member may be dismissed because he belongs to the Guild. One who had been dismissed for that reason would go immediately to the National Labor Relations Board on the ground that he had been fired because of his union activities and the law would uphold him. Members of the Guild now number 24,799 and they have 207 contracts with newspapers and press associations. They are not all writers because as a rule the Guild local covers both the editorial and the commercial departments of a newspaper.

The Guild is openly and militantly pro-labor and leftist in general, but not Communist. Nevertheless, Communist infiltration has become notorious. Neil MacNeil, Assistant Managing Editor of *The New York Times*, recently said:

> "While they (the Communists) have made trouble for Americans in all spheres of influence, their most disturbing activities are in communications. They have placed cells in the press, the news agencies, the news syndicates, the book publishing houses, the national magazines, the radio chains and the motion picture industry. Thus they try to control the flow of information to the American public. . . . They have been successful in substantial measure, and when they have been completely successful, which is possible, they will be able to create the kind of public opinion they need to foist a Communist regime upon the United States.

So it is that more and more of the news we read is written by men whose loyalties are divided. First, and the more numerous, are those who are divided between their loyalty to the CIO as a political organization and, on the other hand, their loyalty to the journalistic tradition of neutral reporting. As for the Communists, their loyalty is to an alien thing. And the wicked fact

about it is that as you read the news you cannot tell what has been done to it. By a trick of emphasis, by subtle selection, by the turn of a phrase or by some slight omission, the news may be distorted. Any clever reporter can do it. He can make a man absurd without actually misquoting him or a subject ridiculous without actually misprinting the facts. That is one of the arts of the craft.

News is no longer the jealous, cynical mistress she was when the first qualification of a fine reporter was that he should have no politics, when Washington reporters lived in caves and avoided dinner jackets and made as few friends as possible because friendships sewed them up, and when one of the great newspapers moved its foreign correspondents once every two years to keep them from becoming too friendly with their sources of information. All of that tradition is fading, and the result is that where a generation ago the list of great newspapers was formidable and news was a power in itself you would not be able today to name in the whole world five examples of superb journalism. To understand it clearly you have only to imagine what it would mean to you and how your perceptions would be affected if all writers of news about government, politics and labor were obliged to sign it in a way to disclose their affiliations, as for example, "John Jones, CIO," or "Staff Correspondent, CIO-PAC," or "Johnny Doakes, CP." And, for that matter, why not?

The Osmotic Phrase

A NEWS dispatch has said the new Yugoslav Federation will have "a planned economy based on private initiative." A quaint cosmogony of ancient times represented the world to be based upon an elephant; the elephant was based upon a turtle, and for a long time people did not wonder what supported the turtle. Another news dispatch quoted the acting head of the Commonwealth Cabinet as saying that Australia will "nationalize any industry or service with which the government has to compete." There is a phrase that might have a career—the government must nationalize what it has to compete with. But there is an even more subtle phrase that may come into vogue, and that is "free public enterprise." And the words "free government" are coming gradually to mean not government of a free people, but a government that is itself free. Thus to a long list of freedoms may be added freedom of government, and the last phrase of all might be "freedom from freedom!"

Who Betray the Peace

MORE than once in the course of history has the cause of peace been betrayed by its friends. This is what may be happening now in the greatest crisis in peacetime politics, if we do not bring to the strategy of peace the same kind of study and hard work as we have brought to the strategy of war. Never have we been in greater danger of being carried away by slogans nobly expressed but specious and incapable of realization. Such improvisations lead to futility and disillusionment. Yet their high purpose makes a democracy like ours especially susceptible to their moral appeal. *James T. Shotwell, Carnegie Endowment for International Peace.*

Winds of Opinion

America may be a capitalist country, but that does not mean that she always will be. There are great forces moving in the United States and when they move they move very quickly. They did in the war.—*Ernest Bevin, British Foreign Minister.*

While it is entirely possible to maintain and even increase our standard of living, it is extremely doubtful that we shall do so. Unless the current political philosophy changes radically, it will hardly be possible to bring about an atmosphere under which private industry can function as it would like to function, as it should function, and as it functioned in this country in the past. The imported foreign ideas have taken too large a place, the preachers of class hatred and envy have succeeded too well, the mortgage which reckless spending has placed on our future is too great.—*Sterling Morton.*

We must begin now to declare our allegiance in a different way than in the past. First we based it on parties, Republican or Democratic, or others, which stood for certain ideals and beliefs. . . . Now, party labels no longer mean anything. . . . Today, we must adhere not to party or to class but to principle as our guide.—*James A. Farley.*

The fight for freedom, for which men and women were asked to give their lives and their savings, has ended in the greatest restriction of freedom endured by the British since serfdom was abolished.—*The Statist.*

If the normal, active, well-established processes of enterprise and production are bent and burred by the violent impingement of Utopian Socialist schemes, we are on the road, and a direct and short road, to financial bankruptcy and economic collapse, the inexorable effect of which will be an immense decline in our present standard of living and the final and fatal loss of our world position, by which alone we can keep ourselves alive.—*Winston Churchill.*

A political liberal in my dictionary has two primary objectives. One is to assure the greatest degree of economic and political freedom for all individuals consistent with enjoyment of the same degree of freedom by all other individuals. The second is equality for all individuals—equality of opportunity and equality before the law. You will never find a liberal, according to my definition, talking about the "masses" or the "common man."—*Senator Ball.*

The Communist party gives lip service to democracy but it is essentially undemocratic. The methods by which it seeks to gain power disregard altogether the obligation to maintain the standards of conduct which would make life possible in a civilized society.—*Prime Minister Attlee.*

The press must, therefore, be undeviatingly loyal to the truth, lest this tremendous influence be exercised amiss. The truth of which we speak is the truth of vision, whereby you see events really as they happen, and the truth of presentation, whereby you report faithfully events as you have seen them, and interpret them by no other standards than those of justice and charity.—*Pope Pius XII to American magazine and newspaper executives.*

The great military force which our government demands can be directed only against Russia. No other power is remotely capable of threatening us. While we have the atomic bomb, Russia is defenseless, and this force is unnecessary. When Russia has the atomic bomb, we shall be defenseless too, and this force will avail us little.—Dr. *Robert M. Hutchins, chancellor of the University of Chicago.*

We must be prepared for a period during which Russia will appear as the crucial obstacle to the emergence of a world community and even as a menace to peace. And there might be circumstances in which the western democracies might find themselves confronted with a direct challenge in which the use of force, or at any rate the readiness to use force, might be the sole means remaining to them of defending their national existence, and, what is equally important, of maintaining the conditions necessary for the emergence of a world community.—*From a report on the atomic bomb by a special commission of the British Council of Churches.*

I venture to say that there is not one out of a million Americans who understands the parlia-

mentary situation which can prevent the Senate from voting. The Senate of the United States is the only legislative body in the world that I know of in which the previous question cannot be brought to a vote. I couldn't even get closure to endorse the Ten Commandments.—*Senator Barkley, majority leader.*

Life was simple for me when I was an isolationist. Another couple of days of this and I'll be more isolationist than ever.—*A retort to the Russians by Senator Vandenberg at Paris.*

I know many Republicans who think that our choice is between trying to outdeal the New Deal on the one hand or standing for what they call "the fundamental rights of the individual" on the other. . . . If we are restricted to this choice I feel sorry for the Republican party—for the Democratic party—and for the United States.—*Former Senator Henry Cabot Lodge, Jr.*

An attack on the Communist party of America is an attack on the rights and freedom of all the American people.—*Representative Vito Marcantonio.*

Marxism is the opium of the intellectuals.—*Edmund Wilson.*

Our age has forgotten it too much. From a decent simplicity of life it has slipped insensibly into seeking and satisfying unhealthy pleasures and fanciful needs. And, lo, God, making scarcer His gift of bread, has willed by this hard lesson to call us back to the straight path.—*Pope Pius XII.*

With the development of modern science another war may blast mankind to perdition, but still we hesitate, still we cannot, despite the yawning abyss at our very feet, unshackle ourselves from the past. Therein lies the childlike faith in the future—a faith that, as in the past, the world can somehow manage to survive yet another universal conflict. In that irresponsible faith lies civilization's gravest peril.—*General Douglas MacArthur.*

We are told that law is to disappear in the society of the future. We are told of a society in which an omnicompetent and benevolent government will provide for the satisfaction of the material wants of everyone and there will be no need of adjusting relations or ordering conduct by law since everyone will be satisfied. Thus there will be no rights. There will be only a general duty of passive obedience. We need to be vigilant that while we are combatting régimes of this sort, as they have developed in dictatorships and totalitarian governments, we do not allow a régime of autocratic bureaus to become so intrenched at home as to lead us in the same direction.—*Roscoe Pound.*

It is a pity that decent people must suffer because of the frustrations of millionaire publishers of red, radical sheets, whose interest lies not in orderly progress, but in fanning the ashes of prejudice and inciting class against class. Presumably these publishers want to be on the winning side when the Great Revolution comes, forgetting that on that day theirs will be the first heads to roll in the gutter.—*Robert Moses, Park Commissioner of New York, on receiving a medal from the National Institute of Social Sciences.*

What happens if the United Nations themselves are sundered by an awful schism, a clash of ideologies and passions? What is to happen if the United Nations give place, as they may do, to a vast co-frontation of two parts of the world and two irreconcilably opposed conceptions of human society?—*Winston Churchill.*

The efforts to outbid each other, by the Russians and British, for the favor of the contemptible Germans, is a terrifying fact, it is a madness which will some day bitterly revenge itself. But the average American's blindness to this fact is also an alarming matter. It is proof that a people which possesses all the means and facilities for being completely and objectively informed either does not make use of these facilities (by not taking cognizance of this information), or does not understand it, or has been led astray to such a degree that it misunderstands the facts.—*Candidus in Knickerbocker Weekly.*

Some day our colleagues in the social sciences, by the methods and ethics known to work in the natural sciences, will provide man with data on human behavior which are as reliable and as unavoidable as are the confirmed data of chemistry and physics of today. When that day is here, guile and guess in human relations will surely recede, assuming that man of that era retains present mental capacities.—*A. J. Carlson, Professor Emeritus of Physiology, University of Chicago.*

An Unbridged Chasm To Cross

*Science in the Framework of International Affairs

By Isaiah Bowman
President of Johns Hopkins University

"The raw fact is that we have not yet found a planetary way of living"

"THE Uncompleted Bridge" might well be the title of this address for it deals with some of the elements of that process of bridge building in which we all engage when we pass from reason to intuition, from thought about social action to action itself, from science to international politics. There is something abhorrent to the politician in the play of the scientific mind. I am speaking of the always-ready-to-compromise politician and the academic type of scientific mind. Equally the scientist finds it all too easy, protected by the armor of his logic, to stand with folded hands upon the rim and find fault with those who have the courage to enter the pit of public debate and decision.

The terms I have used for these two kinds of creatures denote opposite poles of approach to the solution of social problems. If in the eternal mystery of things, or, as some would say, the play of the Immanent Will, there comes a moment, as in 1946, when it is necessary for scientist and politician to leave each his own central pole of thought and habit, and take account one of another, a bridge is clearly required. How do we go about the task of constructing it? Or does the partly intuitive nature of the political process exclude scientific participation?

These questions might seem academic if it were not for the rush of scientists into the political field as soon as they had been sufficiently activated, in the social sense, by their own creature, the atom bomb. Commendable in any theory of citizenship in a democracy, the rush to participate and the eagerness to express themselves have disclosed a state of division among scientists themselves as deep and wide as the division between an idealized type of scientist and a generalized type of politician. The so-called scientific method seems not to bring unity among those who employ it except when they deal with "scientific" conditions capable of field verification.

In the process of bridge building, therefore, there may well be a good deal of self-criticism on the part of scientists as to the limitations of the so-called scientific mind. I am afraid that any assumption of superiority by either scientist or politician in the field of action is unwarranted. They are both afflicted and blessed with human natures that are projected against different backgrounds and skilled in quite different techniques. Scientists who have never tried to secure political action are perhaps the most reckless and unscientific in their condemnation of such action and its results.

But the politicians are not far behind! A British M.P., the late F. S. Oliver, called the art of governing men "The Endless Adventure" and his book with that stimulating title reveals the working of the political process in one country, England, in one given period, when Walpole was First Minister. To Oliver, experts (including scientists) are anathema. The juggernaut car of politics may well ride them down! We venture to say that Oliver was looking backward rather than forward. His book is frank homage to the political art which he had so long practiced. He did not know how to use scientists or what science is about. One might turn to scientists as to an errand boy to fetch a statistic or a memorandum but never for advice on political action, never for policy. God forbid!

THE contrast between scientist and politician is often paraded as a difference in method. It may include that, but it is much more. Unity to the degree required for political action, to scientists as well as to politicians, consists in agreement on the *essentials of living*. Scientists, like other folks, are not in agreement among themselves as to what such essentials are. Some scientists believe that a state of affairs which is good for them as scientists is good for the world, just as some politicians believe that the highest possible good is achieved when they have been returned to office. Neither effect may be regarded as desirable by a labor union.

Agreement on essentials of living is not a logical process. It is a social process about values, which in this instance means that it is subject to the

*Address delivered before the National Academy of Sciences, Washington, D. C., April 22, 1946; revised by the author for *American Affairs*.

actions of men moved by diverse and often conflicting dreams and desires, not by logic alone, or by a colorless, cold, detached, and ahuman process called "reasoning." The politician must wrap up together the groups, and all of the groups, that participate in the process of debating essentials and of determining a choice of values. He has to find by reasoning and persuasion, and also by conciliation and compromise, a common denominator of action. He is denied the luxury of stopping with a scientific analysis.

We may draw an illustration of our theme from the popular attitude toward public health measures and preventive medicine. I am not speaking of "socialized medicine" in all of its diverse bearings. Put simply, my point is that the public has become aware of the benefits of access to the specialized services of good hospitals. The demand has grown to nationwide proportions that there shall be more hospitals and readier and more general access to them. Hospitals are now demanded when they were once feared. It is clear that we cannot establish in every home the physical facilities and the skills presently concentrated in hospitals. Medical laboratories are too expensive to install and too intricate and specialized to operate in private homes. Access to a hospital may therefore mean assurance of life, denial of it a sentence of death, in a particular case.

Expansion of medical services has thus become a part of the publicly required standard of living. Furthermore, the public demands rising standards. There are many indications that such an outcome is desirable. In time of war we found that we needed all and more of our manpower and that we had a shocking insufficiency of Class A-1 physically fit young men. In fact it was our greatest deficiency. We were weaker as a nation because of it and we were forced thereby to distribute unequally among our young men the risks of combat.

Dr. Samuel Crowe's work at the Johns Hopkins on hearing illustrates what to do about it scientifically in one sector of science. As a result of long study of 10,000 case histories he concludes that out of 10,000,000 cases of deafness in the United States, 5,000,000 could have been prevented by proper and timely therapy in childhood. Who would not wish access to such therapy, which often includes radium treatment, for a child carrying the risk of deafness later on in life? We accept, then, a standard of living for deafness. No dispute about that! What are the other generally accepted parameters of "standard of living"?

While science underlies the social argument in the case of deafness, a decision must be taken about hospitals, and radium sources, and terms of access, and scale, and where the money is to come from, which carries one over into the field of human adjustment and agreement about social action. Committee meetings in Congress, hearings open to the public, alternative drafts of legislative bills, letters to the editor, feature articles, radio, motion pictures, and community and family discussions all play their part in determining hospital construction with public money. The social processes involved are not scientific, yet they must be guided, preferably by intelligent persons including scientists, and differences must be compromised before action is possible.

THE politician finds in social process his special field of action because willingness to compromise is the real secret of his power. A logical impasse is no impasse at all to him. If compromise is joined to the gift of conciliation, which keeps the knots of debate loose and manageable, it has its place in democratic government. There can be no democratic government unless men in numbers can agree. There can be no agreement except by compromise and conciliation after debate. These are things to remember when we see only evil in compromise. The evil arises because the politician's personal fortunes are involved. He is not always or often a disinterested compromiser. Therefore we contrive, chiefly through the press, to make him do his compromising, so far as possible, in the public view.

I wish here to refer to the part which intuition plays in great leadership in affairs, scorned as it may be by a pedestrian scientist. Whatever the virtues of rigorous scientific method, many great discoveries were intuitively guessed before the trail was found which led to their proof. This is scientific commonplace. What is not so readily seen by the scientist is the equally important and indeed necessary part which intuition plays in politics. It is as if the gap between reason and action in human affairs were closed by a spark, a spark of mystery too, much as I dislike to use the word. But as of today there is a mystery in it, the mystery of personality and the intuitive closing of the gap. It has been said of Woodrow Wilson that "he had about him an air of greatness." That is, one could not quite put one's finger on the qualities that gave him special distinction and power. Of Elihu Root, it has been said that there was about him a kind of atmosphere of the first citizen of the United States, a rare "counselling intelligence," as Newton Baker expressed it. That is about as far as we get with the intangibles of personality and individual prestige.

It is among these rare and powerful intangibles that we encounter intuition. Hitler is henceforth an eternal warning of the dangers of irresponsible intuitive leadership. The result of its use depends upon the animating forces that call intuition into play or sustain or discipline its urge. Prepared and conditioned by reason, logic, fact, expert judgment, and humanitarianism, intuition is indispensable in forming a *political* judgment, that is, a judgment as to what men in the mass will do, or can do, or may or ought to be persuaded to do. Intuition is the thing that enables some men to take account of everything and locate the essentials. The man of genius, by taking account imaginatively of the probable consequences of a situation, comes close to "the construction of the unforeseen." (Bagehot)

GREAT leaders will break through the palace guards to capture outlying facts, to lay the mind of the overlooked man, including the scientist, under tribute. But they go on from there to *a political composition*—which is putting realities together with a view to action upon them—and this is emphatically an art. Like taste, it is not a matter of scientific demonstration. Even the greatest statesmen of history never knew they were right actionwise until after the event, except within the safe confines of generalized moral or political pronouncement such as the Gettysburg Address. For example, we all agree on "freedom." We at once disagree on what freedom should mean at this place now.

The fields of world trade and world power illustrate the complexity of thought and analytical techniques required to reach the point of national action. They also illustrate the bundles of realities upon which political decisions are required. Only when we by-pass complex and inextricably interwoven realities of government and social systems does it seem easy to fix policy.

The process of by-passing has now reached alarming proportions and a citizen not already an expert can hardly work his way out of the maze. A skilled writer can make complex matters seem obviously simple and easy. By leaving out the troublesome interrelations of life, whether national or international, a plausible case can always be made out for today's budget of opinion. When the stage of difficulty is reached an irrelevant generalization, spiced with morality, will always make the dish seem appetizing. The final customary touch of advice is, "while doing this, avoid that"—whereas the crux of the problem may be precisely how to do a given thing here without damaging our interests there. If simultaneous actions must be taken upon different things there is no known way to escape inconsistency and contradiction somewhere along the road.

IN a recent magazine article an historical scholar advises that we must determine what we need an army for and thereafter determine the kind of army we shall create. This clearly by-passes the overshadowing fact of world-wide political uncertainty that makes such assumed precision impossible. It also by-passes the matter of timing, for the enemy may force us to take unprepared action before we have finished our domestic argument. What, create an instrument before you decide what to do with it, says the logician! Our reasons for having an army at all reduce to two words, security and preparedness, having other and antagonistic combinations of power in view. One prepares today with everything one has for all that one can see. One secures with power, yes, but also with moral principle which is itself the greatest of powers. But the other fellow may not stop with the moralities which we respect, and his censorship may raise a high wall against our ideas. If we lost time by inertness in the presence of danger, a friendly fleet or air force, as in 1940, may not again be our first line of defense and give us time to catch up.

Our historian goes on to ask how we can determine the size of our army *before* we know the relative roles of Army, Navy and Air Force. Again he demands *ultimate* knowledge when there is not and never has been such knowledge. He by-passes the cruel and irreducible fact that we inevitably find ourselves in a state of imbalance, as between services, when we confront an enemy. Our predeterminations of need are always upset by the mechanical ingenuity and the novel tactics of the opposing power. In the field of our matériel, intelligence services are not equal to the task of adding potentiality to actuality. Finally, the roles of the different services may change as a war unfolds territorially and geography comes into play—distances, climates, supply, and terrain weaving new patterns of difficulty and of opportunity also. We see, only late in the play of forces, what our enemy has been up to. It is the function of the military commander to take in hand the inevitable confusion of the battle which these uncertainties lead to and make a strategic design which will enable his strength perhaps to overcome the strength of the enemy.

The inherent need for flexibility of military design must be matched — and was matched by us and our Allies in World War II—by flexibility in scientific thinking and industrial produc-

tion. All have learned that world wars from now on are wars between laboratories and Pittsburghs as well as between air fleets, and ships, and men on the ground. Thus mineral reserves, along with population reserves, moral reserves, or any combination of them are basic elements in global war and likely to increase in importance in geometric ratio. "Relative rôles" of forms of power can be prejudged in part, guessed in part, and for the rest—they are among the mysteries of a future time as new and unpredictable compositions of forces come into being.

Our commentator asks further how we shall determine the training that our proposed army requires before we know the kind of war it is to be trained for. He could have found the answer to the puzzle in educational experience and philosophy. Not knowing what a student may ultimately be or wish to do with his undeveloped aptitudes, and not being able to forecast events in his world a generation ahead, why train him at all, why trouble ourselves as to the *kind* of education to provide? The answer was given by Pasteur long ago: the object of education is to develop the prepared mind. Not prepared for everything to the last button or for particular situations but *basically* prepared—that is, prepared as to the need for an *evolving philosophy of life* as experience broadens, prepared as to *a common body of rudimentary knowledge,* prepared by an *historical study of human experience,* prepared as to *the need for further preparation,* and so on.

We do not know what kind of a war the next war will be in detail. We do know that it will require a knowledge of, and experience with, command. A vast organization is required to feed, clothe, and sanitate millions of men, develop a communications service, and train staffs. Mistakes are inevitable. Operations analysis must therefore be carried much farther in the future. Analysis of mental incrustation should be included. The military mind failed lamentably at one point and we should never allow the lesson to be forgotten. Only the enterprise of educators and their prestige before the local draft boards offset to a barely adequate degree the stupidity of the system of deferments for scientific work. Not yet is it understood by the manager of selective service that engineering work in the laboratory upon applications of science to war requires and must set its own conditions of selection.

THE most frequent cry, echoed by many scientists, is for "an over-all policy of long range" in foreign affairs as if every problem were soluble and the solution could be set for a period like a time fuse. Some problems are clearly insoluble except in dreams. No known measures of social control will keep birth rates and population pressures in equilibrium throughout the world. Some, and they are not all Nazis, would change territorial boundaries as population pressures change without inquiring how "pressures" may be eased by a change of economy. Ten thousand Amerinds once crowded territory now occupied by ten million farmers. Others would shift boundaries whenever the worth of a supposedly high-grade population is judged to be greater than that of a low-grade population—without identifying the source of the judgment or the values on which it is to be based! Still others would shift territorial limits widely because the scale of need for nature's reserves of humanly desirable resources is in disconformity with present national boundaries. These are childish solutions. They completely bypass process. Where and how do we get the authority, even if the protean difficulties of principle were overcome, to shift boundaries?

Some problems can be solved in part: the Emancipation Proclamation did not solve more than one phase of a problem as we who struggle endlessly with the consequences of slavery well know. Some problems can be solved only in conjunction with other solutions, for example the idea of strategic island bases in the Pacific must be harmonized with the ideal of local self-government under the trusteeship principle. Some solutions require a fundamental change such as the changing point of view in America respecting a World Court. Some can be settled on principle combined with rule-of-thumb, as in arbitration cases. Others require compromise, a word that always set off a volcanic blast from the moralists who "think" in terms of emotion and rely upon the by-pass of glittering moral generalization. What, no respect for moral principles? In a democracy the ultimate voucher of morality and correctness is the general acceptance of a principle or line of action after free discussion by all, including the moralists. Divorce may be roundly condemned in principle. It, and not cancer (if I may be allowed the comparison), is the leading scourge of our day. That is because the relations of men and women in marriage, as legal authorities remind us, is still a social experiment, and continuously *changing* laws and moral attitudes clearly testify to the fact even after centuries of prior experimentation.

I believe that we can and should develop a long-range policy in foreign affairs—but not at all in the terms popularly associated with this result. A single example must suffice. The recent turn of events has led to an emphasis upon the policy of

getting tough, the "thus far and no farther" policy that reason and logic might formulate as an end condition of successful negotiation. This overlooks the fact that no administration can decide confidently within a short interval of time precisely *when* it is to act on the principle of "thus far and no farther," and turn from diplomacy to war. The uncertainty lies in the fact that to wage war successfully and efficiently there must be national unity, clear and inescapable reasons for resort to war, and the widest popular understanding of the issues. To achieve unity, time is required to test shifting public opinion. They are among the weaknesses of democracy but they are also its main source of strength.

THE wide gap between paper logic and field action offers the greatest difficulty. International affairs are not a game of simple progression but chess of an intricate nature. Move one piece and the values of all other pieces change and a new set of possibilities is opened. No short cuts, no simplicities, no penetrating stroke of logic, no simple doctrine of morality will bring assurance of peace. To be secure and universal, peace has to be *willed by all nations,* not by one nation only. Firmness, reason, morality, readiness, fairness, each has its part to play but the will to peace comes after *a political composition* of all these forces.

Such a political composition is as difficult as ever to formulate, as hard as ever to understand, as uncertain as ever in its outcome. This is one reason why day-by-day intensity of thought, application, and will are needed. There is no careless day of enjoyment ahead of us. We are in and of the world of intricate affairs, life-and-death decisions, persistent effort, and mounting responsibilities. This is our long-range policy: never to be indifferent, never to weary in the task of advancing moral principles, while never taking refuge in or stopping with generalizations and simplicities when the thing we deal with is inherently complex.

The magnitude of these tasks may be appreciated from a look at the magnitude of our blunders, acknowledged and indisputable, in recent times of gravest crisis. Though the American public had received twenty-four years of intensive education in power politics after burying thousands of its dead in foreign graves in World War I, yet during the period 1919-1941 it still looked upon "the world" as something remote, almost extraplanetary. Geography as a picture book in school and private library has a role little above the movies. Geographical science (as distinct from picturization), and the light that geography sheds on the availability and distribution of power, was all but neglected in most colleges until World War II. With equanimity and indeed relief we saw ourselves, as a people, traded out of one position after another in European affairs during the days of the League of Nations. We knew that the fire curtain pulled down by the Japanese in front of certain mandated islands of the Pacific did not conceal behind it earnest Christian missionary promotion of native welfare under Japanese direction! A dozen war moves by our potential enemy in the Pacific were widely publicized.

Yet, in the face of these clear signs, lend-lease won extension by one vote only in the House in August, 1941. Successive polls of opinion clearly showed that citizens in all walks of life, including members of college faculties, were about evenly divided as to the necessity or desirability of selective service and military readiness. Though war clouds filled the horizon, the threatened coal strike of November, 1941, was averted only with great difficulty.

Former Secretary Stimson set out the facts clearly in his report of March 21, 1946, to the joint committee of Congress on the investigation of the Pearl Harbor attack. He wrote: ". . . we realized that in order to have the full support of the American people it was desirable to make sure that the Japanese" fired the first shot so that no doubt would "remain in anyone's mind as to who were the aggressors." Here was one of the gravest risks—we lost several thousands and possibly many thousands of men because of it—deliberately taken. On December 4, 1941, Secretary Stimson adds: "the most highly secret paper in the possession of the government, the General Staff's "strategic and tactical plan for the fighting of a global war if it should eventuate," was published in a newspaper "practically in full."

WE CAN now see that the American people and the Congress were blind to the plainest implications of the facts, the Congress providing but the feeblest leadership in advance of popular feeling, the executives moving with fear lest public unity and support might not be given to eventual war, and a portion of the press exhibiting the sheerest irresponsibility. How would Japan and Germany read these signs? How can men say that science breeds war when the most powerful nation (potentially) in the world acts as if it were out of the world? No force of science was one tenth or one thousandth as important in 1941 as the forces of craven fear of war, of pub-

lic ignorance, wishful thinking, and self-delusion, of mendacity, and of virulent disloyalty of large and well-known groups that tried to sap American manhood all through the fateful summer and autumn of 1941.

In the face of these great but intangible forces scientists may suppose that they have a special gift for transforming the world's discordances into harmony because they know the ways of rationality and the beauty of the experimental method. There is grave danger in such a belief. Scientists in general are political amateurs. The research that led to the successful explosion of the atom bomb also exploded the emotions of many of the scientists engaged upon it who had never before thought about their emotions or attempted to evaluate or control them in a social experiment as they are trained to do in a physical experiment. Among the most absurd of the reactions was evangelism. Cool advice was offered by some scientists—but also by some political leaders! The greatest of the atom-bomb lessons is that the sudden appearance of a major social problem calling for a quick shift in the center of gravity of thinking finds all of us unprepared. The standard weaknesses of social "thinking" afflict all men in varying degrees. Scientists are best in science: that is as far as we can go. Just as historians are best in history, and military men in military affairs. Social lag, indecision, prejudices, prejudgment may be accepted as targets for destruction through social education for all. Education in adult forms for all our people, including scientists, is required in a measure and with an objectivity never yet attained. Science alone cannot make secure the social answers.

INTERNATIONAL affairs are not neatly packaged for rational disposition one by one. Decisions must be taken *simultaneously* on bundles of things often incongruent in form or opposite in effect. Moreover, all forms of action are taken in the shadow of new ideas. For example, there is a theory afoot that exceedingly wicked men, looking generations ahead, preëmpted the resources of the world and threw a stockade around them in the days of colonial expansion several centuries ago. It is charged that ruthless economic exploitation was the object and military power the instrument, as if all private trade were piracy. Hence, says one Soviet source, we must now begin to level things off, all sharing in the world's goods on a basis of equality by "periodic redistribution of raw materials and markets." Access on equal terms to raw materials is not enough according to this view: there must be *access to the means of production,* and some Indian leaders have advocated a general exercise of the alleged right of all to migrate into less thickly populated lands. This, regardless of the means and consequences of either access or migration.

The theory of the international equalizers will deceive only the simple-minded dabblers in world politics. Stated as a principle it has a false appearance of morality which must be particularly alluring to a country wanting the fruits of capitalism in order to resist if not to destroy capitalism. Its appeal is also natural to the low-standard populations of China and India numbering nearly half the total populations of the world. With millions of them on a near-starvation level and with almost inconceivably great capacity to absorb food and basic manufactured goods, it is natural that these populations should inquire why others should be better off. And it is "natural" that the first instinct overriding such an inquiry should be to take from those that have. It is also natural that specious arguments should be advanced to support the taking.

THERE are two fatal defects to a share-the-wealth theory applied to the world at large. It supposes that only *participation in material enjoyments* is involved, whereas what are really at stake are the freedom, enterprise, and incentives that created the envied advantages. The free-migration principle ends in the same fatal result. Let loose the migratory human floods, and you destroy the political and social systems that men have built up in which economic independence and political liberty are the ruling principles. Constant migration being required to keep things equal, war will accompany it. Put ten million Chinese and ten million Indians into Australia and you will change the government, the society, and the standard of living of seven millions of Australians. It is as if you exterminated them. And you will have relieved China and India of only two years' population increase! Then you have it all to do over again. Make the burden of migrants smaller and you help India and China practically not at all while again you have merely loaded the problem onto the backs and spirits of seven millions of Australians who are occupying a land no one wanted as recently as 150 years ago.

The second false face of the international share-the-wealth theory lies in the assumption that equal advantages for all men are implied. It is at the very heart of communism that this defect is most clearly displayed. Under different guises and terms the Communist Party and the Soviet Government have already adopted the principle

of inequality. All the world knows that rewards are not equalized in Russia. The enterprising workman, foreman, musician, novelist, playwright, or works manager is rewarded with extra privileges and increased pay. His native gifts are recognized but a false basis of recognition is legalized: he must be on the party line. His talents are bought. His life, his spirit, and his genius are not free. This year for the first time the nonparty allegiance of Soviet inhabitants is boldly emphasized, a position to which Stalin seems to have been driven by the events and sentiments inside Russia and by the miracle of democratic production outside Russia.

MEN can no longer be moved about at will on the earth without war. In a hundred years the pioneer areas of free movement have been contracted to very small dimensions. The deepening roots of agriculture, the vast plant commitments of industry, and the wide transportation net integrated with it, have increased the importance of *place and limits* all over the world. The Soviet Union, while advocating population mobility, will not allow immigration and settlement by foreigners except on political terms of its choosing. Those terms are severe: to an American they represent spiritual capitulation. Nor does the Soviet Union allow its citizens to migrate except locally and under strict doctrinal control. For the same reason we do not wipe out national boundaries and let millions come to our shores at will. We have *our* body of doctrine, *our* political theory, and especially *our* love of freedom, which includes, if you please, freedom to be socially irrational, experimental, and approximate. We are willing to see what trade, local industry, better agricultural techniques, soil and water conservation, and high purchasing power will do to raise the standards of living everywhere. We do not propose to destroy every standard—material and political—by the simple process of giving away everything to populations that have grown out of bounds on their traditional acres.

