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The Law of Labor

A Brief History of Its Evolution in Our Time

By Murray T. Quigg

Page 283

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Notes on the Contents

The Law of Labor. Murray T. Quigg is a member of the New York Bar. He was Editor of *Law and Labor*, formerly published by the League for Industrial Rights, and is the author of several magazine articles on the restraint of trade laws and the legal phases of labor relations. He has devoted himself particularly to the study of the principles of a free political society as they apply to the problems raised by the industrial revolution and the large-scale organization of work.

Labor Looks at Soviet Life. This piece of writing on Russia by a committee of British steelworkers is a notable social document not before published in this country, although references to it have been frequent.

The Neo-American. Towner Phelan is Vice President of the St. Louis Union Trust Company. He has written a series of remarkable letters on the anatomy of American politics and American foreign relations. This is a bitter fragment from one of them.

New Global Law of the Air. Our Washington Correspondent is sometimes a composite person. He has written here the strange story of a treaty that creates an International Air Authority.

The Greatest Show on Earth. Frederick C. Crawford, President of Thompson Products, Inc., is an articulate industrialist. He works hard and writes hard and keeps a notably successful industrial relationship.

Russia's Fifth Column in Canada. The members of the Royal Commission that produced this remarkable document were the Honorable Mr. Justice Robert Taschereau and the Honorable Mr. Justice R. L. Kellock, *Commissioners*; E. K. Williams, K. C., Gerald Fauteux, K. C., D. W. Mundell, Esq., *Counsel*; W. K. Campbell, Esq., *Secretary*.

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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*

OCTOBER, 1946

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VOL. VIII, No. 4

Review and Comment

By the Editor

FROM the treachery of the shale on which its foundation is laid the house of labor has suffered two severe shocks. One was when the President of the United States proposed to lay the hand of military compulsion upon the striking coal miners. Well, that perhaps could happen here, the power of labor being new and not yet entirely accepted, besides the fact that it is divided against itself. It could not happen, for example, in Great Britain, where labor controls the government and the coal mines have been nationalized. Or could it? On July 24 last, in the British House of Commons, the Parliamentary Secretary to the Ministry of Labor, discussing "the future of labor controls for the coal-mining industry," made the following statement:

"The new provision will be operated with the object of conserving the labor force of the coal-mining industry. Every effort will be made by the officers of the two departments concerned to overcome by persuasive means the objections of men who do not wish to remain in the coal-mining industry and to induce them to accept suitable openings in it. It is hoped that it will be necessary to resort to compulsory measures only in very exceptional cases."

Compulsion, it is hoped, only in "exceptional cases." And in those cases what form would it take? That question was not discussed, nor was it asked. It could take only one of two forms. It could be military compulsion, as was proposed here by the President, or the British Government could say to the miners, "Dig coal or starve." The British Government has not yet said it; but Arthur Horner, general secretary of the National Union of Mineworkers, in a recent speech reported by the London *Times* said this: "Production needs are so great the time has come to apply the slogan that if a man won't work, neither

shall he eat." How ironic to recall that what made it possible to nationalize the coal industry in England was the slogan: "The mines for the miners."

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WITHIN the house of labor some anxious thinking now is taking place, but very little of it out loud. One oblique expression of it is from *The Canadian Forum*, anticapitalist organ of "labor leftism," as follows:

"The disruption caused or nearly caused by the huge American strikes of recent months should remind us of the force that can be unleashed by organized labor. When you have suspended the works of a nation, either you rouse public and official wrath and at best retire looking embarrassed leaving labor in a worse position than before, or you go forward with mass support and establish a revolutionary government. The latter alternative is ludicrously far from North American realities in 1946. If it were possible, it would only be desirable as a last resort against stark tyranny. The other alternative is more probable, and most unpleasant when it ends in something like Mr. Truman's celebrated 'lost week end.'"

The position of "labor leftism," both here and in Canada, is that the ultimate victory of labor cannot be gained under capitalism. Elsewhere in this issue of *American Affairs* will be found a statement by John L. Lewis to the contrary. A time comes when labor must know itself.

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A STRANGE pattern unfolds. The soft-coal mines are still in the hands of the government, operating under a contract signed between the United Mine Workers Union and the Department of the Interior, with the owners looking on. The owners and the union had been unable to agree on terms, and work stopped. That is why the government seized the mines. Then the government signed a contract with the union giving

it more than the owners had been willing to offer. The problem now is how to return the mines to the owners in order that the government may get out of the mining business. The Secretary of the Interior finds that one mine in every four is losing money under the Lewis-Government contract. So it may be that on these terms the owners of high-cost mines cannot afford to take their property back. Shall the government keep these mines and run them at a loss, charging it to the taxpayer? Shall the government subsidize them to keep them running and charge the subsidies to the taxpayer? The Secretary of the Interior says that if they cannot make out under this contract they have at least the right to get out of business. But if they go out of business who will support the unemployed miners? Some will say: "Let the government keep all the mines. Let the industry be nationalized." Against this there is the current history of the British experience. Nationalization of the British coal industry so far has solved nothing. The high-cost mineowner, like the high-cost wheat producer, lives in the margins of his industry. When times are good and prices are high he comes in; when times are bad and prices fall off he goes out. And so under conditions of free competitive enterprise the law of supply and demand works. Grim as it may be, the high-cost marginal producer is a stabilizer. When prices rise he increases the supply; when the demand lessens and prices for that reason decline he ceases to produce. Unhappily, labor shares his fortunes. But this labor, too, is marginal, because the low-cost producers, paying better wages or providing better conditions and greater stability of employment, get the better and more efficient labor. Now you may say: "Very well. Let's be really grim about it. Out with the high-cost producer. Let the efficient have it." One answer to that is that you would still have the marginal producer, because efficiency is a relative thing and even among low-cost producers there is variation. The second answer is that if you cast out the high-cost marginal mines you cast out at the same time the high-cost marginal labor, and what will you do with that? Take wheat. Two thirds of the farmers now producing wheat might produce all that we need and make a profit at a price which would put the inefficient one third out of business. Suppose you say: "Instead of supporting the price of wheat with public funds, as we are doing, let's leave wheat production to the efficient." But if you did that what would happen to agriculture as a whole? What would happen to the inefficient? Should they be pensioned, as a reward for their

inefficiency? Heretofore this problem has worked itself out in the margins of industry and agriculture, just as it does in the margins of a forest. The marginal producer lived a thin life, lost his capital, went away, or somehow got absorbed elsewhere according to his value. But now as it becomes increasingly a government problem it assumes formidable social and political implications, because as a government problem it must be acted upon not as a rash upon the economic body but as a functional disorder. It is not a question of a high-cost coal mine that may go out of business from time to time and be forgotten. It is a question of what to do with one quarter of the coal mines all at once.



IF OUR Associates in World War I had been willing to make Germany pay reparations in order to be able to pay their debts to the United States Treasury, and if the United States had not in a grand manner provided Germany with the dollars to pay all the reparations she ever did pay, it would have been very difficult, if not impossible, for Germany to build again her war machine for World War II. In retrospect, from some point in future time, it may be possible to see that the present outpouring of American dollars, American goods and American equipment for the rehabilitation of a distressed world—a world in which armament expenditures at the same time are rising to fantastic proportions—was in effect a subsidy to preparations for World War III. One does not speak of food. It is a simple obligation of humanity to feed the hungry. But what of tractors, trucks, machinery and industrial equipment—even whole factories knocked down, boxed up and shipped overseas? And what of dollars? It seems a sufficient explanation for the UNRRA to say that when it ships tractors to Yugoslavia, to Poland, or to the Ukraine it is only making good the animal power that was lost during the war. Tractors, therefore, in place of animals, are a prime necessity in the task of restoring the agriculture of those countries. But if tractors are a prime necessity why shouldn't Russia, for example, be making more tractors and fewer tanks? Every American tractor received in the Russian sphere is one more that she can afford not to make herself, while using her own labor and her own materials to build up her military power. How does a nation build up its military power? It must build it up out of its total resources. Its total resources must be divided in three ways—for subsistence, for reconstruction and for armaments. The more that is

appropriated for one the less there will be for the other two. Then, what does a borrowed American dollar represent? It represents an addition to the borrowing country's total resources, and that addition makes it possible to spend as much as before for subsistence and reconstruction and at the same time more for armaments. Guns or butter, as the Germans said. Now bombs or reconstruction? A nation that finds itself unequal to the task of providing both out of its own resources now thinks of borrowing reconstruction from the United States Treasury.



THERE is one brief story of civilization. Culture was before civilization. Culture was already old and magnificent before sympathy for human life began to limit the right of the master to kill a slave. Long after that the king was still free to kill a subject. On the dial of history it was less than an hour ago when the life of the individual became the supreme concern of the law and it was forbidden to kill him for what he believed or how he prayed or for any reason whatsoever except by trial and due process of law, and then only provided his rights in court were jealously defended. That sign of civilization was never universal, nor was the spirit of it always present where the writing was, but now even as a sign it is in retreat. Words about a conflict of ideologies do but blunt the perception. The struggle is much deeper. By moral definition there are only two kinds of government in the world. One resorts to mass killing as an instrument of policy and the other is founded on the sanctity of individual life. The battle is between these two. There is no uncertainty about it. The line that runs between them is vivid red and you may draw it on a map with no thought of political or ideological distinctions, and if you do you may be terrified to see how much of the world now belongs to the forces of anti-civilization. We went to war against a nation that practiced the mass killing of races and became the ally of another that practiced the mass killing of economic classes. What is the moral difference? You read one day in the news that in Yugoslavia 213 priests have been killed for political reasons. It may be not entirely true; it may be exaggerated. The point is that whether it is true or untrue you are numb to it. And you turn the page of your newspaper to the story of a scandal about war contracts in Washington or to the news of food prices. Why are you numb? Because, first, it has happened and there is nothing you can do about it, and, because, secondly, your mind has been conditioned by words and phrases

such as *purge* and *liquidation* and *political realism*. It has become respectable to consider purging as under certain circumstances a political necessity. The red Dean of Canterbury, Hewlett Johnson, in his book, *The Secret of Soviet Strength*, says:

"The purges have troubled many. They are better understood today than in 1936 when they occurred and were used by an unscrupulous press to shock the world. . . . They now appear as safeguards. . . . There could be no question of swapping horses in mid-stream. Russia decided for good or ill to try a socialist regime. The discussion of any other in mid-stream was futile and dangerous."

Thus, mass killing, only let it be organized, with an ideology behind it, is a political abstraction, and you must think of it that way without horror. A prelate of the Christian church says so, and he is not expelled. In a free capitalistic society his own life is safe. And you are to believe that what now is taking place in the world is not a fight for civilization in defense of the indefeasible right of the individual to his own life but a conflict of ideologies.



COMPARING this postwar economic pattern with the last one the Federal Reserve Bank of Chicago says:

"Doctrinaire opposition to peacetime controls is less stern and uncompromising than it was in 1919. When and if deflation comes, governmental supports already available will accordingly be stronger than those applied by the Wilson and Harding administrations."

Certainly. The terrors of deflation are greater than those of inflation. When and if deflation comes many of those who now denounce price control to keep prices from going up will demand that the same machinery be used to save the economy from the disaster of prices going down. Floors instead of ceilings. Eugene Meyer says that the business mind is beset by two constant fears—one that prices will go up and the other that they will go down. The moral is that once price control begins, the ideal time for decontrol may never come, and so we arrive at a planned economy.



WITHIN this number of *American Affairs* will be found, on one page, a proclamation by President Truman to celebrate the 150th anniversary of George Washington's Farewell Address,

and on the opposite page, what Washington said on the subject of American foreign policy. Such a proclamation is not customary. The idea of it apparently was to alleviate certain facts of American history that now tend to become embarrassing. Mr. Truman says the new republic was torn by internal strife and threatened with external dangers and needed to gain time, and that is why Washington exhorted his countrymen to avoid, among other things, the "broils and wars" of other countries. But now, continues Mr. Truman, "our young republic has grown to maturity, has gained that 'command of its own fortunes' which has freed it from the state of relative dependency in which President Washington found it, and has taken its place in the councils of nations with new responsibilities which a century and a half ago could not have been foreseen." What was the nature of that relative dependency that Mr. Truman speaks of? On whom was the new republic dependent and for what? It had just fought the most powerful nation in the world for its independence, and had won. It was about to fight another war for the freedom of the seas against the nation that believed it had a right to rule the waves. Singlehanded, it was prepared to relieve the world of the scourge of the Barbary pirates sooner than pay tribute to

them as all other nations did—and this merely for the reason that it would sail its ships freely to any port of the world and brook no interference. Could this have been *relative dependency*, by any sign? The way Mr. Truman's proclamation quotes the phrase, "broils and wars," is very curious. Firstly, it is misplaced; secondly, the meaning is distorted. Washington used that phrase, "broils and wars," in the early part of his address, where it meant not foreign war at all, but civil strife between different parts of the young republic—and this was prophetic. The immortal sermon on foreign relations occurred in the latter part of the address, and there Washington was not talking about war at all, except to recommend the republic to be prepared for war. What he earnestly advised his countrymen to avoid was not war but foreign entanglements, and to avoid them not because the new republic was weak but because its true destiny was to stand alone. That is how American history was taught in Missouri when Mr. Truman went to school. Every schoolteacher knew it by heart. One wonders, therefore, who wrote Mr. Truman's history for purposes of this proclamation. Can it be that it is a clue to how the internationalists mean to rewrite the textbooks?



The Martyrdom of Freedom

GOD desires a free creative daring in man. But in man's historical destiny, in the whole pattern of his acts, we find many deviations from the path of freedom to that of compulsion and necessity. All human history is full of such temptations, from a compulsory Catholic or Byzantine theocracy to compulsory Communism. The path of freedom is difficult and tragic, more beset than any other with heroic responsibility and martyrdom. The paths of necessity and compulsion are easier, less tragic and less heroic. That is why the historical process shows so many derogations from the paths of freedom to that of compulsion.

—*Nicolas Berdyaev in "The Meaning of History."*

Strange as it may seem, and mysterious as it is, there are many people who never were and never will be born.—*Virgil Jordan.*

Winds of Opinion

Russia and the United States, rich in men and resources, compact in their territories and naturally protected as they are, the one by vast expanses of ocean and the other by the immense extent of its territory, seem tempted by their very mass toward an expansion that, in accordance with eternal custom, is draping itself in the mantle of doctrines but in the long run is really the unfolding of power.—*General Charles de Gaulle.*

The first step in the re-creation of the European family must be a partnership between France and Germany. There can be no revival of Europe without a spiritually great France and a spiritually great Germany.—*Winston Churchill.*

The only nation that has anything to gain from a quarrel between the United States and Russia is Germany, and the Germans are now making every effort to drive a wedge between the occupying powers in order to secure that advantage.—*Dr. Rodney L. Mott of Colgate University, returning from his post with the OMG in Germany.*

In this country the moral defeat of the last war has been greater because under the centralizing pressure of hostilities we have strayed farther than any other from established political tradition, and have most seriously distorted our own political institutions. Indeed, the American people have already become so conditioned to national socialism that many are even unable to detect its symptoms here, while others are too apathetic to uproot the luxuriant parasitic growth.—*Felix Morley in "Human Events."*

But I sometimes think our Soviet friends fear we would think them weak and soft if they agreed without a struggle on anything we wanted, even though they wanted it too.—*James F. Byrnes, Secretary of State.*

A major war between great powers will never again yield a victory like this one. Such a conflict will be fought between two, perhaps tiny, teams of experts in the preparation and propulsion of cosmic arson. The resulting triumph, if there is

one, will be a march past of a score of scientists, who will have waited two or three years for the fumes to clear from the ashes of their total havoc. We said farewell long ago to the pomp and plumes of war.—*Ivor Brown, writing in The Observer on Victory Day in London.*

It has been suggested by American friends that the atomic bomb will bring in Ahimsa (nonviolence) as nothing else can. It will if it is meant that its destructive power will so disgust the world that it will turn away from violence for the time being.—*Mohandas K. Gandhi.*

Dupes and professors are the indispensable agents of every revolution.—*Douglas Jerrold.*

In the Communist parties outside the Soviet Union there is a far greater proportion of Communist true-believers than in the Russian Communist Party. The Russian Communists have to live in the reality which includes the NKVD; foreign Communists can still believe in the paradise which exists only in Soviet propaganda.—*William C. Bullitt in "The Great Globe Itself."*

Liberty is freedom, but freedom is not free. It is the most expensive thing in the world, because it is the most desired thing in the world.—*Senator Hawkes.*

I'm afraid we will not succeed yet to prevent depressions, but may help to smooth them out. It all depends on whether national governments will be successful in keeping the investment business under control and in stabilizing levels of prices and wages.—*Dr. Pieter Lieftinck, Netherlands Minister of Finance and member of the World Bank's governing board.*

Man's soul is greater than the atomic bomb.—*Jan Christian Smuts.*

The idea of entrusting price control to phrase carpenters, word jugglers, and paper shufflers is the symptom of what's the matter with America today. What the country needs is big men on big

jobs who have had grease on their hands and sweat on their shirts. Only this kind of men know how to make a country click.—*United Mine Workers Journal*.

Free unions, free management, free enterprise and a free society will survive or go under together.—*Professor E. Wright Bakke*.

I do not think we can get any help looking to Government to settle our questions. There is a group that feels that the Government should sit in between labor and management; the result is that the Government usually keeps us apart.—*Thomas Keenan, secretary of the Chicago Federation of Labor*.

Living standards do not rise by any magic formula. They can rise only when workers produce more per hour and per year of work.—*Labor's Monthly Survey (AFL)*.

From now on organized labor will occupy a novel position in American life. Its strategy, policy and acts will take their place among the basic considerations which determine the behavior of business and government.—*Leo Wolman*.

If a business recession should occur, even a little one, necessitating cuts in inflated payrolls, the pump-primers would come back to life miraculously and demand the spending of government dollars. Such a course would be tempting fate to do its inflationary worst.—*William R. Kuhns, in Banking, journal of the American Bankers Association*.

The period from 1815 to 1914, when the gold standard system was developed and made to function effectively, was an unusually peaceful hundred years in the history of mankind.—*From the last annual report of the Bank for International Settlements*.

If Prime Ministers could agree and cooperate on planetary problems in the way that astronomers agree and collaborate on galaxy-sized puzzles the present world worries would be swiftly ameliorated.—*Professor Harlow Shapley, at the Princeton Conference on the Future of Nuclear Science*.

When It Comes

The Economist, London

SOMEDAY inflation will cease to be the danger and the American economy will have to face its more permanent enemy, deflation. There is no evidence of any such far-reaching social revolution in America as would justify abandoning the fundamental assumption that as people increase their incomes they increase their savings, relatively as well as absolutely. Some day the proportion of the total of American incomes that is spent on consumption will fall back to the normal figure and the problem will then have to be faced of finding means whereby the unspent portion can be absorbed without deflation and unemployment—that is, some means whereby savings can be turned into spending on capital formation and the flow of the national income thereby maintained.

No one can say for certain when that time is coming; but it will certainly come. No one can say for certain what will happen when it comes; but nothing that is happening now alters the previous conclusion that it will be a very difficult problem for an uncontrolled economy, with a non-cohesive and nonresponsible political system, to solve. On the contrary, unless all the old rules have been revoked, it is still a prudent presumption that the higher the rocket goes the further the stick will fall.

Moreover, it is not enough for outsiders merely to feel sure that, when the critical time comes, the American Government will take effective steps to keep up the flow of the national income. A great deal depends, for us, on how it is done. For example, it is significant that virtually every plan for achieving this that has been published in America places great reliance on a large export surplus of \$3 billion or even more. Whether financed by loans or not, an export surplus of this order, at a time of oncoming slump, would wreck the export markets of the world. The easiest way for any nation to get rid of threatened unemployment is to pass it on to its neighbors, and if Congress were suddenly faced with the necessity of doing something to head off a slump, could it think of anything politically more attractive or technically easier than to cut imports and subsidize exports? The apprehension that outsiders must feel about the absence of an agreed anti-slump policy in America (as distinct from a lot of talk about the necessity of Full Employment) is compounded equally of the fear that, when the time comes, Congress will do nothing effective, and partly of the fear that it will do the wrong things.

Official Disclosure of Russia's Fifth Column in Canada

A Digest of the Report of the Royal Commission

ON THE night of September 5, 1945, a young Russian cipher clerk named Igor Gouzenko, with a strangeness in his heart, closed behind him forever the doors of the Soviet Embassy in Ottawa. He took with him a number of dangerous and secret documents. These he had been accumulating for some time in the files he had charge of, with their corners crimped so that he could select them out in haste when he was ready to go. The documents tended to show the existence of a Russian conspiracy against Canada in which important and respected Canadian citizens were involved.

The next day he appeared in a newspaper office, saying that he had something to give to Canada, but his story was so incredible that nobody would listen. That evening, alarmed at seeing his little apartment was being watched, he asked an officer of the RCAF, who happened to be a neighbor, to keep his baby overnight. Later, he himself and his wife took refuge with the neighbor. During the night his apartment was broken into by men of the Soviet Embassy who, when the municipal police were summoned, acknowledged who they were and said they had a right to do what they were doing; they were looking for papers that belonged to the Russian Government. Thus Igor, the cipher clerk, fell into the hands of the municipal police, who turned him over to the Royal Canadian Mounted Police, who took him to the Canadian Government.

Unexpected Witness

To the Canadian Government he made the following statement:

"I, Igor Gouzenko, wish to make the following statement of my own will:

"Having arrived in Canada two years ago, I was surprised during the first days by the complete freedom of the individual which exists in Canada but does not exist in

Russia. The false representations about the democratic countries which are increasingly propagated in Russia were dissipated daily, as no lying propaganda can stand up against facts.

"During two years of life in Canada I saw the evidence of what a free people can do. What the Canadian people have accomplished and are accomplishing here under conditions of complete freedom the Russian people, under the conditions of the Soviet regime of violence and suppression of all freedom, cannot accomplish, even at the cost of tremendous sacrifices, blood and tears.

"The last elections which took place recently in Canada especially surprised me. In comparison with them the system of elections in Russia appear as a mockery of the conception of free elections. For example, the fact that in elections in the Soviet Union one candidate is put forward, so that the possibilities of choice are eliminated, speaks for itself.

"While creating a false picture of the conditions of life in these countries, the Soviet Government at the same time is taking all measures to prevent the peoples of democratic countries from knowing about the conditions of life in Russia. The facts about the brutal suppression of the freedom of speech, the mockery of the real religious feelings of the people, cannot penetrate into the democratic countries.

"Having imposed its communist regime on the people, the Government of the Soviet Union asserts that the Russian people have, as it were, their own particular understanding of freedom and democracy, different from that which prevails among the peoples of the western democracies. *This is a lie.* The Russian people have the same understanding of freedom as all the peoples of the world. However, the Russian people cannot realize their dream of freedom and a democratic

government on account of cruel terror and persecution.

"Holding forth at international conferences with voluble statements about peace and security, the Soviet Government is simultaneously preparing secretly for the third world war. To meet this war, the Soviet Government is creating in democratic countries, including Canada, a FIFTH COLUMN, in the organization of which even diplomatic representatives of the Soviet Government take part.

"The announcement of the dissolution of the Comintern was probably the greatest farce of the Communists in recent years. Only the name was liquidated, with the object of reassuring public opinion in the democratic countries. Actually the Comintern exists and continues its work, because the Soviet leaders have never relinquished the idea of establishing a Communist dictatorship throughout the world.

"Taking into account least of all that this adventurous idea will cost millions of Russian lives, the Communists are engendering hatred in the Russian people towards everything foreign.

"To many Soviet people here and abroad it is clear that the Communist party in democratic countries has changed long ago from a political party into an agency net of the Soviet Government, into a fifth column in these countries to meet a war, into an instrument in the hands of the Soviet Government for creating artificial unrest, provocation, etc., etc.

"Through numerous party agitators the Soviet Government stirs up the Russian people in every possible way against the peoples of the democratic countries, preparing the ground for the third world war.

"During my residence in Canada I have seen how the Canadian people and their Government, sincerely wishing to help the Soviet people, sent supplies to the Soviet Union, collected money for the welfare of the Russian people, sacrificing the lives of their sons in the delivery of these supplies across the ocean—and instead of gratitude for the help rendered, the Soviet Government is developing espionage activity in Canada, preparing to deliver a stab in the back of Canada—all this without the knowledge of the Russian people.

"Convinced that such double-faced poli-

tics of the Soviet Government towards the democratic countries do not conform with the interests of the Russian people and endanger the security of civilization, I decided to break away from the Soviet regime and to announce my decision openly.

"I am glad that I found the strength within myself to take this step and to warn Canada and the other democratic countries of the danger which hangs over them.

(sgd) Gouzenko.

"I have read the foregoing translation which was made from my original statement in Russian, and have found it to be correct.

October 10th, 1945 (sgd) Gouzenko."

Fifth Column Networks

Such was the beginning of the Canadian spy story, which was a news sensation for several weeks and then withered away. But it was not a spy story. What it turned out to be was a fairly deep glimpse into the Soviet Government's fifth column activities on this continent.

The Canadian Government appointed a Royal Commission *"to investigate the facts relating to and the circumstances surrounding the communication, by public officials and other persons in positions of trust of secret and confidential information to agents of a foreign power."*

The Royal Commission has made its report. It is a document of 733 pages, and toward the end, it says, of the cipher clerk:

"In our opinion Gouzenko, by what he has done, has rendered great public service to the people of this country and thereby has placed Canada in his debt."

In the course of his further statements to the Canadian Government, Gouzenko said:

" . . . They (the Soviet Government) are trying to establish a Fifth Column in Canada. What has transpired is only a modest or small part of all that is really here. You may have discovered fifteen men, but it still leaves in Canada this dangerous situation, because there are other societies and other people working under every Embassy, under every Consul in each place where there is a Consulate. It is just like a number of small circles. There are parallel systems of spies or potential agents. . . ."

When the Royal Commission was through it had no doubt about the truth of this statement. It discovered the existence not of one undercover system, but of at least three, each one working independently of the others, each with its own ciphers and code words for things and people, but

all controlled by one intelligence in Moscow, known as *The Director*. Each called itself a *network*. The only one the Royal Commission could explore really was the one commanded by the Russian military attaché, Colonel Zabotin. The Commission said: "This organization, being the one for which Gouzenko was the cipher clerk, is the only one of the espionage systems which we have been able to investigate in detail because it was in that branch of the Embassy only that Gouzenko had access to the documents."

Secrecy was carried to an extreme point, even within the embassy. The Russian Ambassador himself was forbidden access to the documents. There were rooms he never entered. Messages exchanged between the Zabotin *network* and *The Director* in Moscow referred to the Russian Ambassador as almost an outsider. There were only certain things he was permitted to know and no source of information was to be revealed to him. The Royal Commission says:

"This method of maintaining several distinct *networks* has obvious advantages from a security point of view for those operating them, as no one person, even among the directing Soviet personnel, would know the names of the Canadians acting as agents in more than one of the *networks*. Correspondingly, investigation by the Canadian authorities is rendered more difficult."

Why Did They Do It?

Beyond the political aspects of its discoveries, the Royal Commission became deeply interested in the behavior of faithless Canadian citizens. How could they have been so easily persuaded to transfer their loyalties to a foreign power? It devotes many pages to this subject, beginning with a chapter entitled "Motivation of Agents." It opens:

"Perhaps the most startling single aspect of the entire Fifth Column network is the uncanny success with which the Soviet agents were able to find Canadians who were willing to betray their country and to supply to agents of a foreign power secret information to which they had access in the course of their work, despite oaths of allegiance, of office, and of secrecy which they had taken.

"Many of the Canadian public servants implicated in this espionage network were persons with an unusually high degree of education, and many were well regarded by those who worked with them in agencies and departments of the public service, as persons of marked ability and intelligence.

"*E.g.*

"*Raymond Boyer, Ph.D.*, a member of the staff of McGill University and a valued senior worker with

the National Research Council, is a highly respected scientist with an international reputation in chemistry. He is a man of very substantial independent means.

"*Eric Adams*, a graduate of McGill University in engineering who obtained the degree of Master of Business Administration with high distinction from Harvard University in 1931, occupied an important position in the Industrial Development Bank, and had previously held responsible positions with the Wartime Requirements Board, the Foreign Exchange Control Board, and The Bank of Canada in Ottawa, where his ability was highly regarded.

"*Israel Halperin* was a Professor of Mathematics at Queens University, Kingston, Ontario, and a major in the Directorate of Artillery engaged on important phases of research.

"*Durnford Smith* and *Edward Wilfred Mazerall* were graduates of McGill and the University of New Brunswick, respectively, and their ability was highly regarded by their superiors in the National Research Council of Canada.

"*David Gordon Lunan*, loaned by the army to the Wartime Information Board and later to the Canadian Information Services, was editor of the periodical "Canadian Affairs" and a responsible official of the "Information to Armed Forces" section of the Canadian Information Services.

"*David Shugar*, who held a Ph.D degree in Physics from McGill University, had been employed by Research Enterprises, Ltd., Toronto, a Crown Company engaged in producing Radar and other scientific equipment, and was later an officer in the Canadian Navy in the Directorate of Electrical Supply.

"*J. S. Benning* held responsible administrative positions in the Department of Munitions and Supply and subsequently in the Department of Reconstruction.

"*Harold Gerson* held responsible administrative positions in Allied War Supplies, Ltd., in the Department of Munitions and Supply, and the War Assets Corporation.

"*F. W. Poland* was an officer in the Directorate of Intelligence of the R.C.A.F. and later Executive Secretary of the Interdepartmental Committee on Psychological Warfare.

"*Kathleen Mary Willsher* was a graduate of the London School of Economics, of London, England, who for many years had held a position of confidence in the Office of the High Commissioner of the United Kingdom at Ottawa.

"*Matt Nightingale* was a Squadron Leader in the R.C.A.F. He had attended Military School in Mobile, Alabama, and was a graduate of McGill University, Montreal.

"*Agatha Chapman* is a graduate of the University of British Columbia, whose M.A. degree she also holds, and was employed in the Research Division of the Bank of Canada.

"The motivation," says the Royal Commission,

"which led persons such as these to take part in an espionage conspiracy directed against Canada by agents of a foreign power is significant and seems to us to be of great importance."

Technique of Recruiting

Money was not the incentive, at least not in any important way. Indeed, some of the defendants declared under examination that they would have been insulted by offers of money. It was found by evidence that the Russian agents were careful not to mention money at first, as if they knew that to do so would repel rather than attract "secret (Canadian) Communists facing consciously for the first time the critical issue of invitation or initiation into what was really an illegal conspiracy directed against Canada." Better results were presumably expected when the novice could be made to regard the matter solely as an "ideological assignment."

"The evidence before us," says the Commission, "shows that in the great majority of cases the motivation was inextricably linked with courses of psychological development carried on under the guise of activities of a secret section of what is ostensibly a Canadian political movement, the Labor-Progressive party (Communist Party of Canada); that these secret *development* courses are very much more widespread than the espionage network itself; and that the Canadian members of the espionage network themselves took an active part in directing and furthering such courses for other Canadians, which were calculated to allow them to draw suitably *developed* persons later into active participation and thus to expand the network itself."

This conclusion was drawn from the testimony of the witnesses as they confessed their disloyal activities, some of them in a sullen mood, some defiant and others speaking as if they were being awakened to the moral aspects of what they had done. The groundwork seemed to be always the study group. There the indoctrination began, there the Russian agents did their sowing and reaping.

The sinister object of the study group, says the Commission, "is to accustom the young Canadian gradually to an atmosphere and an ethic of conspiracy. The general effect on the young man or woman over a period of time of *secret* meetings, *secret* acquaintances, *secret* objectives, plans and policies, can easily be imagined. The technique seems calculated to develop the psychology of a double life and double standards. To judge from much of the evidence, the secret adherent is apparently encouraged never to be honest or

frank, outside the secret cell meetings, about his real political attitudes or views, and apparently is led to believe that frankness in these matters is the equivalent of dangerous indiscretion and a potential menace to the organization as a whole."

These study groups appear to be very informal. They meet in anybody's house, at any time, and the participants are by no means all Communists. Some may be liberals and reformers, intending no treason or disloyalty. Yet it is from such groups that secret members of the Communist party, who later become agents of the Russian conspiracy, are recruited.

There is here a further dimension of secrecy. The Royal Commission says:

"It seems to be general policy of the Communist party to discourage certain selected sympathizers among certain categories of the population from joining that political party openly. Instead, these sympathizers are invited to join secret "cells" or study groups, and to take pains to keep their adherence to the party from the knowledge of their acquaintances who are not also members of the Communist party. The categories of the population from which secret members are recruited include students, scientific workers, teachers, office and business workers, persons engaged in any type of administrative activity, and any group likely to obtain any type of government employment.

The reason suggested by some of the agents in their evidence for the curious practice of keeping their political affiliations secret was that by this means they would avoid unfavorable discrimination in obtaining positions. There were enough such cases to justify us in concluding that this practice is a party technique, the real objectives and results of which seem to be quite different.

"One objective, we conclude, is that this technique facilitates the achievement of a basic policy of the Communist party, *viz.*, to get control, through the election of secret members to the directing committees of as many types of functional organizations as possible, including trade unions, professional associations and broad nonparty organizations such as youth movements, and civil liberties unions. Similarly, secret members or adherents of the Communist party may be used to take the lead in organizing new, broad, and ostensibly nonpolitical organizations, after which they obtain for themselves and other secret adherents key positions on controlling committees of the organizations. By these means the technique of secret membership is calculated to facilitate essentially dishonest but not ineffective methods of propaganda in the interests of a foreign state."