The heart of the problem of China's superabundant millions is not in our present political actions and theories in the "Western World." Much besides capitalism, or the modern colonial policies, or western trade policies has brought about the existing population pressures of India and China. Before we entered the twentieth century with its enormous development of tropical production the population situation in India and China was a runaway condition. It is not the industrial power of the United States that has put down the Chinese to the present level of living or stolen the fruits of his toil. His uncontrolled numbers have done that, his archaic system of industry, his poor roads, his lack of community and political enterprise, his social philosophy. In India, philosophy is also involved. Slight is the traditional value placed on life and its conflicts, and on the play of strong personality upon events and policies. Can great political leaders come out of a society committed so exclusively to the mystical and the hereafter as witnesses and objects of social striving?

Or does this necessarily bring about a little people and a loss of political virility except in the form of protest? The spinning wheel may be in a time of emotional crisis a powerful imaginative symbol but will it as symbol or reality regenerate India? It takes thinking and agreement and action as big as India—indeed as big as the world—to solve Indian problems in so far as they are soluble. We are not whitewashing the colonial policies of great powers: we are pointing to factors that have contributed to the present state of affairs in combination with reprehensible trade policies and exploitative forms of colonialism. The complex interplay of cause and effect is beneath the notice of most critics.

SCIENCE produces ameliorations but it also produces elements of disturbance because social solutions capable of meeting new problems are difficult to see, to agree upon, and to adapt to the effects of science. If scientific laboratories and staffs were to be created in China on a scale suited to China's need for the fruits of science, the resulting "disturbance" would be profound. No one knows in advance that it would be beneficent. Will the power of science and organization be turned into military channels? Will a parallel growth of political sentiment turn in the direction of world cooperation for peace and security or some dire opposite? Can political maturity be assumed in thirty or fifty years without a corresponding background of parliamentary experience? How will a suddenly industrialized Far East interpret the democratic dogmas and doctrines of the West? Will industrialization really alleviate population pressure or will it be followed by a burst of population growth and of political and military energy that may overwhelm the world? The argument ends as it began, with a question mark.[1]

The nearest thing to a definite conclusion is perhaps that gradualness will mark the transition

[1]Eugene Staley, "World Economic Development: Effects on Advanced Industrial Controls," International Labor Organization., *Studies and Reports*, Series B, No. 36, 1944.

by force of irreducible circumstance. Since I am persuaded by the intricacies, ramifications and repercussions of industrialization, and the social difficulties that they raise, that the change will be gradual, I am not alarmed. That is, I am not alarmed if eternal watchfulness and education in social effects are accepted as the required conditions of peaceful absorption of such effects by the rest of the world.

HAVING spent two billion dollars on the atom bomb, we should now consider spending two billion dollars on the analysis and understanding of society and the determination of what constitutes a good society. The atom bomb has given us an incredible physical force but we can never build the Heavenly City through force. Nor can we build such a city by creating a force of frightening magnitude and then handing it about for irresponsible use.

The raw fact is that we have not yet found a planetary way of living. As nations we do not know how to live together. The United Nations is a beginning and a great hope, not an ultimate demonstration. We think that in 1945 our might determined the right. But if our might is in guns, not in sound ideas, or if our might is to be misused in order to sustain that which we are not sure about, our strength is dubious and its eventual deterioration is probable. While the world of science still needs investigation, it is the soul of men that invites our profoundest concern. The price of indifference to this question may be the destruction of civilization where it still survives.

Today as never before the world is stirred by ideas. Modern communication systems have given all an opportunity to speak across the spaces of ocean, across the shoulders of authority, across the prejudices of neighborhood, except, first, the dark regions of totalitarianism where we know not what goes on in millions of severely conditioned heads, and second, in the equally dark gulfs of illiteracy and superstition. We are trying to resolve all of the world's differences of systems and ideas at once through a body of doctrine—the purposes of the United Nations charter. It is the greatest integration ever attempted. No wonder that the weak-minded say it will fail! No wonder that world government as a dream appeals so fatally to those who seek the by-pass of simplicity!

We can draw a lesson of hope from a presently established cause of Nazi defeat. We now know to what an extent Nazi policy stifled the creative spirit. In the free and supple play of mind in the democracies, creative talent was encouraged and found national outlets in all degrees and kinds of endeavor. The historian of World War II will take account of this. Not in our mass production was found the answer to the vast scale of German slave labor. Nor was it found in our superior organization. It was found in ideas wrought in freedom and in an untrammeled personal conviction about them. We can now begin to document this stupendous truth with captured records. They fortify the conclusion that right can create might in more powerful forms. Free spirit is ceaselessly generative. It is indeed so incomprehensively great in its results, so mysterious a process, no wonder that many call it divine in origin and see in it ultimate purposes that are nobler and designs that are grander than any that the mind of man has yet conceived.

THE road of experiment and hope is surely not blocked when we can see in one lifetime results as substantial as those that mark the history of the World Court in the short period of its growth, to take but one example. True, the cases before it were not those that make wars. Yet in arriving at about thirty judicial decisions the Court never once failed because of the unlikeness of the major legal systems of the world, ten in number, reflecting environments and long traditions that in some respects are poles apart. Threads of consistency here and there and, above all, common areas of fairness were always found. What would seem to be so hard in theory proved to be manageable in fact. Surely the economic and social problems that confront us have their discernible lines of consistency and fairness also.

A certain toughness of spirit is required to face the successive crises of our world courageously. The sources of toughness and courage are many. The deepest is faith in intelligent effort. Through the United Nations good instruments are now at hand for the effort to make the world come right. They are built on the highest principles and sustained by universal longing and hope. To recognize this is to gain strength for the work in one's own sector of science, or law, or humanism, each made contributory, each essential. But the line of courageous and sustained effort is where all our roads must converge, not the line of retreat or despair or cynicism or indifference. Great hearts are the ultimate vouchers of great victories.

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Symbol of Annihilation

By Garet Garrett

BY THE Doomsday Almanac this would be July 1, beginning year 2, of the Atomic Age. And on that date what was the perilous American doing? At Bikini he was about to pull the trigger of his atomic weapon for the fourth time, just to see what would happen. U. S. Army engineers were measuring the floor space of Mammoth Cave and other caverns, in case civilization should chase itself underground. At the newssellers' was a new de luxe fifty-cent magazine named *Holiday*, devoted to travel and recreation and ways of seeing the special loveliness of the environment. Alongside of it was a neglected symposium book of seventy-nine pages in large type entitled "One World or None," touching among other things, the possibility of a grand solution, namely, the abrupt discontinuation of this planet; and that if it happened would be not the event that was foretold in sacred writings but the last line in the story of *serendipity*. That now is a laboratory word, borrowed from fantasy, and means the faculty of making unexpected and happy discoveries unintentionally, as when the scientist looking for one thing finds another. The discovery might be also unlucky or fatal. If it should turn out to be so in this case then everything as we know it would vanish away, that humpback word and all. And the explanation would be simply that man had beaten God to it by accident.

What Hangs by If

There in "One World or None" was Professor Harlow Shapley saying:

> "The supernovae may indicate what might happen to one, whether star or man, who plays around carelessly with atomic energy and lets it get out of hand. In stellar interiors the pressures, temperatures, radiation densities, and chemical constitution are all interrelated and all involved in the maintenance of the steady state that characterizes most stars. The production of energy from matter, if a star is a steady performer, demands certain equilibrium conditions. Otherwise something drastic may happen . . . . The well known Crab Nebula in Taurus is now recognized as the wreckage of the supernova of July 4, A.D. 1054. The Orientals of that time recorded an enormously bright 'temporary star.' . . . Modern telescopes show that it is a mass of gases, still expanding —the result, apparently, of the mishandling by a star of its resources in atomic energy."

So now one who is thinking of another holiday must pray that at Bikini "certain equilibrium conditions" will be fortunately maintained, else the telescopes of a thousand years hence may discover us to be "a mass of gases, still expanding."

There was Professor Einstein saying:

> "Only when these two conditions have been fully met can we have some assurance that we shall not vanish into the atmosphere, dissolved into atoms, one of these days."

His two conditions were political, not physical —first, a logical way of peaceably resolving conflicts between sovereign nations, and, second, a supreme world power to have exclusive monopoly of the power to kill and forbid war among the states.

There was Professor Wigner, the Princeton physicist, one of the group originally responsible for getting the government into the atomic bomb project, saying:

> "It has even been suggested that the atmosphere or the seas may be set afire by fission bombs. At present there is no reason to fear this; the ignition of the atmosphere or the seas is pure speculation. . . . Of course we must guard against overconservatism, as the people who scoffed at the idea of a uranium chain reaction can testify."

The people who scoffed at the uranium chain reaction, that is to say, the atomic bomb, were of course scientists.

Time To Shudder

"One World or None—A Report to the Public on the Full Meaning of the Atomic Bomb," is a book to make the blood run cold. That is what it is for. Here the scientists, all of them having helped to make the bomb, now are saying to the people: "Look! From a form of energy hitherto unknown we have produced a weapon of ultimate frightfulness. If it is used in war the human race may be destroyed. Therefore *you*, every one of you, must do something about it and do it immediately. You must think of a way to live without war. The more time you take to think about it the

more frightful this weapon will be when you come to face it. This is so because the mind of science is still working on it. There will be things even more terrifying—things we cannot tell you about —and this you cannot stop, but you *must* stop war."

They are aghast at the indifference of the people whose long habit of clinging safely to the warm skin of the world as it hurtles through space disinclines them to think that anything can really happen to them. So the scientists let themselves go.

One of them, Professor Morrison, Cornell physicist, who helped make the bomb and was then sent to Hiroshima to look at the havoc, drops a bomb on New York City. To be conservative he allows for no increase in effectiveness over the one that destroyed Hiroshima. It explodes, one half mile in the air, over the corner of Third Avenue and East Twentieth Street. Old men sitting on the benches in Union Square are instantly ceased of their troubles. Their bodies are charred black on one side, the side toward the bomb. Tall steel buildings are less damaged than one might have expected, only that some of them are skeletons, the flesh of their masonry having fallen away. The dead are 300,000. Long Island and New Jersey seaside resorts become hospital towns. There are many weird details, such as fiction writers use to give their tales an air of reality, pretending that they couldn't have made them up, as, for example: "The man who saw the blast through the netting of the monkey cage in Central Park and bore for days on the unnatural ruddy tan of his face the white imprints of the shadow of the netting was famous." What the man was doing in the monkey cage, the writer, being a scientist, wouldn't know. And all this, says Professor Morrison, is extreme understatement. He has dropped one bomb only, whereas "the bombs will never again as in Japan come in ones or twos. They will come in hundreds, even in thousands." The layman may be permitted to observe at this point that by that calculation the enemy would be wasting his bombs. If one bomb killed 300,000, one hundred bombs would kill 30 million and one thousand bombs would kill 300 million.

Under the Bed

Another who helped to make the bomb was Professor E. U. Condon. His paper is entitled, "The New Technique of Private War." He imagines what the saboteur could do. "Against him"—the saboteur—"the locked door or the armed guard no longer can prevail." Why not? Because—"in any room where a file case can be stored, in any district of a great city, near any key building or installation, a determined effort can secrete a bomb capable of killing a hundred thousand people and laying waste every ordinary structure within a mile. And we cannot detect this bomb except by stumbling over it, by touching it in the course of our detailed inspection of everything within a box or case or enclosure the size of a large radio cabinet, everywhere in every room of every house, every office building, and every factory of every city, and every town of our country."

Writing in the language of the popular science magazines they tell about the bomb itself—all that can be told within the permission of military censorship. It is first of all unique. The element that does the trick was invented by scientific man, not by unscientific nature. This new element, plutonium, now can be made in almost unlimited quantities. What happens inside the bomb when it explodes is unlike any other happening in the whole universe. The temperature at the explosion point is hotter than the center of the sun. This is an extremely significant fact because in the sun, owing to the extreme temperature, there is taking place slowly and continuously an atomic business between hydrogen and helium, which are the two lightest elements we know, and the energy released by this reaction, if we could manage it, would be, according to the Einstein equation, seven times greater than the energy released by the reaction between the heavy elements we are playing with. Thus it is possible to think of the bomb we have as a sulphur match, able to produce the initial instant of high temperature that would kindle more terrible and uncontrollable reactions.

Annihilation

But there is the possibility of a reaction a thousand times more powerful. Einstein has written the equation for it—an equation to show the energy that would be released if you could annihilate matter. From the "fission reaction" there are fragments and products. From the annihilation reaction there would be *nothing*. The equation for the fission reaction is written thus: U-235 + neutrons $\longrightarrow$ 1 + Y + N neutrons. The symbol of the annihilation reaction is simply:

$$U \longrightarrow$$

—and nothing happens after that.

All scientists agree that the annihilation reaction is not within the range of imminent discovery, barring of course the factor of serendipity, which is unpredictable. So far at least this reaction has been imagined only and belongs to the

realm of laboratory speculation. The comfort to be derived from this assurance, however, is marred by the fact that the fission reaction, which we now have the trick of, was very recently concealed in the same dimness; and it is marred still further by the words of Professor Wigner, the Princeton physicist, one of the group originally responsible for inducing the government to gamble $2 billion on the atomic bomb. "As for the annihilation reaction," he says, "it may be sound judgment to believe,"—note, *may be*—"that other, perhaps biological, discoveries of equal potency for bad or good may be made before we have to face atomic reactions of a fundamentally different nature. . . ."

This statement would mean that the terrors now confronting us take the following order in time and probability:

(1) The fission bomb, which is yet only one tenth of one per cent effective and may be greatly improved;

(2) Biological warfare, by means of which most of us might be killed before the end;

(3) A reaction between lighter elements, which would make a bomb much more destructive than the one we have; and

(4) Annihilation.

Cheaper Killing

Two of the papers, one by General Arnold, who was until recently Chief of the Air Staff, and one by Professor Oppenheimer, apply the principles of cost accounting to the economics of mass killing. At the end of the war—or just before it was ended by the atomic bomb—it was costing the Twentieth Air Force $3 million per square mile to destroy Japanese cities by conventional bombing with the B-29's, and even so it was profitable by a factor of 50 to 1—that is to say, for each dollar we spent on bombing we did $50 of damage to Japan. "But," says General Arnold, "with the advent of atomic explosions destruction will be at least six times more economical.

Professor Oppenheimer says: "My own estimate is that the advent of such weapons will reduce the cost certainly more than by a factor of ten, more probably by a factor of 100. In this respect only biological warfare would seem to offer competition for the evil that a dollar can do."

It was at first the opinion of scientists that the enormous cost of producing the atomic bomb would perhaps confine it for awhile to nations powerful and rich in economic resources. Now they find that it can be made cheaply. And this extraordinary cheapening of the cost of killing obviously strengthens the small nation. "It is clear," says Professor Oppenheimer, "that the reluctance of peoples and of many governments to divert a large part of their wealth and effort to preparations for war can no longer be counted on at all to insure the absence of such preparations,"

In this light the great and heavily industrialized nations may seem to be especially vulnerable, not only because they offer the better targets but because at the same time they are much more dependent day by day upon the uninterrupted rhythm of intricate facilities.

There is total agreement among the scientists on two premises, namely, first, that in a little while almost any nation will be able to produce the bomb, which is to say that neither the secret nor the means may be exclusively possessed, and second, that there is no proper defense nor any specific counter-measure. The main conclusion follows. For this extreme dilemma there is but one answer. *War must be abolished.*

At this point the scientist enters a world he does not know—the world of political reality. He is a stranger there with no authority and no scientific method of approach to its behavior and problems. People are the material of politics, and people, unlike atoms, are wilful, emotional and unpredictable. There can be, therefore, no science of politics. If the stars were wilful there could be no science of astronomy, but you might still have an astrology, and so in politics you may have art, craft, sorcery, even sometimes symptoms of wisdom, but no science.

The theme of "One World or None" to which all of these papers are responsive, is that control of atomic energy must be entrusted to a supreme world authority which will permit it to be employed only for the good of mankind. To this supreme authority the several nations of the world would be obliged to surrender the ultimate attribute of their sovereignty, namely, the right to make war. How do sovereign nations surrender sovereignty? The procedure is unknown. Secondly, having surrendered it, what if one were minded to take it back? It is true that the supreme authority in that case might threaten it with the bomb. But what if that nation had sufficiently provided itself with bombs of its own?

Honorable Treason

It is admitted in these papers that the alternative of one world or none does present enormous difficulties. The answer is that the difficulties *must* be overcome; and all but Professor Szilard let it rest at that. He dares to go on with a plan. Instead of leaving it to the supreme authority to

maintain a world-wide espionage system, which it would certainly have to do in order to know what was going on in all the laboratories and make sure that no nation was secretly breaking faith, Professor Szilard would leave it all to the scientists themselves. First he would pledge them to a superloyalty, above their national loyalties; then he would have them travel to and fro with perfect freedom to give and to receive information. Scientists could not be easily fooled about what was going on in the laboratories. They would know soon enough if any nation were preparing to break the faith, and where they found one secretly preparing to make bombs they would report it to the supreme authority. Least of all could a scientist be fooled in his own country or be long unaware of its perfidy if it began to make bombs. And if one found his own country breaking faith his superloyalty to the supreme authority would oblige him to report it. In that case the gratitude and good sense of mankind would absolve him of the guilt of treason, and, besides, lest his life be endangered in his own country, the supreme authority would provide him with safe refuge and honorable livelihood to the end of his days. This arrangement would be necessary because, says Professor Szilard, it would enable scientists and engineers to treat "the necessity of reporting a secret violation on the part of their own nation as a personal misfortune," and yet, "a misfortune small compared to the disaster the violation would forbode for the world." Then he adds: "The fact that scientists and engineers would be in a position to report violations without risking their lives would help to alleviate suspicion that they knew of secret violations but were keeping silent for fear of their lives."

Not a scientific solution, of course; not a pretty world to live in. But if man objects the answer is that he ought not to have discovered the hidden secret of matter.

Political Facts

In the year that has passed since a group of very scared American scientists pulled the trigger on the first atomic bomb in a New Mexico desert named the Valley of the Journey of Death, the political facts have arranged themselves in a pattern like this:

The United States is still the only country so far as we know that has ever made an atomic bomb.

The United States is still the only country that has ever used the atomic bomb in war.

The United States so far as we know is the only country that is making and stock-piling the atomic bomb.

The United States is willing to surrender its knowledge, its stock pile of bombs, and all of its dangerous activities to international control, *provided* the bomb can be outlawed as a weapon by a plan under which a faith-breaking nation would be liable to immediate destruction.

In all history it has not happened before that a nation in possession of the absolute weapon has offered to give it up on any terms. Thus, what now is the crucial political problem of the world, namely, how to control atomic energy by agreement among the nations, has its origin in the nature of the American people. If the bomb were in the hands of an aggressor people there would be no such problem as this.

There is a United Nations Atomic Energy Commission proposed jointly by the Americans and the British and there is a tentative American plan, but with the Security Council of the UN already torn by disamenities and suspicion over relatively unimportant things the hope of accord in this matter, on a plane of transcendental good faith, is a feat of optimism.

Meanwhile, international relations have disintegrated to a point at which World War III, which would be an atomic war, is a subject discussed in the language of the street in every country in the world. Where does it come from? From Stalin, for example, who in an Order of the Day accuses the capitalist countries of planning World War III, and from the common knowledge that the old armament race has been superseded by a race for possession and development of the atomic bomb.

The Bomb Race

There is a new city named Atomgrad; the Russians have boasted publicly that they will have the bomb when they need it. Intensive atomic research is a feature of their new five-year plan, and the cost of it is not to be considered.

Great Britain, with a bankrupt treasury, has launched a vast atomic research project. On being questioned about it in the House of Commons last March 28, the Minister of Supply said:

> "The central planning is in the hands of the Prime Minister and the Cabinet, advised by the learned Advisory Committee presided over with great distinction by the right hon. Gentlemen the Member for the Scottish Universities (Sir J. Anderson). It is the intention to marshall the very best brains in the country in solving the problems which confront us. The research establishment which it is proposed to establish at Harwell will be got going as soon as it is physically possible. It will be provided with every possible facility. The airfield was evacuated by the Royal Air Force at the beginning of the year, and

work of converting the buildings to their new purposes is already under way. New, highly specialized buildings will need to be constructed, and a team of experts is at present in Canada preparing plans to incorporate the very latest knowledge. At the same time, we shall press on with the construction of the main production plant to produce the fissile material which the research establishment will require. The execution of this project, the main production plant, is a major technological effort."

He was asked how much the government was prepared to spend on it, and to this he answered: "The limit of what we can do in this direction is a physical and not a financial limit. Whatever we can do we shall do."

France, also with a bankrupt treasury, and while borrowing money from the United States Treasury, has started an atomic bomb project. Her proving ground will be the Sahara Desert and for this project she has already appropriated more money than the American Government spent during the first two-year period of its search for the bomb.

The Beginnings of a Plan

The State Department's first tentative plan for international control of atomic energy turned upon the discovery that the fissionable materials used to make the bomb may be denatured. When they are denatured they may still be used to make atomic energy for industrial purposes, but they cannot be used to make a bomb until their dangerous propensities have been restored, which is a process that takes time. Thus it is possible, first of all, to draw a line between dangerous and nondangerous activities. However, this is not a very rigid line and may change with new knowledge, and in any case the denatured materials are still potentially dangerous. However, having made this distinction between dangerous and nondangerous activities, the State Department's plan proceeded to consider the explosive materials of politics. Suppose that by consent of the world there is created an International Atomic Development Authority charged with the responsibility to control atomic activities everywhere, and suppose it permits atomic activities to be conducted only by nations that will solemnly swear to keep the faith, reserving to itself the exclusive right to make bombs. Still nevertheless there is the question: Where is the bomb? Physically and geographically, where is it? A treaty might say that only the Atomic Development Authority could make it if at all—but where? If the Atomic Development Authority confined its own dangerous activities—that is to say, the bomb making—to one country, all the other countries would be thinking: What if the Atomic Development Authority should fail? It is true that the Atomic Development Authority's bomb making plant belongs to the whole world and yet it is located in a certain place. What if the nation surrounding it should suddenly decide to seize it?

Here, then, was the heart of the plan and it read as follows:

"It will probably be necessary to write into the Charter itself a systematic plan governing the location of the operations and property of the authority so that a strategic balance may be maintained among nations. In this way protection will be afforded against such eventualities as the complete or partial collapse of the United Nations or the Atomic Development Authority; protection will be afforded against the eventuality of sudden seizure by any one nation of the stock piles, reduction, refining and separation plants and reactors of all types belonging to the authority.

"This will have to be quite a different situation from the one that now prevails. At present, with Hanford, Oak Ridge and Los Alamos situated in the United States, other nations can find no security against atomic warfare except the security that resides in our own peaceful purposes or the attempt at security that is seen in developing secret atomic enterprises of their own. Other nations which, according to their own outlook, may fear us, can develop a greater sense of security only as the Atomic Development Authority locates similar dangerous operations within their borders.

"Once such operations and facilities have been established by the Atomic Development Authority and are being operated by that agency within other nations as well as within our own, a balance will have been established. It is not thought that the Atomic Development Authority could protect its plants by military force from the overwhelming power of the nation in which they are situated. Some United Nations military guard may be desirable. But at most it could be little more than a token.

"The real protection will lie in the fact that if any nation seizes the plants or the stock piles that are situated in its territory, other nations will have similar facilities and materials situated within their own borders so that the act of seizure need not place them at a disadvantage."

This means simply that in order to give the world a sense of security the bomb shall be distributed among the nations so that if one breaks faith they may all be equally ready to hurl it upon one another. Every nation to have the bomb within reach, *and so one world.* Or is it? Certainly it is not every nation that could have a bomb plant, for in that case no big nation could sleep at all. But, on the other hand, how shall little nations be excluded and by what rule of selection, and what will they do if they are?

Out of that first tentative plan was evolved the official American plan that was submitted to the Atomic Energy Commission of the United Nations at its first meeting in June by B. M. Baruch. What Baruch had added to it was a degree of political realism.

The Official Plan

First, touching the Atomic Development Authority and its monopoly of all atomic activities, the five permanent members of the Security Council of the United Nations—the United States, Great Britain, Russia, France and China—would have to surrender their celebrated right of veto. This right of veto arises from that provision of the United Nations Charter which says that these five powers must agree unanimously else the United Nations cannot take a punitive action. This means simply that if the Atomic Development Authority called for action against a nation that was breaking faith any one of these five powers seated permanently on the Security Council could say no, and then nothing would happen.

Secondly, according to the Baruch plan, the power of the Atomic Development Authority over all atomic activities would have to be independent and absolute—and from this it might follow that its power would come to be supreme in the whole world. This extreme decision seems to have been based, at least in some part, on the conclusion stated by Baruch that the "denaturing" of materials to make them nondangerous has been overestimated as a safeguard. If it has been overestimated, that would be owing to the emphasis placed upon it in the State Department's tentative plan.

Thirdly, the United States will not surrender its knowledge or its bomb until there has been created and made operative in the world an incredible espionage system, with unlimited right of access to all national premises, perfected to the point at which it would be impossible, or thought impossible, for any nation to conduct secret atomic activities. To create and make effective a system like that might take years.

After the American plan had been presented the Russians brought in one of their own, providing, *first,* that the nations shall sign a paper promising never to use the atomic bomb as a weapon and that each nation shall then pass a law forbidding itself to possess or to make an atomic bomb, whereupon all existing bombs shall be destroyed; and, *second,* that all scientific and technical knowledge about energy shall be exposed to the world, so that everybody may have access to it—for peaceful purposes of course. The rest of the Russian plan is vague, except at two points: the last word on how atomic energy shall be controlled and how a nation that breaks faith shall be dealt with must lie with the Security Council of the UN, and the *right of veto shall stand,* so that any one of the five permanent members of the Security Council may say no to anything that is proposed to be done. The American and the Russian plans are apparently irreconcilable.

So there is the fix that man is in. The one thing he did not need more of was power. Suddenly he has infinitely more of it than he knows what to do with. Can he find a way to live with it? If he can he may continue his career in serendipity and dazzle the universe; but if he cannot, and though he have the sun in his hands, his light will go out.

Closing Time, Gentlemen

By D. R. Davies
In *The New English Review*

IT WAS one of these dinners that furnished the de Goncourts with the opportunity for a display of prophetic insight. I quote it in full:

> "*April 7th* (1869). Magny dinner. They were saying that Berthelot had predicted that a hundred years from now, thanks to physical and chemical science, men would know of what the atom is constituted and would be able, at will, to moderate, extinguish and light up again the sun as if it were a gas lamp. Claude Bernard, for his part, had apparently declared that in a hundred years of physiological science man would be so completely the master of organic law that he would create life in competition with God.
>
> "To all this we raised no objection, but we have the feeling that when this time comes in science, God with His white beard will come down to earth, swinging a bunch of keys, and will say to humanity, the way they say at five o'clock at the Salon, 'Closing time, gentlemen.'"

"Closing time, gentlemen." How the Berthelots and Bernards of 1869 must have chuckled at such an outworn theological comment! But less than a hundred years later—seventy-six to be exact—the laughter has died. "Closing time" has ceased to be either fantastic or funny.

There can be no greater delusion than to think of the atomic era as merely another temporal period, exhibiting on a higher level or spiral the same historic processes of more or less leisurely development as those with which we are familiar in the past. But this, in fact, is the prevailing attitude to what is regarded as the atomic future. The stream of history will continue to flow in the

same channel, more swiftly, perhaps, but still on the same course. Steam was succeeded by oil. Oil is going to be succeeded by nuclear energy, and anticipation is already assuming the old patterns of material achievement, with the added confidence that social problems which have hitherto defied solution are destined for settlement. Greed and will to power, it is believed, are obviously the consequence of material scarcity. By the creation of material abundance (which atomic energy will insure), greed and will to power, the erstwhile obstacles to social peace and welfare, will vanish. We are on the eve of Utopia—if we can get over this little matter of war.

Now this way of looking at the atomic future is not even shallow. It is pathological. It argues some profound, radical inability to look at facts in a new way. Has materialism become so fatal an obsession of the contemporary mind that it cannot transcend its habit of estimating everything in material values, even the atomic bomb? A mentality less poisoned by materialist ratiocination than that of our generation would surely suspect—at the very least, suspect—that the experience of the past hundred years lends no support whatever to the current anticipation of the atomic future. Let me illustrate.

It is a fact beyond dispute that the last century and a half have witnessed a gigantic increase in productive power. The volume of goods turned out by machinery powered by steam, electricity, and petrol bears no comparison whatever to the amount of wealth produced by the machines powered mainly by human muscles or wind or water in the pre-industrial epoch. In contrast with the amount of material wealth produced in medieval Europe, when man was the chief source of productive energy, the wealth produced in modern Europe, in which solar energy has displaced human energy as the main source of productive power, is as a flood compared with a trickle. The economic, industrial achievements of modern science have fulfilled, and more than fulfilled, the most extravagant technical anticipations of the effects of solar energy in productive processes.

It is also a fact equally beyond dispute, however, that technical achievements do not necessarily produce social results. Perhaps the most obstinate illusion of the modern mind, especially the left-wing mind, is that technics and ethics are the same thing; that technical advancement necessarily issues into social and moral advancement as well, which only shows that when the scientific mind comes to deal with human nature it sheds the science of its attitude towards physical nature and descends to sheer magic. How else can one explain the current extravagances about the future social results of atomic energy? They display not the slightest awareness of the social contradictions and frustrations which the world has experienced from the application of solar energy to the productive process in the last hundred and fifty years.

The great access of solar energy has not fulfilled a single one of the social anticipations, as distinct from the technical, of our perfectionist forefathers. Not a single one. Poverty was not abolished. On the contrary, it became more of a problem than ever. Security was not realized. On the contrary, insecurity was aggravated for every section of society. War was not banished. On the contrary, new and far more effective methods were devised for beating ploughshares into swords and kitchen pans into bombing and fighting aeroplanes.

Technical triumphs may be the means of moral and social disintegration, a fact—not just a theory, but a fact—which the secular sociologist seems incapable of perceiving. Why else the unlimited enthusiasm accorded to the social possibilities of atomic energy? It is only the military possibilities of atomic energy that are feared. Its social possibilities are being ecstatically welcomed. They have indeed produced a new sociological drunkenness.

My second example is a contemporary scientist, Professor J. B. S. Haldane. He has given a really delicious demonstration of the cocksure arrogance of the pre-atomic mind, and here it is: "Civilization, as we know it today, is a poor thing." (This was written in 1932, before Fascism, both of the brown and red varieties, the latter which Professor Haldane so ardently supports, had made civilization a thing still poorer.) "And if it is to be improved there is no hope save in science. Less than a million years hence the average man or woman will realize all the possibilities that human life has so far shown. He or she will never know a minute's illness. He will be able to think like Newton, to write like Racine, to paint like the van Eycks, to compose like Bach. He will be as incapable of hatred as St. Francis. . . . And every minute of his life will be lived with all the passion of a lover or a discoverer."

Into these fantastic cobwebs has crashed the atomic bomb.

British Dread of Competition

A Bitter View of America's One-World Foreign Trade Policy

By L. S. Amery

The State Department's foreign trade policy, generally referred to as multilateralism, aims, as we think, at the free interchangeability of national currencies, the removal of all such barriers to trade as preferential tariff arrangements, which is bilateralism, and in brief, a one-world economic system, to the end that people shall be able to exchange goods with one another without discriminations of any kind, under the benign eye of an International Trade Organization. The assumption is that under a system like that the trade of the world would wonderfully expand and everybody would be richer for it. To the British, however, this seems very much like throwing the markets of the world wide open to unlimited competition in which the United States, as the most powerful producer of all, would have a terrific advantage; and if other nations had committed themselves beforehand to the American policy, as the State Department will ask them to do at the International Trade Conference to be held later this year, they would be unable to defend themselves. In a recent speech before the National Chamber of Commerce in London, Mr. L. S. Amery challenged the American policy on the ground (a) that it would only postpone a worse crisis, and (b) that it might very well be the ruin of Great Britain. He called attention to the fact that what now is called the American policy was in fact British policy one hundred years ago, when Great Britain was the most powerful producer in the world and had the advantage. And what was the sequel? Mr. Amery was formerly Secretary of State for the British colonies and in the Churchill Government he was Secretary of State for India. He is also an industrialist and is at the head of the British branch of the Goodyear Tire and Rubber Company.—Editor

NO ONE believes more profoundly than I do in the necessity of Anglo-American cooperation, in trade as well as in other fields of policy. The world's best hope, as well as the peace and prosperity of both of us, lies in our understanding each other and working together. That can only be on the basis of consideration for each other's interests and outlook, and also of complete frankness in stating each our own point of view and defending our own rights. I am sure, therefore, that you will not misunderstand me if I say exactly what I think, without beating round the bush.