Seed Ground

The Royal Commission looked very carefully at what happened in these study groups, espe-

cially as it began to discover that innocent persons were involved. The Commission says:

"Reading of the evidence before us, taken as a whole, indicates also that this technique seems calculated to affect gradually and unconsciously the secret adherent's attitude towards Canada. Often some of the agents seem to have begun their Communist associations through a burning desire to reform and improve Canadian society according to their lights. But one effect of prolonged habituation to conspiratorial methods and the conditions of secrecy in which these people work is to isolate them from the great mass of the Canadian people.

"As the courses of study in the "cells" undermine gradually the loyalty of the young man or woman who joins them, it is necessary to say something as to the content of the courses pursued in them, as that is reflected by the evidence.

"The curriculum includes the study of political and philosophic works, some of them far from superficial, selected to develop in the students an essentially critical attitude towards the ideals of democratic society.

"But this curriculum would appear in reality to be designed not to promote social reform where it might be required, but to weaken the loyalty of the group member towards his or her own society as such.

"Linked with these studies at all stages, moreover, goes an organized indoctrination calculated to create in the mind of the study group member an essentially uncritical acceptance at its face value of the propaganda of a foreign state.

"Accordingly the study groups are encouraged to subscribe to Communist books and periodicals. The *Canadian Tribune* and *Clarion* of Toronto, *New Masses* (a periodical published in the United States), *National Affairs* of Toronto, and *Club Life*, have been among those mentioned as regular objects of study and discussion in these groups, as well as selected books on Russia.

"In some cases the effect of these study courses seems to be a gradual development of a sense of divided loyalties, or in extreme cases of a transferred loyalty.

"Thus it seems to happen that through these study groups some adherents, who begin by feeling that Canadian society is not democratic or not equalitarian enough for their taste, are gradually led to transfer a part or most of their loyalties to another country, apparently without reference to whether that other country is in actual fact more or less democratic or equalitarian than Canada."

The transfer of loyalty apparently takes place by three stages. There is first a slow transfer of loyalty from one's country to an international ideal; secondly, to a party professing principles which seem to express that international ideal, and, thirdly, to the party leader—and at this

point a kind of blind obedience begins, resting partly, no doubt, upon fear.

The Royal Commission continues:

"What appears from the evidence to be the real purpose of the study-group or "cell" organization—as a wide and ever-expanding base for the recruiting, psychological development, and organization of a Fifth Column operating in the interests of a foreign power—would have been frustrated if rank and file members of these groups or junior adherents of the Communist Party of Canada had been aware of the real objectives and policies of Carr, the National Organizer, Rose, the Quebec Organizer, and the other senior members of the conspiracy.

"The evidence we have heard shows that at each stage of development the adherent is kept in ignorance of the wider ramifications and real objectives of the organization, to one of the fringes of which he has allowed himself to be attached.

"Indeed it appears from the evidence that some at least of the adherents recruited to study groups are not told that these groups are in reality secret "cells" or units of the Communist Party; e.g., Mazerall testified that he was first invited by a friend to join an informal discussion group, and that he did not for a considerable period recognize that it was in reality a secret Communist "cell," although he later knew it to have been such.

"It is significant that not a single one of the several Canadians, members or adherents of the Communist Party (Labor-Progressive Party), who were approached by senior members of that party to engage in espionage on behalf of the Soviet Union, reported this approach to the Agencies, Departments, or Armed Forces of Canada in which they were employed.

"Not one even of those who have described, in evidence before us, serious hesitation and struggles with their consciences which they underwent before they agreed to act as spies against Canada, ever suggested to us that they contemplated taking the one loyal or legal course of action—i.e. reporting the criminal request to the Canadian authorities.

"This is a striking illustration of the efficiency of the Communist study groups in inducing a motivation for clearly illegal party assignments directed against Canada.

"Apparently at each stage of *development* the adherent is carefully kept from an appreciation of the nature of tasks likely to be assigned to him when he is considered adequately *developed* for the next stage.

"Apparently also many even among relatively senior and *developed* secret members of the Communist Party are kept unaware of the nature and existence of specifically illegal activities, directed against Canada, which are carried on by a section of the organization which they support. Indeed, most persons actively engaged in such illegal activities are apparently given to understand that their activities

are exceptional, and are kept quite unaware of the extent to which they have been carried on by top leaders such as Sam Carr and Fred Rose. In view of the "leader-principle," that is, the established principle of obedience to higher party authorities, such unawareness among most members of the organization would not hinder the organization's efficiency for Fifth Column purposes.

"Regarding the original attraction of Canadians to the "development" courses or study group organizations, it is difficult to speak with certainty. The appeal naturally varied greatly with each individual. In some cases it lay apparently in the highly systematized metaphysical concepts used by the Communist Party in its propaganda directed to certain types of "intellectuals" and students. Thus Durnford Smith, when asked what it was that attracted him to the movement, replied: *"the logic of it."*

"A factor which appears to have played a part in first attracting at least one of the Canadian espionage agents whose evidence we have heard was the belief that through these study groups he could fight against the social evils of antisemitism and racial intolerance. Gerson said:—

'I consider myself as a second-class Canadian—not as a first-class Canadian. That is not a laughing matter, Mr. Commissioner; it is very serious.'

"The evidence before us strongly suggests that anti-semitism and the natural reaction of persons of Jewish origin to racial discrimination was one of the factors played upon by the Communist recruiting agents. It is significant that a number of the documents from the Russian Embassy specifically note 'Jew' or 'Jewess' in entries on their relevant Canadian agents or prospective agents, showing that the Russian Fifth Column leaders attached particular significance to this matter.

"In the first place, by associating such domestic propaganda, in the minds of as many people as possible, with the external propaganda of a particular foreign state, this policy serves in itself to "carry," by implication, that foreign state's propaganda. This is a common and very effective nonrational technique of modern advertising. An obvious commercial example is the use of a pretty face in advertisements for cigarettes."

Exploited Emotions

On being asked why they did it some of the defendants made very naive answers. Professor Boyer said that he did it with the thought that it would advance international scientific collaboration. Professor May, who betrayed the National Research Council of Canada, said he did not think of it as an act of giving information to a foreign government. It was more as if scientists were pooling information, and he had asked the Russians if "we can hope to find this reciprocal."

Dr. Alan May, the British scientist who came to Canada to work with the National Research Council on the atomic energy project and who gave the Russians some uranium, together with a written report on atomic research, was not before this Royal Commission because he had already been tried and sentenced in England, but his written confession is printed in the Commission's report, and in this confession he says: "The whole affair was extremely painful to me and I only embarked on it because I felt it was a contribution I could make to the safety of mankind." This may be taken for what it is worth, in view of the evidence that the man had been an active Communist in Great Britain before he was transferred to the atomic energy project in Canada. As soon as he arrived in Canada he was taken into the Zabotin network on instructions from *The Director* in Moscow, and received the cover name of *Alek*.

At the end of this phase of the inquiry the Royal Commission said:

"Essentially what has happened is the transplanting of a conspiratorial technique, which was first developed in less fortunate countries to promote an underground struggle against tyranny, to a democratic society where it is singularly inappropriate.

"In the vast majority of cases, one important element in the original appeal would seem to have been propaganda carried out by the Communist Party for various measures of "social reform" in Canada. The policy of carrying on propaganda for various domestic measures, which in themselves are calculated to appeal to a substantial section of the Canadian people, has obviously served two important objectives of the leaders of the Fifth Column."

One Member of Parliament

One of the astonishing revelations was that the Fifth Column had tried to elect two agents to the Canadian Parliament and did succeed in electing one. That one was Fred Rose, elected ostensibly as a leader of the Labor-Progressive Party, but who, in fact, had been employed by the N.K.V.D. (the Russian Secret Police) since he was seventeen years old. His election was reported to *The Director* in Moscow in the following message, which appears on the records of the Royal Commission:

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12.7.45

To the Director reference No. 8393.

1. Debouz received the data from a conversation with officers who had taken part on the Western Front. The data were received from conversations with the latter.
2. Debouz was re-elected for the second time as

a member of the Federal Parliament. The candidature of Sam was defeated. Sam and Tim Buck were not elected although they received votes for the Federal Parliament.

3. Thus from the Corporants there is one member of the Federal Parliament. The first session of Parliament meets on August 26.

Grant.

12.7.45.

In this message *Debouz* is the cover name for Fred Rose. *Corporants* was a code word used by the Russian espionage system for members of the Communist Party outside of Russia. *Grant*, signed at the bottom of the message, was the cover name for Colonel Zabotin, Russian military attaché, in charge of that network. *Sam* meant Sam Carr, a man well known also in the United States as an aggressive agitator at the extreme left of the labor movement.

Speaking of Rose, the Royal Commission said:

"Fred Rose (cover-names *Fred* and later *Debouz*) was born in Lublin, Poland, of Russian parentage on the 7th of September, 1907. In October, 1920, he came to Canada and later attained Canadian citizenship when, as a minor, his name was included in the naturalization certificate of his father, Jacob Rosenberg, issued on March 17, 1926. Fred Rosenberg has, for many years, used the name "Fred Rose," by which he is now generally known.

"Twenty years after being granted the status of Canadian citizen and the freedoms, advantages and facilities of his land of adoption, which eventually permitted him to rise to the level of a legislator for the whole of Canada, he was elected a Member of Parliament on the 9th of August, 1943, and re-elected on the 11th of June, 1945.

Rose appeared before the Commission and refused to be sworn or to give evidence.

Still There

What the Russian Fifth Column has been able to get in Canada nobody really knows. The Royal

Commission was able to explore only the one network and that one only upon the documents delivered by the cipher clerk. Reviewing its work, the Royal Commission comes to the helpless conclusion:

"As to the information sought by the networks, we are unable to report with any degree of conclusiveness. We have seen only the small selection of Zabotin's espionage documents which Gouzenko was able to collect immediately before he left the Embassy; among these the telegrams, in which *The Director* listed his instructions, were all dated within the last week in July and the month of August, 1945. The Military Intelligence network had been functioning at least since mid-1942.

"Moreover the documents outline only the work of the espionage system headed in Canada by Colonel Zabotin, although the evidence discloses the existence of other parallel networks, some at least of which have been functioning for many years.

"The evidence we have shows that Zabotin's organization was particularly anxious to obtain technical information regarding:—

"Devices which would be used in the postwar defences of Canada, the United Kingdom and the United States;

"Secret information regarding political plans and policies of these countries;

"Economic information which would be useful in assessing the economic and military potential of Canada;

"Details regarding the location of Canadian defence industries;

"Information on certain telephone landlines and tapping devices; and

"Documents which could be used by Russian agents *planted* in Canada or elsewhere, plus information whereby such agents could enter Canada and acquire a base of operations here."

And what the Russians are still getting in Canada is likewise unknown. They have lost one network. This they had provided for by creating several networks in parallel. The Fifth Column is still there and still working.

I THINK the moment is not far off when a revolutionary crisis will develop in America that will be the beginning of the end of world capitalism as a whole. It is essential that the American Communist party should be capable of meeting that historical moment fully prepared.

—Joseph Stalin, addressing the American delegates to the Presidium of the Executive Committee of the Comintern in Moscow, 1929.

Harvest in the Soviet Union

IN THE August 28 number of *U.S.S.R. Information Bulletin*, a propaganda magazine for American readers published by the Soviet Embassy at Washington, there was an article entitled "Planned Prosperity on Soviet Farms." The theme of it is that the prosperity of the Soviet's collective farms is owing to science, planning and mechanization.

"Planning the future," it says, "was something unknown to the Russian peasant in pre-Revolutionary times. He could never say how much grain or flax he would harvest, how many sucklings his sow would bear." Now, of course, the yield of an acre of grain or the number of little pigs a sow will have may be known beforehand because it is planned by the government.

A "millionaire collective farm" is one that "through the use of modern methods and of initiative has an annual income of a million rubles or more." There are two illustrations with the article. One shows three men, representing a millionaire collective farm, seated around a table solemnly counting $1\frac{1}{2}$ million rubles in bundles of paper money. They are evidently not peasants. Who they are is not explained, nor whose money it is, nor what they will do with it when they have counted it. Looking at this picture an American farmer's first thought would be: "Why didn't they get it in the form of a check? Have they no banks with their collective farms?"

The other illustration, reproduced herewith, shows grain that has been threshed and left on the ground being loaded on a truck by three men. Their loading tools are two small hand pails and one hoe. The business of the man with the hoe is to keep the grain from sliding out again over an open tailboard. More curious than this naive representation of mechanized agriculture in the Soviet Union is the fact that the Russian editors



Workers on a Collective Farm in the North Caucasus Load the Threshed Grain.

"The collective farm now has at its disposal all that science can offer and the full support of the Soviet Government. There is plenty of agricultural machinery and the work is well organized.

—From *U.S.S.R. Information Bulletin*.

must have been themselves unaware of any discrepancy between the text and the photograph, else they would have known that the first reaction of an American reader would be to ask: "What is wrong with this picture?"

It is the first slip of that kind they have made. One intention of the magazine is to show that Americans and Russians after all are very much alike, and the editorial skill with which they select material for that purpose has been worth watching. This illustration raises again the question: Are the Russian people really machine-minded? If they are not, it is a fact that may have important political implications.

Labor Looks at the Soviet Life

Report by a British Delegation of Steelworkers

ON OFFICIAL invitation two union labor delegations went to Russia to see for themselves. One was a CIO delegation of ten men from the United States, headed by James B. Carey. The other was a British delegation of nine men, representing the iron and steel trades. What the CIO delegates did with their eyes and ears while in Russia and what they did with their thoughts when they got home nobody has ever found out. The report has been very widely unread for the simple reason there is nothing in it about Russia that anybody wants to know.

The delegates were entertained at certain places at certain times by certain persons, they did not have to wait at Lenin's tomb, they went to the ballet, they saw what the Germans did and it was shocking beyond description, they wrote something in a book about the heroism of the Russian people, who were all very friendly and talked about not wanting war with the Americans—and that was about all.

In contrast, the report of the British delegation, which has come recently as a pamphlet from the Iron and Steel Trades Federation of Great Britain, is one of the important documents of the year. It is sympathetic and critical both, rich in penetrating observations, touched with wit and wisdom, and gives from the point of view of wage earning men an impression of Russia which one may know by intuition to be sincere and real.

Both delegations, of course, were taken to see the famous subway. This is what the American delegation saw:

"Later the same day we were shown the Metro, Moscow's modern subway system, and remarked on the beautiful architecture, color schemes and decorations of the stations. On all Moscow subway trains a special section is reserved for women with small children, pregnant women, invalids and others who need seating and protection from subway crowds."

And this is what the British delegation saw:

"Some things have been well done. For example, the Metro (the Moscow underground railway). This is one of the sights no visitor is allowed to miss. The striking feature, however, is not the train service but what for want of a better name could be called the art galleries. Between the platforms in each station were large halls with floors of polished granite and walls of polished marble. Around the walls were bronze statues and busts set in alcoves, and a group of statues in the center. The friezes below the ceiling consisted of beautiful bas-relief

designs of tanks, tongs, hammers, aeroplanes, etc. Each hall commemorates some industrial or military achievement, and the whole ceiling was studded with lights. The trains and escalators were first-class engineering jobs, well up to the standard of those in London; the carriages being quite comfortable and certainly fresher, because smoking is strictly forbidden in the underground. Here again was seen that love of show, that desire to impress. Other countries take an underground service for granted, but not so our Russian friends. It is something special, something to be remembered and something to be displayed. But as one of the delegation said, there is a place for everything and the place for an art gallery is not in a busy underground station."

The British delegation's report is too long to be printed in full. Only some of the more interesting parts of it are reproduced below.

The British Report

(Signed by the following officers of the Iron and Steel Trades Federation: Harold Davey, George Lynch, Emlyn Roberts, Jake Williams, Harry Douglas, Thomas Meehan, Lincoln Evans.)

WE HAVE not looked at things through the eyes of our Soviet friends; there would not be any purpose in our visit if we had done so. Nevertheless, we have tried to be fair and objective—no easy task in reporting about a country whose achievements have been the subject of controversy in which one is expected to take sides.

The U.S.S.R. is so vast that it is the easiest thing in the world for a visitor to lose his sense of proportion. This is why so many come back with glowing and exaggerated accounts of her achievements, while others concentrating on the seamy side of things report how irretrievably bad everything is. This difference in approach is largely a matter of temperament, and is bound to exist in every delegation, including our own. Nevertheless, there was common agreement among us that it was not our business, even if it were possible, to compile a report which set out to prove whether the system prevailing in Russia was a success or otherwise, but to record as truthfully as we could, and try to give our members a picture of things as they appeared to us, without stressing what we did not like or being extravagant in praise of what there was to admire.

Wherever we went our delegation was regarded

as something of an event, because we were the first of its kind; a delegation from a single trade union to visit Russia as a result of an invitation from its opposite number in that country. We were received with extreme kindness and everybody we came in contact with during our stay confirmed the impression we formed that the Russians are a kindly, tolerant and friendly people. It is true they have to learn to shed many ideas regarding the outside world with which they have been indoctrinated during the last twenty-five years. They are a bit sensitive to criticism.

This is understandable because they have been told for so long that they are the most socially advanced country in the world and that in the outside capitalist countries the workers are a poor exploited downtrodden mass. This has created a fondness for the use of extravagant terms when describing their own achievements. We found this when reading reports of interviews given by the delegation. If we said output was good, it became "colossal"; if we said we were impressed by something we saw, the press informed the people that we were "amazed."

This complete ignorance of the conditions existing in other countries is to some extent being dispelled, particularly among those who during the war have had opportunity to travel outside the Soviet Union. But it will take a very long time to do it, unless the rigid censorship existing in Russia is relaxed and those who have visited other countries are allowed freely and publicly to draw comparisons without exposing themselves and inviting the displeasure of the authorities with all the serious risks such a step would entail. . . .

Hammer and Sickle Plant

Our next visit was to this plant employing about 9,000 workers. We had the impression the works was one that was not at first to be included in our tour on being told by our Russian friends that there was no steel plant in Moscow. It was only after our insistence that we knew there was or used to be a tinplate works in the Moscow area that we were taken there. Originally it was a small plant built sixty years ago but has since been extended and added to, and no doubt a considerable amount of reconstruction has taken place over the years. . . .

In the wire mill more than 50% of the work-people are women. It should be stated, however, at this point, when we commented to the management and trade union officials who accompanied us on the high percentage of women employed in this hot department, we were informed that the war was mainly responsible for this situation and

that in normal times the percentage of women engaged in industry would be much lower, and they would be mainly employed in the light engineering industry.

In 1912 a tinplate plant of twelve mills was added to the steel works; eleven of these mills are actually operating at the moment but there is no tinplate produced. This plant would be comparable to our old tinplate plants, with mills ranging from 30-in. to 26-in. wide producing sheets, 6 cross down to 2 cross.

The sheets we saw rolled were about 56 in. by 20 in., and were worked in doubles and threes. There were seven workers in the mill crew. We saw girls behind and they were also doing the work of a screw boy. The heaviest bar we saw rolled was about 15 lb. per foot; this light section made behind possible for these young women. Bars were heated by gas in a Costello furnace with a conveyor carrying the bars to the roller from the furnace. Water was used on the roughing rollers when bars were being rolled—this made the job very unpleasant.

There was very little spit and polish about the mills, but a very good sheet was turned out and the total production was somewhere in the region of 3,000 tons per month, or about 4 tons per shift per mill.

The Soviet workmen certainly knew how to handle the tongs and adapted themselves well to their jobs in the mill. It is interesting to know that these mills were originally manned by Welsh tinplaters, who went out there when the plant started, to train the Russians in the process of tinplate manufacture. The mills operate on 8-hour shifts, and a rest gang of millmen move up and down the mills relieving men on their respective jobs.

We would have nothing to fear from the competition of those mills, but we were told that under the industrial reorganization scheme the mills were No. 1 on the list to be scrapped and to be substituted by mechanized rolling.

A Farm Near the Works

There are farms attached to most of the large plants and we visited the one belonging to this works. It was situated just outside the boundary of Moscow. It covered many acres and kept 200 cows, 100 goats, and 200 pigs. There were two large greenhouses in which were grown tomatoes and cucumbers. All ground apart from the grazing land was used for growing vegetables which supplied the works canteens. Here again a woman was in charge and all the farm hands were women. We saw another of those typically Russian contrasts, the women in the fields barefooted

and the director escorting us around in very high heels. . . .

Trade Union Activities

There are 180 trade unions in the U.S.S.R. covering a membership of which accurate figures could not be obtained, but reckoned between twenty and twenty-seven million.

The Russian trade union is based on the principle of one union for the industry. The Metalworkers' Union, therefore, covers all the workers employed in the iron and steel trade. It has a membership of approximately one million. It is governed by a Congress which is held every two years, consisting of delegates from the plants, on the basis of one delegate for every 300 members. This Congress elects a General Council of thirty-five members, and out of these the Council elects eleven to act as a presidium for the period of the two years. The Central Council meets every three months and the presidium meets fortnightly. All the permanent officials are elected every two years by Congress. The elections of the Central Council, we were told, were by secret ballot.

The trade union contributions were about 1% of the wages, and the union representatives obtained details of each worker's earnings, from records supplied by the management. Contributions are not deducted from the wages, this, we were informed, being illegal. They are collected by group leaders and the system is very similar to ours where stewards do the work, but they use the stamp system and each worker is given a stamp equivalent to the contribution.

We were told that the percentage of employees organized was about 90%, but we failed to find one non-unionist. This is not surprising because we felt it would require one of a very strong character, or someone who was so shiftless and irresponsible that he cared not what happened, to remain outside the union, having seen something of the power it possessed and the authority it had over the workers on the plant. Everyone we questioned admitted that he or she was a member of the union.

In Case of Conflict

Some of us, however, were not quite satisfied that there existed what we would regard as a real nonunion element, and certainly not an anti-union element. It should be an easy matter to make everyone toe the line and become a member if for no other reason than that those who are members of the union receive a higher scale of social insurance benefits than the nonunionist.

At each plant there is a trade union committee consisting of representatives from each depart-

ment. The committee is elected by ballot and the chairman is a full-time official in plants where there are more than 1,500 workers employed. The secretary of the committee, in some cases, is also a full-time official. Each department with more than fifty members elects a committee, and within the department there are groups, or "brigades" as the Russians call them, each with a "brigade leader." It is these leaders who collect the contributions. No payment is made for this, the work, we were told, being done voluntarily.

There is in most shops what is called a Conflict Commission, which deals with any local disputes between the management and the men. We saw little evidence of branch activity in the sense we understand it. It was plain, however, that the union officials were as much concerned about increasing production as the management. One thing that struck us was the pride shown at one works by the union officials when displaying a large banner the mill department had won for the highest output in the whole of the Soviet Union. With this banner, incidentally, went a bonus of about one week's wages to everybody employed in the mill.

Negotiations

The rate of a job is discussed in the first place by the trade union committee and the management. If they fail to agree, the case is referred to the Central Council of the Union, which takes it up with the director of the plant. Failing a settlement, and this would probably happen only if large numbers were involved, the All-Union Central Council of Trade Unions, the equivalent of our TUC, comes into the picture. They, if necessary, raise the matter with the Commissar of the industry, whose word, in the last resort, is final.

There is no question of striking because this is illegal. The procedure for dealing with local disputes is very much similar to our own practice. It will be noted, however, that the unions are subject to some control by the All-Union Council.

Another feature that struck us was that the chairman of the trade union works committee has an office on the plant for which the union pays no rent, and this office is second in importance only, in size and in the quality of its furnishings, to that of the managing director's. Whether this is a sign of the union's authority, or a sign that the trade union official is simply part of the managerial setup, is a question that could only be answered by someone with more time to examine it than we had, or probably by being employed at the plant for some time.

We do not think there can be any doubt that

most of the local activities of the Soviet trade unions are concerned with sport, what they call culture, welfare, and social insurance. The emphasis seems to be all on these rather than on wages and conditions. We do not wish to suggest that the unions have little to do with wages, but there is nothing like the effort devoted to this question as there is with us. This is shown by the way their funds are spent.

From what we gleaned, however, we believe that the unions have some independence in the pressing of wage claims and legitimately try to safeguard the interests of their members, but never to the point that would allow them to indulge in open conflict with the management or with the state authorities.

It is recognized that the function and activities of the trade union may differ to some extent in a socialist state from what they are in a capitalist one, but never, in our view, to the point that seems to be accepted by the Soviet trade unions—that the workers' principal interests can safely be left to a workers' government, which must necessarily and at all times have the interests of the workers at heart. Our faith in the perfection of human beings, and particularly governments, however well intentioned, has not yet reached that dizzy height.

Working Conditions

The eight-hour day is general in the iron and steel industry, the normal working week consisting of six days. In the melting shop and mills they work a continuous week. The cold departments close down on Sundays. There is no Saturday afternoon off, but instead of an eight-hour shift on Saturdays, seven hours are worked.

We were informed that every worker had thirty days' paid holiday annually, and after three years' service at the same undertaking was allowed three additional days. The holidays, however, had been suspended during the war. While we could not dispute the statement made, the doubt did cross our minds whether the Soviet Union in its drive for the rapid industrialization of the country, which was intensified after the advent of Hitler, would have been disposed to give each worker a month's holiday each year, or indeed whether there existed within the Soviet Union adequate facilities for twenty to twenty-seven million trade unionists and their families alone to enjoy such a lengthy holiday.

The wages paid during the holidays are the average of the previous twelve months.

Women are employed on a considerable scale, and we were told that 35% were employed during the war years in the industry, but this was

down to 20% in peace time. There are no women employed on the melting furnaces, but all the cranes and the controllers were operated by young women, with the exception of the melting shop charging machines, casting cranes, soaking pit cranes, and the blooming mill main control. We saw a woman employed catching and barring in the mill, and women were doing many jobs which we would not regard as suitable for women. We found that women in the professions were ardent advocates of sex equality, but we doubt, however, having seen some of the work women do, whether their sisters in the rougher and dirtier jobs have the same strong convictions.

Apart from one or two jobs where the machines sets the pace, we would not say that the workers were in any way overworked, nor was there any sign of anybody being driven. On the contrary, our impression was of a certain casualness which suggested that if they were not quite enjoying the work, they were quite content with what they were doing and doing it in most cases efficiently.

Wages

It is very difficult to give anything like a clear or accurate picture of the wages paid in the industry. Melters' wages on the best furnaces are said to average anything from 2,000 to 3,000 rubles a month. In terms of English currency, at the official rate of 21 to the £, this means £95 to £140, or £24 to £35 per week. The official rate of exchange of about 21 rubles to the £ is somewhat fictitious. Anyhow, it has very little meaning in terms of pounds, shillings, and pence, as the following things priced in the open market show:—

1 bunch of radishes.....	30 rubles
1 cabbage	45 “
½ lb. chocolate	100 “
1 small cucumber	7 “
1 lb. beef	75 “
½ lb. red currants	3 “

The real value of the wages earned is in the goods that can be bought with them, and this was sharply brought home to one member of the delegation who tried to buy a pair of shoe laces from a hawker in the street and was asked 10 rubles, equal to 9s., and also when he spent the total of his winnings at a football match (11 rubles, or nearly 10s.) on a box of matches.

The standard of living of the Russian iron and steel worker, apart from war scarcities, is without doubt considerably lower than ours.

Everything is rationed. The worker gets his rations through works shops and through the

canteens, but extra goods can be bought in the legal black market at fantastic prices. For instance, potatoes which were practically unobtainable in Moscow hotels and shops could be bought at the Central Market, where the peasants are allowed to sell their surplus at 75 rubles (or about £3 10s.) for two pounds. There are also what are called commercial shops, which sell the few consumer goods, such as clothing, shoes, etc., at prices three or four times above normal.

There are various classes of shops, one where the workers can buy their rationed supplies of clothing, etc.; another where clothes can be bought only by exchange of similar garments; military shops for officers of the Red Army; shops reserved for the professional classes; and commercial shops. It is only in the latter that goods can be had without coupons. What happens, as far as we could gather, is that the Soviet Union being desperately short of all classes of consumer goods, sell what surplus is left over from what are obviously required to maintain the rationed allocation, to those who have plenty of rubles, but find nothing to do with them. We asked who were the people who patronized these commercial shops, and were told everybody who had money to burn. For instance, a Red Army officer coming home on leave after a long absence would pay any price to give his wife a present.

Luxury Tax

This was nothing more than an ingenious and extortionate form of luxury tax, although some people would call it a piece of state brigandage, and as these shops were run by the state, who reaped the profit, that description may not be so far fetched. In a capitalist state, we expect that kind of thing where private individuals can dodge the controls imposed by government, but to us it seemed hardly the kind of dealing one should witness in a socialist state.

We were repeatedly told that this or that worker was a Stakhanovite. The word itself derives from the name of a miner who discovered how to improve his output by a better utilization of the equipment at his disposal, or by improved methods of working. Principally, his "discovery" consisted of the secret of the division of labor, something that was learned many years ago in other highly industrialized countries.

This worker's experience started a movement that grew until it embraced every industry, and every worker was encouraged by all devices of propaganda to emulate what he had done. Any worker, therefore, who exceeds what is established as the norm for a day's work, by 5% to

10% by these methods, is called a Stakhanovite. With this title goes special privileges, for not only does he or she get the increased earnings due to the increased output but he gets a choice of the best houses or flats, an important matter when housing conditions are acute, and he has a higher ration of food and clothing. His children also have better educational opportunities than others, and he is first in the queue for theater tickets. In addition, there is a bonus fund established at each plant. . . .

Privilege

We tried to find out how a Stakhanovite is viewed by his workmates, but, obviously, we were told that they all tried to emulate him in what they called socialist competition. In our view, this is a system which creates a privileged class at the expense of those not able to reach the output levels of their stronger and quicker-witted fellow workers. Yet the practical effect of it may be nil, for, as far as we could gather, the majority of the workers seemed to be classed as Stakhanovites, because when we asked to be shown a non-Stakhanovite for a change to see what sort of a person he was, the request was received with some amusement, as if the species were now non-existent.

We were told, for instance, that at the iron ore quarries 90% of the workers were Stakhanovites, and if this is a general rule, then obviously the movement means very little. It is only in the country where all are blind that the one-eyed man is king.

It was interesting to learn that promotion to the better-paid jobs on the processes is by individual merit. Seniority does not count and the decision lies with the management. . . .

GENERAL IMPRESSIONS

Russia is such a land of contrasts and contradictions that a visitor can come back with any impression he likes and most suited to any previously conceived notions he may have held.

One strong impression, however, which was gathered by every member of the delegation is that the workers in Russia have a long way to go before they reach anything like the standard of living existing here in Britain. Bearing in mind the conditions that existed in Tsarist days, this should not need stating but for the unbalanced picture we have been given, and the extravagant claims made for Soviet achievements during the last fifteen years, mainly by people who went there less to see what had actually been done

than to prove to the world that the system in Russia was an outstanding success.

Machines

Regarding the iron and steel trade, some of the equipment is antiquated and some is modern. The practice of steelmaking is quite up to date, but nothing that is in advance of our own. The workers are quite competent in their handling of the tools and the processes, and are as apt with them as our workers are.

There has been a terrific drive, and this will be intensified in future, to develop a highly industrialized state. So much emphasis is placed on this that every girl seems to want to be an engineer.

Yet in spite of this keenness, little importance is attached to the care of the machine. Proper maintenance is something that not only the workmen but those higher up seem to regard as of little consequence. The idea seems to be to do just what is necessary to keep the wheels running; the rest doesn't matter much. Wherever one turned, this could be seen. The proverb that "a stitch in time saves nine" has very little currency among the Russians. A few more slogans about the care of the machine and a few less about the virtues of their leaders would not do the Soviet people any harm.

In spite of all the propaganda drives, the stories of fabulous increases in production and the claims of the Stakhanovite records, we believe the output per man hour is considerably lower than with us. It is difficult to get statistics to prove this. The production charts we saw only gave the percentage increases of this or that. Judging by the number of people we saw about the works, there certainly seemed to be a larger number employed around the plants than would be the case in comparable British plants.

People

It has been said before that the people seemed adequately fed. Their outdoor clothes were neat but of inferior material, and any old rags are worn at work. The children and young people have been well looked after. They looked clean, healthy, and sturdy, and full of liveliness and curiosity. One thing they are unrivalled at is singing and dancing. We saw a group of young men and girls at Magnitogorsk give a show that for polish and sparkle would have done credit to a London stage, and these young people were working in the steel works by day and living in conditions that were far from ideal. Only a people with the love of the arts in their blood could do it. In whatever mould the governing

authorities may ultimately compress them, the Russian people are essentially pacific and easy going. There is none of the boastful aggressive nationalism which is found among the Germans, and while they are abundantly proud of the Red Army and its achievements, a soldier is not regarded as one having title to a privileged place in the sense that people moved out of the way for him to pass. . . .

It is true the army has certain privileges and has first claim on the strained resources of the country, being in that no different from the armies of every other country during the war. But we have seen the Red Army men in theaters, at football matches, mixed with them in planes and at aerodromes, and we never once had the impression that they regarded themselves, or were regarded by the civilian population, as a kind of dominant class that stood apart. In spite of the fears one hears expressed that Russia will now become militarist, we saw nothing to suggest that war will ever have the fatal attraction for the Russian people that it had for the Germans. They ardently want peace, and the ordinary people are looking to the British people to help them secure it. The ways their Government adopt to ensure it may appear strange and obscure to us, but there can be no doubt of the attitude of the mass of the people.

We were impressed by the type of person in charge of the plants. They struck us as capable men who thoroughly knew their job and most of them were comparatively young. There also appeared to be an excellent relationship between them and the workpeople. It was easy and informal, and seemed to be based on an underlying sense of equality. . . .

Over the last twenty years the Soviet Union have done many things that would have been better done if the authorities had been less concerned about making a show. They have attempted to excel in some things, with only a technical experience and training of at the most twenty-five years, the achievements of countries with a hundred years or more technical and industrial tradition behind them. It could not be done.