Let me make it quite clear, to begin with, that I am not criticizing the loan itself. That seems to me a perfectly fair and reasonable business deal, equally in the interest of both parties. We are faced with a difficult time before we can readjust our economy after the tremendous distortion to which we submitted it for the sake of the common cause. During that time it will be a valuable help to us to be able to secure, without immediate payment in the shape of exports, large quantities of American goods of all kinds. America, on the other hand, is ready to sell those goods. But she cannot sell them unless others have secured the requisite dollars. In the long run those dollars can only be acquired by selling goods to the United States, but as a temporary measure they can be secured if the United States is willing to lend them.

At this moment neither we, nor anyone else in the world, are yet in a position to export on a really substantial scale. America will have to lend, through public or private channels, if she wants to export, whether she lends to the public or through private channels. She will lend, if she is wise, to those who are, by their resources and their character, most likely to repay, and will avoid imposing conditions which will make repayment difficult or impossible.

I have no doubt whatever myself that we can repay the loan now proposed, and in far less than fifty years, if we remain free agents. That is to

say, if we are free to control our external trade so as to suit the needs of employment and production in this country; if we are free to maintain and develop the fruitful expansionist policy of Imperial Preference and of the sterling system within our own family of nations; if we are free to make mutually profitable trade arrangements with foreign countries, and not least with the United States.

If, on the other hand, we are to be bound hand and foot by what I regard as out-of-date theoretical schemes under which we are to sacrifice the control over our own home market, eliminate preference, abolish the sterling system and abandon all hope of something better in foreign trade agreements than the obsolete and restrictive most favored nation clause, then, I say, with all the earnestness that I can command, that we shall not be able to pay our way at all and shall most certainly not be able to repay the loan.

Let me remind you of the position which this country will have to face in the years ahead of us. We have lost more than half of our income from overseas investments. Much of our income from shipping, insurance and finance has gone. It is estimated that, if we are to keep our heads above water at all, we must in future increase the volume—not merely the value—of our exports by some 75% over the immediate prewar years. As our exports of foodstuffs and raw materials are a small, and I fear stationary element in the whole, it means that we shall have at least to double our export of manufactures.

Freedom To Discriminate

Where and how are we to do this? The European market is not exactly promising or likely to be what it was for many long years to come. Elsewhere there are many once profitable markets where we shall find ourselves increasingly replaced by local production. We have, I am sorry to say, long ceased to be the world's cheapest producers over the field of industry taken as a whole. Our relatively small-scale industries cannot complete easily with the surplus of America's immense volume of production. On the other hand, our standard of living and our overhead of taxation are far higher than those of many other countries whose equipment and manual skill are no whit inferior to ours. It is perfectly true that the quality of British workmanship will always secure us a considerable market. But under sheer cutthroat open competition we cannot achieve that gross total volume of exports which we must have in order to secure those raw materials and foodstuffs essential to our life. Exports for us are not merely a convenience, a useful flywheel in our productive economy; they are the only way by which we can earn our daily bread.

In these circumstances, we must have a free hand. Our first duty will be to exercise a strict economy over the expenditure of the line of credits now proposed, if that is granted, and whatever credits we may earn in future by our exports. We cannot afford to admit any but essential imports. We must take whatever measures may be necessary to maintain our agricultural production at the highest level, regardless of mere price competition from outside. We must select carefully the manufactured goods that we can afford to let our people purchase. What is more, we must be free to exercise a measure of selection as to the source of our imports.

In making trade agreements we have one outstanding bargaining asset, namely, the fact that we are, and always will be, an immensely important consumers' market. I can see no reason why favored access to that market should be given to those who are not prepared to give us equivalent help in return.

The Old Way

I am well aware that this is what the present American Administration calls discrimination, and is contrary to the interpretation of the most-favored-nation clause which the United States has adopted in recent years. All I can say is that the old American interpretation was much better calculated to promote trade expansion. The present rigid interpretation is a direct obstacle to the lowering of tariffs by mutual agreement. It means that concessions which might be given to the other party in a deal are not given at all because the whole world has to be let in on the same terms, while the other party's concessions are hardly worth securing if they have to be shared with every competitor. In those circumstances the most paying thing for a country is to sit back and hope that someone else will make the concessions for you, or else to dodge the spirit of the clause by ingenious over-detailed classification.

Happily, we made it clear to the world nearly fifty years ago, and have done so in every trade agreement since, that the most-favored-nation clause does not apply to trade with the British family of nations. During that half century the preferential reduction of duties freely given by Dominion governments on British imports have been a most important standby in our whole economic life. They became even more important when, for the first time, this country reciprocated fully under the Ottawa Agreements. Under those agreements our trade expanded remarkably in every direction.

Over the five years 1932-37, our exports to British countries rose by 52%, and our imports from British countries rose by 64%. This was not at the expense of our trade with the outside world, with which our exports, over the same period, rose by 35% and our imports by 37%.

Empire Trade

To suggest that the greater relative increase of our inter-Empire trade was at the expense of our trade with other countries implies a stationary conception of trade which has no justification whatever. Our foreign trade expanded because our producing and consuming power was increased by our inter-Empire trade. Indeed, if it had not been for the mutually expansionist effect of the Ottawa Agreements, each country in the British Commonwealth would have been driven, as the European countries were, to much higher tariffs and to restrictive quota, barter and exchange devices in order to meet the acute world situation. The total trade of the Empire with foreign countries would have been less and not more, but for the Ottawa Agreements.

Even before the war the British Empire, thanks very largely to preference, took more than half our total manufactured exports. We cannot possibly give up this market and its opportunities for further expansion and still pay our way in the world under conditions of promiscuous cutthroat competition. Given our freedom to pursue the policy of balanced, cooperative expansion which I have outlined, we can also conduct a steadily increasing trade with the United States as well as with other countries and, as I have said already, should find no difficulty in repaying the loan.

I have dealt with this question of preference purely on the economic side. But it is also essentially a political question. To deny the right of the British countries to give each other whatever preference they choose is to deny the right to the British Commonwealth to exist as an entity.

Forgive my speaking very plainly, but I am only voicing the resentment which millions of my fellow countrymen here, and in other parts of the British Commonwealth, are feeling at the pressure which has been put on us, in our immediate difficulties, to induce us to acquiesce in the abandonment of our right to help each other within the British family.

What I have said about the economic aspect of preference equally holds good about sterling. Unlike gold, the quantity of which is fixed at any given moment, sterling is an elastic currency which expands to meet the needs of trade and production—a much better currency than gold. It was a vital factor in our recovery after 1931. It played no small part in seeing us through the war. If sterling is left to adjust itself over the next few years it can be an immensely important factor in stimulating productive energies over the whole sterling area, and so increasing the trade of that area with the outside world.

Instead of that, the American Treasury seems determined to wreck sterling. They have made it part of the loan agreement that within a year of the effective date all sterling arising from current transactions within the sterling area are to be released—in other words, freely exchanged for gold and dollars.

What does that mean? It means that we shall be bound to pay gold or dollars for whatever we buy in the sterling area, and shall, therefore, have so much less available for our purchases in the United States. America will not get one cent more in the way of exports, but our power of recovery and of repaying the loan will be seriously weakened.

Again, if vast quantities of sterling are in this way thrown on the world market, sterling will depreciate. An inevitable invisible tariff will thus be set up in all sterling countries against American exports, and Bretton Woods will be in difficulties from the start. If the American Administration had deliberately wished to make repayment of the loan difficult—and in my opinion impossible—they could not have done better than tie to it all the strings they have done.

New Deal Policy

I know that there are those, not only on the other side of the Atlantic, who will say that my fears are unwarranted. They suggest that under the policy which the United States are pressing upon us there will be such an expansion of world trade that there will be room not only for that trebling of American exports which President Roosevelt spoke of, but also for that doubling of our manufactured exports which are essential to our existence.

I believe those who hold that view to be grievously mistaken both as regards the advantages America or the world might gain from that policy, and as regards the likelihood of the world, as a whole, seriously adopting it.

That policy is associated in America with what is known as the New Deal. It was a New Deal once. It was the British New Deal of the year 1846, when the world economic situation and social and economic conditions were much more favorable to its successful working than they are today. We thought then that we were giving a lead which all other nations would follow. They knew better.

The United States were among the first to reject a purely competitive price policy and to

concentrate on the development of their immense latent human and material resources in order to protect that development from competition by the lower-paid labor of the outside world. Look at the amazing result!

Germany grew to industrial greatness by a similar policy of deliberately fostering production. More and more other nations followed their lead, whether for the sake of expanding production or of maintaining the standard of living of their working class or the stability of employment.

The Other Time

All the same, after the First World War, the attempt was made under American and British influence to restore the internationalist economy, at any rate so far as the gold standard and the most-favored-nation clause were concerned. Things went reasonably well for a time, but only because the excess of American exports was counterbalanced by lavish American investment and by vast sums spent by Americans abroad. When the domestic boom in the States was succeeded by slump, Americans stopped investing abroad and stopped traveling. The world's gold was sucked into America, credit was everywhere restricted, prices fell and the great world depression set in. The story is told with admirable clarity in the report published in 1943 by the United States Department of Commerce under the title "The United States in the World Economy."

Now two things stand out clearly from that report. One is that it was the linking up of the rest of the world with the immense dynamic momentum and the violent internal fluctuations of the American economy that brought about the world depression. The other is that the various measures taken by the nations to protect themselves did effect their purpose and brought about world recovery, and the recovery of the countries of the sterling bloc is referred to in the report as being outstanding. The recovery of the United States was slow.

Yet somehow or other, the powers that be in the United States have got the story upside down. They have persuaded themselves that the world depression was caused by the measures which the world took to cure it, and that all the world needs today is a stronger dose of the poison that nearly killed it fifteen years ago.

I have already expressed my conviction that if we and the world followed the policy which the present American Administration is trying to force upon us, we, at any rate, could not pay our way or repay the loan. But I would add that if the world were foolish enough once again to repeat the experiment of reestablishing the internationalist economy of twenty years ago, the result would be disastrous for the world and, not least, disastrous for the United States, which were the worst sufferers from the aftereffects of the world depression. The only way, indeed, as the report points out, in which such an economy could work is if the United States internal economy remained entirely free from serious fluctuations and if the United States were prepared to supply quite steadily all the dollars required to make it work. Who is going to guarantee that? No administration in the United States; still less a British Government here.

Moreover, that policy can only be made to work in the long run by America's importing more from the outside world than she exports. Lending can only postpone that necessity for a time, for interest and repayment have eventually to be made in goods. That means that America, if she really means business with her policy, must not merely lower her tariffs as a gesture to others, but lower them so effectively, regardless of the effect on the balance of American internal production or the level of American wages, as to make sure that her imports will steadily outstrip her exports and ensure the interest and repayment of the loan. That is what we did, and we did it to the destruction of our agriculture and the gradual weakening of our industries until, at last, after 1931 we realized that only a change of policy could avert complete and final disaster. I wonder if the American public realize what their official policy would involve if it were ever carried out?

Leave It to Each Nation

You may ask me, if I criticize the policy which the United States Administration has put forward and to which our government here has pledged its support, what alternative policy have I to put in its place? The policy I would commend is, first, to leave it to every nation to secure the maximum of balanced and stable expansion within its own boundaries by whatever measures are best suited to its social and political structure, including the control of its own monetary policy. Secondly, to leave every nation free to make mutually advantageous arrangements for the expansion of trade and production with other individual nations and more particularly within groups of nations whose resources supplement each other and which, for one reason or another, wish to work in permanent association with each other.

To put it more particularly, I would ask America to approve and support, instead of denouncing, British Empire and sterling policy and to

look to securing a growing share in the expansion of trade and production which will follow. She can do so all the more effectively if she will revert to her former and at the moment, more sensible interpretation of the most-favored-nation clause and make specific and, in effect, preferential trade arrangements with the various members of the British Commonwealth for the expansion of their mutual trade. She can also find a fruitful outlet for her capital by direct investment inside the British Empire, as she has already done in the motor industry in Canada and in many industries in this country.

What I urge America to favor in regard to the British Commonwealth I would equally urge her to follow with regard to Europe. Let her waive the most-favored-nation clause and encourage the European nations to form a preferential union among themselves. That is by far the best hope for European recovery. The other policy is bound to lead, sooner or later, to depression, repudiation and, eventually, by reaction, as it did before, to extreme autarky and totalitarianism.

Churchill on the Loan

Toward the close of the debate in the House of Commons on the Anglo-American Loan Agreement, Mr. Churchill, as head of the Conservative party, made this statement. It has not been printed in this country before. Besides being a matter of intrinsic interest, it has both political and historical importance. He tells, for example, what his understanding was with President Roosevelt about the touchy subject of Imperial Preference. Under Mr. Churchill's leadership the Conservative party said what it thought about the Agreement and abstained from voting either for or against it. —Editor

EVERYONE is aware of the many objections to the agreement which is now before us. The government have in no way concealed their disappointment. They tell us that they have not been able to procure easier terms, and I think I may say that we wholeheartedly share their disappointment. Not only is there disappointment, there is deep misgiving as to what the consequences will be and also of our ability, however hard we try, to discharge successfully the obligations now to be imposed upon us.

I was astonished that the United States should think it worth while to exact the equivalent of 1.62% interest from their debtor in the special circumstances in which we find ourselves. This interest charge can play a very small part in the economy of the United States. In so far as it operates at all, it must be a deterrent upon their exporting power. They will be taking British imports direct, or roundabout, in payment of the interest on the debt, instead of repayment for United States exports which they desire and which it is in their interest to have continually increased.

We are told that this is a commercial transaction and that the loan can only be viewed as a commercial transaction. I rather agree with what the hon. Member for Ipswich (Mr. Stokes) said. It is a great pity that a commercial transaction should be mixed up with other noncommercial transactions, such as the agreement at Bretton Woods, upon which we have to pass a bill, or the Commercial Policy Declaration on which there is to be agreement between the two countries to approach together along concerted lines. All the arguments for treating the loan as a commercial transaction tell against linking with its acceptance of other extraneous, and altogether separate, agreements. It is a pity that we should have allowed a commercial loan agreement to be mixed up and linked up with other transactions. I do not like the mixture.

If we have misgivings in respect of the gold standard about Bretton Woods, or in respect of Imperial Preference about the Commercial Policy

Declaration, we are told, "You are getting the loan." When it comes to discussing the loan, we are told, "This is a commercial matter and cannot be presented to Congress on any other basis." If the United States had seen fit to say, "We will give a grant-in-aid," or even "a loan without interest equal to these disbursements in America paid by the British before lend-lease was in action," then it would have been to their interest to associate with so benevolent an act, agreements and understandings on other matters. As it is, we seem to have the worst of it both ways.

Everyone has drawn attention to the proposal to make sterling convertible into dollars within so short a time as fifteen months, whereas at Bretton Woods it was contemplated there should be a delay of as much as five years before we accept convertibility as a definite legal obligation, however much we might try, in the meanwhile, to accelerate the process in fact. From what I have heard stated in this debate without challenge on either side of the House, this convertibility proposal within fifteen months appears to be a proposition so doubtful and perilous that the best hope is that in practice it will defeat itself, and that it is in fact too bad to be true. There is a lot in this. The trees do not grow up to the sky; indeed, I have not found that to be so in a long life. That is the second obvious and salient point.

Thirdly, there are most objectionable provisions of the Commercial Policy Declaration which, for instance, require us, if we are incapable of finding dollars to pay for American imports of tobacco, cotton, or other commodities, to reduce also, in equal proportions, our imports from any alternative source. This is really a proposal upon which I earnestly trust the steady gaze of the just-minded people of the United States will be attentively fixed.

For these reasons, upon which it would be easy to expatiate, we on this side of the House refuse altogether to accept any responsibility for this set of transactions. We recognize that it is the duty of the government to decide. There is no reason at all why we should share the responsibility of the government. The responsibility lies wholly upon them, and they have the power to discharge it. Whatever we did with our votes in this House, we could not affect the position. We could not stop this arrangement if we were all united in wishing to do so. We are certainly not all united in wishing to stop it—that is a fact—any more than the party opposite are all united in wishing it to go through.

I said the other day out of doors that the vote at the General Election would turn out to be a disaster to the country. Undoubtedly, the hard terms of these loan arrangements are one aspect and one instalment of that disaster. Whatever may be said to the contrary, our relations with the United States have definitely become more distant and more difficult; our relations have deteriorated. Both the great parties in the United States are wedded to the principle of free enterprise, and are opposed to the collectivist and totalitarian conceptions which underlie and animate Socialist policy. The fact that the United States is depicted as the last remaining haunt of capitalism, in a world which appears to them at the present time to be sinking and degenerating into Socialism or worse, consciously or unconsciously affects public opinion over there, and it affects also the movement of political thought in the American Congress. This makes the United States executive authorities more than ever careful of the form in which their proposals are brought before Congress.

They Also May Claim

We claim for our country that we fought from beginning to end, sacrificing everything for the common cause, allowing no thought for the morrow to conflict with the attainment of speedy victory. The United States may also claim to have poured out their blood and treasure as a great fountain of Allied resistance to tyranny, and, long before they were themselves attacked by Japan, they rendered us invaluable aid through the great measure of lend-lease, that most unsordid act in the history of nations, under which they paid over £5,000 million in aiding and expanding our war effort in the common cause. Whatever complaints we make about these present proposals, whatever misgivings—and they are very serious—are aroused in our breasts, both their generosity and the championship by the United States of the cause of freedom will ever stand forth as a monument of human virtue and of future world hope.

I am very glad that no one of the slightest responsibility, speaking in this debate, has used any language likely to reflect upon the noble deeds of the people and government of America, to make ill will between our two countries, or mar the splendor of the story of the past.

Neither must we underrate or fail to comprehend the point of view of the Congress and people of the United States. They see themselves confronted with a burden of internal debt amounting, I am told, to $262,000 million. That is about £65,000 million. Only their own gigantic exertions working unfettered and in free enterprise can enable them to sustain and conquer.

They see themselves confronted with this enormous burden of debt, they see across the Atlantic

political conceptions and ideologies which they regard as widely divergent from the whole of their vast wealth-getting processes. It remains for the ineffable Mr. Laski to emphasize this aspect to them on various inopportune occasions. They have no doubt read of the dazzling expectations held out to the people of this country by those who have since been victorious at the polls, expectations which are not only of a far higher standard of life but of a far easier life than any that has existed in Britain before. They have, perhaps, heard talk of the 40-hour week from the TUC. Meanwhile, they themselves, although far better circumstanced than we are, have a host of difficulties upon them, which the most strenuous exertions of the whole vast impulse of the life-thrust of their production will be needed to overcome. While we feel acutely our position, we must not lose the faculty of understanding that of other people. It is this flow of mutual comprehension which I regard as the most hopeful element in the future.

What Would Be Fatal

Many speak of the privations we should suffer if we did not receive this £1,000 million loan. That, in my view, is the least part. What I should regard as utterly fatal would be a prolonged rough and tumble struggle in the economic and financial sphere between the United States and the British Commonwealth of Nations and the sterling area. I am sure we should get the worst of it, and at the end would be found only another layer of economic wreckage and ashes scattered over the tortured face of Europe and of Asia.

Moreover, the United States have an immense interest in the prosperity of Great Britain and of the British Empire, and their own prosperity could not survive for many years in the midst of a ruined world or in the presence of a ruined and broken Britain. It is in the working of these practical forces that we must put our trust for the future, and I am sure that it is along such paths and through such influences that a happy outcome will eventually be reached. United, these two countries can, without the slightest injury to other nations or to themselves, almost double each other's prosperity, and united they can surely double each other's power and safety. These matters must be carefully borne in mind by everybody who has to take a decision tonight.

I sympathize with the United States line of argument in connection with the loan. They did not wish to be the only creditor of Britain who had to scale down his wartime credit and balances. I welcome the perfectly clear implications of these agreements that it would be right and proper for Great Britain to insist upon a proper scaling down of these war charges, and that it is unreasonable for the Americans to be expected to pay large sums of money across the exchange, not with the object of getting Britain on her feet again as a going concern, which is a prime United States interest, but of enabling Britain to pay off other creditors against whom Britain has a far higher moral claim for easy treatment than she has against the United States. . . . I would ask any of my supporters who may be inclined to cast their votes against these measures to consider the possible reactions which a heavy Conservative vote against the proposals might produce across the ocean. I ask, therefore, for general abstention on the part of my friends which will leave us unburdened with any responsibility for these proposals and at the same time keep our party free from any attitude of antagonism to the other great branch of the English-speaking world.

The financial obligations once entered into by His Majesty's Government are binding upon all parties, even upon those who have not taken any part in affirming them. We shall have to do our very best, our very utmost, in future years to bear the heavy load. If we fail, it must not be from any lack of sincerity or exertion, but simply because the weight that is being placed upon us may be far more than our exporting power can sustain. Although in 1931 we had to default upon our American debt incurred in the First World War, nevertheless the character and conduct of our people, and the whole conduct of our state, is such that our name and honor still stand high in the world. Whatever criticism we may bring to bear on our own government, it must be quite clearly understood that our refusal to share their responsibilities in no way relieves us from facing the consequences of their decisions in a spirit of good faith and to the utmost limit of our strength.

Pact with Roosevelt

Finally, there is one point I must put on record about the Commercial Policy Declaration. At my first meeting with President Roosevelt at Argentia in 1941, I was very careful that the terms of the Atlantic Charter in no way prejudiced our rights to maintain the system of Imperial Preference. Those were not easy days. The United States were neutral. It was very hard to see how the war could be won, but even then I insisted upon that. Similarly, when it came to the Mutual Aid Agreement, I received from President Roosevelt the explicit assurances which have since been published that we were no more committed by Article 7 to abandoning Imperial Preference than was the United States to abolish her tariffs.

What we are committed to, and have been long committed to, in good faith and in good will, is to discuss both these matters. At the same time we are bound to take into consideration the views and wishes of the other Dominions of the Crown, and all have to be discussed at the forthcoming conference in the light not only of the actions and agreements of the English-speaking world, but also with regard to the general attitude of all other countries towards the removal of trade barriers and trade restrictions of all kinds.

Therefore, we have unquestionable latitude and discretion of judgment. Some have said that the United States might make what looks like a substantial diminution of tariffs already so high as to be prohibitive, and that then, although those tariffs still remain an effective barrier against our exports to America, we should be obliged to abandon or reduce our present preference. I could not agree with that view. It is, therefore, in my view, quite untrue to say that we are at this time being committed by the government to any abandonment of Imperial Preference and still less its elimination. Of course, if we find ourselves in the presence of proposals to effect a vast, sweeping reduction of tariffs and trade barriers and restrictions all over the world of a character to give a great exporting power to this island and to British shipping, which is a vital element in the services we render to other countries and a vital feature in our means of earning our daily bread, if we are faced with that, then, undoubtedly, we should be confronted with a new situation to which we should have to do justice. . . . I make no concealment of my personal view that if all this came to pass the vision before mankind to be would be brighter than we imagine. I do not see any probability of such a point being reached.

It is more likely, on the other hand, that tariffs and trade restrictions of all kinds, even though reduced, will still be maintained at levels which severely hamper progress towards the ideal of the free interchange for mutual advantage of goods and services throughout the world. In that case, no one could in good faith demand of us to forgo the immense moral and material advantages which have flowed to us by the special development and fostering of inter-Imperial trade.

Having regard to all these facts, some of which are common ground between the Government and the Opposition and which constitutes the British position, now made clear and manifest to the United States, I cannot see there is the slightest justification for suggesting that we are compromised and fettered in any way in respect of Imperial Preference.

There He Sits

THE American eagle sits on his perch, a large, strong bird with formidable beak and claws. There he sits, motionless, and Mr. Gromyko is sent every day to prod him with a sharp sickle, now on his beak, now under his wing, now in his tail feathers. All the time the eagle keeps quite still. But it would be a great mistake to suppose that nothing is going on inside the breast of the eagle. I venture to give this friendly hint to my old wartime comrade, Marshal Stalin.—*Winston Churchill in the House of Commons, June 5.*

*Impressions of America

"Such prosperity makes me fearful."

By Lord Woolton

BECAUSE America is so important to our own economy, I determined to travel in it with a group of observers; between us we went from coast to coast, to the smaller industrial towns as well as to Washington, New York and Boston. From information obtained in this manner I base the conclusions summarized in this article.

* * *

First, we wanted to know what the Americans are thinking of Britain. The simple truth is that for the most part they don't think about us at all. The United States is mainly thinking about itself. Its politicians and internationally minded businessmen are thinking of Britain—and coming to different conclusions. The latter are traders and they see in Britain their biggest market; they want to do business with us and with the Empire; and they want all obstacles to the free entry of their goods into our markets to be removed. Consequently, they want the loan to Britain to go through. Questions of future repayment seem to them less important than present trade. Such an attitude is characteristic of this buoyant country. "Why worry over what happens in fifty years? Let's get on with the present," summarizes their attitude.

* * *

These men have the political vision to see that unless Britain is put in a position to resume trade with America on commercial lines, it is inevitable that there should be a closer control of exchange and of imports from America to Britain; in fact, the rejection of the loan would force the British Government to adopt economic policies that are repugnant to American opinion and detrimental to its self-interest.

* * *

For the sake of good relations between the countries, it is well that the speeches delivered in Congress are sparsely reported on this side. No medals are given for the past: for many of the American legislators the war began with Pearl Harbor—although they have justifiable pride in their contributions under lend-lease.

* * *

Political thought in America on international affairs is concerned more with Russia than with Britain. Russia stands for something clear and well defined, something dangerous to the American conception of free enterprise—"risk-taking enterprise" I heard it called recently. Britain used to stand for this in the eyes of the world; it was by this means that traders built our commercial reputation and our international trade. The policy of the present Government of Britain makes us an uncertain force in American eyes; we are neither one thing nor the other. Communism they understand and fear; socialism they regard as a weak brand of the same thing.

* * *

When they hear that Britain is to nationalize the steel trade—but without any detail of the commercial operation of this colossal enterprise—when they hear of the closing of the great world market for cotton in Liverpool, a subject that has caused more wonder in America than in England—they ask: "Where is England going?"

* * *

Independence is an ideal for America, politically and commercially; when it reads of these ill-defined ideas of government control of Britain's principal industries, it concludes that the British traders have lost their independence and that Britain is quitting its period of greatness as a commercial power.

* * *

America is about as short of sugar as we are; butter is in less than normal supply; there are meatless days in hotels—but chicken is served instead! Wheat supplies are difficult; some say the farmers have held supplies back. The government, in order to encourage them to put everything on the market, has given an increased price for quick delivery. Considerable emotional propaganda is being put out—but up to date the re-

*From an article in the *Sunday Times*, of London, on Lord Woolton's return from the United States in May.

sults are small; for example, the performance for the export of wheat falls short of the promises made by the government by almost 50%.

* * *

Her difficulty is not one of good will but of ability to act. She can't collect her surplus. I believe that there would be a surplus of lard in America, but if we want it we shall have to send our traders, who used to import lard, to go find it. The collection of foodstuffs by governments is breaking down.

* * *

I found myself wondering whether the Combined Food Board in Washington, which did such admirable work in the war, is a suitable and effective instrument for fulfilling its present responsibilities. The stimulus of patriotism aroused by war has gone: in its place is the call of sentiment. In theory one should be as great as another; in practice the goods are not forthcoming. The task is to produce the food and see that it falls into approved channels of distribution. It is this latter aspect that is causing concern to the American authorities.

* * *

The question arises whether, in many other foodstuffs besides wheat in America, the goods are failing to flow quickly into the distributive channels because the men who know how to get them are not being given the encouragement to do so. Speed of action is the most pressing consideration in the relief of want.

* * *

This at any rate is clear, that in food, as in most other things, America is a land of plenty, while Great Britain is getting less than her desserts—and, indeed, her needs.

* * *

Such plenty is natural in a country that is in a state of amazing prosperity. The question that arises is whether it will continue. America is relying for economic stability upon increased production. At present she has a considerable measure of inflation; increased production can absorb this surplus spending power. But spending power is never evenly spread: the cost of living in America is high and the demands for wage increases are persistent.

* * *

Manufacturers and employers, who are opposed to the present government in the U. S. A., generally think that it is backing the workers' demands and, in fact, stiffening them. The recent award of 18½ cents per hour increase will raise prices if business is to be conducted on economic lines, and will therefore have repercussions on inflation. The economy of the U. S. A. depends on the race of its productive capacity against inflation. With industrial peace the American producers think they can win this race; the bankers are relying on it, and if they succeed America will secure for some time a stable economy.

* * *

The technology of increased production, however, has advanced greatly during the war; when its vast productive machinery gets in full motion America will face another problem: it will either have to find markets for its products or suffer the slump that comes from overproduction. When this time will arrive is a matter for speculation; it will vary trade by trade, but it will come, and that is why far-sighted Americans are looking to their old-time market in Great Britain as an outlet for their goods. If there is no loan, there will be no market.

* * *

America today is as vigorous as ever—and as generous in its hospitable welcome. It is an exciting country and bubbling with the enjoyment of life and prosperity. I saw it just like this after the last war; I saw it again when the excess of prosperity had brought ruin to many. Such prosperity makes me fearful.

TAX A to favor B. If A complains, tax C to make it up to A. If C complains, tax B to favor C. If any of them still complain, begin all over again. Tax them as long as anybody complains, or anybody wants anything.

—*William Graham Sumner*

Nursery Books for Little Business

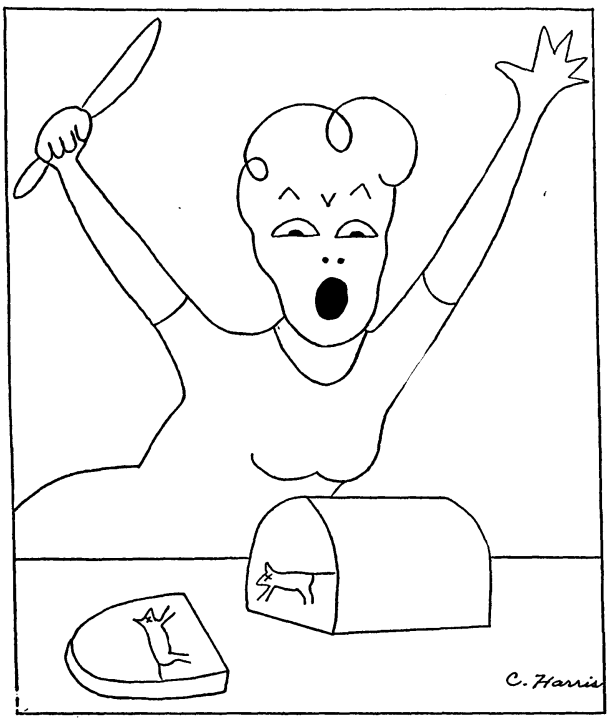
Published by the United States Department of Commerce

Article and Drawings by Constance Harris

IT IS well known that under Secretary Wallace the United States Department of Commerce feels a keen solicitude for little business. One form of its expression is a series of booklets on how to go on your own. There is one on how to set yourself up with a metalworking shop, another on how to begin with a small sawmill, another on going into the shoe repair business, another on how to start a grocery store, and so on, through automobile repair, real estate, painting, radio, bakery, hardware and general merchandise, laundry and dry cleaning, restaurant, and beauty shop. These booklets may be had from the Public Printer, Government Printing Office, Washington, D. C. at 25 cents to 55 cents each.

But if you are intending to go on your own you had perhaps better mail 10 cents to the Public Printer and ask first for the key pamphlet entitled, "Establishing and Operating Your Own Business." There you will be addressed by the Secretary himself saying: "The purpose of this booklet is to give you the broad picture of what it means to start a business of your own. Every effort has been made to present the realistic story."

In this key booklet you will be confronted first of all with the question: "Are you the type?" You will find an illustration of yourself looking in the mirror for the answer to this question. If you do not get it in the mirror you will find in the booklet the following advice: "A practical way to judge this matter of traits is to compare yours with those of the typical independent businessman who succeeds." Therefore, your next step is to go out, identify a number of businessmen who seem to be succeeding, and compare yourself with them.



"No matter how good the quality of the ingredients, their full value will not be appreciated if small bits of foreign matter picked up here and there in the course of production are found in the finished bread or cake."—*From the booklet entitled "Establishing and Operating a Bakery," by the United States Department of Commerce.*

The Survival Situation

Then if you decide that you are the type you may come back to the booklet and find a very careful weighing of the factors pro and con. For example, there is a "survival situation." You will read that the chances of a business surviving the first year are tough. You will learn that in starting a new business there is a "big element of chance." On the other hand, "Nobody can fire you when you are the owner." Furthermore, on the bright side, is the fact that the members of your family may be interested and helpful. "A wife, father, brother or uncle may be willing to help you to get established."

It is important to know something about the business you are going to begin with. This booklet tells you that "if you want to own and operate an automobile repair shop, for instance, you should know automobiles. If it is a radio repair shop you are interested in, you should know all about the inside workings of a radio. If you want to run a clothing store, you should have sold or bought clothes." And this is true notwithstanding anything you may have heard to the contrary. "Right now," says the booklet, "you may be thinking of men who started their business without knowing much about it. They not only stuck it out but they made money. That's true. If you studied their cases, however, you would probably find a variety of pretty sound reasons for their

success. Perhaps they started when competition was not too keen. May be they were lucky in stepping into a well-established business. Or they might have had enough money to tide them over a few costly mistakes while they learned." The last thing of all is that you must "look before you leap."

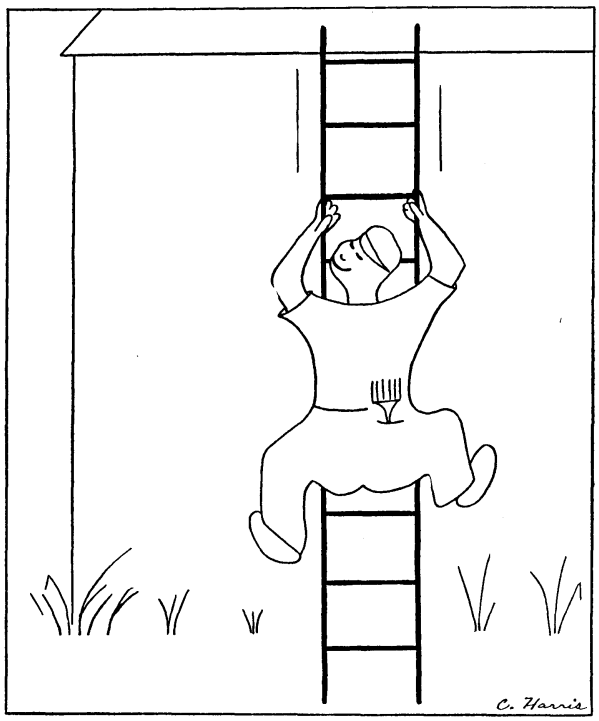
Life of a Painter

Now if you have decided that you are the type and if you have looked before leaping, there remains only to decide what it is you will leap into. It may be that you think well of the painting business. In that case you send for the booklet entitled, "Establishing and Operating a Painting and Decorating Contracting Business." This booklet has a foreword by Amos E. Taylor, Director, Bureau of Foreign and Domestic Commerce, and is prepared by M. L. Way and Associates under the direction of H. B. McCoy. On the first page you will read: "The service of painting includes the application of all kinds of paints and paint materials." You will learn that "the paint, varnish and lacquer industry is of such scope and size that its products are in constant evidence in the home, office and factory, on the highways, railroads, the sea, in the air and underground." Also, that as compared with numerous other occupations, painting contracting appears promising for those who have "energy and originality."

You will read further: "There are many advantages in having a bank account. For instance, having an account enables you to make payments by check." You must understand that "keeping records may be a nuisance, but so are many of the other things you have to do to run a business of your own." When you have a bank account and a checkbook you must "keep a record of all deposits and withdrawals on the check stubs so that you will at all times know the amount of your bank balance. At the end of each month your bank will send you a statement. If the balance on the bank statement differs from the balance deduced from your stubs you will have to discover the cause." The easiest way to find the cause is to employ a method known as addition and subtraction. If that fails you will have to take it up with the bank.

The Village Grocer

Maybe after all you should choose another business. How about the grocery business? If you think of that you send 55 cents to the Public Printer for the booklet entitled, "Establishing and Operating a Grocery Store." This booklet was prepared by Nelson A. Miller, Harvey W. Huegy, and Associates: E. R. Hawkins, Charles H. Sevin,



"Never straddle and slide down a ladder."—*From a booklet entitled, "Establishing and Operating a Painting and Decorating Contracting Business," by the United States Department of Commerce.*

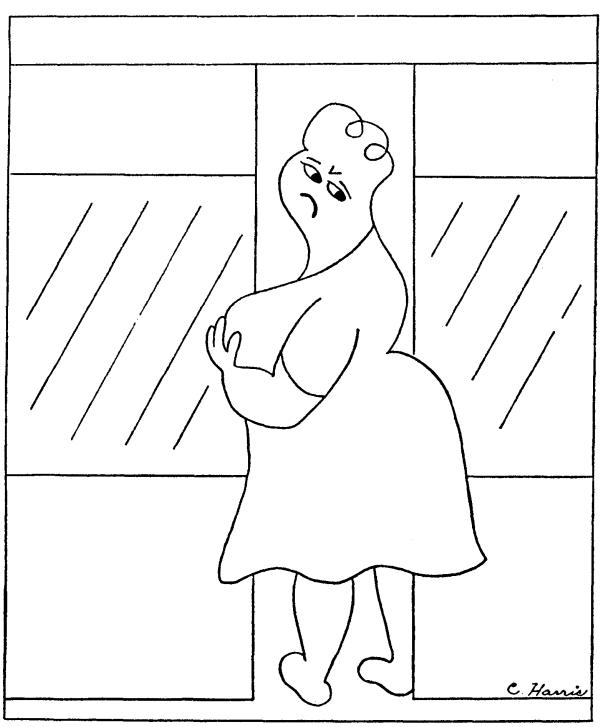
Carl E. Wolf, Jr., and Howard T. Hovde, under the direction of Walter F. Crowther, in cooperation with the National Association of Retail Grocers and members of the trade. In this booklet you will learn that of all kinds of store the grocery perhaps is the most indispensable. Why is this? It is because: "Although expenditures for food are a little higher and people eat more expensive and varied foods when times are good, in good or bad times people must eat." This thought is carried further. "Before the average family opens a can of corn, broils a steak or slices tomatoes for the evening meal a vast system of production and distribution has been at work in many ways, operating day and night, to make this meal possible. In this system, the food store is the last stop for hundreds of products before they reach the family kitchen."

Big Little Things

Nevertheless, it is by no means simple. There are many things to think of. For example, a grocer "must have made arrangements to store his goods in sufficiently large quantities and varieties to suit the needs of his customers." Again, for example: "He must refrigerate his perishable goods, such as meats and dairy products, and often he must

throw out fruits and produce no longer suitable for sale." There are financial problems. The first of the financial problems is that "the grocer must finance his stock until it is sold to the customer." The grocer, like every other little businessman, is on his own and there is therefore that wonderful feeling of independence, and yet he must remember that "quitting time for the boss is by completion of the job, not by the hands of the clock." And then again there is this problem: Are you the type? The answer seems to be particularly important in the case of the grocer because you have to "make your personality register in the mind of every customer." In order to do this it is not necessary that you should have a "radio voice," or look "like a Hollywood star," but you must have a certain way about you. You must do little things "that Mrs. Housewife will remember." You must "learn your customers' names and use them frequently." You must "make your word and smile mean something." You must be "natural, not mechanical in talking to customers." And in this art of making natural and unmechanical conversation with the customers you must be sure not "to talk too fast or ungrammatically."

So, then, if you are of the type you may go on to consider basic matters, such, for example, as



"The entrance to the store is very important. It should be one that is easy to get in and out of."—*From the booklet entitled, "Establishing and Operating a Shoe Repair Business," by the United States Department of Commerce.*

that "the financial condition of a business depends upon its assets and liabilities, the kinds of these assets and liabilities, and the way they are handled."

There is then the great matter of price policy. Supposing there are no ceilings and no OPA, what will your price policy be? That is to ask, what will your markup be? The booklet tells you:

> "The fundamental elements involved in deciding the markup are demand and the cost of doing business. Since it is very difficult and usually impractical to calculate the cost of handling a particular item, demand is by far the most important factor to consider in setting prices. The practical way in which demand shows itself is through the effect of price on sales volume. If about the same quantity can be sold at a high price as at a low price, there is no use in selling at a lower price. For this reason, high markups are usually taken on specialty items, the choicer cuts of meat, fancy groceries, and so on. Full knowledge as to the amounts that can be sold at various prices is seldom possible. It would be foolish, however, to give up entirely the attempt to price for greatest profit because of this."

There will be disagreeable discoveries. You will read in this booklet that "one of the greatest surprises that a grocer is likely to have is when he first learns of the great variety of taxes he must pay, the many licenses he must get and the regulations with which he must comply." From that you go on to the moral hazard. The booklet tells you that "personal shortcomings, such as extravagance, laziness, dishonesty and immorality, unfortunately take their toll upon grocers as in many other trades and professions."

Shoe Repair as a Career

You may be one who would prefer a business in which happily the toll is not so high. You might think, for example, of the shoe repair business. That booklet costs you only 35 cents. It has been prepared by J. G. Schnitzer and Charlotte R. Budd, under the direction of H. B. McCoy. It is really much more important than you might have guessed. "Shoe repair," says this booklet, "is an ancient and proud craft. Many famous men have been connected directly and indirectly with shoe repairing. John Adams, the second president of the United States, was the son of a shoemaker. The father of Ulysses Grant was a tanner and his son frequently helped in the tannery; some of the leather produced was sold to shoe repairers."

Moreover, you will learn that "Americans have acquired the shoe repair habit in recent years to an extent never previously experienced in this country." Much of this undoubtedly was owing to the war, when people were unable to buy new

shoes. Nevertheless, it is a habit that may continue, and whether it does or does not "depends primarily upon the shoe service man." Before making up your mind to become a shoe service man, the booklet tells you that you must ask yourself these questions. "First, 'Do I have respect for the shoe service business?' In other words, 'Do I really believe in the value of that service to the public?' " It is essential that you be able to answer this question in the affirmative. If you can answer it in the affirmative you come to another. The book says: "Second, ask yourself, 'Am I a good mixer? Do I have the ability or knack of meeting and selling the public, of convincing them that I know my business so they won't hesitate to bring their shoe problems to me?' "

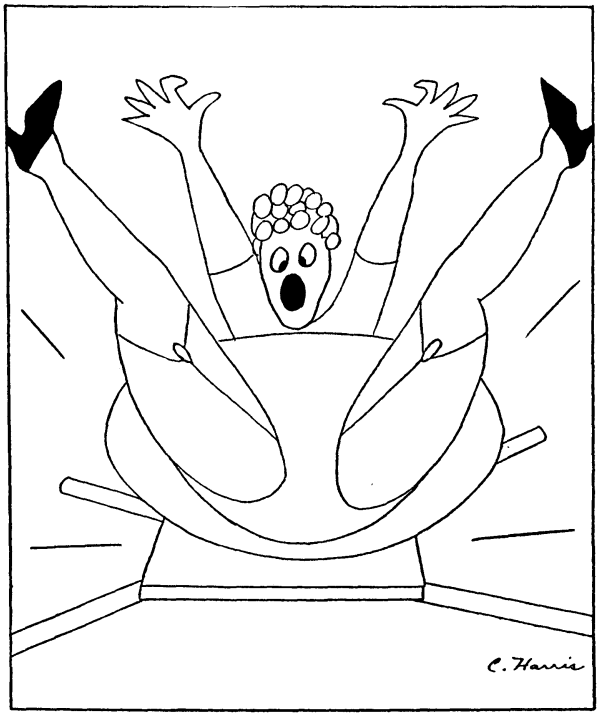
For a Stout Heart

No, no, the shoe repair business is not for you. If you are a good mixer you should look higher. You should send instead for the booklet entitled, "Establishing and Operating a Real Estate and Insurance Brokerage Business." This one was prepared by Warren F. Hickernell with the assistance of Mary R. Lubig and Anne E. Corbett, under the direction of H. B. McCoy. So what you have here is still the McCoy. For example, "Real estate brokerage consists of selling or leasing property or space in a building, placing a mortgage, collecting rents, or performing other services for a certain percentage of the money value of the transaction." However, "If you want to be a successful broker you must have a stout heart." One reason why you must have a stout heart is that "you will have to show property at night and over week ends to people who work during the day."

A Bakery Backstage

If you haven't that kind of a heart you ought to send for the booklet entitled, "Establishing and Operating a Retail Bakery." This will cost you 35 cents. The bakery business, however, appears to entail a good deal of drudgery not altogether of an amusing character. The booklet gives you three recipes. One is for the destruction of roaches, another for ant control, and a third for flour weevil. When you have destroyed the ants, the roaches, and the weevils in the flour you are only half through. The book tells you that "after the day's work is done, be sure to return to the refrigerator any butter that you have not used. . . . If you are really going to keep your bakery clean, you must know something about cleaners and cleaning processes. To save time and labor you should always keep on hand adequate supplies of cleaning materials and equipment. You will need brooms, brushes of various sizes and shapes, mops, and an unfailing supply of hot water. . . ."

If it seems to you better to leave the bakery business to the bakers it may occur to you to try the hardware business. The definition of a hardware store is that it is an establishment "primarily engaged in selling any combination of the basic lines of hardware, except farm implements." It is a highly competitive business, and before you decide in a light way to engage in it you must be able to answer this question: "Do I want to be a hardware dealer?" The book tells you that "you must be sure that you have what it takes in the way of aptitudes, traits and other qualifications." And if you are sure that you do not mind that you "can't turn the key in the door at night and expect someone else to worry about the business," and if you go on to the point at which you are about to open your hardware store, then you will find on page 203: "Points to check when getting ready for the opening." Among other points are these: "Have you received the stock ordered? Have you planned a place for all of it? Is there enough merchandise on hand for the first day's business? Has the wrapping paper, string, gummed tape been provided? Has the



"Be careful not to invest in shabby or flimsy furniture that is difficult to keep clean and likely to break down under normal wear."—*From the booklet entitled "Establishing and Operating a Beauty Shop," by the United States Department of Commerce.*

telephone been installed? Have the meter deposits been made?"

One of the most interesting booklets in the series is entitled, "Establishing and Operating a Beauty Shop." This one was prepared by Edith E. Gordon, under the direction of H. B. McCoy, and it begins as follows: "CHAPTER I. NATURE OF BEAUTY SHOP BUSINESS. If you have decided to establish and operate a beauty shop you will be entering a service that enjoys a universal demand. Your market will be women whose desire to improve their natural looks, to appear at their best, is as basic as their homemaking instincts." Many beauty shops succeed and many fail. Why is this? There is no simple answer. The booklet says: "Unfortunately, a thorough knowledge of the craft is not enough. A man or woman must have what it takes to operate a business." So there it is again. You must have what it takes. And in this case it takes a lot. "In your capacity as manager or shop owner you will be dealing directly with the public—your patrons. You will need to be equipped with more than the average amount of tact, as well as a sense of humor. Ability to get along well with people and a pleasant, friendly personality which inspires confidence are as important to your success as is the skill you need in the various practices. You will be a prey to the whims of the public, so you must possess a willingness to serve and to give courteous service even under the most trying circumstances." The rest is practical. "If you start out with an unequipped shop and must purchase all your appliances you will want to get the most necessary articles first. The assembling of equipment requires long hours of work and necessitates a great deal of looking about and comparing values. All purchases should be made with the thought in mind of getting the best possible value for your shop's particular needs with the amount of money available for the purpose. . . . If you plan to purchase all new equipment, shop around. See what several beauty shop supply dealers have to offer and then make your selection from their stock. . . . Start in a small way and grow as your business progresses. You can always purchase additional equipment. . . . If you take space in an unheated building, remember that you must set up some type of stove in the shop or you won't be able to keep either operators or your patronage. . . . You must provide a means for disposing of floor sweepings and other wastes accumulated during the day's work."

Whatever the business may be, and for all that may be learned about it in this series of booklets, there will be problems still that you will be unable to solve for yourself. A very slight thing, even the cost of the telephone, may be the straw that breaks the back of a small business. If you are opening a small business and cannot decide for yourself whether or not it will bear the cost of a telephone you might write personally to Mr. Wallace and ask him to make a survey of your problem. In the *Congressional Record* of May 3, 1946, there is a statement by Representative Winter, as follows:

"On cross-examination I asked Mr. Wallace what he intended to do in this proposed program to assist the small businessman. He said, among other things: 'We intend to come in and make a survey if these people want it, to determine what is necessary for the small businessman to successfully operate a business and what he can cut out to make it profitable.' He went so far as to say, 'We are going to determine whether or not he can have a telephone in his business and still run it on a profitable basis.' "

IT IS the job of government to devise rules of the road, but not to tell the driver where he must travel.—*The Truman Committee in Report No. 10, Part 16, of the Seventy-eighth Congress.*

Government

By Our Washington Correspondent

A Law To Save the Constitutional Life of Congress

Washington, D. C.

IT WAS dull news that the Senate had passed S.2177—"a bill to provide for increased efficiency in the legislative branch of government." Probably every managing editor who marked it for the first page on the morning of June 11 begrudged the space and wished that something more exciting would happen to displace it. The headlines were written on those features of the bill that might be expected to attract the marginal vision, such as that it would raise the pay of the members of Congress to $15,000 a year and provide them with retirement pensions. From a mere reading of the news certainly no one could have understood that the purpose of the bill was to save, if possible, the constitutional form of American government. On bringing the bill before the Senate the Joint Committee on the Organization of Congress (Robert M. LaFollette, Jr., chairman) made the following statement:

> "Our committee was created in response to a widespread congressional and public belief that a grave constitutional crisis exists in which the fate of representative government itself is at stake. Public affairs are now handled by a host of administrative agencies headed by non-elected officials with only casual oversight by Congress. The course of events has created a breach between government and the people. Behind our inherited constitutional pattern a new political order has arisen which constitutes a basic change in the federal design."

No one challenged that representation of crisis. By the extraordinary rise in the power of authority of executive government the legislative principle had been overwhelmed. That was the fact to be regarded. This had happened in fifteen. years And yet, according to the Constitution, the legislative principle is jealously designed to limit the power of the executive principle.

The constitutional functions of the Congress are mainly these three:

(*1*) To make the laws;

(*2*) To control the purse; and

(*3*) To resolve upon matters of national policy.

More and more the lawmaking power has been delegated to executive and administrative agencies of government until now the lawmaker himself must read the *Federal Register* every day in order to find out what the law is. Very few lawmakers have the time to do that, and so they don't know what the law is, and very often have the strange experience of getting it back by echo from their constituents whose lives are affected by the rules, regulations and decrees issued as *administrative law.*

Senator LaFollette said: "We have reached the point where practically every measure of great magnitude that passes Congress contains a general delegation of legislative power. I think that Congress has a right, a duty and an obligation to the citizens of the republic to make certain that it is privy to the manner in which such delegated power is being exercised."

Senator Hawkes said: "Any number of persons have asked me, 'Was that the intention of Congress?' I have said, 'No. I don't believe it was.' . . . The greatest criticism of Congress that has come to me from all over the United States is that it has enacted laws and then has permitted them to be misapplied and misinterpreted and has not taken necessary action to cure the evil."

The LaFollette Committee had said: "Every year the gulf between Capitol Hill and the departments widens. Vast powers are delegated to executive agencies without effective legislative oversight of the vast executive branch, and the line of democracy wears thin. Only one out of three million federal employees is elected by and is responsible to the people."

So, therefore, the bill provides, first of all, that the Standing Committees of the Senate and the House of Representatives shall be directed and empowered to follow the legislative power that has been delegated, keep it continuously under review, and see that it is exercised as the Congress intended.

Loss of the Purse

Secondly, the purse. The Congress no longer controls it. It passes from hand to hand. Moreover, the executive branch of government now has a free purse of its own.

Senator LaFollette said:

> "Hitherto the efforts of Congress to compel compliance with the laws making specific appropriations have been too often frustrated. Congress has per-

mitted transfers between appropriations, authorized the unlimited use of departmental receipts, and set up credit corporations with separate budgets. The executive has mingled appropriations, brought forward and backward unexpended and anticipated balances, incurred coercive deficiencies, and otherwise escaped the rigors of Congressional control of the purse strings."

And again:

"Although Congress is charged by the Constitution with the power of the purse, there now is no correlation between income and outgo. Control of the spending power is divided between the Senate and the House of Representatives, and within each House between its revenue and appropriating committees. Taxes are levied and appropriations made by many separate committees. The right hand does not know what the left hand is doing."

Senator White said:

" . . . I can think of nothing which would strip from the Congress and the appropriating committees more of their control over the expenditure of funds than the practice which has grown up of permitting governmental agencies to shift funds back and forth so that no one knows, as a matter of fact, until long afterward, how much money any particular agency of the government has had, and how much any particular agency of the government has spent."

The LaFollette Committee, with subtle irony, said:

"Your committee believes that Congress has not adequately equipped itself to resist the pressure of departments and agencies in behalf of larger expenditures. We have equipped the agencies with ample funds to collect and present evidence to support their appeal for larger sums or to forestall reductions. But we have failed to implement Congress with adequate facilities for scrutinizing these justifications."

So, therefore, the bill provides that the revenue and appropriating committees of both the Senate and the House shall submit each year an estimate of total receipts and expenditures, together with a resolution saying that appropriations shall not exceed the estimated revenues; and the bill would further provide that until this resolution has been concurrently adopted by both the House and the Senate no appropriation shall be valid.

Policy Making

The third of the three enumerated functions of Congress was to resolve upon matters of public policy. Ideas of national policy may originate in several ways. They may arise from party councils, and in that case they will be written in the party platform. They may come from the mind of the Administration, and in that case they are embodied in a bill which will be sent to Capitol Hill. And of course it may be an idea that seizes Congress. But no matter how the idea of policy originates or where it comes from, Congress at last must pass a law or adopt a resolution to validate it.

Of recent years more and more policy making has come to be regarded as a function of the Administration, with the result that the law to validate a policy is written by the Administration's experts and then is sent to Congress by the President with a request that it be passed as "an Administration measure." In practice the participation of Congress in national policy making beforehand has almost ceased. Congress suffers thereby in its prestige and is resentful. If it passes the laws that come from the White House it is called a rubber-stamp Congress. If it rebels there is "a test of strength," which is a waste of time and bad for the party, and seldom any good for the public's business because anyhow the bill does pass. The LaFollette Committee believes that "by giving the Congressional leaders a part in the formulation of policy instead of calling upon them to enact programs proposed without their participation," the "widening gap" between "the executive and the legislative branches" may be closed a little.

The committee therefore recommended, and its bill provides, first, that the Senate and the House each shall have a Majority Policy Committee, and second, that these two committees "serve as a formal council" to meet regularly with the President and "facilitate the formulation and carrying out of national policy."

No Time at All

Running through the debate like a refrain was a cry for time. No member of Congress had time enough. Not only was there no time to read nor any time to think; no member could really find the time to keep up with what was going on in Congress. It was not unknown for a Senator or a Representative, in addressing his constituents back home, to be asked about a bill he had never heard of. Senator Bridges recently had that experience and his constituent had retorted, "That is what I thought."

Senator Barkley said:

"I remember the first time I went to Lexington, Kentucky, the home of Henry Clay. He had a magnificent home there, with 1,200 or 1,500 acres in beautiful blue grass. He had a magnificent mansion which still stands there and it was known as Ashland. Ashland was the name of his home. I was taken out in the backyard under a grove of trees, and was shown a little depression which represented a path that Henry Clay had made with his feet as he walked back and

forth during the recesses of Congress, with his arms folded behind him, preparing for the speeches which he would later make when Congress reassembled the following December, six months later. How many Senators now would have the time to fold their arms behind them, march back and forth under a grove of trees, and prepare speeches which they would make in the Senate next January? It would be a wonderful thing if we could do that, but it simply cannot be done. Whatever we can do to simplify our work and to relieve ourselves of some of the drudgery—and much of what we must do is drudgery—we should do so as to be able to give more attention to our larger duties in the Senate. . . .

"How many of us in the Senate of the United States have time to engage in much general reading outside of the reports of committees and hearings before committees? We must familiarize ourselves with them. Every now and then I go downtown to a book store and lay in a supply of new books, half a dozen at a time, and I take them home with me and say 'I am going to read these books.' I put them on my book shelf. Then I go into my library and there is a report from the committee dealing with rivers and harbors, or a report from the Committee on Commerce, or a report from the Committee on Appropriations, or from the Committee on Banking and Currency which I must read. And there is a bill that I must read. And here are the hearings before committee, volumes of them, that I must read."

Senator LaFollette told how senators had to "keep darting back and forth between important committees, meeting simultaneously," unable at last to make them all, and this to a point at which "most of the important business of the committees is often carried on by proxy" because it had become impossible to have continuity of attendance. There were senators who could find time to hear only fragments of the debate even on this bill, and others who had not had time to read it at all.

Ways of Saving Time

All the ways proposed for increasing the efficiency of Congress turned out to be ways of saving time. Senator LaFollette estimated that a senator or a representative may spend eight tenths of his time in nonlegislative work, such, for example, as running to and fro among the executive departments on errands for his constituents, who want to know what is happening to them and why and what a member of Congress is for. To relieve senators and representatives of these harassing duties each one shall have an administrative assistant at $8,000 a year. That will give him more time for his committee work; and, furthermore, the entire committee structure shall be made over. The number of standing committees shall be very drastically reduced, and then there shall be a clear definition of the lines of jurisdiction to avoid overlapping, and each committee shall have a staff of four experts, except the appropriating committees, which may have as many as forty-four experts, besides computing machines to enable them to count the billions faster.

Experts for Itself

All this time Congress has been providing experts for the executive side of government, until now there are thousands of them, all with an air of knowing more than a member of Congress knows. Now Congress will provide a few experts for itself, and more lawyers, too. The executive side of government has lawyers by the hundreds and keeps them in rows of cubicles sometimes a quarter of a mile long, whereas the Office of Legislative Counsel that serves Congress has had only twelve attorneys and law clerks. The La Follette Committee said: "Comparatively little legislation originates in Congress today. . . . Members are merely conduits for the executive departments, private organizations and individual constituents. . . . More than half the bills dropped into the hopper originate in the federal departments and bureaus"—written of course by experts and lawyers employed by the Administration.

Even so, Congress has to act upon these bills and it ought to be better equipped to know what it is doing. Hence the need of an enlarged Office of Legislative Counsel with more lawyers, analysts and experts to tell the members what the bills mean; and the need also for an enlarged Legislative Reference Service in the Library of Congress "to serve as a pool of experts to assist the committees of Congress."

One of the startling proposals is that the majority and minority policy committees of the House and Senate shall receive $30,000 a year for "a high-grade secretariat to assist in the study, analysis and research on problems involved in policy determination." The two minority policy committees, one in the House of Representatives and one in the Senate, would represent of course only the policies of the opposition. The majority policy committees, again one in the House of Representatives and one in the Senate, are those that would meet regularly with the President to participate in national policy making.

By all these means, and lastly, by the simple act of assigning to appropriate executive and judicial agencies a mass of tedious time-wasting work, such as the settlement of private claims against

the government and the location of every little bridge across a navigable river, the Congress could streamline itself, increase its speed, and hopefully set out in pursuit of government. So the LaFollette Committee said, and so the Senate believed as it passed the bill, which now goes over to the House.

The debate occupied the better part of four days. There was opposition only on a few points of detail. The gravity of the crisis was accepted as a fact to begin with, and it was treated as if it were inevitable, from the increasing complexity of modern society. Whether the business of administrative government might not have been increasing much faster than the complexities of modern society, and this from putting forth its hand to touch the life of every numbered citizen, was a question that did not belong in the argument. At least it was not debated. There was no thought of less government; only the thought of increasing the participation of Congress in more government. Congress would not have to streamline itself to limit government if that were the idea. This power to do that is constitutional and if it were exercised it would be irresistible.

A Tool on the Shelf

Digest of the Full Employment Act

Washington, D. C.

A YEAR ago there was a great dust in the country raised by the proposal to enact a full employment law in the example of Great Britain, where the government had assumed unlimited moral and economic responsibility to see that everyone willing and able to work should have a job. After a long and bitter debate the Senate did pass an act of that kind. When it arrived at the other end of the Capitol, the House of Representatives buried it alive and for a while stood fast against the clamor of outrage. Then it weakened and passed an act of its own which it thought was harmless and perhaps meaningless and sent that to the Senate.

As the procedure is, the Senate then resurrected its act pinned it to the House act, and both acts were delivered to a conference committee under instructions to write a third one in a spirit of compromise. The conference committee knew its job. It changed some horizontal words to vertical, some vertical words to horizontal, added some that were neither vertical nor horizontal but oblique, and altered the title by deleting the word *full*. The result was the "Employment Act of 1946," which with almost no debate was wearily passed by both the Senate and the House and signed by the President on February 10. By that time the dust had settled. So now on the shelf there is a full employment law. Many no doubt have already forgotten it; many more will be unable to say what the law is.

It is: "Public Law 304—An Act to Declare National Policy on Employment, Production, and Purchasing Power, and for Other Purposes." Subtitle: "Employment Act of 1946."

The declaration of policy is as follows:

> *"Sec. 2. The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor and state and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power."*

Omitting the hypnotics and lubricants and taking only the words of hard substance, what you get is this:

> ***"The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all its resources for the purpose of creating and maintaining useful employment for all those able, willing and seeking work, and maximum purchasing power."***

Now when and if serious unemployment reappears it will not be necessary to debate a policy. That is already established by law; and it is broad enough to cover almost anything the government may think of to do.

Having set forth the policy the law goes on to create a new apparatus of government, with the following principal features:

(1) The Economic Report;
(2) A Council of Economic Advisors;
(3) A Joint Committee on the Economic Report.

Economic Report: This is a document the President shall transmit to Congress within sixty days after the opening of each regular session, begin-

ning in 1947. The report, firstly shall show the existing state of employment, production and purchasing power in the country; secondly, it shall appraise the economic forces that are acting for good and evil; thirdly, it shall foretell their net effects upon human welfare for the coming year; fourthly, it shall propose a program for carrying out the national policy on employment, production and purchasing power, as above, and recommend desirable legislation.

Council of Economic Advisors: This is a body that shall prepare for the President the Economic Report. It shall be a kind of economic general staff, composed of three men at $15,000 a year each, to be appointed by the President. It shall hire as many specialists and experts as it may need to gather and interpret data concerning conditions and trends and to advise ways and means for maintaining employment, production, and purchasing power at an optimum level.

Joint Committee on the Economic Report: This is a body to be composed of seven members of the Senate and seven members of the House of Representatives. Its duty shall be to make a "continuing study" of the Economic Report, to hold hearings, and to recommend necessary legislation.

Members of the Council of Economic Advisors —the economic general staff—have not yet been appointed. The following candidates have been mentioned: Henry A. Wallace, Leon Henderson, Alvin H. Hansen, and Isador Lubin.

Our Kept Corporations

Washington, D. C.

"Corporations are used to carry out a broad range of government programs largely of a revenue-producing type.

"They make loans and guarantee loans of private institutions to businessmen, farmers, home owners, foreign governments, and other borrowers.

"They insure private individuals against loss from crop failure, price declines, war damage, and other hazards.

"They have constructed and are now managing many vital war plants throughout the country as well as navigation and flood-control projects, electric-power plants, and other enterprises in the Tennessee Valley.

"They operate railroads, a steamship service, barge lines, and terminals.

"They purchase, stock-pile and sell commodities in domestic and foreign markets.

"They administer many of the wartime subsidy programs, either through direct payments or through purchase and sale operations at a loss."

THESE are not words of criticism. They are descriptive only and occur in a message of the President, May 2, which was the first report to Congress under the new Government Corporations Control Act on the budget programs of thirty-four corporations actually owned by the government. The phrase "largely of a revenue-producing type" is euphemistic. The books are not. What appears from the books is that—

"For the group as a whole a net loss of $4 billions is anticipated in the fiscal year 1947.

"Net new borrowings of the thirty-four corporations will amount to $2.8 billions, over and above retirement of debt.

"By June 30, 1947, the Federal Government will have a total investment of $6.1 billions in the capital stock and paid in surplus of these corporations. The capital investment will be impaired to the extent of $9.8 billions."

These debits and impairments of capital represent in part, even largely, the cumulative effects of "subsidies and other loss-creating activities during the war period."

But apparently the wartime losses cannot be disentangled and separately calculated. Some of them are going to continue. The President said:

> "I am recommending that the Congress appropriate 921 million dollars to restore the capital impairment of the Commodity Credit Corporation, as of June 30, 1945. This impairment has already been reflected in the public debt. Additional prospective impairment arising from losses in the fiscal years 1946 and 1947 will require appropriations in subsequent years. The remaining capital impairment for government corporations is largely confined to the Reconstruction Finance Corporation and certain of its subsidiaries. Until the amount can be more accurately determined, I am not recommending any action by the Congress."

The process of repairing impaired capital is quite simple. The Congress authorizes the corporation to restore its solvency by new borrowing. The corporation then writes its IOU and sells it to the United States Treasury. The present outstanding *obligations* of the thirty-four corporations amount to $15.8 billions, almost entirely owned by the United States Treasury.

Easy as it is, there is a certain rigidity about it. The corporation is bound by the nature of the authorization, as when Congress says the new money borrowed from the Treasury shall be used in certain ways A government corporation, therefore, is not free, like a private corporation, to do what it likes with its capital.