There has been such a desire to impress the world with the rapid advance that can be achieved in a state which has proclaimed itself socialist, that too much has been done in a hurry and not done well. Some of the huge buildings of workers' flats that look so well in illustrated brochures are already becoming the slums of this generation. When Russia's builders are as good as her architects she will be able, with full confidence, to invite the world to admire her achievements in this field.

Interview With Stalin

By William M. Colmer

Mr. Colmer was Chairman of the Select Committee on Postwar Economic Policy and Planning that visited Russia and twelve other foreign countries on an errand for the House of Representatives.

OUR appointment with Stalin, like all other state appointments that he has, was at night. Our Embassy officials in the days spent in Russia preceding the appointment never lost the opportunity to impress upon us that we were the first American Congressmen to be received by the Generalissimo and that the occasion was a very important one.

On the appointed evening we proceeded to the Kremlin in three Embassy automobiles. At the gates we were stopped by the Kremlin guards who first thoroughly satisfied themselves of the identity of our party and then permitted us to enter the grounds of the Kremlin. We observed as we drove through the several blocks before arriving at the appointed place for our interview that the grounds were extremely well guarded by Russian soldiers. When we alighted from our automobiles there were still more guards who hastily passed us into the building itself. And there our party, although accompanied from the beginning by a representative of the Kremlin, was escorted down a series of long corridors—how many I do not recall, but it seems that there were at least three or four. At the end of each were more Russian guards.

When we reached the end of these seemingly interminable corridors we were taken into a rather large reception room where we waited until our escort reappeared through two large sliding doors and announced our presence to the generalissimo and his commissars, Beryia and Vishinsky. As we proceeded into this second and larger reception room the man of mystery and legend, who was seated at the end of a long table at the far end of the room, got up and came forward to greet us. After introductions had been made all around we were asked to be seated on the opposite side of the table from Stalin's staff, while Stalin sat at our right at the end of the table.

It was agreed in advance that as chairman of the committee I should do the talking and submit the questions which we desired to have answered. In a session of the group with representatives of the Embassy the line of questions was agreed upon. They were to be forthright and to the point without any superfluous or too fulsome praise of either the generalissimo himself or

the accomplishments of his country as our ally in the late war.

No good purpose would be served by a lengthy report, nor have we ever heretofore publicized our Stalin interview, which was conducted through Stalin's interpreter and a Mr. Kennan, of the Embassy staff, who served as our interpreter.

After appropriate but brief courtesies had been exchanged I explained to Stalin on behalf of the committee that our mission was largely an economic one; that naturally economics and politics were inseparable; and that the United States was interested in doing as much postwar trade as possible with the Soviet Republic. I stated that we had understood that to this end Russia had made some declaration of its desire for a postwar loan from the United States. He replied that Russia had several months prior to our visit expressed a desire to borrow \$6,000,000,000; that there had been some preliminary negotiations in which the question of the interest rate had been discussed; that America had apparently wanted something like 2% and Russia had wanted something less than 2%; and that nothing further had been heard from the negotiations. Naturally, we wanted to know several things: First, to what purpose Russia expected to use this money; second, how she expected to pay it back; third, what exports and imports there would be; and, fourth, what could America expect in return.

Without going into all of the details, the Russian leader said in substance that the money was desired to rehabilitate Russia, to increase its industrial capacity, and generally to raise the standard of living in Russia. To all questions his answers were on the whole responsive although at times we thought them evasive. Some of our questions were boldly frank.

For instance, I, in more diplomatic language than it sounds, asked what he proposed to do with the millions of German and other war prisoners then within the boundaries of Russia. He came back with the answer that they would be returned to their countries as soon as conditions in Russia permitted. It was when I asked, in an *ad lib* fashion, how he expected to pay back the loan that he seemed a bit ruffled. With some show of spirit he replied that we were talking of great loans to China who had no resources with which to repay and seemed somewhat perturbed that we should question the ability of Russia to repay her loans with all of the natural resources which she has.

When all of our questions had been asked and answered, we arose, thanked the Generalissimo for the conference, all took a Russian cigarette which was proffered us, shook hands and bade the man of mystery and his advisers good night.

*Fred Crawford Takes a News- Paper Crowd To See



HERE we are—crowds, steam calliopes, noise, confusion. No, this is not the Main Show. This is the street of Side Shows, filled with barkers, medicine men, freaks, card sharks, snake charmers, crap shooters, all ready to sell the suckers—and how the crowd loves to be fooled! Unfortunately, there is no other way to get to the main tent.

* *

Here is a show that is quiet. But they have had a big crowd. Look. There are Ickes and Pauley. Both knocked out. And each one has a horseshoe hidden in his glove, "Just for good luck."

* *

And here's the "*Genuine Opium Den.*" Soft music. "Down with opportunity, up with security—from the cradle to the grave. Freedom from work, freedom from worry, freedom from old age, freedom from freedom. Smoke your worries away." Look at the crowd that ought to be at work in the Big Tent.

* *

Look over there. A real old-fashioned medicine show, snake oil and all. Those are the *Full Employment Boys*, handing out bottles marked "*Full Employment Bill. Cures all economic ills. The Government owes you a living. Jobs made to order. Drop your vote in the box and the bottle is yours.*"

* *

Look at that show. It is a boxing match. Walter Reuther and R. J. Thomas slug it out for

*Frederick C. Crawford, of Thompson Products, Inc., addressing the American Newspaper Publishers' Association.

the UAW belt. I am told 175,000 GM workers quit their jobs in the Big Tent to watch that scrap.

* *

There is a sword-swallower and fire eater—John Lewis spits fire. Same old show every year, with minor variations. "*How to quit without striking. Beat Murray or Bust!*"

* *

Look at the crowd around this one, one of the biggest in the street, with a whopping sign which reads, "Crystal gazer. Soothsayer, Fortune-teller. Yogi. Also Secretary of Commerce in spare time. *Alice in Wallace Land. Prophecies on all subjects.*" They tell me he prophesied eight million unemployed by April, 1946. But the last prophecy took the prize: "*Twenty-five per cent wage increase and no price rise.*"

* *

The next booth is empty. They were the *Fact-finders*. You don't hear any more about *them*. Their slogan, "*We fit facts to any conclusions.*" They fooled millions, including many good reporters. Even the other side-show boys couldn't stomach them, and chased them out.

* *

There on the end of the line is the noisiest barker of all. He has just about drowned out the calliope. All dressed up like Sir Galahad on a white horse and a sign reading, "*Barker Bowles. Sleight of hand, tricks done with mirrors.*" His show is entitled: "*Things ain't what they seem*"

to be" or "*The Battle of Bulge*." The only magician who can inflate a balloon without its going up.

On it goes, show after show, in this street of American Side Shows!

The Main Tent

Finally we enter the Big Tent where American Industry struggles to get going. Here we see the best management "know-how" in the world, and the best workmen of any country or time. Lines of machinery are moving into place. Blueprints and plans were long ago complete. All that is needed is a cleared ring and a free go-ahead to break all records. Yet somehow production is at a standstill. Why?

Hopes were high! Postwar plans were a dime a dozen! We even talked of a half-million automobiles by Christmas!

At that time a great fear took hold of many in high office. They foresaw terrible spiraling inflation ahead—the cashing of war bonds—billions in savings to be spent—purchasing power at an all-time high—and shortages in every line. A terrific demand that was certain to bid up prices! They must call out the OPA, strengthen its war powers—and hold the line, perhaps push it back. So our government forged one arm of a great pincer movement.

At just about the same time, many in high office were seized with another fear—and behold, it was a fear of drastic deflation! They foresaw eight million unemployed by April of 1946. Millions of returning servicemen whose only opportunity would be apple selling—no more overtime pay and a reduction in take-home pay of 30%. Surely purchasing power would collapse; deflation was ahead. Specter of 1933! What to do? Of course—maintain purchasing power, wages must go up.

Then just at the right moment, a great discovery was made. This was revealed in the now famous report! *Wages could rise 25% with no increase in price!*

Then came the famous factfinders. They labored mightily and brought forth the magic formula—*18½ cents!* Why not *17½ cents?* Why not *19 cents?* No one knows. It was probably divine inspiration. Eighteen and one-half cents will save

America! That thousands and thousands of industries had no wage problem, that thousands had already adjusted wages and entered into solemn contracts was all ignored. All over the land man cried, "*18½ cents or bust!*" All collective bargaining ended, labor contracts became scraps of paper. Great industries shut down in strikes.

Thus the second arm of a great pincer movement came into being. Think of it, gentlemen! An Administration determined to fight inflation and deflation at exactly the same time! And fight them with all their bureaucratic war powers. A pincer movement has terrific crushing power. In war, whole armies are destroyed by it. Just so, industry found itself crushed between the arm of OPA frozen prices rigidly held above—and the steadily rising wage cost down below.

The Great Nutcracker

Let me give this pincer movement a more fitting name and call it "*The Great Nutcracker of 1946*." All management knows that, by and large, wage is cost and cost is price. They move together like the stars in the heavens. Business lives on the narrow margin between cost and price. Now business finds itself in the jaws of the great nutcracker and the jaws begin to move! Bones crush—and the blood runs. When Management cries for help—the nutcracker boys yell "Irresponsible profiteers—see their tongues hanging out for profits." God knows, our tongues were hanging out all right! I speak feelingly, because I have been in the nutcracker's jaws—I have felt the bones crush—and seen the red juices run down the ledger pages. Tough old industry has stood many a kicking around and still managed to keep us in food, clothing and shelter. But never before has it faced a squeeze-play like this one. Quit-or-die or black market were the only choices of many.

Gentlemen, that is the story of the postwar production flop! You just can't put industry in a nutcracker and still have the overwhelming outflow of low-cost goods that is the key to our problems. And just as long as the side-show boys steal the show, production will go from one flop to another.

I observe that there are two entirely different theories according to which individual men seek to get on in the world. One theory leads a man to pull down everybody around him in order to climb up on them to a higher place. The other leads a man to help everybody around him in order that he may go up with them.—*Elihu Root*.

Now the Social Insurance of Little Profits

By Edna Lonigan

Washington, D. C.

THE Federal Government is now "insuring" profits. This is the farthest advance it has yet made in protecting the citizen against the frailties of human judgment. The benefits, so far, apply only to veterans and for only one year.

Under the GI Bill of Rights, returning veterans who are "self-employed for profit in an independent establishment, trade, business, profession, or other vocation," are eligible for payments up to \$100 in any month in which their net earnings shall not have reached that amount. In May, 1946, there were 279,000 veterans receiving self-employment grants. And payments were \$29 million. Claimants and monthly payments have risen every month since the allowances began.

The new law does not say who are eligible for benefits. The Administrator of Veteran Affairs makes the rules. The rules have not yet been made public. They differ from state to state. In New York state, farmers, small proprietors, and writers are eligible. Applicants must submit books showing they have been self-employed in the field where they claim benefits. They must also offer proof that their income in a given month is below \$100.

Many beneficiaries in New York state are farmers. When does their income fall below \$100 a month? Are crop farmers eligible for payments if they get all their income in one month of the year? Are dairy and chicken farmers eligible if the cost of feed rises? How are overhead and depreciation calculated? No legal agency can decide on a farmer's "net income" without making a decision on every element in farm income, and farm costs.

The same question arises over taxes. If the veteran farmer's income is over \$100 except for taxes, is the Federal Government going to reimburse him for tax payments to state and local agencies? Here is a whole new province of administrative "law."

The problem of farmers is simple compared with writers and artists. What is a writer? Or an artist? The WPA had great difficulty answering that question for purposes of relief. Was the man who would play only the trombone unemployed if his brother, who played it better, worked as a bookkeeper to support his family? In New York, the Unemployment Compensation Bureau re-

quires rejection slips as evidence that the veteran is self-employed. This means that the Federal Government will subsidize for twelve months any veteran who wants to write or paint. Doctors, dentists, contractors, and entertainers fit into the list of occupations. Those who serve terms in the army of occupation will be added to the list of eligibles.

The real questions, however, are those of good economics and good sense. Profits are (or were) residual payments for risk taking and good management. Private profits have a social value because they pay men for overcoming difficulties. The independent proprietor is rewarded by profit to think his way out of his trouble. If the government is going to pay him when the pieces do not fit, how will he acquire a growing skill in management?

Where the self-employed farmer or other veteran has started in business with a GI capital loan, the Federal Government is not only advancing him capital but guaranteeing the income on that capital for twelve months. How many unneeded ventures will be started under such auspices? How low will they drive the income of unsubsidized competitors?

A minimum of \$1,200 a year tax free may not seem like much in New York City or even in rural New York, but if New Deal figures are to be believed, it is much higher than the normal income of millions of farmers in other parts of the nation. Benefits continue if the veteran is injured or taken ill after payments start.

Once upon a time, farmers and writers used to supplement their incomes from self-employment in the offseason by taking wage jobs. Maine guides in summer became mechanics or building laborers in winter. Now they need not do it for the first year. There may be a national labor shortage, but there is no need for them to seek the jobs that are seeking them.

One can safely predict that benefits for self-employed will continue to rise as the word gets round. In a year or so, when the rights of many veterans expire, it will be easy for the government to present to Congress skillfully chosen "hardship cases" to prove that the law "must" be extended. No social insurance policy has been curtailed yet—until dictatorship sets in.

Big government is engaged, all over the world, in efforts to wipe out the politically independent class of small proprietors. Is anything likely to do more damage to the American principle of self-help and personal independence than to have the Federal Government wrap its protective mantle about the young veterans in the year when they ought to be establishing lifetime habits of independence?

Since Bikini

By Our Washington Correspondent

THE Atomic Age could do with a public relations expert to mind its publicity, which is running wild. The cradle pictures from Bikini were awesome and the roar of the infant on the radio, and again on the sound tracks of the newsreel films, was probably like the sound of the planet rushing through space, which mercifully we cannot hear; but because the world did not crack or stagger people were let down. Operations Crossroad had been oversold and for anything the scientists and their interpreters could do about it the tide of fear began to recede.

One of the interpreters was William L. Laurence of *The New York Times*, who, on returning from Bikini, was scandalized to hear people all around him saying the bomb was a dud. Considered from the point of view of their effect upon the mind of the populace, the Bikini tests, he wrote, "add up to a tragedy of errors for which the world may pay a heavy price unless measures are taken in time to control them."

The *New Yorker*, a weekly magazine of satire and trivia, took measures. It devoted the entire editorial space of one issue to a story of what happened at Hiroshima, as if a reporter had been there waiting for it to happen, minutely observing people as they went unconsciously to and fro in the preceding half hour, on purpose to be able to tell more dramatically how they behaved when it happened. The issue was off the newsstands in a few hours, all but that part of it which disappeared beneath the counters among other black market items—and one copy returned by a man who wanted his money back, saying he was sick of the atomic bomb.

Moscow announced that Premier Stalin had conferred a prize of 100,000 rubles upon a young Russian scientist for a paper on nuclear energy.

In communication with a London newspaper reporter Mr. Stalin said:

"I do not believe the atomic bomb to be as serious a force as certain politicians are inclined to regard it. Atomic bombs are intended for intimidating weak nerves, but they cannot decide the outcome of war, since they are by no means sufficient for that purpose."

The White House announced that a third test at Bikini, which would have been to see what would happen if the bomb were exploded 3,000 feet below sea level, was indefinitely postponed.

In London, Dr. Albert Einstein gave an interview to the *Sunday Express* saying that the bomb dropped upon Hiroshima was already obso-

lete. Bombs of a much greater destructive power are ready. To this he added some fissionable political material. The great majority of scientists, he said, deplored the use of the bomb and believed that if Roosevelt had been alive it wouldn't have happened. The only reason it did happen, he supposed, was that the Americans wanted to beat the Russians to victory in Japan.

In Washington appeared a new quarterly journal, *Air Affairs*, in which Dr. Harold C. Urey, who helped to make the bomb, wrote that without a plan for adequate international control we may either wait for war to happen, in which case the bomb will most certainly be used and will destroy our civilization, or:

"The second alternative is the waging within a few years of another world war, with the frank purpose of conquering the world and ruling it as we desire, and preventing any other sovereign nation from developing mass weapons of war. Under these conditions a police may be organized which will make use of comparatively small arms, and will stop at the very beginning any possible development of large scale weapons. This is a possible course of action; it is one that I cannot contemplate with any pleasure, but it one which may be a strict necessity."

Back to the Mammoth

During the debate in the House of Representatives on a bill to create an American Control Commission, Dr. Judd of Minnesota, speaking as physician, surgeon and zoologist, made the very unpleasant suggestion that the manufacture and release of radioactive energy may throw evolution into reverse, which would mean a return to the monstrous forms of vegetable and animal life that were before man. He said:

"The physical and biological history of this planet has been one of decreasing radioactive energy. It was only when radioactive energy fell below a certain level that it became possible for vegetation to grow on the planet, and then after more millenniums of running down, the level of radioactive energy was low enough so that animal life could exist. Radioactive energy can have a special effect upon germ cells, the cells that bring into being new life, a new organism. It can cause internal changes in germ cells which produce mutations, sports, or biological monsters. Thus the period when radioactive energy became just low enough to permit animal life, but was still high enough to act on the chromosomes in germ cells, was the period when dinosaurs and all sorts of bizarre biological freaks inhabited the earth."