Taking thought of this disability, the President said:

> "In our business operations the Federal Government, like private business, needs greater flexibility than the customary type of appropriation budget ordinarily permits. Some government corporations are committed by statute to support prices, furnish electric power, pay insurance claims, or meet other demands which may experience wide and unexpected variations because of circumstances beyond their control. Other corporations supply credit or other services to clients who often cannot forecast their own needs in advance, or who will request government services only if and when the same services cannot be obtained from private institutions. These difficulties can be overcome by the use of business-type budgets. . . .
>
> "I recommend that the Congress approve the types of programs set forth in the budgets transmitted herewith, and, in addition, provide general authority for actions necessary to meet unforeseen emergencies or contingencies arising subsequent to approval of the budget. In such emergency situations, I suggest that corporations be permitted to initiate new programs, even though these are not specifically included in the Budget approved by the Congress."

Thus, happily, the government corporation would retain all the advantages of a *kept* status and be at the same time free.

Trying To Audit the RFC

Washington, D. C.

FOR thirteen years the Reconstruction Finance Corporation, which is entirely owned by the government, has been the colossal bank of the world. It has no depositors. Its source of funds is the United States Treasury. It began by lending public money to business, to railroads, to private banks and to individuals; then it came to be banker to the government itself, lending to other agencies of government the money it borrowed from the United States Treasury. During the war, of course, its activities were increased in a prodigious manner. It financed war plants, private war contracts, the stock piling of commodities and anything that was deemed necessary to the war effort.

Now for eight months the Comptroller General of the United States has been trying to make sense of its books and his accountants are tearing their hair in frenzy. There is no suggestion that the scandal is moral. Nevertheless some of the distracted accountants might almost wish it were, because lying figures do tell a tale. The Comptroller General found himself in a dilemma. Congress called upon him for an audit of the Reconstruction Finance Corporation and its affiliates for the year ended June, 1945, and he could not produce it. In explanation he sent a letter to the Speaker in the House of Representatives saying why he couldn't. He enclosed a copy of a letter he had just sent to the Reconstruction Finance Corporation, and then added this comment:

> Upon consideration of the intelligence disclosed by this communication it was decided that it was of such seriousness and moment that it should be transmitted to you as an interim report as well as taken up administratively with the Board of Directors of the Reconstruction Finance Corporation.

The "communication" referred to in this letter from the Comptroller General to the Speaker of the House of Representatives was a letter from the General Accounting Office to the Reconstruction Finance Corporation, saying in part, as follows:

> The RFC and its affiliated companies have not developed an adequate concept of the control of financial and operating responsibilities through accounting. . . . Some of the most important accounting records are so poorly devised . . . it is doubtful from a management standpoint if any really useful purpose is served by their continued maintenance. . . .

In their report to the Comptroller General, the auditors who had been working on the RFC books said:

> Specific examples of the failure of accounting functions of the RFC are presented in the paragraphs immediately following:
>
> 1. The company does not control the $7,000,000,000 investment in properties;
> 2. The company does not control its $800,000,000 investment in inventories of the Defense Supplies Corporation, the Metals Reserve Company, and the United States Commercial Company;
> 3. The company does not control its cash receipts;
> 4. The company does not control rentals earned on its properties;
> 5. The company does not control certain important liabilities;
> 6. The company does not control recoveries due it on plant extensions built for utility companies;
> 7. The company has not controlled its surplus property disposal activities; and
> 8. The company has had no control over the activities of its affiliate, United States Commercial Company.

Sympathy for the Comptroller General need not obscure the fact that provided no billions are actually missing, the rest is largely academic. The use of bookkeeping is to show profit or loss, and whether or not you are solvent. But the RFC need never show a profit; if it has a loss the United States Treasury takes it, and solvency is not one of its anxieties.

A Rattlesnake in the Senate

A speech by Senator Taylor of Idaho

I AM sorry to say that there are rattlesnakes here in Washington, perhaps in the Chamber, although not on the floor, at this very moment.

Recently a card was brought to me while I was here in the Senate Chamber, and it informed me that Mr. Arthur Sears Henning, of the *Chicago Tribune*, wanted to speak to me. So I went out of the Chamber and saw him. He was a very kindly appearing man, and my heart went out to him immediately.

We sat down and he wanted to discuss a speech which I had made several days before on the floor of the Senate about one General Bor-Komorowski, of Poland, who was about to come to America. Mr. Henning talked about several things. I received the impression that he was very interested in my work, and that he thought I was doing a fine job. As I say, I warmed up to him. I was totally off my guard. I did not have on my high boots and thick socks.

We were talking along and finally he asked me about Bor-Komorowski; and I told him that I had looked into the matter. Then, very nonchalantly, he asked me, "Who wrote that speech for you?" I thought his question to be a strange one. I told him that I had been helped in the preparation of the speech. To be perfectly frank, I had the assistance of about six gentlemen in preparing the speech, because I wanted to be sure of my facts. They were young men from various departments in Washington, and from other quarters. I knew them to be very intelligent gentlemen.

Mr. Henning and I got to talking about how great empires in the past had fallen because of mercenary troops. So I told him that I had incorporated a few sentences into the speech. He asked me, "What empires did you mention as having fallen because they had used mercenary troops?" To the best of my ability I named Rome and Carthage. He then asked, "Are you sure the Russian Embassy did not give you this speech?" I replied to him, "Decidedly not." He asked, "What did you mean in your speech when you referred to the cadres of discontent?" I did not have the speech memorized, or I would not have read it. I saw that he was trying to lead me into a corner, and I said to him, "We will get the speech and discuss it."

He said, "Well, you know what kind of a man a cadre is, don't you?"

I knew that a cadre was not a man but a group of men. I know also that he knew it. So I said to him, "If you want to discuss the speech, I will get a copy of it."

I ended the interview and came to the Chamber. When it had dawned upon me what those questions of his were leading up to, I felt exactly as I feel when I am out in the desert without my high boots on and I hear a rattlesnake. Only, in this case the rattlesnake did not rattle. He bit me two or three times before I knew he was around.

Here is the article:

By Arthur Sears Henning

"WASHINGTON, D. C., May 9.—Who wrote the speech by Senator Taylor (D., Idaho) smearing General Bor, distinguished Polish military leader, on the day he arrived in Chicago for the great reception accorded him last Sunday?

"This is the question on which there is much guessing, and answers by the Senator himself have only deepened the mystery.

"Last Saturday the Idaho Senator, better known as the Singing Cowboy—"

I would rather be known by that name than by the name "rattlesnake"—

"arose in the Senate and read a speech, retailing as his own the criticism of General Bor-Komorowski disseminated by the Soviet Government and the Russian puppet Government of Poland. He also assailed the project, attributed to the Truman Administration, to incorporate General Anders' army of Polish patriots, now in Italy, into an American foreign legion.

"The Taylor speech was timed to discredit the Chi? cago celebration of Polish Constitution Day at which General Bor was the leading figure.

"Questioned on the subject by the *Tribune* correspondent—"

That is Mr. Arthur Sears Henning—

"Taylor was quite sure that his speech had not been inspired by the embassy of the Polish puppet government or by the Russian propaganda organization which, with singular success, plants speeches in Congress in furtherance of Soviet policies. He proved, however, to be extraordinarily unfamiliar with the speech he had delivered.

"Taylor could recall only one of the three demands he made in his speech—the one asking for a State Department report on the foreign legion project."

That is correct. That is another question which he asked me. "What were those three demands which you made of the State Department?" I did not bring the matter down into three separate categories, but all I remembered was that I

wanted him to tell me what the devil it was all about.

I continue reading.

"He could not recall that he also demanded an explanation of General Bor's visit to this country and a report by the Senate Foreign Relations Committee of the secret testimony of State Secretary Byrnes on the proposal to incorporate Polish troops into the American Army.

"Asked to name again the countries he mentioned in his speech as nations that fell because of employment of mercenary armies, Taylor said he named Carthage. He could recall no others. This was the wrong answer, as he did not mention Carthage in his speech—"

I did not, but I did mention Rome. If Mr. Henning has not had time to examine the history books he should do so and find out that Carthage used mercenary troops almost exclusively. Where is Carthage now?

"but he did name Rome, Byantium, and Turkey."

That is correct.

Mr. Henning also wanted to know when it was that Byzantium had mercenary troops. Of course, if he had asked me when Columbus crossed the ocean I might have told him offhand.

"Asked to give the details regarding Byzantium, he said his memory was a bit hazy on that point."

That is correct.

"He was unable to explain his use of the phrase 'cadres of discontent' in his speech."

Although I did not agree with Mr. Henning that "cadres" was a person, he tried to get me to say that.

Well, that is about all of his article that amounts to anything.

Mr. President, I merely wanted to bring that out, because I think that cynicism is one of the greatest plagues in the world today. There is altogether too much cynicism in the United States Senate. So we will leave Mr. Henning to his own resources and the history books.

Cow Papers

London Daily Express

Buxton, Wednesday.—From the moment a farmer decides to buy a cow to the day he sells its first pint of milk he must fill in 103 forms. So the small traders' parliament—staged at Buxton by 500 delegates of the Council of Retail Distributors—were told today.

That Federal Disease

By Ralph F. Gates

The Governor of Indiana

CONFUSION is what is the matter with the United States today, and it is confusion that is centralized, like almost everything else, in Washington.

* * *

The confusion in Washington is not accidental—and it is not temporary. The Federal Government, with the best of intentions, has been trying to do too many things. It has assumed jurisdiction and responsibility for individual, corporate, and State problems. It tries to tell me how to run this State—it tries to tell you how to live your life and run your business.

* * *

Washington, for many years now, has been like a hysterical mother who sees pneumonia in every case of sniffles. Today the country is suffering from a complication of remedies rather than diseases.

* * *

Organically, the nation is sound. We have everything. There is an abundance of raw materials, tools, shops, skilled labor, management know-how, sales organization, advertising media, communications systems, and transportation facilities. To match this, we have the greatest demand for goods in the history of the world.

* * *

Truly, our problem is mental and not physical. Psychiatrists seek to solve a mental ill by probing the past of their patients. So perhaps we, as a nation, can do that and find the thread that will lead us to the national sanity we once had.

* * *

There was a time when our people insisted that it was the duty and the privilege of every citizen to stand on his own two feet. In that era a man made honest decisions with the calm assurance that Washington considered him an adult, capable of living his own life and running his own business, and certainly more familiar with the details of its operation than some clerk hired on

the basis of a civil-service examination or a political acquaintanceship.

* * *

During the first 140 years since the capital was moved to Washington, the machinery of the Federal Government, as measured in administrative personnel, expanded, roughly, 700 times faster than the national population. That growth has become an urgent problem. From 1800 to 1940 our population multiplied by 25, but the federal civil personnel multiplied by 17,950—and that expansion has further tripled in the last six years.

* * *

In the last quarter of a century we had World War I, a boon, a depression, and World War II. With each major event, Washington became more possessive. In each crisis more of our independence was surrendered. Each time the government grew larger.

* * *

This city of Indianapolis is a long way from Washington, but already the Federal Government occupies 11% of all the available office space in downtown Indianapolis—and it is asking for more. Each office it occupies costs you money—each one dispossesses a tenant who might use its facilities to create employment—productive employment—and to produce or distribute goods.

* * *

The cost of maintaining this clumsy machine—this instrument of confusion—is one of the basic reasons why inflation today is squeezing the value out of the savings of our people.

* * *

Anyone who has dealt with the Federal Government—and who of us hasn't?—knows that the Washington approach today is that of an all-wise adult dealing with a child. The highly advanced federal bureaucracy shares at least one viewpoint with the totalitarian governments—a profound contempt for the individual's ability to take care of himself.

* * *

We have ceased to be citizens and are becoming wards. Our modern bureaucrats would be the last to agree with Woodrow Wilson when he said, "I have never found a man who knew how to take care of me, and reasoning from that point out, I conjecture that there isn't any man who knows how to take care of all the people of the United States."

In Missouri, the home state of President Truman, a resolution recently was introduced in the state House of Representatives that the state "give notice to the Congress of the United States that Missouri now takes the lead among the states in helping solve the federal debt crisis and that we will refrain and forbear from demanding further grants from Congress."

* * *

And in his inaugural address, the Governor of Virginia, the Honorable William M. Tuck, pointed to the indisputable truth that federal grants not only destroy state sovereignty, but bring far less return to the taxpayers than when the states raise and spend the sum directly. Here is what he said—"Money paid by the taxpayer to the Federal Government and then returned by it to the states is burdened with the collection and handling changes incurred by the government. It is also burdened with the operating costs of the headquarters of the bureau in Washington which passes on the grant and regulates its expenditures. Finally, it is burdened with the salaries and expenses of the federal agents who are sent into the states to personally regulate the state agencies in their spending of what is left of the money received from the taxpayer. The amount left is about half."

* * *

I have seen it happen many times in our own state. And I have seen the wealth of Indiana siphoned off by the Federal Government to be spent in Mississippi or Arkansas or Georgia to do things that those states should do for themselves.

* * *

A local problem can best be solved by a local government, a county problem by a county government, a state problem by a state alive to its duties and responsibilities. There are broad nationwide questions which require the machinery of the nation as a whole—but you do not shoot sparrows with a howitzer nor hunt rabbits with a Sherman tank.

* * *

Also, when are some of the southern governors going to announce to the nation, "We of my state are not beggars—we don't need Pennsylvania's or Indiana's or Illinois' money. We are opposed and will fight those who are always wanting to increase federal control of our schools and welfare programs by pointing to us as horrible examples. Attend to your business in Washington and we will take care of ours. Stop telling us and the world that we are charity seekers."

The House of Labor

WITH its AFL right wing and its CIO left wing, the house of labor is like a tenement of quarreling families who know very well that so long as they pay their rent they may do as they please and are immune from eviction. Those who make themselves undesirable have only to threaten to move to the other wing and the authority of discipline is thereby silenced. The AFL, for example, might ache to act upon Mr. Petrillo for the damage he has done to the cause, but it could hardly wish him to go CIO with his musicians. Generally, the one thing that will move both wings and all factions to present a united front is an attack upon the right to strike, or any proposal to limit by law the power of organized labor. Even so, the right wing is fearful of what the left wing may do with its share of the power and is anxiously preaching a doctrine of self-restraint. Although it jealously defends the right to strike, as it is bound to do, the AFL has nevertheless been evolving a no-strike policy. At the beginning of the reconversion period it took a very strong stand for holding the price line, for keeping wages within the pattern, against government intervention in the process of collective bargaining, and *against strikes*. By reasoned argument and graphic illustration it showed what would come of playing leap frog with wages and prices. After six months it could boast that by methods of free collective bargaining it had got higher wages for 3 million workers with no damage to price ceilings and no strikes. Toward the railroad strike it was openly hostile. That crisis was forced by two independent unions; all of the AFL unions that were involved refused to strike. But when the government broke its own ceilings for the CIO in order to get an 18½-cent increase for the automotive union and the steelworkers, the AFL declared that collective bargaining had broken down. When these higher prices were added to the cost of living, the effect, it said, was as if wages for all AFL unionists had been cut. What was John L. Lewis going to do with his 400,000 miners who had just returned to the AFL? The miners' strike followed, with a sequel that was highly satisfactory in terms of pecuniary gain, but in every other way repugnant to the right wing, which hates interference by government and bitterly opposes seizure of private property by government as tending to establish "dictatorial power over the economic life." And yet, after the miners had won, it was Matthew Woll, vice president of the AFL, who publicly exulted in the fact that labor had now in its hands the ultimate power, namely, the power to strangle society. This may only show that some who live on the right side have moments of confusion and forget where they are. At the same time, Dave Beck, boss of the Pacific coast teamsters, AFL, was denouncing not only the reckless strike method, but also labor leaders who had gone drunk with power; and Daniel J. Tobin, president of the teamsters, was saying, "Strikes do not pay and should be avoided if it is humanly possible." It was of course humanly possible for the Detroit teamsters not to strike the little retail merchants who had the bad habit of going in their own trucks to pick up their own merchandise. The Detroit teamsters were not disciplined for making that fantastic use of the strike weapon. Was Mr. Tobin afraid they would move across the yard? The AFL has no power to impose policy. It can act only by precept and persuasion. The ironical fact is that with labor relations seeming bound for crisis, examples of reasonable and amicable precept were never more frequent nor more convincing. The Beck example, and one also by Clinton S. Golden of the CIO, will be found below. It would be misleading to print them as alone representing the philosophy of labor. They no more do that than the Woll statement does. They are nevertheless significant and may be happily symptomatic.—*The Editor.*

*A Labor Sermon

By Dave Beck

Head of the powerful Teamsters' Union on the Pacific Coast

IF STRONG, militant labor leadership is controlled by reason and intelligence it can speed the entire process of our reconversion. If it is not ruled by reason and intelligence it can become a terribly destructive force.

* * *

We will not tolerate power-drunk leadership in our Teamster organization. When I say that, I speak directly to you of the eleven Western States. Power-drunk leadership! Men who are elevated to positions of power and influence, but who are unable or unwilling to exercise sound,

*Excerpts from an address delivered at the opening of the Tenth Western Conference of Teamsters in Seattle

constructive judgment, or to accept in full measure the responsibilities vested in them. They know only one road to travel—the strike! The only way they understand to reach their objectives is to take advantage of the temporary economic power they hold today, even if in so doing they imperil the future growth of the entire labor movement. We do not want—we will not have that kind of leadership!

* * *

We can employ any number of men who know how to call strikes. That does not require either brains or ability. We can find plenty of men who are able to throw their members out of work, who would refuse to recognize any argument except their own economic strength, who would crucify both industry and labor, including their own members, to win a selfish victory regardless of cost. We do not want nor will we tolerate that type of leadership.

* * *

We are looking constantly for men who have the ability and the intelligence to make steady, consistent progress for the people they have the honor to represent, by using their brains—men who will follow the reasonable, constructive policies of our Western Conference and the time-tested precepts of our International Union. Such men will keep their people employed while they negotiate for gains; they will perform their duties with the absolute minimum both of industrial disturbance and inconvenience to the public.

* * *

We consider the strike to be a weapon of last resort. I would never give up our right to strike, however, because that right determines whether we are free men or slaves. We advocate voluntary arbitration—never compulsory arbitration—when, in the judgment of our associates, that seems to be the road which will lead to the peaceful solution of our problems. We pledge ourselves to make the fullest use of all avenues of conciliation and mediation.

* * *

I cannot emphasize too strongly, in your behalf, that we are devoted to our American system of free enterprise. It is the guiding beacon for the progress of our people. We have no time for the various 'isms, particularly communism, in the conduct of our affairs.

* * *

We want government to get out of business as rapidly as possible—and to stay out! Government must not compete with private business or industry. There is no such thing as fair competition between government and business, nor can there be free labor when government runs management.

* * *

If labor is to be free then business must also be free. That fact is inescapable.

* * *

I do not agree with some men—prominent men—who are quick to criticize the OPA and who say that it should be destroyed at once, and yet who justify the regulation, or even the prohibition of competition by means of the certificate of necessity.

* * *

I read a statement the other day by a very outstanding spokesman for industry, who declared that the law of supply and demand would solve all our problems. I would like to ask him if he believes in the certificate of necessity, which is certainly a barrier erected by law against the free flow of competition. I wonder if the railroads practice free competition, if they rely upon the law of supply and demand, or if they enter into agreements among themselves to limit or to prevent entirely the action and effects of competition. Even our airline industry, which is a newcomer in the field of business, is protected by the certificate of necessity. On our own Pacific coast, because of the arbitrary regulation of competition and because of the certificate of necessity granted by the Civil Aeronautics Authority, service is denied to north and south bound air travelers that would be available if open competition were permitted. The certificate of necessity is also interfering with the free flow of commerce in this hour of industrial disturbance. It is depriving the Olympic peninsula, in the state of Washington, and other vast territories, of passenger transportation service.

* * *

I wish to drive home this fact: no man can be honorable, or attain merited standing among his fellow men, except that his word is his bond—once given, never break it! Once you sign a contract, observe it to the letter, even though it prove to be a bad bargain. It has been my sad experience in the last few days to lose faith in a supposedly outstanding man, because I was forced to question his word.

*A Case in Point

By Clinton S. Golden

Assistant to the President, United Steelworkers of America

WE HAVE pretty much discarded the old concept of master and servant relationship but we have not developed fully the realization that we should all be partners in a great common effort directed toward increasing the well-being of all the people. Competitive struggle for physical survival is not compatible with the development of a consciousness of social responsibility.

A growing and expanding labor movement has made articulate the voices of millions of our nation's workers. They do not relish conflict. They want to work—to create, not destroy. At the same time they seek recognition and an enlarged sense of participation. They want to be known by their names rather than by numbers arbitrarily assigned them.

A short time ago the president of a small manufacturing concern came to our international union office in Pittsburgh to tell us how happy he is over the relationship with our union. It was not always so pleasant.

Hired To Work

The concern which he heads is not so large that it is impossible for the president to know each employee personally. Nevertheless the firm operated on a strictly unilateral basis. Managers managed. The employees were hired to work—not to think. Presumably they did a satisfactory day's work for what was considered a fair wage. The company was in a fairly prosperous condition and had made good profits for the preceding twelve or fifteen years in which there had been no union organization among the employees.

Management had all the responsibility and authority it wanted. It could alone and without "interference" run the business. The workers took no particular interest in their work other than to do enough to hold their jobs. Management could do all the worrying about competition, markets, costs, quality, community relationships, taxes, profits, etc. That was *their* business.

The workers' life and problems in the plant were simple. They wanted as much pay as they could get for their work. That was *their* business. Beyond that they did not feel any particular responsibilities because they were not encouraged to feel that they were participants in a creative process or undertaking. The business belonged to the owners—and the management. The employees were just "hired hands."

Something Missing

Then they decided to organize and form a union. Not that the employer was difficult to get along with. Rather there was something missing in their lives. Getting together in meetings away from the shop where they worked, managing their own affairs, coming into contact with other organized workers provided a means of expression and a source of stimulation they had not previously experienced.

They began to feel that they were something more than hired hands. A sense of belonging, of being important, a sense of citizenship began to develop among them. Even though they lived in a small and rather isolated community and worked in a small enterprise they had never previously felt they had any particular or significant part in a larger enterprise—our national economy.

But the new contacts and associations that grew out of membership in a union began to make them aware of their relation to other workers, to industry in general, to the effect of government policies and legislation upon their employment and their lives.

Something New

The formation of a union and the presentation of demands or proposals for a union agreement had a sharp impact upon the management. One more problem was provided for those who had the sole responsibility for managing. Fortunately the president of the company was a resourceful man. To him a problem was something to solve—not to cast aside or ignore. He decided that something valuable could be discovered in an organization of his employees. Here was a means to enlist their interest as a *group* in the welfare of the enterprise that provided employment.

As unorganized individuals he had not seen, largely because his enterprise was small, any value in spending his time enlisting the interest of each individual beyond the point of doing his work reasonably well. He therefore welomed the idea of a union and signed a contract. In addition to the usual committees, a union production committee was created by mutual agreement. To this group he unfolded and explained his problems —those of management. He provided data regarding output, labor costs, competition, quality, etc.

What had previously been treated as solely the concern of management and therefore mysterious in a way to the employees—became for the first

*From an address before the Society for the Advancement of Management.

time the subjects of discussion with and concern to the employees.

Something Working

As the production committee became familiar with the broader requirements of production, quality and sales, the members were depended upon in their own way to pass this information on to their fellow union members in order to enlist their interest and secure their help in solving these problems. Thus a broader sense of responsibility began to take form in the minds of the employees.

Problems of competition were related to labor costs, quality and quantity of output. These in turn were related to the amount of employment, hours of work, hourly wage rates and take-home pay. A community of interest began to develop. As the employees began to learn more about the business and the larger and more significant part they individually and collectively played in relation to its success or failure, output began to increase. In a few months it had increased to the point where previous cost calculations began to lose meaning and much of their previous significance.

Something Added

If this small measure of cooperative endeavor, the company president reasoned, had so notably increased the volume of output, what might be expected to happen if a plan was jointly developed with the union designed suitably to reward the workers for the increased contribution on their part?

Instead of an involved bonus, piecework or incentive plan being instituted, what amounts to a simple profit-sharing scheme was jointly developed with the union. The aid of production experts, accountants and statisticians employed by the international union was enlisted which, by the way, enhanced the confidence of the workers in their own union, and in the good faith and sincerity of the management as well, by its indicated willingness to have this aid.

In this particular concern, prices of the product as well as guaranteed or base hourly labor rates have been stable since 1942. It is therefore possible to use the ratio of sales value of production (the value of items actually produced) to labor cost as the factor to determine profit for sharing. In 1942 the sales value of production was 2.77 times labor cost, and by mutual agreement, this ratio is used as the base. For each 1% increase in the ratio, each employee receives 1% of his base earnings monthly. No employee under any circumstances is to receive less than his base salary or guaranteed hourly rate for the time worked.

From January, 1945, through October of the same year the bonus or share of the profits accruing to the workers has ranged from 6.5 to 76.8 on their base salary or guaranteed hourly rates with an average for the ten months of 39.0%.

Measurement

Since this program has been in operation almost unbelievable results have been achieved. Profits have more than doubled over any previous year with no appreciable increase in man hours.

There are few if any grievances. The employees have no fear that management is trying to destroy their union. Management accepts the union as an integral part of the enterprise. Each employee, together with his fellow workers, thinks of his individual and collective relationships as being that of partners in a joint enterprise rather than as master and servants.

All this did not come about as the result of applying some magic formula. Rather it grew from a recognition by management that workers had the same right to associate together in a union that the stockholders had to form a corporation. Instead of quarreling about respective rights and responsibilities, workers and management succeeded in discovering their larger joint responsibilities. There is mutual respect, confidence and trustfulness without which men cannot and will not put forth the best that each possesses.

It is the sound relationship, not the specific plan itself, that has brought constructive results. With this relationship, many other types of plans might be equally successful. Without mutual confidence and full democratic participation by the workers through their union, the very same formula would be of little value. As you probably know, the labor movement has on the whole been very doubtful about profit-sharing schemes because they have usually been applied paternalistically and have brought relatively small gains as compared with the dangers involved. I am not suggesting that any single plan or agreement will lead organized labor to abandon this traditional distrust. Rather I am trying to demonstrate the improved relationship and the potential increase in output that come from genuinely cooperative endeavor where labor has full access to information on the company's problems and real participation in seeking solutions.

Labor's Decade

The encouragement of trade unionism and the promotion of collective bargaining as an avenue to industrial peace have been the federal policy for barely ten years.—From Philip Murray's letter to the President on the Case bill.

The Law

By Gilbert H. Montague

GREAT BRITAIN has no statute compelling an employer to bargain collectively, or providing for a closed shop or checkoff, or compelling a workman to join a union as a condition of employment, or setting up machinery for conducting and settling labor disputes.

We in the United States today have statutes requiring all these things. And today we have infinitely more labor disorder than Great Britain has.

We used to be told that if union security could be assured, union responsibility would certainly follow.

In 1935, President Roosevelt signed the Wagner Labor Relations Act.

In 1936, labor spent $770,218 in the reelection of President Roosevelt.

In 1938, the Supreme Court held that the Norris-La Guardia Act protects picketers, even when they are not employees, and that the Wagner Labor Relations Act authorizes the board to make any inference from any evidence, even though such inference is contrary to the weight of evidence.

In 1940, the Supreme Court held that picketers may publicize any statements whatsoever against an employer, and that their right to picket and to publicize is the freedom of speech guaranteed by the first amendment of the Constitution, and cannot be abridged by Congress or by any state legislature. But the employer becomes subject to punishment under the Wagner Labor Relations Act, when there is any evidence from which the Board might infer that some utterance of the employer interfered with unionizing activities.

In 1940, the Supreme Court disregarded thirty years' precedents, and held that labor was for the most part immune from the antitrust acts.

In 1941, the Supreme Court went further and inferred in favor of labor a substantial repeal of the antitrust acts, spelling this extraordinary inference out of two other statutes of strictly limited scope and purpose.

In 1942, the Supreme Court held that sums extorted from truck drivers, under threats of assault and battery, should be regarded as "wages by a *bona fide* employer to a *bona fide* employee," and that interference with such extortion would be "interference with traditional labor-union activities."

In 1942, the National War Labor Board began to require maintenance-of-membership clauses in labor contracts. When Montgomery Ward refused to include these clauses in its labor contract, President Roosevelt addressed this communication to the company:

> "As Commander in Chief in time of war, I direct Montgomery Ward & Co. to comply without further delay with the National War Labor Board's directive order of November 5, 1942."

But in 1944, when James Caesar Petrillo and his American Federation of Musicians refused to comply with the National War Labor Board's directive orders, President Roosevelt addressed this communication to Mr. Petrillo:

> "The National War Labor Board and the Director of Economic Stabilization have not recommended government possession and operation. Under the statute it must be found that the labor dispute unduly impeded the war effort. It is the opinion of the Director of Economic Stabilization that under all the present circumstances the noncompliance by your union is not unduly impeding the war effort. . . . Therefore, in the interest of orderly government and in the interest of respecting the considered decision of the board, I request your union to accept the directive orders of the National War Labor Board."

It is not surprising that Mr. Petrillo and his American Federation of Musicians declined to comply.

In 1944, contributions from the Amalgamated Clothing Workers of America and other members of the Congress of Industrial Organizations to its Political Action Committee in support of the election of President Roosevelt and Vice President Truman aggregated nearly $1,000,000.

The Wagner Act is loaded against the employer, and we intend to keep it that way.—*James Preston, International Brotherhood of Electrical Workers.*

Power

Statement by Matthew Woll, Vice President of the AFL, printed in The New York Times, *June 9.*

I DO NOT belong to any political party—Republican, Democratic or Labor. I am a strong believer in the economic power of labor and every day and every year my belief and conviction of the invincible power of labor on the economic field is strengthened and fortified.

Let us organize this tool of production, and organized properly and intelligently controlled, give the other fellow all titles to property, give him the political power and I will match his power and I will reign supreme.

Was that not evidenced in the miners' strike . . . was not the political power almost impotent in that little group of a half-million men within a population of nearly 140,000,000? What about the railroad situation? Again a comparatively small group was able to stifle and to stop all production, and so it is now feared with the maritime strike. Does that indicate where power lies—the power that you and I possess?

Unionism's No. 1 Enemy

From an editorial by Maurice R. Frank in the Railroad Workers Journal

THE propaganda of the Communist is clever. Indeed, it is ingenious. It paints a beautiful picture of an earthly Utopia for everyone—especially for the worker. The guaranty looks good until properly challenged by people in a position to know the actual situation.

When comparison is made of conditions prevailing in Russia, the mother of communism, it is evident that we are fully 100 years ahead of their way of life. Our workers are free, not regimented. They have the right to work for whom they please and when they please. They have the right to voice themselves for their own betterment, whether unionized or not. If necessary, the American workers have a right to rebel against oppression by striking. The Communist speaks of full freedom, and yet, in the motherland of this system, there is no such thing as freedom for the worker. He either accepts the directives of the dictator or he is sent to prison.

The "fellow travelers" are praising to the high heavens the virtues of unionism, and yet, in the motherland, unionism as we Americans know it is practically nonexistent. And there is real reason for its being so. Under communism there can be only one head, a dictator, who recognizes no other authority, not even that of God.

Unless labor wakes up, and soon, we are going to find ourselves at the mercy of these "gods," who are as godless as the very devil himself and whose vocabularies contain no word to express the meaning of our word "truth." By this I mean that, in order to attain their objectives of world dictatorship, they will resort to every subterfuge, including the overthrow of the very unions they purport to be friendly with. Proof of this statement is borne out in the fact that their strategy has been aimed at the ultimate weakening of the unions.

The labor leader who understands his business knows that to have unions, and effective ones, we must have the means of effective collective bargaining. This being the case, how can we have collective bargaining under a communistic system that recognizes no authority other than the dictator, the "god" of the land? How effective would a railroad brotherhood be in its legitimate demands under government ownership? Or how effective would a union covering power-plant workers, telephone workers, and the like be under a dictatorship? The answer to this is—zero. The Communist knows this in advance, and, since he does, he is making for the destination of complete government control over all industry, particularly over our vital industries. He knows that under government ownership, under a social economy, labor unions cannot exist very long. The reason for this is quite simple. Under government control the right to strike is eliminated. That is Number One in severing the jugular vein of unionism.

The Communist also knows in advance that, if a worker can secure by government decree short hours, long wages, and other social-security protection by merely asking the government to give it to him, it is foolish to pay a union for these concessions. It is just as foolish as a railroad man, who carries a pass, to pay for a ride on a train. In short, it would not take the worker long to realize that, if he can get everything he wants by government decree, it is foolish to pay union dues. When the union worker does not pay dues, there is no means of supporting the union. Thus comes the extinction of unions.

The scheme is diabolical. It is well planned and no detail is slighted. No man is fit to be classed as a leader if he does not avail himself of the facts surrounding this concerted effort aimed at the destruction of our American system of collective bargaining.

The Party Line

A Digest

The United States Civil Service Commission, for its own purposes, defines a Communist as: *"One who has followed the Communist Party line through one or more changes."*

TAKING it from the *Daily Worker,* official Communist organ in New York, the party line has been intensified in the following respects.