Political developments have been practically nil. The American plan for an international Atomic Development Authority, with unlimited powers of inspection in all countries and no Security Council veto, appears to be stalled. The Russians will not have it and the policy of the United States is unyielding. John M. Hancock, associate of B. M. Baruch, as a member of the American delegation to the United National Atomic Energy Commission, says that merely to outlaw the bomb, as the Russians propose, is not enough, because:

"Previous promises of this sort have been broken at will by nations whenever they have felt it was to their advantage to do so. Merely to outlaw atomic bombs while permitting nations to engage in other atomic energy activities without a system of supervision and control would place too great a strain on the faith of nations, for it would not give them the genuine safeguards to which they are entitled."

The Problem Is War

All thinking tends to become clarified at one point. How to control atomic energy by international agreement is not the problem, really, because as everyone knows no international agreement not to use the atomic bomb as a weapon could withstand the impact of war. Agreement or no agreement, if there is war the bomb will be used. The problem, therefore, is how to prevent war.

In "Scientific Information, Volume I," produced by Mr. Baruch's advisors on the United Nations Atomic Energy Commission, this statement occurs: "The only complete defense against the bomb is a system that will avoid war." It follows that if a way cannot be found to prevent war the only realistic defense against the bomb will be bigger and more terrible bombs, many more of them in stock piles, and in swifter ways of getting them to the enemy, who, we may pray, will deserve it, being the wicked aggressor.

In the same volume, "Scientific Information, Volume I," there is, for such as need it, this comfort:

"War with this weapon will not be completely unendurable in a country adequately prepared and strong enough to withstand the first onslaught. The length of the war would certainly be increased by adequate dispersion of great industrial areas and the construction of subterranean factories."

The controlling political facts continue to be these:

(1) We are the only people, so far as we know, who have ever made a successful bomb.

(2) We are the only people who have ever used it in war.

(3) We are, so far as we know, the only people who are now making and stockpiling the bomb.

Military developments, however, are very secret, except for a glimpse now and then of aircraft inventions designed to deliver the bomb faster, with greater precision and at longer range.

On the physical side, the use of atomic energy as a source of industrial power, at a cost to compete with coal, seems to be within sight.

Defense

Meanwhile, all thinking about defense seems to arrive at the conclusion that the bomb is primarily a city killer, and this not only from the intensity of blast and heat, wherein it exceeds any other bomb only by degree, but much more from the release of deathly radioactive materials. Regarding the bomb as a city killer, the word *defense* translates itself as *dispersal*.

The United States Strategic Bombing Survey, employing 300 officers, 500 enlisted men, and 300 civilians, made a very searching scientific study of the effects at Hiroshima and Nagasaki and brought all the lessons home. This report has been published. The last section of it is under the head of "What Can We Do About It?" Some of the suggestions for shelter, self-contained regions, duplication of essential facilities, excess capacity, protective architecture, and so on, are as follows:

"Men arriving at Hiroshima and Nagasaki have been constantly impressed by the shells of reinforced concrete buildings still rising above the rubble of brick and stone or the ashes of wooden buildings. They show, first, that it is possible without excessive expense to erect buildings which will satisfactorily protect their contents at distances of about 2,000 feet or more from a bomb of the types so far employed. Construction of such buildings would be similar to earthquake-resistant construction, which California experience indicates would cost about 10% to 15% more than conventional construction.

"The elimination of combustible interiors and the provision of full-masonry partition walls, fire-resistive stair and elevator enclosures, and fire-division walls would localize fires. Avoidance of glass, tile, or lath and plaster on wood stud would cut down damage from flying debris.

"The survival of sheltered sections of Nagasaki suggests forcefully the use that can be made of irregular terrain. Uneven ground reduces the spread and uniformity of blast effect. Terrain features such as rivers and parks afford natural firebreaks and avenues of escape.

"Significant is the fact that deaths at Nagasaki, despite the greater population density, were only half those at Hiroshima: The difference can be assigned in the main to the separation of the dispersed built-up pockets at Nagasaki, in contrast to the uniform concentration of the inhabitants in the heart of Hiroshima. The Nagasaki bomb thus dissipated much of its energy against hills, water, or unoccupied areas, while the Hiroshima bomb achieved almost optimum effect.

"The fate of industries in both cities again illustrates the value of decentralization. All major factories in Hiroshima were on the periphery of the city—and escaped serious damage.

"Medical facilities, crowded into the heart of the city rather than evenly spread through it, were crippled or wiped out by the explosion. Only the previous removal of some stocks of medical supplies from Hiroshima to outlying communities, and the bringing in of aid, enabled the limited medical attention of the first few days.

"The similar peril of American cities and the extent to which wise zoning has diminished it differ from city to city. Though a reshaping and partial dispersal of the national centers of activity are drastic and difficult measures, they represent a social and military ideal toward which very practical steps can be taken once the policy has been laid down.

"In the location of plants, administrative headquarters, and hospitals, particularly, the value of decentralization is obvious, and can be obtained cheaply if the need is foreseen. For example, by wise selection of dispersed sites, the present hospital-building program of the Veterans' Administration could be made to lessen our congestion without additional cost.

"Reserve stocks of critical materials and of such products as medical supplies should be kept on hand. This principle of maintaining reserves applies also to the capital equipment of the country.

"Key producing areas must not be served by a single source of power or channel of transportation. Indispensable materials must not come from processing plants of barely adequate capacity.

"Production of essential manufactured goods—civilian and military—must not be confined to a few or to geographically centralized plants. And the various regions of the country should be encouraged to approach balanced economic development as closely as is naturally possible. An enemy viewing our national economy must not find bottlenecks which use of the atomic bomb could choke off to throttle our productive capacity.

"Because the scale of disaster would be certain to overwhelm the locality in which it occurs, mutual assistance organized on a national level is essential. Such national organization is by no means inconsistent with decentralization; indeed, it will be aided by the existence of the maximum number of nearly self-sustaining regions whose joint support it can co-ordinate. In addition, highly trained mobile units skilled in and equipped for fire fighting, rescue work, and clearance and repair should be trained for an emergency which disrupts local organization and exceeds its capability for control.

"Most important, a national civilian-defense organization can prepare now the plans for necessary steps in case of crisis. Two complementary programs which should be worked out in advance are those for evacuation of unnecessary inhabitants from threatened urban areas, and for rapid erection of adequate shelters for people who must remain.

"Protective measures can substantially reduce the degree of devastation from an atomic bomb and the rate of casualties. Yet if the possibility of atomic attack on us is accepted, we must accept also the fact that no defensive measures alone can long protect us. At best they can minimize our losses and preserve the functioning of the national community through initial or continuing partial attack. Against full and sustained attacks they would be ineffectual palliatives.

"A wise military establishment will make sure—by dispersal, concealment, protection, and constant readiness of its forces—that no single blow or series of blows from an enemy can cripple its ability to strike back in the same way or to repel accompanying attacks from other air, ground, or sea forces."

Choice of Means

You may suppose that handling public relations for the Atomic Age would be the publicity expert's dream of a perfect job. He would have only to organize his material. The demand for his copy would be insatiable. Competition for space would be the least of his worries. But that is not so. Already he would have been pushed off the front page two or three times by news of what science is doing for chemical and biological warfare, as, for example, the news on September 18 that the United States Chemical Warfare Service has now a poison so terrible that one ounce of it would kill every person in the United States and Canada "silently and swiftly." In any case it now is certain that when the race is ready to commit suicide it will have a choice of means.

A World Food Board

The Orr Plan for a Global AAA as a United Nations Project

By a Staff Correspondent

THE United Nations Food and Agricultural Organization, sitting at Copenhagen in September, adopted the plan of Sir John Boyd Orr for a World Food Board, which becomes therefore a United Nations project. The American delegation voted for it. The American delegation in fact was quite at home with the plan, since the idea and principles of it are adapted from the ideas and principles that governed first our own Federal Farm Board and later the AAA. Thus it may seem that a planner's dream is coming true. Many of the troubles and disappointments of the Federal Farm Board and its successor, the AAA, were owing to the fact that when you plan an agricultural economy on a national scale it will be subject to the wild winds of world competition. But this is to be a planned agricultural economy for the whole world, with the wild winds themselves under control—if only Russia and Argentina will come in.

The Orr plan proceeds upon the thesis that there must be "a world food policy based upon human needs." There has never been enough food in the world. A world food survey by the Food and Agricultural Organization of the United Nations has shown that even before the war 1,000 million people were undernourished. That is roughly one half of the human race. Even in rich countries it was bad. The same survey says that in the United States one third of the population has had an insufficient diet.

The Problem

Enough food can be produced. That is not the problem. The problem is twofold. First, the production and distribution of food are not scientifically organized, having basic human needs in view. There is, for example, no such thing as a scientifically determined and guaranteed price to bring forth regularly the amount of food the world wants. Secondly, even with plenty of food at such a price many people could not afford to buy as much of it as they ought to have. For these, it would be necessary to "provide purchasing power."

How to provide the purchasing power is a question the plan refers to the consideration of

financial experts. But: "From whatever sources funds are obtained certain principles must be kept in view in the financing of a world food policy." For one, "the immediate credit worthiness of the borrower should not always be the primary test." The plan continues: "Funds should be provided to finance arrangements for countries of great nutritional need to purchase agricultural surpluses of other nations on special terms. Such surpluses might otherwise paralyze any price stabilizing operation and bring ruin to the farmers of many lands. Funds devoted to disposing of these surpluses would not be recoverable from the banking point of view."

From this it will be seen that the plan aims not only to make food plentiful and cheap over the whole world but at the same time to save the farmer from the ruinous effects of instability and surplus. "Farming," it says, "is an activity which must be planned at least two or three years ahead . . . If farmers could be assured of steady markets at reasonable prices they would be better off and nations would get their food cheaper."

Solution

Full supply and full demand in perfect balance. A guaranteed market at a guaranteed reasonable price. The undernourished half of the human race to be properly fed and the farmer at the same time to be better off. Indeed, his standard of living too must rise. "It has always been recognized," says the plan, "that the farmer does not get a share of the world's total wealth commensurate with the proportion he creates."

To accomplish these mighty ends the World Food Board must be vested with vast powers. Its functions, as set forth in the plan, are to be primarily these four:

1. *To stabilize prices of agricultural commodities on the world markets, including provision of the necessary funds for stabilizing operations.*
2. *To establish a world food reserve adequate for any emergency that might arise through failure of crops in any part of the world.*
3. *To provide funds for financing the disposal of surplus agricultural products on special terms*

to countries where the need for them is most urgent.

4. *To cooperate with organizations concerned with international credits for industrial and agricultural development, and with trade and commodity policy, in order that their common ends might be more quickly and effectively achieved.*

How It Would Work

The scope and nature of its undertakings are outlined under the head of *OPERATIONS*, as follows:

"For stabilization of prices in agriculture the World Food Board, operating through its commodity committees, should be given power to hold stocks of each of the most important commodities. This proposal, it may be noted, is in line with principles previously put forward by the League of Nations and other bodies.

"The Board would undertake the investigations necessary to determine what world prices would call forth the quantities that could currently be marketed.

"It would announce a maximum and minimum price and would undertake to buy into its stock when the world price fell below the declared minimum and sell from its stock when the world price exceeded the maximum. Care would be needed to commence operations at the correct moment and to choose an appropriate world price.

"The Board would need a revolving fund to operate such a plan. No precise estimate of the amount required can be made at present. Moreover, the need for funds would grow gradually as first one commodity and then another was brought under the aegis of the plan.

"For safety, the normal stocks held by the agency should represent six to twelve months' trade, the amounts varying with different commodities. In determining the contributions to be made to the fund, the relative benefits derived from the stabilizing operations by different countries—exporting and importing, developed and underdeveloped—would need to be carefully weighed.

"Since the agency would normally be buying at its minimum and selling at its maximum price, it should earn enough to cover the quite considerable costs of storage. It would, of course, have on occasion to hold very much larger stocks than the normal, but these extra holdings should be financed by borrowing on

the market against its commodity assets. The need for such operations would be greatest in time of depression when funds are available at advantageous rates.

"Producers of livestock products and other perishables not suited to long-term stock holding will find their markets both greatly stabilized by the buffer stock operations on feed grains and other items and greatly enlarged through the nutritional policies concurrently developed. Certain livestock products capable of being stored for long periods might be included directly in the operations.

"In the case of a few commodities there may be danger of competitive export subsidization which, if tolerated, would destroy the international stock holding program. In such cases it might be necessary to negotiate schedules of export quotas between governments until new markets could be developed. This contingency has been recognized and provided for in a similar way in the United States Proposals for an International Trade Organization.

"The objective of the operations of the World Food Board would be to ensure that sufficient food is produced and distributed to bring the consumption of all peoples up to a health standard. The need for additional food is so great that if human requirements could be translated into economic demand, there would be no question of surpluses of the basic foods—surpluses which before the war many people came to regard as inevitable and which if permitted to re-emerge might overwhelm the Board. The basic problem here is the financial one of increasing the purchasing power of the people who are unable to obtain sufficient food for their needs. The Board must be able to divert unmarketable surpluses to these consumers and arrange for financing the cost of selling at prices which the consumers are able to afford."

Translation

Those who write these international proposals have advanced in the semantic art. They avoid words that have bad histories and so far as possible words of blunt meaning. Here, for example, there are no such terms as *price fixing*, *control*, and *subsidy*, and yet these are the only simple names we have for the three principal powers proposed to be conferred upon the World Food Board—the power to fix world prices for food, the power to control production and distribution, the power to subsidize the consumption of food in areas of underproduction and underconsumption

in order to find a market for the surplus of surplus areas. Without these governmental powers the World Food Board could not function at all.

A week before the plan was adopted the Honorable Fiorello H. LaGuardia, New York's Little Flower, now Director General of the UNRRA, wandered into the Copenhagen conference in his very best form of terrible infant. He scoffed at their semantics. Were they going to fix prices? He would say they were. They were going to fix prices when the seed was planted, and that was as it should be. "It is no use trying to gloss this over," he said. "It is no use saying we are not going to interfere with free exchange and free sales. If you do what is needed you will interfere, and you will put every dabbling grain exchange out of business, in Chicago, in Winnipeg, in Liverpool, or wherever it exists. Let us be very frank about this. You cannot have both stability in prices and security for the farmers as well as fluctuations in price."

Norris E. Dodd, the United States delegate, speaking for the Orr plan said it was imperative that the governments of the world should now plan for the protection of producers and for the better nutrition of consumers. The United States increased food production by one third during the war and the same high level had been maintained to help relieve the world shortage. Thanks to extensive mechanization there was more food available for the people of the United States in a period when farm prices were protected than in years of depression when food prices were so low that farmers by the thousand were losing their farms.

Farmer Pete

The British Minister of Food, John Strachey, quoted the old Canadian rhyme: "Here lies the body of Farmer Pete, who starved from growing too much wheat." The reason why Farmer Pete died, he said, was not too much wheat growing but too little bread eating, or in the language of the economists, the failure was on the demand side. The root cause of the trouble was the inherent tendency of an unplanned economic system to keep masses of the population down to as near a subsistence level as possible. It was the blind urge to hold down the purchasing power of the masses that must be interfered with. The very essence of His Majesty's Government's economic program was to bolster the purchasing power of the masses in every possible way in

order that in future Farmer Pete's wheat should always find an effective market.

There is no idea in the Orr plan that cannot be found in the faded files of the AAA propaganda. Only the frame is new. The wide world now is the frame—again provided that Russia and Argentina will come in. Mr. LaGuardia ruffled his face at the Russian delegation and said it would be funny if the world adopted a system of production for need with the USSR standing out for the old system of production for profit.

For a Planned World

The thought of organizing the food supply of the world with the basic needs of all humanity in the foreview has a powerful emotional appeal. By itself, as a human project, it has elements of noble daring and plausibility. It has nevertheless, at the same time, silent bearings of momentous political significance. It is only the planners who really understand this. To so organize the world's food supply you have to have, of course, an internationally planned agricultural economy. You cannot have an internationally planned agricultural economy—or if you had one, it would immediately break down—unless you have also a planned agricultural economy in every supporting nation. That is to say, each nation separately would have to plan and control its agriculture in relation to the world plan.

Nor could it stop there. The Orr plan touches the further implications gently. It says:

"The application of science is solving the problems of food production but at the same time is creating its own problems. Mechanization reduces the number of workers needed to produce a given amount of food. Unless profitable employment is found in other industries, agriculture is left with partially employed people. . . . The problem here is one of finding profitable employment in other industries."

Precisely so. If you plan agriculture you have to go on to plan industry because agriculture and industry act and react upon each other. It follows that if the agriculture of the world is planned and controlled with the basic human needs of the race primarily in view, the industry of the world must be planned and controlled with that same end in view, with every national economy planned and controlled accordingly—and this then is the one planned world to which the planners for better or worse have transferred their fantasy.

New Global Law of the Air

The Strange History of a Treaty

By Our Washington Correspondent

IN THE twilight of the 79th Congress the Senate, with a sense of foreboding, ratified a world-wide air treaty which does principally two things. Firstly, it creates and endows with extraordinary powers a global authority to mind, regulate and administer international civil aviation; secondly, it lays down the prize-ring rules under which the struggle between the United States and Great Britain for air supremacy will proceed. During the debate Senator Brewster made this statement:

"Now as to American superiority in the air. That has been our proudest boast, established incident to the war, with the vast productive facilities of America turning out airplanes without limit for war and for transportation. We gave them to our allies freely and without let or hindrance. Meanwhile we fondly imagined that American planes would continue supreme in the era to come.

"It is my advice, which I have received from those expert in this field, not only in operation, but in construction—Mr. Glenn H. Martin of the Martin Co., is one of my authorities—that the probabilities are that within the coming year British aviation will launch passenger transport across the Atlantic with jet turbine engines, which are already developed and in production for operation. Meanwhile our own country is producing the first of forty jet turbines for the Army; the next forty are to go to the Navy, and the next forty to Glenn Martin, with the result that the necessary experimentation will take us at least eighteen months to develop and try out the engines preliminary to use in transport service. The British are altogether likely in that period to sweep the sky. I hope this is not true, although in this class of competition we cannot challenge the right of our British friends to carry on in this way. We must admire their enterprise while we regret the threat to our position. But if British passenger transportation in the next year shall establish five-hour service between London and New York, it will bring home to us with compelling force recognition of the fact that we cannot rest on our laurels, that we must use every instrument at our command in order to retain the position which we should rightfully enjoy."

The treaty had a strange and twisted history, and that it engaged so little public interest was owing partly to the complexity of the matter itself and partly to certain obscurities of procedure. It began on December 7, 1944, in Chicago,

when the first international conference on civil aviation took place. This conference was dominated by Adolf A. Berle, Jr., for the State Department; and Mr. Berle in turn was dominated by the idea that, with a clean slate to write upon, civil aviation after the war could be organized and conducted for the universal good of mankind, beyond the evils of competition and the perils of national sovereignty. The way to do that would be to have a one-world air line with a one-world flag, all nations to participate, no nation to possess an international air service of its own, either as private or public property. He afterward wrote a magazine article saying that this would be the ideal solution.

The Chicago Departure

At Chicago, the representatives of thirty-eight nations numbered and signed four agreements, all to take effect when ratified by their respective governments. Agreement No. I created a temporary international civil aviation organization with a life of three years. Agreement No. II was the convention to create a permanent International Civil Aviation Organization. (This was the convention that now has been ratified by the Senate as a treaty.)

Agreement No. III was technical.

Agreement No. IV, known as the *Five Freedoms Agreement*, bound each contracting nation to grant to every other contracting nation entire freedom of air space and full commercial privileges, excepting only the right to compete for domestic business. A foreign flag aircraft could not do business between New York and San Francisco, but otherwise it would be perfectly free to bring passengers, cargo and mail from anywhere and to take on passengers, cargo and mail for any destination outside of the country—therefore a full and unlimited exchange of international commercial privileges. From a practical American point of view that was like swapping agates for china marbles with all comers, even. Why so? For the simple reason that Americans provide most of the passengers and most of the cargo. Senator Brewster kept saying:

"There will never be any difficulty in giving away franchises to fly into the United States. There will

be very grave difficulty in recalling these franchises once they are granted. If ten Americans fly to Europe for every single European that flies to the United States, the American people will never be able to understand the equity of a plan that proposes to start us out on a 50-50 basis or that reckons Americans embarked in Europe as credits to European air lines."

Signing the Five Freedoms

But that was not all. If the President signed the *Five Freedoms Agreement*, thereby reversing the course of American foreign policy in this field, that would raise again a very sore constitutional question, namely: May the President change the nation's foreign policy at will by device of the Executive Agreement in place of a treaty? The difference is that an Executive Agreement is made by the stroke of a pen and Congress cannot touch it, whereas a treaty may be entered into only by and with the advice and consent of the Senate. More yet. If the President signed the *Five Freedoms Agreement* the effect would be to by-pass the Civil Aeronautics Act of 1938, especially that part of it saying that no foreign-flag air line shall operate to or from the territory of the United States without a certificate of approval. Such, at least, was the opinion of the Senate Committee on Commerce.

In total disregard of the fact that the Senate Committee on Commerce had been holding hearings on air transport agreements with foreign countries, and ignoring likewise a resolution by the Foreign Relations Committee of the Senate asking that no action be taken without further consideration, the President, in February, 1945, did sign the *Five Freedoms Agreement*. The fact was announced by the State Department and the Senate read it the next day in the newspapers. The Senate was helpless. One Senator asked: "How shall the Senate take cognizance of such a situation? How can we bring the President to account?" There was no answer. The Committee on Commerce by a vote of 17 to 1 declared the President's act to be illegal, but that of course did not undo it.

So much for the *Five Freedoms Agreement*, which was No. IV. In the same way the State Department announced the government's adherence to Chicago Agreement No. I, creating the temporary international organization, and Agreement No. III, which was of technical importance only. That leaves No. II, which was the blueprint for the permanent International Civil Aviation Organization.

Mr. Berle announced in Chicago that of the four, this was the only one that would be submitted to the Senate as a treaty, and this you

might think a little strange in view of the fact that if the President signed the *Five Freedoms Agreement*, which he did, the country's foreign air policy would have been already established by Executive Agreement, beyond the reach of the Senate, before the Senate could act upon No. II, which would be the treaty. The explanation is simple enough. The *Five Freedoms Agreement* did not require any money to be appropriated by Congress, whereas the other, No. II, would require money to be provided by Congress, because the International Civil Aviation Organization was going to have the power to assess dues and costs upon contracting nations. The President may and does change foreign policy by Executive Agreement, but if the agreement calls for money the Senate may defeat him by refusing to open the public purse. Save for that one fact, Chicago Agreement No. II might have been signed by the President as he had signed I, III and IV, and the Senate would have been powerless to do anything about it.

After it had been submitted to the Senate as a treaty, No. II slept for more than a year in the files of the Foreign Relations Committee. The Senate was in no mood to ratify it. Nevertheless, time was running out. Eleven other nations had put their signatures to it and when twenty-six had signed, it would become effective whether we were in it or not. Something had to be done. On July 25, the State Department announced that the American Government would withdraw from the *Five Freedoms Agreement* and had served formal notice of its intention to do so among the other nations. The situation was thereby so altered that No. II, the treaty, could at last be laid before the Senate with the unenthusiastic approval of the Foreign Relations Committee.

The Law

So by all this way round about we come at last to the treaty itself. It was ratified by the Senate without a single amendment. When it has been ratified by twenty-six nations it will be the international law of the air. It is named "Convention on International Civil Aviation" and begins with the declaration that every nation "has complete and exclusive sovereignty over the air space above its territory." It proceeds then to lay down the rules under which this sovereignty may be exchanged, as follows:

(1) **The nonscheduled flight with no traffic privileges.** Each contracting nation agrees that the aircraft of all other contracting nations shall be permitted to make nonscheduled flights into or across its territory with no prior permission. This is

subject only to the right of each nation to require a stop in transit.

(2) **The nonscheduled flight with traffic privileges.** Each contracting nation agrees that the aircraft of every other contracting nation shall have the right to make nonscheduled flights into and from its territory as carriers of passengers, cargo and mail, subject to the right of each nation to impose upon this traffic such regulations, provisions and limitations as it may deem proper.

(3) **The scheduled flight.** No scheduled international air service may be operated over or into territory of a contracting nation without its special permission.

(4) **Cabotage.** Each contracting nation shall be free to deny cabotage rights to the aircraft of other nations, cabotage traffic meaning traffic within its own territory—provided only that if a nation does grant cabotage rights to another nation it shall not do so in an exclusive or preferential manner. If the right is granted to one it must be granted to all alike.

According to these four rules:

Firstly, each nation surrenders sovereignty over its own air space so far as concerns nonscheduled flights for nontraffic purposes;

Secondly, the nonscheduled flight, even for traffic purposes, has privileges over a scheduled air service;

Thirdly, as to a scheduled international air-line service which may not be operated "over or into the territory" of a contracting nation except by "special permission or other authorization," each nation seems to be free to make any preferential or bilateral agreement it likes. This freedom is amplified in Chapter XVI, under the head of "pooling," which reads:

Nothing in this Convention shall prevent two or more contracting States from constituting joint air transport operating organizations or international operating agencies and from pooling their air services on any routes or in any regions. . . .

A State may participate in joint operating organizations or in pooling arrangements, either through its government or through an air-line company or companies designated by its government. The companies may, at the sole discretion of the State concerned, be state-owned or partly state-owned or privately owned.

Thus any two or more of the contracting nations may pool their resources against any other contracting nation, or nations whose air lines are state-owned may pool them against one whose

air lines were privately owned, making it a competition between state ownership and private ownership.

The Mechanism

To administer this basic law of the air, and to make more law as it may be needed, there is created the International Civil Aviation Organization. It shall be made up of an Assembly and a Council. The Assembly shall be composed of representatives of all the contracting nations, each nation to have one vote. The Assembly shall elect the Council, which is to be a body of twenty-one, each member to represent one of the contracting states. The Council shall arrive at its decisions by a majority vote. The Council shall be a permanent body "responsible to the Assembly," and the International Civil Aviation Organization, consisting of the Assembly and the Council together, shall be responsible only to itself.

Among the lettered "aims and objectives" of the ICAO is:

(e.) *Prevent economic waste caused by unreasonable competition.*

This would call for control of both rates and service. Who shall determine what is "unreasonable competition?" The Council will determine that. And in order that the Council may have all the information necessary for purposes of an intelligent determination, there is the following stipulation, Chapter XIV, Article 67:

Each contracting State undertakes that its international air lines shall, in accordance with requirements laid down by the Council, file with the Council traffic reports, cost statistics and financial statements showing among other things all receipts and the sources thereof.

That is to say, no international air line shall have secrets. The Council must know everything. It must know every aeronautical agreement existing when the treaty comes into effect, and after that any arrangement entered into by a contracting nation must be registered in its books.

At this point Senator Brewster, who intended nevertheless to support the treaty, declared: "We must file immediately all aeronautical agreements, private or public. That requirement alone may result in very hazardous developments. If that requirement had been in effect during recent years it might have revealed activities very vitally affecting our national defense."

When the Council has made up its mind that a certain air line is competing in an unfair manner, what steps may it take? This is to ask in general:

What power will the Council possess to enforce its decisions? First, of course, it would notify the offending air line to cease and desist, and if the air line were obstinate then the Council would call on the contracting nation to cancel its license. The teeth are in the article which reads:

Each contracting State undertakes not to allow the operation of an air line of a contracting State through the air space above its territory if the Council has decided that the air line concerned is not conforming to a final decision rendered in accordance with the previous Article.

Money

What will be the resources of the International Civil Aviation Organization and how will they be derived? This is the money question but for which this Convention might have been entered into by Executive Agreement instead of being submitted to the Senate. The question is answered in Chapter XII, entitled "Finance," and it reads:

The Council shall submit to the Assembly an annual budget, annual statements of accounts and estimates of all receipts and expenditures. The Assembly shall vote the budget with whatever modification it sees fit to prescribe, and, with the exception of assessments under Chapter XV to States consenting thereto, shall apportion the expenses of the Organization among the contracting States on the basis which it shall from time to time determine.

The only limit upon what the Organization may demand appears to lie in its own judgment. Then this:

The Assembly may suspend the voting power in the Assembly and in the Council of any contracting State that fails to discharge within a reasonable period its financial obligations to the Organization.

The International Civil Aviation Organization reserves the right itself to finance, create and operate air navigation facilities and the funds for this purpose shall be raised by assessment among consenting nations.

There will be a third body named the Air Navigation Commission. This is to be created by the ICAO; it will be composed of twelve experts selected by the Council from nominations made by the contracting nations. The duties of the Air Navigation Commission will be largely technical;

one of them will be to "advise the Council concerning the collection and communication to the contracting nations of all information which it considers necessary and useful for the advancement of air navigation." This seems to mean, and no doubt it is intended to mean, that each contracting nation will be expected to share its know-how with every other contracting nation.

Exchange of Know-how

Senator Brewster so construed it. "We are not only obliged," he said, "to contribute American know-how and put it in a common pot, so that any country can see and use it, but obliged also to contribute all the agreements which United States air lines have with any foreign countries, so that the complete story of how we built American international aviation to a position of preeminence has to be fully disclosed."

In Chapter XIII of the treaty an unexpected diplomatic conundrum appears. Article 66(b) reads:

Members of the Assembly and the Council who have not accepted the International Air Services Transit Agreement or the International Air Transport Agreement drawn up at Chicago on December 7, 1944, shall not have the right to vote on any questions referred to the Assembly or Council under the provisions of the relevant Agreement.

The International Air Transport Agreement here referred to is another name for the *Five Freedoms Agreement*, from which the American Government withdrew on the day the treaty was laid before the Senate. The question therefore appears: Shall the American Government have to re-embrace the *Five Freedoms Agreement* or shall it forgo the right to vote in either the Assembly or the Council of the ICAO on any matter that may be presented under the head of that convention by nations that still adhere to it?

Misgivings

Such are the principal features of the international law of the air to which the American Government has committed itself for a period of four years. No contracting nation may retire from the treaty during three years, and after having given notice of its intention to retire it is bound for one year more.

Senator Brewster, who attended the Chicago Conference, and who since then has devoted himself in a tireless manner to the subject of inter-

national aviation, supported the treaty, but with misgivings, and his last words were:

"However, as I stated in the beginning, I repeat, in the light of the denunciation of the five freedoms, in the glow resulting from that tremendous step in progress, I have indicated that I should not, more actively than I have, oppose the immediate action which is being urged by the Administration. I shall simply ask that the Senate make it perfectly clear that those in the Administration who are asking the ratification of this treaty assume full responsibility for the consequences which may result if some of the perils which I have pointed out should befall us."

Meanwhile, there was the Bermuda Agreement, between the United States and Great Britain, and that still holds within the framework of the treaty approved by the Senate. Contrary to the American Government's theme of multilateralism, the Bermuda Agreement is a bilateral thing concerning the United States and Great Britain alone. Although it divides the air between the two principal competitors and binds American air policy, it was entered into by the State Department as an Executive Agreement. George Baker, of the State Department, who was Chairman of the United States delegation at Bermuda, appeared last February 15 before the Senate Committee on Commerce at a hearing on civil aviation agreements. He announced there that the Bermuda Agreement had been signed on the preceding Monday.

A Senator said: "It has been reached, signed,

and is a *fait accompli* so far as this country is concerned?"

Mr. Baker answered: "It is my understanding."

The purpose of the Bermuda conference was to reconcile a conflict between the British policy of control and the American policy of free competition. The British wanted both rates and frequency of service to be controlled; the Americans wanted both to be free. The compromise, which is the Bermuda Agreement, provides that rates shall be controlled but that no "specific limitation" shall be imposed upon frequency of service. For freedom of international air traffic at seventeen points in the British world the United States delegates swapped equal freedom at thirteen points in the American world, besides "certain other island points in the Pacific."

Six months later an American delegation, headed by James M. Landis, was in London protesting against air agreements subsequently entered into by Great Britain with Greece, the Netherlands, Argentina and some other countries—agreements which, in the words of the head of the American delegation, seemed to have "strayed away" from the Bermuda Agreement. At the end of this London conference the correspondents understood Mr. Landis to say that the world's right to compete for air traffic had been re-established—subject of course to the new global law of the air as it has been laid down in the treaty.

The Perilous Economic Voyage

By Professor George R. Davies of Iowa University

(Paragraphs from his contribution to the Baconian Lectures)

THE development of the science of economics may be likened to the development of the science of navigation. On the theoretical plane of the little Mediterranean world, sailors guided themselves by simple observation of the stars. But when they ventured upon the wide Atlantic, beyond the Pillars of Hercules, the curvature of the earth dangerously distorted their observations and conclusions.

* *

In like manner today traditional economics is based on the elementary rationalizing of small businesses and local markets. But we have

reached the stage of world markets and international business institutions relative to which traditional business theory is dangerously inadequate. Consequently we risk another breakdown of world trade such as that of the Twenties. If there is hope of avoiding such a catastrophe, it lies not in present public opinion but in the approach toward science that is being made in our great banks and corporations, and in the universities that give them intellectual support.

* *

In the natural sciences, and in commerce as well, the scientist proceeds by research. That is,

he isolates a segment of reality, brings his scales and correlation techniques to bear upon it, and sets up experiments to test its qualities and his hypotheses concerning them. But economics, viewing the whole rather than the parts, can do nothing of the sort.

* *

Traditional abstractions concerning supply and demand and the market distribution of income to capital and labor have been extensively checked and verified by mathematical analysis. But in the process the emphasis has been materially changed and it is now seen that the structure of an industrial society conforming to economic law—that is, to the efficient allocation of scarce resources—depends upon the system of ethics adopted.