Laureation of Roosevelt

This began on the first anniversary of Mr. Roosevelt's death, with a portrait and a quotation at the top of the first page, and continued steadily thereafter through editorials, magazine features, pictures and cartoons. Twice there were portraits of Stalin and Roosevelt side by side. The laudatory theme was established in the first editorial of April 12, entitled "FDR—In Memoriam." Examples:

"Is it only one year since the news flashed across the world that Franklin Delano Roosevelt had died? How much has changed since that day! And changed for the worse because the things he built up and tried to do have been betrayed by men who dare to speak in his name. . . .

"FDR symbolized two things to the common man of America and the world—challenge to the deeply intrenched forces of reaction and a determination to make a world of peace based on American-Soviet friendship. . . .

"FDR and Stalin sat down together and pledged to each other as representatives of different social systems, the one capitalist, the other socialist, that the postwar world would rest on the collaboration of their countries. . . .

"America needs as a life-and-death matter a return to the FDR policy of collaboration with our Soviet ally, a return to the fight against the trusts and their henchmen. Millions rallied to FDR's summons. FDR FOUGHT the tories. . . .

"The fact that a Lincoln or a Roosevelt and lesser such personalities do often rise from the ranks of the bourgeoise and draw support from the working class is really a reflection of the economic contradictions in the capitalist system itself. . . .

"The working class gained tremendously under Roosevelt. His progressive policies had the staunchest support in the ranks of Marxists. . . .

"Friendship between us and the Soviet Union was the rock on which FDR and Stalin planned to build a long peace. But that plan for friendship is being wantonly destroyed by the atom bomb diplomatists who are running the show these days in Washington. . . .

"President Roosevelt's appointments improved the Supreme Court. His appointees permitted the necessary social reforms to be enacted. FDR had to do with the Court what Lincoln had to do with it at a crucial moment of our national life."

For laudatory mention during a period of seventy days Roosevelt led by far all non-Russian names.

Bestowing the Mantle

Senator Claude Pepper was elevated to the plane of hero. He was featured in the news, his speeches were printed at length, his life story was told, and in terms of praise his name was second only to that of Roosevelt. Examples:

"Sen. Claude Pepper's speech on the Senate floor Thursday can well be studied by every patriotic American. Like a Sherman tank hurtling through plywood, the Florida Senator's speech crashes through the wall of hypocrisy surrounding the recent anti-Soviet maneuvers of the Anglo-U.S. bloc at the Security Council. . . .

"If the British want the Russian troops out of Iran," Sen. Pepper said acidly, "let them get their troops out of Iraq and Trans-Jordania. . . .

"Thinking Americans will take due note of the fact that this speech was delivered by the man who was for years the Senate spokesman of the late President Roosevelt's foreign policy. The speech marks the growing opposition of sections of American opinion, with labor in the vanguard, against the Truman-Byrnes-Vandenberg foreign policy—the policy which will, if unchecked, lead us down the road to World War III and monumental disaster. . . .

"Sen. Pepper's speech should stimulate the fight for peace. It should raise to new heights the fight for an affirmative foreign policy for our nation, the unshakable basis of which must inevitably be Big Three unity and close collaboration between the United States and the Soviet Union. . . .

"Sen. Pepper flays U. S., Britain for gang-up on U.S.S.R. . . .

"Americans see with Sen. Pepper the colossal hypocrisy and sham of American and British imperialism, whose troops invest dozens of small nations today. . . .

"Americans will say a fervent amen to Sen. Pepper's words: I'm not going to vote for selective service; I'm not going to vote for war appropriations

if those things are going to be used to maintain the rotten status quo that exists in the world today. . . .

"PEPPER SPEECH QUOTED IN U.S.S.R.—MOSCOW.—Sen. Claude Pepper's recent attack on American foreign policy was prominently featured by Soviet publications today for the second successive day. The newspapers quoted Pepper as saying that the 'United States is full of talk of a new war which in the opinion of "certain people" in the War Department and general staff should begin soon against the Soviet Union.'"

Foreign Policy

The line on American foreign policy was to say that the United States and Great Britain, having gone fascist or imperialist, or both, were resolved to isolate Russia, trample down little people, repress democracies and dominate the world. Secretary Byrnes was the Machiavelli of this plot. In the score of denunciation his name led all the rest; President Truman was second, Senator Vandenberg third, and Hoover fourth. Examples:

"Byrnes has used UN not as a basis of Big Three unity but as a weapon to foster an American-British war alliance. . . .

"The truth is that Franco is looked upon as necessary to Administration and British plans to repress democracy in France and as a possible mercenary against the colonies along the Mediterranean. . . .

"If there is anything in Washington more disturbing than this nation's obvious preparation for war, it is the fact that labor and the progressives do not speak out more loudly against those preparations. . . .

"It is time for us plain Americans to wake up to the fact that the government's policies today are out to make the United States the boss of the world. Americans, both in uniform and out of uniform, will have to pay for that kind of expansionist, interventionist imperialism. . . .

"The government is working to bolster bloody fascism in Spain; at the same time, it is working to balk democracy in France. . . .

"The Wall Street Dollar appears on the international scene as the new Trojan Horse, the real hidden weapon of our imperialist intervention in every corner of the globe where direct military intervention is not practicable right now. Wall Street wants to buy France's political soul. . . .

"In the Balkans we are trading on the people's hunger to force the new democracies there to permit the old pro-fascist monarchists to return to power. . . .

"Public opinion in our country must rouse itself for the fight to restore the F.D.R. foreign policy based on American-Soviet cooperation. . . .

"In place of the big power unity which won the war and which should be a basis for peace, we have practically installed an American-British war alliance against the U.S.S.R. . . .

"Byrnes' cold hate chills peace hope. . . .

"So there it is. Wall Street dreams of an American empire. It figures it is the richest and strongest power in the world. It is eager to crush democracy, to encircle the Soviet Union with areas in which Soviet-hating regimes will be preparing the way for another world war on the orders of Washington and London. Byrnes' program is a build-up for war. . . .

"The sharp tension within the United Nations, which during recent weeks has threatened the outbreak of a new world war, is due primarily to the attempt of American imperialists, in collaboration with the British, to extend their already vastly expanded power into actual world dominion. These people consider the U.S.S.R. the main obstacle in their path of imperialist conquest." . . .

The Bomb

Discussion of the atomic bomb was for a while somewhat diminished, possibly because, first, hatred of American dollars was to be played up, and, secondly, that the grievance against the United States for not sharing its knowledge of how to make the bomb cannot be carried too far without seeming to represent Soviet science as inferior. William Z. Foster, head of the Communist party, wrote: "We are having an exhibition of atom-bomb diplomacy in all its nakedness and nature." But that was a figure of speech. A Washington correspondent writing on the State Department's plan for an international atomic development authority said:

"It has been said that the real reason the U.S. would like to keep atomic knowledge from the U.S.S.R. is its fear of what will happen industrially and scientifically when socialism and atomic energy mix. Without the restraints of the capitalist system, the Soviet Union would be able to carry atomic science further and faster than any capitalist power."

After the Russians had presented their plan to the UN the line became very clear again—attack the American plan and uphold the Russian. A typical headline: "U. S. ASKS WORLD SHUN A-BOMB WHILE IT STOCKS UP." Excerpts from news and editorials:

'The American plan—a product of atomic diplo-turkey about the Baruch atom control plan, and pointed out that under it, the world would give up its rights at atomic development while the United States continued to manufacture and store A-bombs. 'The American plan—a product of atomic diplo-

macy—reflects a previous tendency to world domination," *Pravda said,* "but such ambitions cannot succeed in our time." . . .

"They insist on our having the monopoly as long as we think necessary. The rest of the world must take us on faith. And who is 'us?' The same Wall Street trusts which are double-crossing the American people every day in the year." . . .

"But all negotiations have got to be based on a relinquishing of the idea that our atom bomb monopoly is the basis of our foreign policy. We would not want other nations to approach us in that way. We cannot expect other people to accept what we ourselves would not accept; that is, atomic bomb dictation. . . .

Browderism

Embarrassment over Earl Browder's trip to Moscow continued. The line was to treat it as a capitalist plot; American employers were exploiting the renegade. William Z. Foster, who displaced Browder as head of the Communist party, wrote:

"Earl Browder, now on a trip to Europe, was given a royal send-off by American capitalist forces. The State Department hastened to provide him with a passport, although it generally refuses passports to Communists and other left-wingers and anti-fascists wishing to leave this country, to come in here, or even pass through our land en route elsewhere."

Editorially, the *Daily Worker* said:

"The press had a brief headline jag with the trip of Earl Browder to Europe. As usual, the dishonest propagandists leaped into the fray with their usual insinuations about the American Communist Party getting its line from Moscow. While the press was spreading its slanders, the Communist Party decisively reaffirmed its independence as an American political movement, based on the welfare of the American people, making its own decisions on policy and personnel."

Discovery

When the wicked "capitalist" press, together with poll-tax Democrats and conservative Republicans denounced President Truman's proposal to draft strikers into the army, the Communists apparently were bewildered. There was something about the American principle they did not know, or had forgotten. In a lame kind of way they treated it as another plot or as a sinister attempt to create confusion. The *Daily Worker* said:

"LOOK OUT FOR NEW 'FRIENDS.' With all sections of the labor movement united against the Truman strikebreaking bill, it is interesting to see how some notorious Republican reactionaries appear to be fighting against the measure.

"Loudest among these new-found voices for 'liberties' and 'constitutional rights' are Vandenberg, Taft and those of their friends who work the 'liberal' side of the street, like Stassen and Clare Luce.

"These people still believe that American voters are suckers and will jump from the frying pan into the fire. After all, Truman only did in a practical way what has been demanded by these Republicans in coalition with the Southern poll taxers. . . .

"The latest attempt to confuse the issue was President Truman's remark in his George Washington University speech that his message to Congress brought 'Senators Pepper and Taft and the *Daily Worker* and *The Wall Street Journal* together.'"

The Bed Browder Made

He asks why the Communist party abandoned the Roosevelt-Labor-Democratic coalition

WRITING in *The Nation,* May 11, on Earl Browder's mission to Moscow, Robert Bendiner reveals a document which he says has hitherto been "confined to strictly Communist Party circles." It is Browder's defense against the charges that caused him to be purged from the party. These are Browder's words, as quoted by Bendiner from the document:

"The only charge that might lie against me in relation to the convention decisions is that I failed to speak up to criticize and oppose the steps taken by Foster, supported by his associates in the leadership, to withdraw from the Roosevelt-labor-Democratic coalition and to break up the Truman Administration *at a moment when it was improving its implementation of Roosevelt's foreign policy* and aligning itself with labor in the biggest inner political struggle since 1944. . . .

"What has happened to these . . . key decisions given to the party by its national convention? They have been completely abandoned, and in their place there has been developed in practice, in life, the opposite strategy of *breaking up the Roosevelt-labor-Democratic coalition, dealing with the Truman Administration as the chief enemy* instead of as the governmental expression of the coalition of which we are part and support. Has this right-about-face by the Communist Party, revising the convention resolution, been forced upon us because the other parties to the coalition have broken it up or because the Truman Administration has gone over to the reactionaries? *No, the Communist Party is the only group of serious importance to leave the coalition,* and the Truman Administration is under the sharpest assault from the reactionaries without shirking the issues which keep it at the head of an ever-more-consolidated Roosevelt-labor-Democratic coalition."

A Political Lyric from the News

IN PARALLEL conventions at Atlantic City, the United Federal Workers of America (CIO) adopted a resolution accusing the Truman Administration of pursuing an imperialistic policy in foreign affairs, and the State, County and Municipal Workers of America (CIO) declared that the President had "increasingly given aid and comfort to reactionary Southern Democrats and anti-New Deal Republicans, so that today there is in our Congress a large and totally unrepresentative opposition to all progressive measures, which is leading our country to disaster at home and war abroad."

The next item of business was a joint report in favor of merging the two unions, on the grounds that—"Together we would constitute a union of 75,000 members in good standing with the prestige, leadership, resources and funds needed to really organize the unorganized government workers of the United States; and a major increase in political and legislative strength will be accomplished through the mutual assistance of federal, state, city and county workers."

The report was accepted and the unions were combined. Before dissolving itself the United Federal Workers of America denounced the House of Representatives for its "unprincipled and nonrepresentative" attack upon the OPA.

The first meeting of the consolidated union immediately followed. The delegates unanimously adopted a resolution demanding that the American Government stop kicking Russia around, that it take steps to reestablish "friendly U. S.-Soviet relations by word and deed," that the atomic bomb be delivered to the UN.

A message was received from President Truman, saying: "It is my firm belief that we cannot attract and hold in the government service the best-qualified persons unless our Federal Government and our state, county and municipal governments become known as the most progressive employers in the nation."

The convention approved a declaration that it would not be the policy of the union to engage in strikes, but the proposal was not voted until members of the constitution committee had told protesting delegates that this clause was not intended to prohibit strikes where all other methods of winning the union's objectives had failed.

The convention sent a telegram to Secretary of Commerce Henry A. Wallace congratulating him on having been called a Communist by Representative Rankin of Mississippi.

Reporter Present

The Washington Post *had a reporter there, and he wrote as follows:*

"I arrived at the Atlantic City convention at noon a week ago yesterday, April 24. I was promptly told—as were other reporters—that nothing newsworthy would happen for the remainder of that day as the convention had to go through the time-consuming process of merging the two CIO unions, the United Federal Workers of America, and the State, County, and Municipal Workers of America into UFWA.

"As the afternoon wore on, George Morris, of the *Daily Worker,* official Communist Party organ, came into the convention hall at the Hotel Chelsea. Abram Flaxer, SCMWA president who was later elected president of UFWA, told them what he had told me earlier—that nothing newsy was on the schedule.

"Morris, however, told Flaxer that he was concerned over the sharp criticism directed at the Russian foreign policy by Emil Rieve, president of CIO's textile workers and a leader of the right wing in the CIO, at the opening of the union's convention several blocks down the boardwalk. In so doing, Rieve had indorsed the policies of both the President and State Secretary Byrnes.

"This had made Morris most unhappy and he frankly told Flaxer that he needed a story from the public workers to offset Rieve's speech. Finally, the *Daily Worker* correspondent suggested to Flaxer that he 'pull out the foreign policy resolution and get it passed.'

"Flaxer returned to the platform and took over the gavel. It was only a matter of minutes before the foreign policy resolution was called up for action.

"I made it a point to buy copies of the *Daily Worker* to read stories on the conventions. On Friday morning I went up to the hotel newsstand to ask for a copy. Before the girl had a chance to answer me, a young fellow jumped up from a near-by chair and told me in an apologetic manner that the copies hadn't arrived but that they would be in at any minute. And then he asked me: 'Have you contributed to the fund?'

"I told him I had not and I asked him about it. He explained that some of the delegates had thought it vital that a Sunday copy of *The*

Worker be given to each of the 600 delegates and that they had collected a fund to buy several hundred extra copies."

On April 25, the Daily Worker *presented the news as follows:*

HALT ANTI-SOVIETISM IN UN, CIVIL SERVICE UNION URGES TRUMAN

By GEORGE MORRIS

ATLANTIC CITY, April 24.—Delegates to the merged convention of CIO government employees today called upon the Truman Administration and Congress to "halt the present policy of attempting to isolate the Soviet Union in the UN and world affairs."

Warning that powerful influences are attemping to drive a wedge in the United Nations "for the purpose of furthering their imperialist ambitions," the resolution called for withdrawal of Allied troops from China, the Philippines, France, Greece, India, Indonesia, Belgium and Iceland.

A policy of "UN regulation and control of all phases of atomic energy, including immediate possession of all atomic bombs," is another demand in the resolution.

Adoption came after a lively discussion evoked by a speech of one delegate, who suggested that the Soviet Union be asked to withdraw troops from countries of Eastern Europe, adding that failure to do so would support the claims of reactionaries that the CIO is "Communist."

Stuff of the Class War

From the news in PM *on the breaking of the railway strike:*

Hyman Blumberg joined other speakers in describing as appalling the conditions under which railway employees work. . . .

The President might also have told the nation a few other facts of railroad life. He might have said that while the Brotherhoods were asking for a few cents' increase in wages (and for such change in the rules as that the company furnish them with clean and pressed uniforms), one of the railroad owners takes $400,000 a year out of a road that says it can't afford to press a uniform —and lives in a 40-room house with ten servants." . . . A. F. Whitney, one of the leaders in the short-lived strike, declared bitterly that his Trainmen's Brotherhood will spend all its $47,000,000 treasury balance if necessary to defeat President Truman for reelection. "We are the world's richest labor organization," Whitney said.

The statement of

Louis Francis Budenz

after his appearance before the Committee on un-American Activities of the House of Representatives.

Mr. Budenz was formerly an important member of the Communist party and managing editor of its official New York organ, Daily Worker. *Last year he renounced Communism and re-embraced the Roman Catholic faith.*

IN RESPONDING to the subpoena of the committee there is no disposition on my part to pillory any individual Communist. Quite to the contrary, I pray for each and every one of them every day, that they may abandon their atheistic and anti-American affiliation. It is to the Communist system that I am opposed, with its iron dictatorship over the liberties and souls of men.

What I did state to the committee, as I had reluctantly found from my experience, is that the Communist party in the United States is a direct arm of the Soviet foreign department. It serves a foreign power and never swerves from such service by a hair's breadth. What I further had to state was that the policy agreed upon and exemplified by the orders conveyed last year in the Jacques Duclos letter was one of continuous hostility to the United States and injury to the American nation. It was a Hitlerite policy of world domination, to be established step by step through fifth columns. The documents of the discussion on that letter, backed up by the documents in regard to the intent of the Communists over the years, expressed that aim in black and white.

Whether that policy will be changed or not remains to be seen. There has been no indication of any such change; everything points to its continuance. That aim is the building up of Soviet power through the same domination of other countries that Hitler brought about, directed at the eventual destruction of the American nation.

The Communist persecution of religion, to which I referred at the time of my return to the Catholic Church and which had been emphasized in Communist circles, is now out in the open for all the world to note. The Nero assault on Catholic Christians in Poland and Ruthenia rivals in savagery the brown-shirted and black-shirted reigns of terror.

Any good relations with Soviet Russia will have to flow from bringing all these cold, hard realities to the attention of the Soviet state, in my opinion, and in some way reaching the people of that

nation, shut in now behind walls of police censorship.

Among Communists in this country there are many who have become such out of an original sense of social injustice but who are now most unhappy in their association. They are beginning to realize that each one of them is a potential spy against the United States. I told the committee of my hope that many of these people will realize the sedition against the United States of which they are in grave danger of being guilty.

To confuse labor and the Communists would be a grave mistake, I told the committee; but to neglect the education of the American people to the anti-American intent of the Communist organization would be a profoundly unpatriotic act.

The Rev. Francis Cavanaugh, C.S.C., Dean of the College of Liberal Arts at Notre Dame University, accompanied Mr. Budenz to the hearing. "I have asked Father Cavanaugh to come with me," stated Budenz, "as I want Notre Dame University to be fully advised of what transpires. I appreciate deeply that university's splendid cooperation with me and for me."

Puerilities of the Left

Norman Angell, author of "The Great Illusion," contributes to The Nation *an essay entitled "Leftism in the Atomic Age," from which the following devastating comment on Communist propaganda is quoted.*

IN THE inter-war years the left was insistent that the capitalist West was bent upon alliance with Germany to crush socialist Russia, that the impending war would be along the lines of the Marxist "class conflict." This theory and forecast can now be judged by the event, the facts, which are these:

(1) When a Tory-capitalist government in Britain declared war it was not against socialist Russia but against fascist Germany.

(2) It was Communist Russia, not the capitalist West, which formed a pact with fascist Germany, a pact which, the probabilities indicate, enabled Germany to begin the war before the Western democracies were ready.

(3) Communist parties everywhere for nearly two years aided, not the Western democracies but Germany, by moral and sometimes material sabotage of the Allied war effort.

(4) When Hitler offered Britain peace on the condition that in return for keeping its empire, it remain neutral while Germany crushed Russia, it was a Tory-imperialist-capitalist Prime Minister of a direly harassed Britain who refused the offer and became instead the ally of socialist Russia.

(5) The resources of the greatest capitalist power in the world, America, were freely given to insure the victory of Communist Russia and enable it to become the greatest military power in the world.

These are the facts. They invalidate a great part of the leftist thesis of the last twenty years. If they were faced instead of being systematically distorted they would be recognized as furnishing a basis for peaceful cooperation between Russia and the West.

Senator Pepper's Line

Excerpts from his recent speeches

Stalin and the Russians knew that there was every reason why the United States and the Soviet Union should be friends and no reason why they should be enemies; and they knew Roosevelt knew that and that policies consistent with that knowledge would be unmistakably United States policies. That is the reason that masses of the citizens of Moscow surged into the great square in front of the United States Embassy with tears in their eyes when they learned of the death of President Roosevelt.

* * *

That feeling toward Roosevelt makes it possible for any American to point at himself in Russia and say "Americanski" and bring the smile of friendship to the Russian's face. All one needs to do to make a speech which will set the Russians yelling in approval is for an American to say "Russky-Americanski."

* * *

I believe the Soviet Union wants peace. Generalissimo Stalin told me so, and the faces of every Russian I saw, as well as the living conditions of the people in Russia, told me so. But Russia, like all the rest of us, is keeping her powder dry. She is not going to allow herself to become the victim of another cabal.

* * *

It is the worst kind of illusion and folly for us (Britain and the United States) to believe that Russia, occupying one sixth of the world's population—a people able, strong and brave—will acquiesce indefinitely in the mastery of every ocean and sea and every strategic area on the earth by our two countries, without striving to break that stranglehold.

* * *

Russia remembers the Red baiting, the articu-

lated and open conspiracy against her among the major capitalistic powers of the world, which went on after foreign military forces were withdrawn or driven from the Soviet Union, and the long period when she was feared and hated by all and recognized by none.

* * *

The powers might as well realize that they cannot maintain a monopoly of the world's natural resources in undeveloped lands without Russia striving for a comparable place.

* * *

Generalissimo Stalin told me in Moscow that Russia would use American credits to rebuild the Russia the Germans despoiled; to replace railroad rolling stock and rails, power plants, mining machinery, oil-drilling machinery, farm machinery, bridges, factories, and other establishments which the Nazis ruthlessly destroyed or carried away. He told me that, if we agreed upon the principle of a loan to Russia, Russia would reward the confidence by showing that it could be repaid. But the generalissimo added: "Six months ago my Government filed an application for a loan with the United States and we have not even had a reply." That would not and could not have happened under Franklin Delano Roosevelt.

* * *

Russia forms her own opinion of whether a Russian loan would be recommended by the American Government and could pass the American Congress, and thereafter adapts her five-year plan to the desperate need of lifting herself by her own bootstraps.

* * *

Unhappily, there is a different background behind the Russians and the Anglo-Saxon people. We do not alway see the same thing the same way. But each in its own way is essentially striving toward the same thing—peace and the well-being of the people.

* * *

In my conversation with Generalissimo Stalin, I asked him what he had to say about Soviet-American relations. In his thoughtful way he replied:

"During the war, we have been held together by the ties of war. Now that war is over, we shall have to find another tie to hold us together. That will not always be easy. But as Christ said, 'Seek and ye shall find.' "

Having confidence in President Roosevelt, confidence that he would not wage war upon them or join a secret cabal to destroy them, confidence that he would not throw them to the wolves of fascism because they were Communists in their own country, the Russians worked and fought with President Roosevelt and with our great common ally, Britain, in the most effective and the most powerful military alliance ever seen upon the face of the earth.

A Little Study in Headlines

The New York Times.

Steel Workers Adopt Policy To Ban Communist Meddling

By LAWRENCE RESNER
Special to THE NEW YORK TIMES.

ATLANTIC CITY, N. J., May 14—The United Steel Workers of America, CIO, acting on a proposal by President Philip Murray, adopted today unanimously and without a word of debate a statement of policy against efforts by "any outsiders," Communists, Socialists or any other group "to infiltrate, dictate or meddle" in the union's affairs.

Adoption of this statement of policy, the first action of the union's third biennial convention, followed Mr. Murray's opening address. It confirmed pre-convention predictions that the steel workers would speak out against interference by political factions.

Action on the statement of policy was the major order of business at the morning session and was followed in the afternoon by discussion of the officers' report, during which Mr. Murray accused William Green, president of the American Federation of Labor, of an attempt to set up "a resistance movement among employers" against the CIO's Southern or-

Daily Worker

Steel Union Parley Bars Red-Baiting

By George Morris

ALTANTIC CITY, May 14.—The United Steel Workers of America today opened its convention with unanimous adoption of a statement by 2,600 delegates declaring that the union "will not be an instrument of repression" and will not engage in any purges or witch hunts.

The action came in the form of approval of a "statement of policy" unanimously recommended by the union's 39-man executive board and four top officers.

President Philip Murray read it as part of his speech opening the convention. Immediately after the atmosphere thus cleared, this subject

Books

John Maynard Keynes

THE work cumbersomely entitled, "The General Theory of Employment, Interest and Money," now commonly abbreviated as "The General Theory," was published in 1936. It was therefore only ten years old when the author, John Maynard Keynes, died last April. Probably no other book has ever produced in so little time a comparable effect. It has tinctured, modified and conditioned economic thinking in the whole world. Upon it has been founded a new economic church, completely furnished with all the properties proper to a church, such as a revelation of its own, a rigid doctrine, a symbolic language, a propaganda, a priestcraft and a demonology. The revelation, although brilliantly written, was nevertheless obscure and hard to read, but where one might have expected this fact to hinder the spread of the doctrine, it had a contrary result and served the ends of publicity by giving rise to schools of exegesis and to controversies that were interminable because nothing could be settled. There was no existing state of society in which the theory could be either proved or disproved by demonstration—nor is there one yet.

The moment of the book was most fortunate. For the planned society they were talking about the Socialists were desperately in need of a scientific formula. Government at the same time was in need of a rationalization for deficit spending. The idea of welfare government that had been rising both here and in Great Britain—here under the sign of the New Deal—was in trouble. It had no answer for those who kept asking, "Where will the money come from?" It was true that government had got control of money as a social instrument and that the restraining tyranny of gold had been overthrown, but the fetish of solvency survived and threatened to frustrate great social intentions.

Just at this historic crisis of experimental politics, with the Socialists lost in a wilderness lying somewhere between Utopia and totalitarianism, and with governments adrift on a sea of managed currency, afraid to go on and unable to turn back, the appearance of the Keynes theory was like an answer to prayer. Its feat was twofold. To the Socialist planners it offered a set of algebraic tools, which, if used according to the manual of instructions, were guaranteed to produce full employment, economic equilibrium, and a redistribution of wealth with justice, all three at once and with a kind of slide-rule precision—provided only that society really wanted to be saved. And the same theory by virtue of its logical implications delivered welfare government from the threat of insolvency. That word—insolvency—was to have no longer any meaning for a sovereign government. The balanced budget was a capitalist bogey. Deficit spending was not what it seemed. It was in fact *investment;* and the use of it was to fill an investment void—a void created by the chronic and incorrigible propensity of people to save too much. "There has been," he said, "a chronic tendency throughout history for the propensity to save to be stronger than the inducement to invest. The weakness of the inducement to invest has been at all times the key to the economic problem." By investment he was supposed to mean the use of capital in the spirit of adventure.

This idea was the very base of the theory. From oversaving and underinvestment came unemployment. And when from this cause unemployment appeared, as it was bound to do, first periodically and then as a permanent evil, the only cure was for government to spend the money. Among the algebraic tools was the famous *multiplier* by use of which the experts would be able to determine precisely how much the government would have to spend to create full employment.

Briefly therefore the theory was that when people were not investing enough in their own future to keep themselves all at work the government must do it for them. Where and how would the government get the money? Well, partly by taxing the rich, who notoriously saved too much; partly by borrowing from the rich, and, if necessary as a last resort, by printing it—and everything was bound to come out all right because from full employment society at large would grow always richer and richer. Ultimately the economic satisfactions of life would become dirt cheap, the interest rate would fall to zero, and the sequel would be the painless extinction of the rentier class, meaning those who live by interest and produce nothing.

"If I am right," he said, "in supposing it to be comparatively easy to make capital goods so abundant that the marginal efficiency of capital is zero, this may be the most sensible way of gradually getting rid of many of the objectionable features of capitalism. For a little reflection will show what enormous social changes would result from a gradual disappearance of a rate of return on accumulated wealth. A man would still be free to accumulate his earned income with a view to spending it at a later date. But his accumulation would not grow. He would simply be in the posi-

tion of Pope's father, who, when he retired from business, carried a chest of guineas with him to his villa at Twickenham and met his household expenses from it as required."

And what would the government spend the money for? Preferably of course for the creation of productive works, that is, means to further production of the things that satisfy human wants; but such was the importance of keeping everybody fully employed that it were better to invest the money in monuments and pyramids than not to spend it at all.

"Ancient Egypt," he said, "was doubly fortunate, and doubtless owed to this its fabled wealth, in that it possessed *two* activities, namely, pyramid building as well as the search for the precious metals, the fruits of which, since they could not serve the needs of man by being consumed, did not stale with abundance. The Middle Ages built cathedrals and sang dirges. Two pyramids, two masses for the dead, are twice as good as one; but not so two railways from London to York. Thus we are so sensible, have schooled ourselves to so close a semblance of prudent financiers, taking careful thought before we add to the *financial* burdens of posterity by building them houses to live in, that we have no such easy escape from the sufferings of unemployment. We have to accept them as an inevitable result of applying to the conduct of the State the maxims which are best calculated to enrich an individual by enabling him to pile up claims to enjoyment which he does not intend to exercise at any definite time."

This passage is seldom referred to by the Keynesians, perhaps because they have never been sure that he meant it to be taken seriously. It might very well be Keynes in one of his impish moods.

It is significant to recall that the first definite and conscious application of the theory was made by the New Deal; and when in the third year Mr. Roosevelt began to say that the government's deficit spending must be regarded as an *investment* in the country's future, he was taking the word directly from the Keynes theory. The promised results did not follow; unemployment was not cured. This disappointment, say the believers, was owing to no fault of the theory but simply and only to the fact that the deficit spending did not go far enough. The deficits should have been courageously greater.

It is perhaps even more significant that in his own country he was regarded as a dangerous luminary and that the British Government was unable to avail itself of his genius until the time came when it found itself in a very difficult money position. It had already divorced the gold standard, pretending to make a moral of it; and then, as the British mentality changed from that of a creditor to that of a debtor country, what the Treasury needed was someone who could clothe the bareness of financial heresy with a plausible nontransparent drapery and at the same time give to the managed pound sterling a glitter to replace the lost luster of the gold pound. And so it happened that Mr. Keynes was taken into the British Treasury as its principal advisor, seated on the board of the Bank of England and elevated to the peerage as Baron Keynes of Tilton.

All planners take Keynes for their prophet. But in the one great test of his prophetic powers he failed historically. He had represented the British Treasury at the making of the Versailles Treaty. Soon after, he resigned his post in order to attack the treaty and wrote a book entitled "The Economic Consequences of the Peace," the political effect of which, regarding it now in retrospect, was disastrous. His argument was that Germany could never pay the reparations that were demanded of her, and that even if she could afford to pay them her creditors could not manage to receive them. In view of what Germany was able to do in preparation for World War II, it was nonsense to say that she couldn't pay reparations on account of World War I, and if she had not been let off, World War II might not have been, or at least not yet.

The literature founded on Keynes is dogmatic. Keynes himself was not. At the end of his book he suddenly wondered if it would work. Were his ideas "a visionary hope?" Were they properly rooted "in the motives which govern the evolution of political society?" Were "the interests which they will thwart stronger and more obvious than those which they will serve?" He made no attempt to answer his own questions. It would take another book, he said, to indicate the answers even in outline. G. G.

Quotations from Keynes

Following are excerpts from "The General Theory of Employment, Interest and Money," Chapter 24, entitled "Concluding Notes on the Social Philosophy Toward Which the General Theory Might Lead."

The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes. The bearing of the foregoing theory on the first of these is obvious. But there are also two important respects in which it is relevant to the second.

Since the end of the nineteenth century significant progress towards the removal of very great disparities of wealth and income has been achieved through the instrument of direct taxation—income tax and surtax and death duties—especially in Great Britain. Many people would wish to see this process carried much further, but they are deterred . . . mainly, I think, by the belief that the growth of capital depends upon the strength of the motive toward individual saving and that for a large proportion of this growth we are dependent on the savings of the rich out of their superfluity.

¶

Up to the point where full employment prevails, the growth of capital depends not at all on a low propensity to consume but is, on the contrary, held back by it; and only in conditions of full employment is a low propensity to consume conducive to the growth of capital. Moreover, experience suggests that in existing conditions saving by institutions and through sinking funds is more than adequate, and that measures for the redistribution of incomes in a way likely to raise the propensity to consume may prove positively favorable to the growth of capital.

¶

Thus our argument leads toward the conclusion that in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich, as is commonly supposed, is more likely to be impeded by it. One of the chief social justifications of great inequality of wealth is, therefore, removed.

¶

For my own part, I believe that there is social and psychological justification for significant inequalities of incomes and wealth, but not for such large disparities as exist today. There are valuable human activities which require the motive of money making and the environment of private wealth-ownership for their full fruition. Moreover, dangerous human proclivities can be canalized into comparatively harmless channels by the existence of opportunities for money making and private wealth, which, if they cannot be satisfied in this way, may find their outlet in cruelty, the reckless pursuit of personal power and authority, and other forms of self-aggrandizement. It is better that a man should tyrannize over his bank balance than over his fellow citizens.

¶

But it is not necessary for the stimulation of these activities and the satisfaction of these proclivities that the game should be played for such high stakes as at present. Much lower stakes will serve the purpose equally well, as soon as the players are accustomed to them. . . . Though in the ideal commonwealth men may have been taught or inspired or bred to take no interest in the stakes, it may still be wise and prudent statesmanship to allow the game to be played, subject to rules and limitations, so long as the average man, or even a significant section of the community, is in fact strongly addicted to the money-making passion.

¶

The justification for a moderately high rate of interest has been found hitherto in the necessity of providing a sufficient inducement to save. But we have shown that the extent of effective saving is necessarily determined by the scale of investment and that the scale of investment is promoted by a *low* rate of interest, provided that we do not attempt to stimulate it in this way beyond the point which corresponds to full employment.

¶

I feel sure that the demand for capital is strictly limited in the sense that it would not be difficult to increase the stock of capital up to a point where its marginal efficiency had fallen to a very low figure. This would not mean that the use of capital instruments would cost almost nothing, but only that the return from them would have to cover little more than their exhaustion by wastage and obsolescence together with some margin to cover risk and the exercise of skill and judgment. In short, the aggregate return from durable goods in the course of their life would, as in the case of short-lived goods, just cover their labor costs of production *plus* an allowance for risk and the costs of skill and supervision.

¶

Now, though this state of affairs would be quite compatible with some measure of individualism, yet it would mean the euthanasia of the rentier, and, consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity value of capital.

¶

I see, therefore, the rentier aspect of capitalism as a transitional phase which will disappear when it has done its work. And with the disappearance of its rentier aspect much else in it besides will suffer a sea-change. It will be, moreover, a great advantage of the order of events which I am advocating, that the euthanasia of the rentier,

of the functionless investor, will be nothing sudden, merely a gradual but prolonged continuance of what we have seen recently in Great Britain, and will need no revolution.

¶

Thus we might aim in practice (there being nothing in this which is unattainable) at an increase in the volume of capital until it ceases to be scarce, so that the functionless investor will no longer receive a bonus; and at a scheme of direct taxation which allows the intelligence and determination and executive skill of the financier, the entrepreneur *et hoc genus omne* (who are certainly so fond of their craft that their labor could be obtained much cheaper than at present), to be harnessed to the service of the community on reasonable terms of reward.

¶

In some other respects the foregoing theory is moderately conservative in its implications. For whilst it indicates the vital importance of establishing certain central controls in matters which are now left in the main to individual initiative, there are wide fields of activity which are unaffected. The State will have to exercise a guiding influence on the propensity to consume partly through its scheme of taxation, partly by fixing the rate of interest, and partly, perhaps, in other ways. . . . I conceive, therefore, that a somewhat comprehensive socialization of investment will prove the only means of securing an approximation to full employment; though this need not exclude all manner of compromises and of devices by which public authority will cooperate with private initiative.

¶

But beyond this no obvious case is made out for a system of State Socialism which would embrace most of the economic life of the community. It is not the ownership of the instruments of production which it is important for the State to assume. If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary.

¶

I see no reason to suppose that the existing system seriously misemploys the factors of production which are in use. There are, of course, errors of foresight; but these would not be avoided by centralizing decisions. When 9,000,000 men are employed out of 10,000,000 willing and able to work, there is no evidence that the labor of these 9,000,000 men is misdirected. The complaint against the present system is not that these 9,000,000 men ought to be employed on different tasks, but that tasks should be available for the remaining 1,000,000 men. It is in determining the volume, not the direction, of actual employment that the existing system has broken down.

¶

The central controls necessary to ensure full employment will, of course, involve a large extension of the traditional functions of government.

¶

Within this field the traditional advantages of individualism will still hold good. Let us stop for a moment to remind ourselves what these advantages are. They are partly advantages of efficiency—the advantages of decentralization and of the play of self-interest. The advantage to efficiency of the decentralization of decisions and of individual responsibility is even greater, perhaps, than the nineteenth century supposed; and the reaction against the appeal to self-interest may have gone too far. But, above all, individualism, if it can be purged of its defects and its abuses, is the best safeguard of personal liberty in the sense that, compared with any other system, it greatly widens the field for the exercise of personal choice. It is also the best safeguard of the variety of life, which emerges precisely from this extended field of personal choice, and the loss of which is the greatest of all the losses of the homogeneous or totalitarian state.

¶

Whilst, therefore, the enlargement of the functions of government, involved in the task of adjusting to one another the propensity to consume and the inducement to invest, would seem to a nineteenth-century publicist or to a contemporary American financier to be a terrific encroachment on individualism, I defend it, on the contrary, both as the only practicable means of avoiding the destruction of existing economic forms in their entirety and as the condition of the successful functioning of individual initiative.

¶

The authoritarian state systems of today seem to solve the problem of unemployment at the expense of efficiency and of freedom. It is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated—and, in my opinion, inevitably associated—with present-day capi-

alistic individualism. But it may be possible by a right analysis of the problem to cure the disease whilst preserving efficiency and freedom.

¶

War has several causes. Dictators and other such, to whom war offers, in expectation at least, a pleasurable excitement, find it easy to work on the natural bellicosity of their peoples. But, over and above this, facilitating their task of fanning the popular flame, are the economic causes of war, namely, the pressure of population and the competitive struggle for markets. It is the second factor, which probably played a predominant part in the nineteenth century, and might again, that is germane to this discussion.

¶

But if nations can learn to provide themselves with full employment by their domestic policy (and, we must add, if they can also attain equilibrium in the trend of their population), there need be no important economic forces calculated to set the interest of one country against that of its neighbors. There would still be room for the international division of labor and for international lending in appropriate conditions. But there would no longer be a pressing motive why one country need force its wares on another or repulse the offerings of its neighbor, not because this was necessary to enable it to pay for what it wished to purchase, but with the express object of upsetting the equilibrium of payments so as to develop a balance of trade in its own favor. International trade would cease to be what it is, namely, a desperate expedient to maintain employment at home by forcing sales on foreign markets and restricting purchases, which, if successful, will merely shift the problem of unemployment to the neighbor which is worsted in the struggle.

¶

At the present moment people are unusually expectant of a more fundamental diagnosis; more particularly ready to receive it; eager to try it out, if it should be even plausible. But apart from this contemporary mood, the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.

Mr. Bowles' Plan

MR. BOWLES has written "a plan for the nation—a clear, firm signpost for a country that seems to have lost its way."* He says in the beginning that he is not a "practicing economist." Why should he be? As an advertising man he knows that you hire economists to practice and then you have more time of your own to think, to put the parts of the problem together "like so many pieces of a jigsaw puzzle" and to find the "right answers." He embraces the Keynesian theory of oversaving and underinvestment without saying where it came from, if he knew, and is thereby committed to the idea of compensatory spending by government when and if people will not invest enough in their own future to keep themselves fully employed. But this solution, he finds, is temporary. It will work only for a while. A time comes when there is nothing more the government can reasonably spend money for except pyramids, and he rejects pyramids. So then what happens? When we have all the schools and hospitals and TVA's and factories we possibly can use and the government can't think of anything more to provide, how do we go on from there? This is the hole in the jigsaw puzzle, and as Mr. Bowles looks at it he finds that the only thing that will fill it is the pie theory of economics, which from there on he proceeds to develop.

The national income, regarded as a pie, must grow bigger and bigger, and that can be done with everybody working amicably together for the common good. But just to make the pie bigger and bigger is not enough. Suppose it were $400 billion, or twice what anybody has seriously imagined. In that case, you would still have oversaving at the top, there would be fewer and fewer reasonable ways for the government to spend money, and again as before, people at the bottom would not have the money to buy what had been or might have been produced. Therefore this bigger pie, no matter how much bigger it is, must be divided in a new way. More and more of it must go to those who will eat it; less and less to those who will save it. How can this be accomplished?

It is really very simple. "Most of us," he finds, "live on wages and salaries and so it is wages and salaries upon which the nation must principally count to maintain our consumer spending at the necessary high level. Moreover, . . . we know that a heavy proportion of all wages paid out to our workers gets spent." That is to say, those

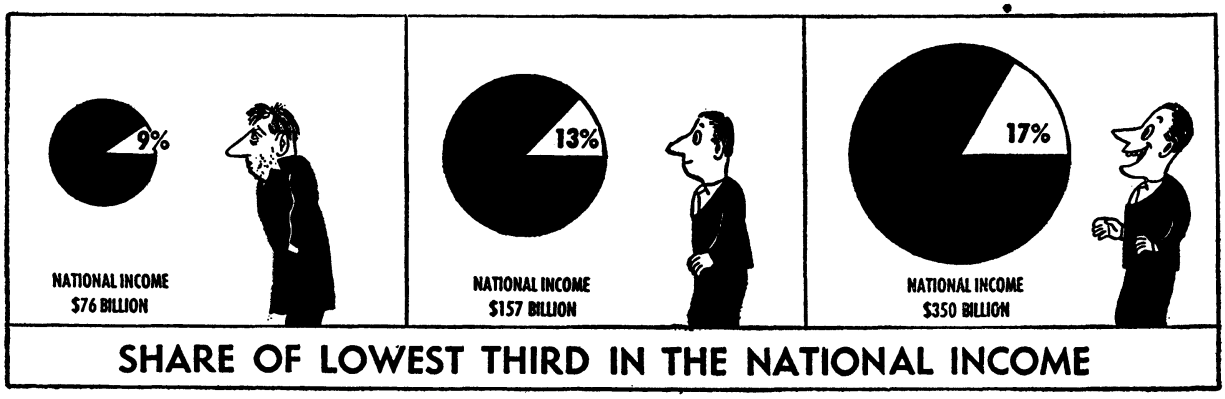
(*To page 209*)

*"Tomorrow Without Fear," by Chester Bowles. Simon & Schuster, New York.

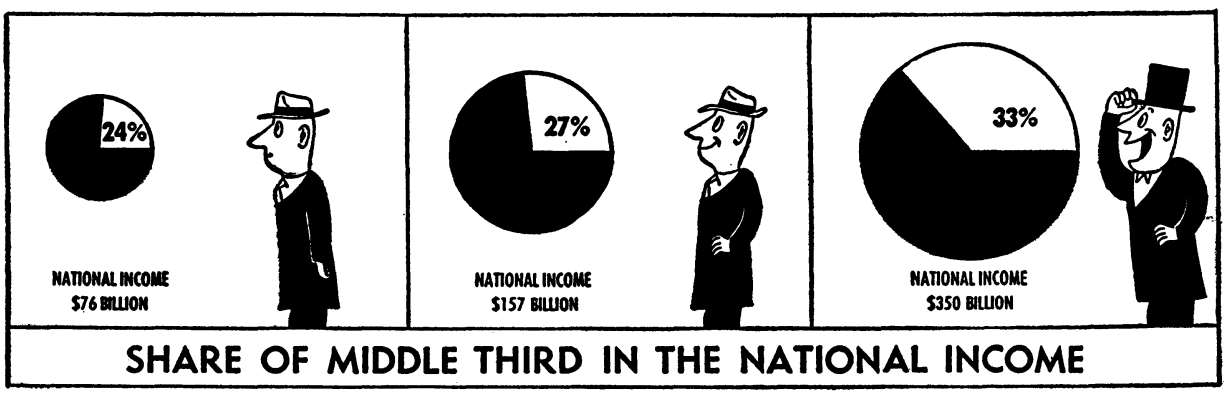
Diagram of the Chester Bowles Pie Theory

From his book *Tomorrow Without Fear*

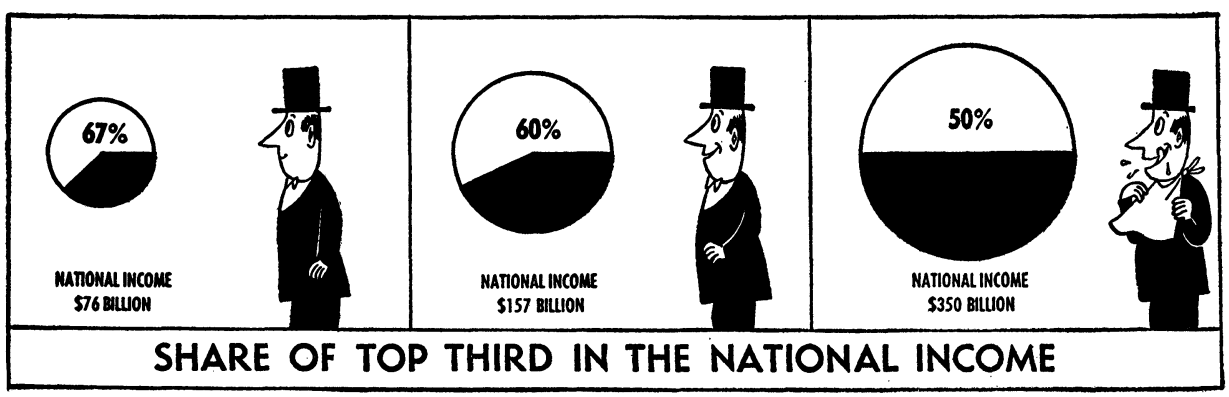
I
A Bigger Piece of a Bigger Pie



II
A Bigger Pie and a Thicker Slice, Too



III
A Thinner Slice from a Bigger Pie Still Means More Pie



who live by wages and salaries eat their pie at once instead of saving it. But just to increase wages will not do the trick either, because "increased wages won't provide any more purchasing power for us consumers if prices go up twice as fast." Therefore:

It follows that wages must be pushed up faster than prices,
or
pushed up while prices remain stable,
or
remain the same while prices are reduced.

Only in that way, he finds, can we continue "to consume a large amount of goods as our industrial machine grows constantly more efficient." But of course the pie will not redivide itself in that manner. A new pattern must be laid upon it, and not a rigid pattern but one that will change steadily toward giving wage earners "a growing proportion of a growing national income," that is to say, an ever-increasing portion of the growing pie. Naturally there must be some rule of arithmetic about it.

At this point, Mr. Bowles commands the practicing economist to bring in the figures. Together they stratify the population into three parts—the top third, the middle third, and the bottom third—and as Mr. Bowles looks at the figures he is shocked. He can't imagine how the bottom third lives at all, with an average annual income per family of $527, average annual expenditures of $565, average annual deficit of $38. The state of the middle third is shocking too, with an average annual income per family of $1,311; with that a family can just barely hold on, having only $370 a year for "the better things, plus savings and insurance and income taxes." But imagine Mr. Bowles' astonishment on looking at the statistical condition of the upper third, to which he himself belongs. On the underside of this top third he finds families whose incomes run down to $1,675 a year and who live "only on the fringe of the better things of life."

It was so bad—this want of money everywhere—that many of our factory workers were obliged to "become escapists. [This word from the practicing psychologist.] From the realities of their everyday living they found escape in secondhand automobiles, Sunday picnics at the seashore, hot dogs washed down with pop costing only a dime, movies, comic strips—but alas, no matter what they did to escape, "too soon they had to return home where their cares were waiting for them, cares from which there seemed no real way out."

But there is a real way out. We have only to "find ways of getting more money into more people's pockets in order that we may buy all the goods which we are capable of producing." There are temporary intermediate ways, such as deficit spending by government, more social security, the underwriting of production and full employment by government, and so on. The real way however is to recut the pie so that no matter how big it grows increased proportions of it will go to the bottom and middle thirds.

What of the top third? It is true that as the proportions going to the bottom and the middle thirds increase the proportion left for the top third will steadily diminish, but nevertheless the top third, too, will be better off because a small slice of a very big pie may be actually more than a large slice of a very little pie. This Mr. Bowles proceeds to illustrate by a diagram, which is herewith reproduced.

You will see by the diagram that everybody is happy. The problem has been solved. There is more money in more people's pockets, and more money too, in the pockets of the top third. You will see that as the pie grows from $157 billion to $350 billion the share of the top third shrinks from six tenths to five tenths. That is a shrinkage of 10% from the "late forties" to the "late sixties," a period of twenty years. The shrinkage is therefore at the rate of ½ of 1% per year. At that rate how long does it take to reduce the top third's share of the pie to nothing? Not that it matters greatly. If in the course of time the top third's share of the pie becomes nothing so that there is no longer any top third it would be necessary only for some future Chester Bowles to divide the population again into three equal strata and begin all over, and so on to infinity.

And so we return to the diagram. You will see that in this period of twenty years, from the "late forties" to the "late sixties," during which the pie grows from $175 billions to $350 billions, the bottom third's share has increased only 4% (from 13% to 17%), and that the middle third's share has increased 6% (from 27% to 33%). Fie, Mr. Bowles. Why is that? Leaving carping justice out of it, why not increase the bottom third's share much more, since these are the sure spenders and that is what you want?

You will notice further as you examine the diagram that through all this rise in fortune the figure representing the bottom third remains hatless, having only combed his hair, whereas the figure representing the middle third goes from a battered hat to a high hat, and, lastly, the figure representing the top third is in a high hat all the time. Whether or not this is fair, is it politically feasible? Remember, the pie is not dividing itself; the government is doing it. It is the government

that will be saying to the bottom third, "How much better you look with your hair combed;" to the middle third, "Now you are in the high-hat class," and to the top third, "Here is a bib." (Note the bib in the diagram.)

As we leave this "clear, firm signpost" we know at least what Mr. Bowles has been trying to do. With his hand on the price throttle he has been trying to save the country by forcing a redistribution of the national pie. G. G.

Who Will Be Drudge?

The Statist

THE drudgery trades seem to be loathed, but have to be done, from coal mining to domestic service. They are essential in the carrying on of industry as commonly understood at present. From coal mining to domestic service the drudgery trades are likely to appeal less and less to what are called the working classes. Ever since the passing of the Education Act of 1870 this has been a growing feature, against which those responsible for the carrying on of industry have been faced. With the spread of education, it may reasonably be expected that this feature will be increasingly evident, and it may be difficult for the advanced left wing countries to carry on industry at all.

No one wishes to defend the drudgery trades, but if it ceases to be possible to carry them on in the left wing countries, presumably sooner or later the wealth and power of those countries will altogether disappear. This distaste for the drudgery trades, whether it manifested itself in the older civilizations we do not know, but it is evident that in the Rome even of the *populus Romanus* and increasingly in Imperial Rome, the drudgery trades were left more and more to imported slaves from the provinces at the same time when Rome was imposing a drain on those provinces for its own maintenance. Few realize the fact that Caesar, who claimed to be a member of the "Julian Clan," came from one of the great patrician families, and yet it was he, not Pompey, who assumed the leadership of the Plebians, or what we should call the Democratic party. The left wing leaders in our elementary schools fail to realize what they are doing. It is most unfortunate that authority adds to its own difficulties at a time when government is anxious to induce all classes, management as well as those engaged in the drudgery trades, to make an effort to restore the prosperity lost in two wars for which the governments of the day were largely responsible.

The Camel's Back

Dr. Walter E. Spahr

IN THE 157 years since the adoption of our Constitution, the people of this country have accomplished more and have done it in less time than any other people in the history of the world.

* * *

In the face of these great accomplishments the basic instruments that have made them possible are now under severe attack by those who would offer devices for living that nowhere at any time in the world's history have ever enabled a people to attain the standard of living and the degree of freedom which these 157 years have brought to the people of these United States.

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Although it has been the great institutions of individual freedom and private enterprise in this country that have been employed twice in the last twenty-eight years to rescue peoples and nations of Europe from the onslaughts of autocratic governments, we find vociferous groups urging that we replace these institutions of freedom with those of autocratic governments.

* * *

Our present faith in the efficacy of lawmaking, especially in the value of thousands of laws that are neither read nor understood by a large proportion of our people, presents a problem for the social psychologist. We are being swamped with laws; we have so many on our statute books that we do not know what they are; the general public makes no pretense of reading them; we do not know when we are violating or obeying them, and yet there is a persistent clamor for more.

* * *

These laws are slowly breaking our backs. They have brought upon us greater costs; heavier taxation; an unprecedented and mounting public debt; more governmental supervision; a growth in bureaucracy; a pronounced trend toward personal government; a development of class consciousness, class strife, and class hatred; a startling spread of demagoguery in politics; a serious decline in objective statesmanship; an insidious attack upon the virtues of hard work, thrift, and self-reliance; a conspicuous disregard for economic principles; a growing and disturbing complexity in life and business; a loss of freedom in many

directions; a widespread pessimism and fear regarding the future; and the consequent development of a great weight which is bearing down more heavily upon us each year.

The question arises as to whether in the end this piling of law upon law may not crush much or all that is worth while and healthy in our economic, social, and political life. Indeed, the increasing burden of these laws, combined with the danger of impairing our public credit and with numerous other forces now undermining our national well-being, may prove to be the principal factor which will destroy our republican form of government and throw this nation back to some form of autocracy.

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People have fallen under the spell of words. Label a thing *liberal,* and the unthinking people will follow, advocate, or pursue it as though hypnotized. Label a thing *conservative* or *reactionary,* and they will mark it down as bad at once. The gullibility revealed is amazing; the faith in labels is tragic.

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The word *liberal* has been disassociated from its historic meaning. Today, it is a vague word used by socialists, communists, advocates of so-called government planning, and by a variety of others who are trying to lead the people of the United States back along the path toward autocratic government, with its increased coercion of the individual, and social retrogression.

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The battle is between those, on the one hand, who are clamoring for more government coercion and are trying to head this nation in the direction of social retrogression and those, on the other hand, who are fighting for an improvement in our economic and social well-being by protecting and widening, if possible, the scope of individual freedom.

Financial improvidence is just as much a national as a personal vice. The penalties are not dissimilar. For the individual it is bankruptcy. For the nation it is the same, but for nations the form of reorganization is political revolution. No government ever survived insolvency.—*B. E. Hutchinson.*

A Sudden New Voice

From Advertising Age

Washington, D. C.

ONE OF the outstanding promotional jobs in the public discussion of price control renewal was chalked up by the New Council of American Business, a descendent of the "Businessmen for Roosevelt Clubs" of 1944, which is using the price control fight as a springboard to establish itself as a new national business association.

Assuming a "David and Goliath" role, the New Council made front-page notice in more than 125 newspapers over one week end by proclaiming that NAM and U. S. Chamber of Commerce criticism of OPA policies failed to represent the viewpoint and interests of the bulk of the American businessmen.

Sounding board for the council was a "convention" here in the Statler Hotel, where from 100 to 150 guests and members of the press heard OPA Chief Paul Porter, former OPA Administrator Leon Henderson, Senator Glen Taylor and others warn that business "would be back in the doghouse" if a wild inflation resulted from the House OPA bill.

Coinciding with its convention here, the New Council had a full-page ad in the *Washington Post* containing a message from Stabilization Chief Chester Bowles. The next week it ran 1,500-line insertions in Chicago, New York and Los Angeles.

The council's meeting here obtained time on both Mutual and CBS. It got a 500-word file on the Washington AP wire, and, with 600 words, was one of the three top stories on the UP file.

The Porter speech was recorded for later rebroadcast on 350 radio stations. Nearly 500 letters and telegrams, containing $1,000 in cash and checks poured in after the 15-minute CBS broadcast Saturday night. Testimonials from small businessmen and manufacturers will be used in future ads. . . .

Organized about six months ago, the council has a few hundred members, mostly in New York and Chicago, but is now setting out to establish additional chapters in Washington, Los Angeles, and a number of other cities where small units are already operating.

Its president is George C. Hatch, Ogden, Utah, president of the Intermountain Radio Network, and the old "Businessmen for Roosevelt" group. Its director, Henry I. McCarthy, and others of its leaders have been associated with the "Businessmen for Roosevelt," and successor organizations such as "Businessmen for Wallace" and "Businessmen for Bretton Woods."

*Mirage of the Huge Backlog

By Raymond Rodgers

Professor of Banking, School of Commerce, Finance and Accounts, New York University.

BASICALLY, the word *inflation* means an increase, and in economic usage it generally signifies a *sharp* increase with reference to other economic factors. There are as many kinds of inflation as there are things. Thus, there can be goods inflation, credit inflation, wage inflation, price inflation, etc. *Any* of these may be very serious (even disastrous) to the economic well-being of a country. But, since most people mean *price* inflation when they use the word *inflation,* it will be so used by me—that is, as meaning a very sharp and economically undesirable increase in prices of commodities and services. Furthermore, the spiral of prices and a wild, unreasoning scramble for goods characterize real honest-to-goodness price inflation. As everyone knows, it is one of the greatest economic catastrophes which can befall a nation. So, when an economist uses the term inflation, he should mean something serious—not just a five or ten per cent increase in prices. In recent years there has been so much self-serving, loose talk about inflation that the idea has become commonplace instead of striking the terror which it should.

Let me give you a hint of the meaning and the economic consequences of real inflation. As you know, the world's outstanding example of genuine inflation is what happened in Germany in the early Twenties. The awful tragedy of such inflation is graphically demonstrated by the following fact: The 19,000,000,000 marks in all the German savings banks—worth at par of exchange $4,500,000,000—dropped at the height of inflation to a value of one fourth of one cent!

Our economic dilemma is that we want many things and we have the liquid purchasing power to pay for them, but the supply of goods is not as large as the demand. Any *one* of the following developments can solve our problem and avert wild inflation:

1. Decrease in demand;
2. Decision to hold rather than spend liquid funds;
3. Increase in supply of goods.

Let us examine these one by one and judge the possibilities and probabilities in each case.

*An address before the Economic and Business Foundation.

First, the commonly accepted "huge unfilled backlog of demand" will be considered. Five years ago, as a representative of the public, I sat in an off-the-record meeting of manufacturers, businessmen, and bankers at which the bureaucrats sold the manufacturers the idea that consumer credit regulation would reduce instalment purchases and thus create a backlog of demand to cushion the depression, which they anticipated after the end of the European war! I said at that time, and I have said it at every opportunity since, that the idea that an instalment sale not made in one year just cumulates for the next year, and so on, is economic moonshine! In America we buy things not because we have to have them, or for that matter even need them, but because we *want* them. Instalment buying, of all our buying, is the most nearly 100% buying, as the French put it, of temperament—and you can't put temperamental demand on the ice and keep it.

New England Precept

Instead of a backlog of demand consisting of the instalment sales which were not made during the war, it is entirely possible that sales resistance may have been increased. Too many people have found out how long things will wear and give good service! The induced obsolescence appeal of "buy the new and improved model" will not be as effective as it was before the war because many people have learned the old New England precept of "make it do, or do without."

Of course, there is a demand for consumer goods which wore out during the war, but the total is much smaller than is generally thought. These statistics of 12 million automobiles which are "rambling wrecks" falling apart on our highways are largely bunk. I have a theory that no American car which is taken care of ever wears out! My Connecticut neighbor, Jimmy Melton, frequently drives a 1899 Locomobile or a 1903 Ford!

There is also a very strong demand because of population increase, easy money and credit conditions, and favorable business outlook. But, believe me, after this initial rush is over and it will be over much quicker than you think, salesmen will be needed as never before. One of my reasons for this statement is that the public has been

oversold on the wondrous new products which are "just around the corner" in American industry. The electronic kitchen sounds so much more exciting than one with an electric stove, refrigerator, and dishwasher!

You may say, how about the orders on the books of dealers? Let me answer with two examples. Recently in New England I heard a man asked to make a deposit of $25 on a firm order for a Gravely lawn mower. His answer was, "Why not? I have made deposits on seven other makes and I would rather have this one." Or, if you will permit me to be personal, I have orders with three different dealers for one new-type General Electric combination refrigerator and freezing unit. And the dealers know that the one who gets his shipment first from the factory gets the sale and the other two get cancellations!

Order pyramiding is rampant all along the line today, just as it was in 1919, in 1922, and in 1923 after World War I. I was in merchandising at that time, and I well remember how we would first place a small order to see what per cent the manufacturer would allot to us and then place our real order on an inflated basis. Thus, if we were allotted 10% on the first order, we would order ten times what we needed on the real order. Everyone else was doing the same thing until one day a manufacturer shipped the full amount of an order! Then, the telegraph offices and the mails were swamped with cancellations—and that dread disease known as "cancelitis" struck manufacturers from coast to coast!

To summarize, other than nylons, houses, and one or two other exceptions, I do not believe that the American people are going to push down walls to buy goods, even in the next six months. True, business volume will be at a very high level for some time, but it is my honest conviction that this "five year backlog of demand" will prove to be largely an economic mirage, which will take its place alongside some of the other great economic fallacies to which the American people have from time to time so wholeheartedly subscribed.

The Pressures

Let us now take a look at the inflationary pressures generated by the enormous volume of liquid purchasing power, particularly money and bank deposits, in the hands of our people. Admittedly, these have reached fantastic levels.

At the beginning of January, 1946, the Federal Reserve banks and the commercial banks held $114,000,000,000, or 41.3%, of the $276,000,000,000 total of outstanding public debt. An additional $11,000,000,000 was held by the savings banks, giving a total holding for all banks of $125,000,000,000, or 45.3%, of the total debt. To the extent that these bonds were purchased by the Federal Reserve banks, reserves and deposits were created; to the extent that they were purchased by the commercial or savings banks, deposits were created. This method of deficit financing causes an equivalent increase in deposits and money in circulation. To put it another way, this monetization of the public debt has placed in the hands of corporations and individuals an additional $125,000,000,000 to spend *over and over again*—money which they would not have had otherwise.

To give you just one more statistic, the total of adjusted deposits and currency outside the banks was at the beginning of the year $176,000,000,000.

The older economists take one look at these swollen totals and promptly break out in a cold sweat. They reason that, since there is not an equivalent increase in the quantity of goods, and since there is a very heavy demand for all kinds of things, inflation is inevitable. Most of these economists will unhesitatingly assure you in private that the die is cast, although they are a little shy about breaking into print on the question as some of them have been predicting inflation since the beginning of the era of chronic budget deficits in 1933.

It Need Not Explode

I am happy to say that I do not agree with them. To assume that a large accumulation of purchasing power will inexorably and inevitably cause wild inflation is to rely on mechanistic and behavioristic principles which are not realistic. Man is neither a machine nor an animal. An American, thanks to our high standard of living, has freedom of choice in respect to spending. This is in sharp contrast to the foreign countries where the great bulk of the purchasing power comes from people who are at the subsistence level, or below it. America is not down to the bottom of the barrel on anything. The American can always decide to sit out the dance, just as he did during the dollar devaluation fiasco of the New Deal. You remember, in 1934, the President announced that prices had to go up because the gold content of the dollar was lowered, but things didn't work out according to plan.

Certainly this enormously swollen volume of purchasing power is dangerous. In February, in a talk before the Naval War College, I told our future admirals that it could be likened to the tons of high explosives carried in the magazine of a warship. Special precautions and extra safeguards are necessary to live with $176,000,000,000 of money and deposits, but there is no more neces-

sity of it exploding than there is of the magazine on the ship. We can live with it, if we are careful and take no unnecessary chances.

Human Behavior

This passive role of quantity was recognized by Dr. W. Randolph Burgess, who is a financial economist with deep human understanding, as well as president of the American Bankers Association, when he said: "Inflation is not a direct product of excess money; it is a product of human behavior. Money does not become wild by itself. It becomes dangerous only when it is used wildly by the people who have it."

It is my considered opinion that the economists who take a look at the *quantity* of deposits and currency in circulation and immediately conclude that wild inflation cannot be avoided do not give enough consideration to certain factors which are present in the American situation but which were not present in any country which has experienced inflation. Recently, in a talk before savings bankers in New York, I summarized these very important American differences as follows:

1. The high standard of living of our people. Putting purchasing power into the hands of the American people, who are already on a luxury basis by European standards, is quite different from making purchasing power available to people who do not have the elemental necessities of life.
2. The wide use of consumer credit even before the war made the man in the street largely independent of the volume of bank credit. He bought when the urge to buy asserted itself—if he had cash he used it, otherwise he used credit extended by a sales-finance company.
3. Since World War I dumped the gold of the world in our lap, credit expansion in our banking system has never been held back by a shortage of gold. Furthermore, since the inception of the Federal Reserve System in 1913, member banks have been able to borrow reserves and have thus always been able to expand their credit far more than they actually did. Since 1913, it has been the good sense of the bankers and the public which has saved us from inflation. In other words, inflation has been possible since that time, but it has never gotten out of control so far as the *quantity* of money and credit is concerned.
4. Our banks, corporations, and individuals ended the war with the strongest financial position with respect to both credit and capital of those of any country in the world.
5. We also ended the war without direct war damage at home and with productive facilities far beyond the needs of the country, if such a thing can be possible. With half a chance, our industrial machine can produce not only the goods we need, but also an enormous volume for export. We produced for most of the world in wartime; surely, we can produce all we need for ourselves in peacetime! In fact, the huge productive capacity of the country is the best safeguard against inflation.

Now, as to the quantity itself, it is indeed encouraging to note that during the last three months the process of debt monetization has been reversed. The steady increase in deposits and currency in the hands of the public, which we have witnessed since June, 1938, has at last come to an end and the trend is now downward. *Debt redemption is reducing both bank reserves and bank deposits. Interest rates have stiffened. The federal budget deficit is much lower than was anticipated six months ago and a balanced budget for* 1946-1947 *is not only a possibility, it is even a probability, with but a little cooperation from the Congress.* These favorable developments should have a dampening effect on the inflation psychology from which so many speculators and stock market tipsters and their followers suffer.

The Interest Rate

Now a word as to the contention of many economists that the prevailing low interest rates will have to be raised by the government to prevent inflation. These economists reason that higher interest rates must be paid to induce individuals to save instead of spend. I do not agree. In these days of corporate savers and institutional savings, the interest rate is not what it used to be in the horse and buggy days. In fact, the effect of an increase in interest rates might be just opposite to what they have in mind. It might even permit more spending! The frequently advanced claim that putting up the rates on long-term government bonds to a 3% basis would reduce inflationary pressure seems unrealistic. After all, the man in the street can now buy savings bonds on a 2.9% basis! I cannot believe that an additional one tenth of one per cent will stop people from spending. Furthermore, I am not one of those who feels that the country will be ruined by low interest rates!

Permit me to be the "devil's advocate" for a moment on higher prices. First, the continual

comparison of present prices with the depressed bargain prices prevailing in the years just before the war measures the success or failure of the OPA, but it does not give correct economic perspective. A much sounder comparison, from an economic standpoint, is with the more normal, or at least less artificial, price levels of the mid-Twenties when unemployment was not chronic and agriculture was not the object of government solicitude and bounty. Such a comparison, according to Professor Backman, of New York University, in a study for the National Industrial Conference Board, shows that the cost of living index is currently only about 2.8% greater than in 1926. After making allowance for quality deterioration and the disappearance of low-cost goods, the level today is not more than 5% or 6% higher than in 1926. Likewise, the prices of manufactured goods in 1945 were only 2% higher and semimanufactured goods were actually 2% lower in price. Only agricultural prices, among commodities, were significantly higher, averaging some 30% above their 1926 level. So, other than real estate, where is all of this inflation we are supposed to have already suffered?

As a nation we have the economic power to have inflation, if we want it. By the same token we can avoid it, if we all pull together. There is nothing inherent in the money or credit situation which makes inflation inevitable. The economy of the country is sound. Our productive capacity is larger than ever before. Our managerial know-how and the skill of our labor force is greater than ever before. There is a great demand for goods and our accumulated savings are enormous. From an economic standpoint there is nothing to fear, if we all pull together; in fact, we can be optimistic about the outlook for the future.

True, 1946 will be a year of decision; and the decisions made by the people of America and their representatives in the Congress will determine the future economic and political course of our great country and, to a lesser extent, of the entire world.

But, beyond question, the foundation now exists for a rapid expansion of our economic activity accompanied by increased productivity and a higher standard of living. Prerequisites to a continuation of our economic program are: *Better planning on the part of business; a drastic modification of the attitude of labor; and careful planning by the government to adjust its own economic activities to the business cycle.*

Finally, our system of private enterprise can and *must* solve its problems. Any other system inevitably leads to the destruction of democratic institutions and the loss of individual liberty.

Are You Guilty?

WHILE we are talking about whether or not government can guarantee social and economic rights, it is fair to ask a question. Have we been taking our social and economic problems to government and asking government to solve them? Have we been shifting our personal and business responsibilities from our own shoulders onto the shoulders of government? If we have been asking for government help, for special government consideration, why do we not expect other people to do so? If we are going to reconvert government had we not better begin at home and assume the full social and economic responsibilities which are our personal obligations? Otherwise there is no chance to prevent government from directing every activity.—*J. Frank Rushton, Jr., President, Birmingham Chamber of Commerce.*

What Russia Got from Capitalist Detroit

By Allen B. Crow

President of the Economic Club of Detroit

The Michigan Committee of the American Society for Russian Relief gave a dinner in Detroit to the Russian Ambassador, Mr. Nikolai V. Novikov. The welcoming speech was made by Allen B. Crow, President of the Economic Club of Detroit, and through most of it, said the reporters who were present, the Russian Ambassador sat gazing at the ceiling. Below are excerpts from Mr. Crow's address.

WHATEVER difficulties the representatives of our Government have had in Washington, in Moscow, at Yalta, Tehran, and at Potsdam, Detroit, the production center of the world, has for a long time spoken a language which Russia has clearly understood. By way of introduction, it may be well, therefore, for us all, and for our distinguished guests, in particular, to be reminded of what Detroit has already contributed to Russia:

I. Homes

Thousands of those who were born in Russia have come to Detroit to establish homes for themselves and for their children. These hold an honored place as citizens in our community because of the contribution which they have made to the upbuilding of Detroit and of America.

As to how many there are now of these, it is rather difficult to determine, until we know just how many of the countries of Europe are to be taken over, assimilated, absorbed, or dominated by the Soviet Government. Of this we are very certain, however, that not any very considerable number of those who have once established their homes in Detroit have any disposition to move back to Europe or even to Russia to live.

II. Ford Motor Company

The contribution of the Ford Motor Company to Russia began when the Russians sent their representatives to Detroit requesting Ford engineering designs as far back as 1924.

In 1926, Ford sent a group of five men to Russia to investigate and to cooperate in distributing, servicing, and improving Ford tractors and parts, since the Government of the U.S.S.R. by that time had purchased many thousands of Ford tractors.

Further, the Russian Government specifically requested Ford cooperation in the training of service personnel and the giving of advice as to the location of parts depots and service centers. Also they wanted information on the use of various farm implements with which they were not familiar at that time.

Following this, fifty Russian technicians were sent to the Ford plant in Dearborn to study American motor vehicle manufacturing techniques.

In 1927, 2,400 Ford tractors were sent to Russia, with a group of men to service these tractors and to act as instructors to the Russians in tractor repair and maintenance work.

From 1929 to 1935 the Ford Motor Company had a contract with the Soviet Government whereby the Russians agreed to purchase from the Ford Motor Company a very substantial quantity of motor vehicles and of parts. For this the Ford Motor Company agreed to assist them in the establishment of an automobile-manufacturing plant in Russia. That plant was to manufacture the model A type Ford cars and the AA trucks.

The Ford Motor Company then provided the Russians with plant layout and complete engineering information on their products. They assisted the Russians in selecting and purchasing machine tools, and made it possible for them to borrow a large number of manufacturing men and engineers from their own and other modern industrial plants of the United States. Then men went to Russia to live and work for considerable periods of time to assist in starting manufacturing operations after the plant had been built.

That was the beginning, we believe, of modern automobile manufacturing procedure in Russia.

In December, 1942, the entire Ford tire plant was shipped to Russia, under lend-lease, by the Government of the United States, the original cost of which to build in 1938 was $5,600,000.

III. *Albert Kahn*

In 1929, Albert Kahn and associated architects were commissioned by the Amtorg Trading Corporation to design a tractor plant for Stalingrad, consisting of four units, all to be designed on American lines with all materials to be purchased in the United States. It was further desired by

the Soviet that Mr. Kahn as architect would send engineers and superintendents of construction to supervise this work.

In 1930 again Mr. Kahn was called upon to send twenty-five engineers and architects to Moscow to act as consultants, supervisors, and teachers for a designing trust just organized to design all industrial buildings, chiefly for heavy industry.

The group was authorized to form a trust organized on American lines, each unit to specialize along a definite line but all to be housed under one roof and to be closely coordinated. This Moscow office eventually grew to a staff of 1,000 workers.

The second year saw the opening of offices in various parts of Russia, all working under the same program, using the same setup as to organization, and under a plan for standardization, rationalization, and specialization, all developed in the Moscow office by a council of Russian professors, and their own designing engineers together with the American contingent. The scheme eventually approved was called the "Russky-Americansky System," and consisted of a form of Russian-American design using the American standard system with American details applied to Russian materials.

As production rose and the value of closer attention to engineering textbook principle was observed, the cry was, "Teach us more details and shorter methods, not only in the design but also in the preparation of all shop work, shop details, precast concrete, reinforced-steel bending, and mill orders."

Standard methods and details were then prepared for all engineering branches and distributed to all the scattered designing trusts which were operating in Russia.

Work in the field also bore fruit. Here again was found the eagerness to learn economical and speedy methods, and there was a demand for more field supervision and more instructions. Thus, you will see that any difficulties of language were largely overcome through the eagerness of the students to study and to apply the instruction of their teachers. When language failed, chalk and a blackboard were a splendid medium.

IV. *John K. Calder*

One of the Detroit engineers who had been engaged in large construction projects for various automotive and related industries throughout the United States, as superintendent for Bryant & Detwiler. He served from June, 1928, to 1932 as vice president of the Russian steel trust and as chief engineer of heavy construction for the entire Soviet Union.

V. *John L. Lovett*

John L. Lovett, general manager of the Michigan Manufacturers Association, was sent to Russia in 1931 by that organization to negotiate a program whereby the tool manufacturers of Michigan and of other parts of the United States became willing to sell their machines, tools, and fixtures to the Soviet, and whereby the Soviet was able to establish a line of credit here in the United States in payment for such essential machinery as their expanding industrialization of their whole economy required.

VI. *General Motors Corporation*

General Motors' most direct contribution to the Russian war effort came at the critical time of the German siege of Stalingrad. The great need of the Russian armies for motorized equipment, particularly trucks, was recognized a year before, on June 21, 1941, when Germany first attacked Russia. With the Mediterranean closed by enemy action, only two practical supply routes were available: the northern route to Murmansk, and the long southern route to Iraq and Iran, some 14,000 miles.

General Motors was called upon to design, procure, box, and ship overseas two truck assembly plants to Iran, and, in addition, to supervise their construction and to assume full operating responsibility for these two plants. One of these plants was set up in Andimeshk, 200 miles north of the port of Banar Sharpur, and the other at Khorramshahr. Each plant was to have a capacity of 2,500 trucks per day. While the contract for this undertaking was made with the War Department under lend-lease in January of 1942, it became evident that assistance would be required before the equipment could arrive and the plants could become established. Accordingly, a crew of General Motors technicians arrived in Andimeshk in the spring of 1942 and, with a few cranes borrowed from British engineers and with hand tools taken from the vehicle cases, set to work in the open desert under conditions which included temperatures of 140°, inadequate food and water supplies, and with local unskilled labor and improvised assembly lines, they put together more than 1,000 trucks before the plant itself was under way.

During the year and a half in which General Motors operated these two plants, probably the most critical period of Russia's war stand, these two plants assembled more than 30,000 trucks, which were driven from the plants over 800 miles

of tortuous roads by Russian drivers, through Tabriz, and on to the defense of Stalingrad.

Ladies and gentlemen, the value of this timely contribution by a Detroit concern to Russia's later great offensive can never be measured, either by Russia or by any of her allies.

VII. *Harry Ferguson, Inc.*

During 1944 and 1945, Russian agricultural engineers came to Detroit to study the methods of agricultural production which have been developed by Harry Ferguson, Inc. Through the cooperation of this Detroit firm, the Russian engineers were able to visit modern farms and agricultural colleges with their research laboratories in various parts of the United States and particularly in Michigan, in Iowa, and in Texas.

VIII. *Lend-lease*

I might mention to you scores of other instances to show you how Detroit industrialists have generously cooperated during the past two decades and more in placing their know-how, their men, methods, machinery, materials, and money at the disposal of the Soviet Government to help promote the industrialization of Russia and to raise the standards of living for all the Russian people, both in peace and in war. Detroit's war record of contributions to Russia was so unparalleled in history, however, that I shall summarize this for you briefly.

Out of a total of approximately $9,500,000,000 worth of lend-lease munitions which were exported to the Soviet Union from the United States prior to October 1, 1945, the following items are especially worthy of mention at this meeting tonight since they were manufactured very largely within the Detroit area: 14,795 planes at a total cost of $1,652,236,000; 7,056 tanks at a total cost for tanks and parts of $478,398,000; 51,503 jeeps and 375,883 trucks at a total cost of $1,410,616,000.

Welcome

This occasion tonight is highly significant in that it marks the first time that a Russian Ambassador has ever come to Detroit, the industrial heart of America. Here is the great melting pot, where the peoples from every land have come to make their homes and where they have joined their ingenuity, their ambitions, and their skills to produce the planes, tanks, trucks, guns, and other instruments of war, which when finally placed in the hands of all our armed forces and those of Russia and of all our other Allies brought victory over the might of those who attempted to strangle freedom around the world.

Ladies and gentlemen, we are citizens of no mean city, assembled to do honor and to again pledge our aid to our great ally—in war and in peace. It is now my privilege, therefore, as your presiding officer, to present to you our chief executive, the Honorable Edward J. Jeffries, Jr., mayor of the city of Detroit, who will extend in our behalf our most cordial welcome to His Excellency Nikolai V. Novikov, his charming wife and to the members of his staff on their first visit to Detroit.

In Contempt of Natural Law

*By Edgar M. Queeny

WE MEET TODAY in a strange world, an incongruous world of strange realizations and strange anomalies. Man has made contact with the moon; from California Tech comes an announcement of an engine destined to fly airplanes 2,000 miles an hour; other scientific achievements have overtaken the wildest fantasies. But the conquest of her secrets has lessened man's awe of Nature. He evinces contempt for natural laws of human conduct and natural economic laws. He appears confident that he can either ignore them, control them, or supplant them with inventions of his own.

* * *

Not long ago the late Albert Jay Nock pointed out that if self-preservation is the first law of human nature, exploitation—the lust for power over other men and the selfish utilization of them—is the second. The antitrust, Wagner, and other acts curbed their action among businessmen. Now it is evident that labor unions, unrestrained

*To the stockholders of the Monsanto Chemical Company.

by civil laws, have not been exempt from these natural ones.

* * *

Having satisfied their instinct of self-preservation through collective bargaining and seniority, unions, like businessmen when unchecked by civil law, began to exploit. Forgetting that they themselves are consumers, they exploit that group of which they themselves constitute the greatest single part. So we have recently seen labor the greatest victim of labor. Labor's children in St. Louis, for instance, were denied schooling because its school janitors were bound to exploit the community. New York's and Philadelphia's labor could neither work nor play because either the tugboat men or the transport men were exploiting the community. Coal miners, auto workers, and fabricators of steel could not earn livelihoods because the steelmakers sought to exploit the nation. And in innumerable jurisdictional disputes a large number of men have been victimized because a small number vied with another small number for power over them. Thus Karl Marx is mocked—the exploiters themselves are the exploited. Together with other groups, they need civil legal protection against themselves.

* * *

Yet another—a third—law of human nature is operating less noisily in labor unions. The law of parsimony holds that man tends to satisfy his needs and desires with the least possible exertion. As their collective status shelters them from the discipline of competition, American workers are not putting forth as much effort as they did even a decade ago. It is noticeable in our own operations, though we lack a good yardstick. However, Ford officials have stated their labor efficiency is off 34%. Walker's "Building Estimator's Reference Book" for 1931 lists bricklayers as averaging more than 1,000 bricks a day. The estimate used on the building now rising next door was 500 bricks a day.

* * *

From the United States Bureau of Labor Statistics, one gleans that in twenty-four nonwar industries decreased efficiency coupled with increased wages raised 1944 labor costs 50% over 1941. This trend bears a depressing resemblance to the operation of this law during several generations of trade unionism in Britain where it is chiefly responsible for denaturing the nation's industrial keystone—its coal industry. In consequence British homes are cold. British industry's fuel is costly and rationed. And if America is not already sending "coals to Newcastle," she is actually delivering it next door.

* * *

To follow the same course over here would be progress in reverse! How is it possible for everyone to extract more and more out of the common pool of American production if each contributes less and less? Even Russia avoids this paradox! Listen to Stalin's recent dictum! "*Wages depend on productivity; everybody in Russia must work!*" It is curiously reminiscent of nineteenth century American philosophy—"root, hog, or die!"

We are indeed living in an economic anarchy. We are no longer governed by laws of supply and demand; they have been proscribed and have gone underground into black markets. And the void has not been filled by subsidies, priorities and directives, ceilings and floors. Consequently we witness the anomaly of lumber shortages and closed sawmills. They have been deprofited! There are thousands of instances wherein high prices, having been outlawed, can't supply their own antidote by inducing new production and increased production.

* * *

Production has ever been the only antidote for inflation. I am certain that if OPA and its kindred agencies were abolished now, price levels a few years from now would be lower than I fear they are going to be. The middle class, which includes the majority of our shareholders and the majority of our employees, has the most to lose from a runaway inflation, which always brings in its train grave political agitation—sometimes violence.

* * *

Monetary difficulties, including depreciation of colonial paper monies, although seldom mentioned as such, were a contributory cause of our own revolt. The uprisings of 1789 cost Louis XVI some prerogatives, but four years later a valueless currency cost him his head. Germany's inflation of the Nineteen Twenties laid the foundation upon which Hitler built. Indeed, a runaway inflation is the goal of revolutionists. The maxim of that apostle of revolution, Lenin, was "Debauch the currency!"

* * *

I often wonder if it is not the demonstrated efficiency of this course which prompts some of the artful casuistry urging government spending, grants, subsidies, or loans as the solution of every

problem that arises within or beyond our borders.

* * *

Enough production to satisfy the supply of money demanding it is the only certain checkmate to inflation. Hence, even at the cost of some immediate price increases, the nation will ultimately benefit by opening wide the spigots of production, eliminating all obstructions, voiding artificial restraints imposed by the regulatory agencies, and avoiding, by all fair means, all strikes, lockouts, and slowdowns, by either labor or management.

* * *

Today's foreign trade, too, assumes a strange and changing aspect. . . . Ever more menacing to private international trade is state ownership of production, when for each state foreign trade becomes an instrument of foreign policy. Quality, price, and other criteria which determine the course of international commerce among individuals lose their meaning when a state can give or withhold the patronage of a nation to influence the politics of another. Then internal costs need bear no relation to prices asked abroad. Losses are absorbed by the state.

* * *

Outside of the western hemisphere planned economies are supplanting private enterprise everywhere; and, in very great areas, ownership of most of all of the means of production is no longer in private hands. Until other nations recover and as long as we are willing to lend the purchase price to anxious buyers, America will export. But when foreign shelves are filled and when foreign states have rebuilt their industrial structures and enter world markets, our system may be sorely tested.

* * *

And it is through this maze, of which we have viewed only a part, that American private enterprise, if it would not perish itself, must thread its way, slay the Minotaur of unemployment, and produce the better world which the politicians have promised and which its own advertising agencies have heralded.

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*Parable of the Corn-Hog Ratio

By Enders M. Voorhees

Chairman, Finance Committee of the United States Steel Corporation

I THINK that we all have a lot more to fear than just fear. We are in a sellers' market but of a peculiar kind. We do not know how long the sellers' market will last. The enormous pile of paper claims—hand money, bank deposits, government bonds, etc.—in the hands of our citizens and corporations is not a criterion, for that great pile was accumulated in creating goods and services which were destroyed and hence were never available for exchange against the paper. We do not yet know what that pile of paper will do to our economy.

* * *

Let us think about the corn-hog ratio. The corn-hog ratio is not an inflexible relation, but it is one of the most important that we have in this country and, in so far as I know, it is a purely American price relation. Roughly, the relation is this: If corn exchanges for more goods as corn than as hog, it will go to market as corn and not as hog. But if corn has a higher exchange value as pork than as corn, the corn will be fed to hogs and sold as pork. The exchange value of pork is determined by the exchange value of other meat products, while the exchange value of corn is affected by the presence of competing foods. Thus we have a delicate and complex balance of prices which, before price and other government controls, was completely managed and policed by the customer's preferences.

* * *

In food, as in other products, these preferences have to do only in part with prices. For customers, in general, buy what they prefer and can afford. None of the prices are absolute; they are

*From an address before the American Iron and Steel Institute.

all comparative. The customers decide whether they will buy beef or pork.

* * *

The point is that the customer's decision and not the cost of the producer determines the exchange relations all the way down the food line. Those producers whose costs cannot come within the customer's price drop out; from those producers whose costs are within the customer's price comes greater production. You all know the chaos and the shortages which have come about through fixing food prices. That is because government employees tried to substitute their judgment for the judgment of the market place—for the judgment of the customers.

* * *

The food relations are well known, but not so well known are the myriads of similar relations which extend through all of industry and finally reflect themselves in the size and kind of orders that go into our books. For steel, being basic, is moved by what happens in the whole economy.

* * *

It is apparent that something akin to the corn-hog ratio extends through our whole economic life and that, when we talk prices, we are really talking exchange values and that these exchange values depend upon other exchange values and so on through a most complex mechanism. It is also apparent that never is the dollar figure an absolute—it is just an expression of exchange values of the moment.

* * *

We never really know whether prices are high or low. Thus, although a ton of steel is currently selling at its highest peacetime dollar price in two decades, nevertheless, despite its vastly improved quality, it is exchanging for the smallest quantity of goods and services. If our books are bare of orders, that does not of itself mean that prices are too high. It may be that exchange relations remote from steel have been disturbed in some fashion which breaks the chain of relations that leads to the buying of steel.

* * *

If the customers are not buying much steel and a price cut only switches orders from one producer to another, then it is not prices but something else that is the matter.

* * *

And that brings me to the nub of our industrial problem—how to cover our costs and profits and thereby stay in business when some of our costs are arbitrarily shoved up over night without the correspondingly increased production necessary to cover the increased cost. Of course I am thinking of our largest and currently most volatile cost—wages.

* * *

By a curious sort of not too honest presentation, a portion of the public has been made to believe—or perhaps it would be more accurate to say "pretends to believe"—that wages in large industry can be advanced without limit and without effect on price. The theory presupposes that corporate profits constitute a bottomless well endlessly to be dipped into.

* * *

Just for purposes of rough comparison, it might be noted that the entirety of corporate dividends in the United States in 1939 amounted to $3.8 billion and that the maximum amount in any year since then has only been $4.5 billion. These amounts—about the size of the proposed British loan—constitute the sole incentive for our entire incorporated business. They represent the comparatively small cost to America of having enormously productive and highly efficient tools of production—tools for unparalleled abundance in peacetime and impregnable defense in wartime. The expectation of earning wages for tools—dividends for owners—is the only peacetime reason for creating jobs and payrolls.

* * *

Dividends from manufacturing have averaged in the past four years about 7½% of manufacturing wages and salaries—that is, the wages and salaries were about fifteen times the dividends. Since 1939 there has been a 70% increase in wages. It is obvious that this great wage increase could not have been paid out of dividends—if you try to get a 70% wage increase out of a 7% margin what you really do is to abolish the reason for paying wages.

* * *

The elemental fact is that the increased costs—many of which as yet have not been felt in full—can be met in one or more of only three ways. We have no widow's cruet out of which to pour wages.

* * *

First, there is volume. There is no magic in volume. If we can double the volume of a business, the unit cost will be reduced to some extent. If we assume that 25% of the cost is fixed and that the volume of production is doubled, the unit

cost theoretically would go down by 12½%. But 12½% is a long way off from the approximately 70% increase in wage costs since 1939. Moreover, in the steel industry we have been operating at abnormally high rates, whereas the longer-term peacetime expectation is for distinctly lower rates. So we cannot be saved by volume.

* * *

Second, there is improvement in tools. Estimates of the improvement in the productivity of our tools run from 1.7% per year to double that amount. Whatever figure is correct, it is clear that a great many years would have to pass before the accumulative gains arising from increased productivity in tools would be sufficient to offset the heavy increase in costs since 1939.

Third, there is price. It is clear from the foregoing observations that the wage rises have greatly exceeded the production required to offset them and hence must be covered in an abnormal price rise. But the first abnormal wage and price rises start waves of other increases and these come back at us in a higher price for the things we buy. You can see it coming today in coal, ore and freight and thousands of other items. All these combine to require further price increases.

* * *

And then where are we? We are on our way to the final squeeze by the customer—for the customer always has his own ceiling price. And we shall stay squeezed by King Customer until we adjust ourselves downward or the customer adjusts himself upward.

Directive 103

Washington, D. C.

MR. BOWLES evidently did not know that when you step on the price of cotton it turns into a live rattlesnake. As Economic Stabilizer he got the idea that he could stop the rise of cotton by increasing the margin requirements on speculative buying. But he could not do this alone—at least not legally— because when in 1945 the Congress extended the OPA law it said that no price regulation should touch any agricultural commodity without the written approval of the Secretary of Agriculture. Being a cautious man, the Secretary of Agriculture did not like the idea at all, and balked at signing the Economic Stabilizer's decree. Thereupon, Mr. Bowles issued Directive 103, which appeared in the *Federal Register,* as follows:

> "The Price Administrator is authorized and directed to issue, and the Secretary of Agriculture is authorized and directed to approve, a regulation establishing margin requirements on cotton futures purchases.

The OPA then issued the necessary regulation (*Margin Requirement Reg. 1*) and at the end of it was this curious legal formality:

> "Approved: (By direction of the Director of Economic Stabilization) April 2, 1946.
>
> CLINTON P. ANDERSON,
> *Secretary of Agriculture.*"

The row that followed, in the Senate alone, filled ten pages of the *Congressional Record.* Senator Thomas of Oklahoma said: "It was coercion, intimidation, threat, political blackjacking, so to speak, that caused Mr. Anderson to sign this order." He then read an amendment to the OPA law that he thought would be air-tight—an amendment saying that nobody at all, no agency or official of government, should fix margin requirements on speculative contracts on any agricultural commodity, directly or indirectly. However, on reflection his decision was not to press the amendment; it could wait.

Mr. Bowles may have been scared for a moment, but he was not hurt and a week later he announced: "If cotton prices go still higher I am going to see that the amount of down payment is stepped up even more than that. If that doesn't work, stronger measures will be needed."

In a letter to *The New York Times,* Mr. John Khanlian, Assistant Regional Price Board Executive, Region II, OPA, said:

"Since everyone accepts control by the Interstate Commerce Commission and public service commissions of the prices charged for railroad transportation, gas, electricity, telephone service, water, and other goods and services, it is inconsistent and archaic to advocate general economic anarchy now. Like many other examples of social progress, the time for price control has arrived, and no arguments can dispel that towering economic reality. Our most profitable course is so to design price control that, like all other accepted social controls, it will yield greater freedom because of our having it."

We Offer Canada the Role of a Belgium

From *The Financial Post*, Toronto

By Kenneth R. Wilson

This article has created a political furore. The Prime Minister has denied that it was anything like an ultimatum.

OTTAWA (Staff) June 29.—A virtual ultimatum from the United States, calling on Canada to fortify her northern frontier, is reported to have hastened Prime Minister King's return from England this month, and to be causing furrowed brows in cabinet ranks here.

Through its membership on the Permanent Joint Defense Board, the United States is understood to have said in effect to Canada:

> "In order to do your part in the defensive protection of the American Arctic, we want you to build, or let us build for you, a system of northern frontier air bases to be maintained and equipped as part of the general defensive machinery of this continent."

To a government which, in 1938, completely repudiated British proposals for establishment here of a United Kingdom air training scheme, this bold and forthright proposition has come with thunderbolt effect. Were it to be implemented in its present form, it would mean that Canada had, in effect, abdicated sovereignty along her northern frontier.

It would mean, in the opinion of some observers, that this country might become another Belgium; that we were being a party to an Atomic Age "Maginot Line." Belgium, it will be remembered, was told by France that she must complete the Maginot Line to the sea; or else let France do it. Germany stormed against Belgium's doing any such thing. The Belgians did nothing, and in 1940 were completely overrun.

It Would Be Costly

It is obvious that the motives behind the American proposal are not dissimilar. The United States sees Alaska and the northern Canadian frontier becoming of increasing strategic importance. With such an "appreciation" the Canadian chiefs of staff must, of course, be in agreement.

But what can be done about it?

Apparently the Americans have a plan; have taken the bull by the horns and proposed it. Their plan is to complete the northern defense of this continent just as eastern and western defenses were jointly completed during the war. This would mean not only huge landing fields but vast machinery and equipment to service and maintain big modern air squadrons. It would mean, as well a network of communications to service these bases.

How much this would cost is only now being determined. Presumably, out of the large postwar service vote. Canada might be able to erect and maintain such fields, if the project were done over a considerable space of years. But there is little question that the majority of Canadians would look askance at such an expenditure; would feel that this country was merely anticipating future trouble and turning herself into a battle station.

Canada Would "Lose Face"

Equally damaging would be the position of this country were she to let the United States pay for these proposed air bases. Were that to happen, this country would, in her own and in other eyes, lose much if not all of her boasted national status and independence.

This is the problem with which Ottawa is now wrestling. As yet, no one can anticipate the eventual solution. But it would be out of character if Mr. King's solution would not be to find a compromise. . . .

The Arsenal Plan

The air base proposal is said to be only one, but the main one, of a number which have recently been put to this country in connection with postwar planning and defense. Britain is understood to have made proposals for Commonwealth "arsenal" defense when Mr. King was recently at London. These got short shift at the hands of Canada and some other Dominions, according to best advice.

As well, both the British and the Americans have been working closely with the Canadians, looking toward standardization of weapons and equipment. Considerable progress is said to have been made in this direction.

But the United States proposals for air bases moved far ahead of all these long-range plans. It posed at once and with equivocation a problem which most Canadians thought was still many years, perhaps decades ahead.

Two Worlds

The Hurt and the Unhurt

From *Italian Economic Survey*, published by the Association of Italian Joint Stock Companies

WE NOW have two distinct if not yet entirely separate worlds, that of the war-devastated countries and that of those which either remained outside the war or else partook in it but had not to suffer wounds inflicted on their own body and have not seen their wealth destroyed, but have instead been stimulated to increase and multiply their productive equipment with fantastic speed. On the one hand, a world of wrecks and destitution; on the other a world of wealth. Thus a ruined world, incapable of providing itself even with essentials, faces the tremendous problems of reconstruction. Its needs are such that they could hardly be satisfied even by the greatly increased productive potential of the countries which have escaped devastation; in any case, it has not the means under present conditions of availing itself of their productive capacity except to the extent to which certain commodities are offered as relief or on credit.

The other world, full of energy and willing to produce in a measure exceeding its own needs, is driven by an incoercible material and spiritual urge along the path of economic expansion; but it is faced by an immense accumulation of material and moral ruins, by masses of people exasperated by hatred and rancor, by conflicting ideologies and furious class struggles. The conquest of such a world is not only difficult and beset with possible dangers viewed from the political angle; but viewed from the economic standpoint such a conquest would be a very risky business, and even though driven by the need of finding an outlet for its exuberant vitality, the rich and powerful hesitate before throwing themselves into such an adventure.

Thus the two worlds are separated by an invisible barrier across which pass indeed relief donations made for widely different reasons and dressed up in various disguises, but businessmen do not pass it, and trade relations between the two worlds are not resumed. Reciprocal ties arising from common interests are not created; and, worst of all, the foundations are not laid for restoring in due time some degree of economic balance between the two zones which would enable the businessmen in one to grant credits and invest capital in the other, and would enable the other to accept them with a reasonable degree of security that it would be able to honor its undertakings.

It is thus evident that the resumption of international exchanges—and not only in our case but in that of all countries alike—involves problems which go far beyond those considered in the heated but generally inconclusive debates on the extent and form of government intervention, and on balanced trade and preferences to which so much importance is attached on the other side of the Atlantic.

World economy is a whole; it must be rebuilt from the foundations up and in all its parts. There can be no lasting prosperity for the countries which have been favored or at least not injured by the war, unless the devastated and impoverished countries can recover. And it will be impossible to have a steady trade revival unless it be accompanied by active international action in favor of reconstruction so as to reestablish and later on increase in due measure the productive potential of the ruined countries.

We now possess technical knowledge and means which would allow of more rapid reconstruction than is generally thought possible. But the possibility of making good use of these means depends on a realistic appreciation of the situation, and on an agreed and farsighted effort which would take into account the needs of all countries, none excepted, and emphasize the indissoluble ties of solidarity which bind together the destinies of all.

The nations must realize that they are all members of one body. Only when this truth is understood and acted on will it be possible to solve the urgent problem of a revival of international trade.

THE decline of Europe, with all that this implies for world culture and civilization, is one of the most formidable and unmistakable facts of our time.—
William Henry Chamberlin

American Affairs Pamphlets

One Year After

By VIRGIL JORDAN

(*Supplement to the Summer Number, 1946*)

Administrative Agencies and the Law

By DR. ROSCOE POUND

(*Supplement to the Spring Number, 1946*)

Why We Can't Buy Full Employment

By BRADFORD B. SMITH

(*Supplement to the Winter Number, 1946*)

Note: *Extra copies of these pamphlets are available at 25 cents a copy; ten copies $1.50; twenty-five or more copies at 10 cents each*

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