* *

Consistent economic societies could theoretically be organized in accordance with the ethics of slaveholders, of leisure classes, of the Roman Stoics, of the medieval Schoolmen, or even of the historic communists. The error of our traditional assumption that economics uniquely validates the freedom of the speculator should be obvious to everyone except the successful speculator.

* *

An economic law is merely a statement of what is generally true under given conditions, but by no means of what is true in each particular case.

* *

As trade expands, centers of economic and political control arise, in spite of the illusion that markets can be broadened without heightening authority over them, either plutocratic or bureaucratic. Also it has been observed that the distribution of national income when plotted on double logarithmic paper approximates an inverted parabola of normal probability, except that it approaches a straight line in the upper brackets where monopolistic earnings and property incomes introduce new variables. This is known as Pareto's Law.

* *

All in all, the interactions of man and Nature, and of classes and nations, create centralized structures. Change is seen chiefly in the scope and energy of these structures, and in the spirit of their administration.

* *

It is as important that money be spent as that blood circulate in an organism. The spending of

the surplus income produced by the community but allocated to things is naturally left in the hands of managers. It is not the earnings of managers, who are already paid for their work. Nor is it a reward for saving, since in the main the surplus constitutes the savings. The managers therefore accept the surplus as Nature's original provision for taxation. As good stewards of the community, they promptly apply the money to investment purposes. It more or less covers the cost of research, new industries, education, charities and corrections, and other incidental projects that otherwise would be neglected.

* *

While industry rests in part on mechanistic factors that can be computed, it nevertheless depends on intelligent and ethical leadership. A highly educated managerial class is theoretically indispensable. Natural law has decreed aristocracy as the first principle of a successful democracy.

* *

Before the Industrial Revolution, land rent in England provided most of the savings and a large surplus besides. Modern civilization like ancient civilization is merely a complex form of landlordism, and the large property incomes of the rich still provide the bulk of savings, even in America.

* *

In a developed economy that has outgrown the Jeffersonian ideal of a nation of small farmers and the Aristotelian ideal of independent local economies the total capital value of land and equipment is the market value of an accounting debt owed chiefly to private individuals.

* *

The debt may be expressed in various ways, either directly in terms of bonds, or indirectly as a quasi-debt in terms of corporate shares, title deeds, and other evidences of capital claims. It will be seen, however, that it is not a burden upon industry in so far as capital is administered with social efficiency.

* *

In the conflict between frontier individualism and effective organization, American public opinion has the characteristics of a dual personality. It has great energy but little stability. At one time the synthetic optimism of a business boom lures us into mad speculation, then fear and panic drive us into the depths of depression. And now the fortunes of war have made our unstable money market the chief support of world finance.

Labor Under a Labor Government

Issue of the Closed Shop in England

From *The Times*, London

One thing that might have been expected from the socialization of England under a Labor Government was an improvement in labor relations. Nothing like that has happened. Instead, new problems have appeared, especially two. One is the problem of the "wildcat" strike, a rank-and-file technique borrowed from the United States. The other, much more important, is the problem of the closed shop, now raised as an issue in Great Britain for the first time. To the discussion of it The Times contributed this thoughtful essay.

THE London Passenger Transport Board, in characteristic British manner, has decided a major principle of industrial relations in a purely empirical way. Faced with the refusal of members of the Transport and General Workers' Union to work with members of the "break-away" National Passenger Workers' Union, and the consequent danger of a strike, the Board has agreed to a closed shop in the grades concerned. The argument that the public should not suffer because workers cannot agree what union should represent them is reasonable enough, and the Board has made its decision in favor of a long-recognized union to which the great majority of the employees belong. But to establish a closed shop at all is to accept a principle. If the closed shop be established in these grades, in spite of any action that may be taken by the younger union, can it be refused in others? Will it not be remembered, for instance, when the miners bring before the National Coal Board their request that union membership shall be made a condition of employment?

The time has clearly come when the implications of the closed shop and the rights of the individual worker must be considered afresh in the light of the changing responsibilities of the trade unions in the country and in industry.

No one can gainsay that to make a man choose between throwing up his job and joining a union is to impose a limitation on his personal freedom. To make membership of one particular union the sole passport to work in a particular industry, with incapacity to obtain employment the only

alternative, is indeed a grave social decision, requiring the most powerful and cogent arguments of individual as well as social advantage before it can be justified. Is it a limitation compatible with democracy? Is it one of those restraints that are necessary to it?

It can be urged that if a man declines to join his union he is liable to provoke conflict between employers and employed, to embitter industrial relations, to cause interruption in the production of the nation's wealth. If he is allowed to remain at work he enjoys benefits towards which he contributes nothing. At this period in industrial history some go so far as to say that membership in his trade union is a part of the duty which a man owes to the community as represented by the State. Both the governance of industry and the relations between government and industry depend on a complex structure, greatly extended during the war and now being extended farther, the foundation of which is the assumption that workers are members of their trade unions. It will be generally agreed today that without the unions the basis of industrial peace would disappear and the organization of industry be weakened at every point; it is not so easily agreed, however, that each worker should not be free to choose the union to which he will belong.

In a wide range of professional occupations, involving the independent exercise of individual skill and judgment, the community's interest can scarcely admit the case for the closed shop. In journalism it might even invest unionists with an unwarrantable power of control over freedom of expression. But in industry, if the inevitability, and indeed the desirability, of complete unionism is accepted, then a case can be made for the establishment of closed shops by agreement between employers and trade unions and even perhaps for the deduction of union contributions from wages, provided that the recognition of this new and pervasive monopoly can be accompanied by stringent and effective safeguards against its abuse. The successful protection of minority rights and interests will become more, not less, important.

Arrangements both for the closed shop and for the deduction of union dues are not uncommon in the United States, either separately or together. Both, for instance, are operated in the mining industry. They have obvious advantages from the point of view of the employer, who is safeguarded against trouble caused when men lapse from union membership through failing to pay their contributions, and is assured when he negotiates with union representatives that he is dealing with all his workers.

Trade unions in this country have tended to look askance at such arrangements. They have preferred to rely on their own strength, on the common loyalty and will of men who say they will not work with nonunionists. They have been reluctant to put themselves in the hands of the employers to the extent of allowing them to deduct union contributions. Most of all, perhaps, they have feared interunion conflict provoked by disputes over demarcation lines where unattached workers are forced to seek membership of one organization or another. The miners, having only one union, ask for the closed shop. Workers in most other industries do not.

The most serious objection to the closed shop, as important as the argument about personal freedom, of which it is indeed a particular facet, is the power over their members which it gives to trade unions. If in the last resort a man can leave his union with a chance of finding work, the official leaders must always have in mind the necessity to meet his needs. If he has no escape, it may well increase the temptation to undemocratic leadership, of which some already complain. Safeguards are indispensable, though they are hard to find. It could be argued that a dissatisfied minority should have the right to break away and form a new union of their own, entitled to full association with the movement generally through the T.U.C. But the bitter traditional antagonism to the breakaway union is too strong for that to be possible.

The true solution can hardly be found except in a general reorganization of the trade union movement, which is long overdue but towards which little progress is being made. The structure of the movement today has no relation to the needs of the times; above all it bears no relation to the technical requirements of the nation in a critical era when the rationalization of machine processes must, in order to bring about the essential increase in productivity, be rendered effective by a parallel rationalization of the movement and distribution of labor. . . .

If We Keep This Enterprise Free

By John L. Lewis

A statement before the Committee on Labor of the House of Representatives during the hearing on a bill to create fact-finding boards.

OUR production per man per day, over-all, for all the men employed in and around the coal mines of our bituminous industry is about six tons per man per day employed. The production per man per day in the coal mines of Great Britain is less than one ton.

The wages of our American coal miners are more than three times the wages of the miners in Great Britain. The cost of an American ton of coal at the pit head is less than one third the cost of a British ton. With a wage scale three times as high, and productivity six times as great the American public gets its coal at the pit head or at destination at less than one third of what the British public or the British consuming industry has to pay for coal. That ratio runs pretty well through the entire British wage economy in other basic industries.

Accepting the Machine

American labor, and particularly the United Mine Workers of America, because they were pioneers in that field, have not resisted the introduction of power and automatic machines and labor-saving devices. We have recognized that the introduction of these devices creates unemployment by requiring fewer human hands to produce a ton of coal, but we have recognized, too, that it lowers the cost and gives labor the opportunity to participate in the increased efficiency, with higher wages and shorter hours and improved working conditions. So there we have our situation in America, constantly looking forward to improvement, and the end is not yet, because the productivity of the American mines is nothing compared to what it will be a few years down the road, when we have a chance again to get improved machinery and modern installations.

I can show you one mine over in West Virginia, where ninety-seven men are producing 2,500 tons of coal per day—ninety-seven men, about twenty-five tons per man underground, in a thoroughly modernized mechanized mining unit. Twenty-five tons per day! So you can see the room for improvement as we modernize and mechanize and

go forward from our current average six-ton production and the possible twenty-five tons demonstrated by that mine.

Now, in England, the British Miners Federation for forty years has opposed the introduction of machinery into the mines, the utilization of power, on the sole ground that it would create unemployment, destroy job opportunities. The British mineowner has never seriously advanced the cause of modernization. It may be temperament, or it may be a characteristic of British industrialists.

Murder of Competition

They prefer to take out their profits and they plow very little back in the way of improvements, so finally they reach the stage of not being able to produce enough coal for their own industry; they finally reach the stage where their industry is uneconomic as compared to any industry in the world, and in looking down the road of post-war commerce and manufacturing costs, they are beginning to talk about cartels, and automatic prices. They are trying to destroy competition by creating pools and cartels, and they are going to follow that through. They have an industry that cannot meet the domestic requirements of Great Britain; it cannot meet the manufacturing requirements; it cannot meet the foreign-export requirements of Great Britain, and cannot recapture the foreign-export markets, even with the help of British shipping. So, in desperation, that being true also of a number of other industries, the British electors turn to the Labor Party platform, and they turn out the Conservatives, and elect a Labor Party government to nationalize the coal industry, the Bank of England, transport, and other things.

May I point out to you that when they nationalize the operating mines of Great Britain, they will still have a cost of 36 shillings a ton at their pit head; they will still have their obsolete antique mines; they will still have their high cost of production; they will still have their starvation wage that the mining population lives on, and they have a wage there now that will run to 1948, at \$19.75 per week underground, and \$2 less on top; they will still have those things, and they will need billions and billions of dollars and years and years of time to bring that industry

back into the realm of the competitive area that is essential for Great Britain's economic need and her political need, because of her failure to do the things that we have done here in America.

We have welcomed progress; we have welcomed machines. If machines were brought into a coal mine that employed 500 men, and the mine then only could employ 200, as a result of the machines, displacing 300, we have told our people that they had to accept that condition, that it was the process of progress and that they would have to take their chances. But the men who remained there got a higher wage, and higher living standard and the people who bought that coal got it at a lower price and there was a lower cost to our manufacturers of steel and motor cars and textiles who bought that coal to furnish energy and power, and who were then able to put on the market a product that would compete and sell in the markets of the world.

Benefit of Politics

There is your American way as contrasted to the British way. The British trade-unions elected years ago not to try to exercise their economic power to achieve desirable objectives. They decided to follow the rule of political action. They organized the British Labor Party, and for decades they have drained the strength and energy of their labor unions to keep alive their political party, waiting for that happy day to come in Parliament, with the Lord spiritual and temporal assenting, when they would pass a bill nationalizing all industry in Great Britain, and the millennium would exist for everybody. I don't think it will.

That is the British way. Here is our American way. Gentlemen of the Congress, don't disturb our American way, don't hamper and restrain and harass and pursue and defile these men in American industry who made these contributions, who have startled the civilized world by their accomplishments in the field of economic production. There is a chance here for our inventors to profit; there is a chance here for our investors to profit by utilizing the devices of the inventors; there is a chance here for American labor and the American public to profit and participate in it all, if you keep America free.

The so-called wastes of competition are the price we pay for freedom, and by freedom we become so productive that we can afford to pay the price.—*Donald R. Richberg.*

Beyond Collective Bargaining

A Proposed Christian Solution

On the occasion of Labor Day, last September 2, the Social Action Department of the National Catholic Welfare Conference proposed what it calls an Occupational Group System, to solve the problems of labor-management relationship without the benefit of legislation and to bring Christianity to the market place. Collective bargaining, it says, is no longer sufficient. Below will be found, not the full text, but the essential elements of the proposal.

I. Past and Future

FIFTY years ago organized labor had its back to the wall in a desperate struggle for mere survival. The right to organize—a right which is given to man by God Himself—was all but completely denied to American workers both in theory and in practice. . . .

Thanks, however, to the sacrifice and courage of the workers themselves and of their leaders and thanks to a more enlightened public opinion and public policy, the . . . right to organize is now protected by federal legislation and even by the legislation of some of the states. The labor movement today is stronger and more influential for good than ever before in our history. . . .

But while it is profitable to review the past, necessity demands that our attention be centered today on the future—a future which, at best, will be challenging and difficult. . . .

But if employers and the general public have a responsibility to encourage the growth and expansion of the trade union movement, the trade union movement itself is obliged to live up to its own responsibilities more conscientiously than ever before—its responsibilities to workers, to employers, and to the general economic welfare. . . .

The trade union movement is likewise reminded today of its responsibility to employers—the responsibility to live up to its collective bargaining contracts faithfully and to the letter; to eliminate jurisdictional disputes; to give a fair day's

work for a fair day's pay; and to respect the property of others. . . .

II. The Plan

Collective bargaining over wages, hours, and working conditions is no longer sufficient, if indeed it ever was sufficient, for the solution of our economic problems and specifically for the solution of the so-called labor problem. Social justice demands that organized labor and organized management come together in an occupational group system—an organized system of co-operation for the solution of all of the major problems of economic life.

In each industry the occupational group should include all interested parties: labor as well as capital; employees as well as employers. Employers and labor and the other subdivisions of other occupations would keep their rights of separate assemblage and vote inside the occupational groups and their right of separate organization. These groups would "bind men together not according to the position which they occupy in the labor market but according to the diverse functions which they exercise in society."

The occupational groups would seek to modify competition by maintaining standards of fairness with regard to wages, hours, prices and business practices; to avoid private industrial dictatorship by enabling labor to share in all industrial policies and decisions, and to exclude political or bureaucratic industrial dictatorship by keeping the immediate and day-to-day control in the hands of the agents of production. They would be prevented from injuring the consumer or the common good by governmental action, "directing, watching, stimulating and restraining, as circumstances suggest or necessity demands." This form of government control is very different from and very much less than that contemplated by collectivism. Moreover, the consumers could protect themselves through some form of representation in relation to the governing bodies of the occupational groups.

In a word, the occupational group system would aim to bring into industry sufficient self-government to reduce to a minimum the conflicting interests of the various industrial classes, to place industrial direction in the hands of those most competent to exercise it and to permit only that amount of centralized political control which is necessary to safeguard the common good.

The alternative to an organized partnership for the common good is to give way, as it were by default, to a succession of legislative reforms, which cannot and will not get to the heart of the

difficulty. . . . Thus far the American people have been unwilling or unable to substitute organized cooperation for the rule of competitive individualism and private monopoly. Perhaps the wholesome fear of the opposite extreme of too much governmental interference in economic life will awaken us as never before to our personal and group responsibilities. . . .

The government will the more effectively fulfil its purpose in the economic life if it actively encourages the functional economic groups in society to participate, with authority and responsibility, in the administration of these and others of its economic programs. And it will make its greatest contribution to the general welfare if it does everything possible to relieve itself of unnecessary burdens and duties in the economic field.

The Vatican on the Moral Aspects of Nationalization

*From the letter of Pope Pius XII to Charles Flory,
President of the Semaines Sociales de France*

WE SEE in the labors of your new sessions, which will this time take place in the capital of Alsace, as it were the complement and the extension of the *Semaine Sociale* of Toulouse, in a setting and an atmosphere in which just social reforms may be accomplished and the institutions postulated by a greater need of true liberty may be developed.

You will, then, study the various problems of the national community to this end; not, of course, as certain philosophers of positivist and anti-intellectualist inspiration have desired it, in the sense of a collectivity in which instinctive impulses and herd-passions obscure the rational, juridical and moral characteristics of every true society, but only the better to bring out all that a country—especially when it is a matter of a country like France and such a people as the *nobilissima Gallorum gens*—represents in the way of legitimate diversities within its necessary unity, of spontaneity also, and of free assent, of mutual giving within that expanded and transcendent family which is the motherland. . . .

You could not draw forth and affirm these great truths too much; truths which must govern the building of the social body, when systems embittered even to totalitarian pretensions in all domains raise their head, with no other ideal than a collective egotism and with no other expression than an omnipotent *étatisme*, enslaving individ-

uals to itself like pawns on the political chess-board or like numbers in the calculations of economists.

It is inadmissible for a Christian, even though it be with a view to maintaining contact with those who are in error, to compromise himself to the least degree in the world with error itself. That contact will never fail, on the other hand, to be established and maintained between Christians who are availing themselves honestly and humbly of the prerogatives of the truth and those others who, honestly and humbly also, are seeking for the truth.

A community spirit of the right kind must, then, inform the members of the national collectivity, as it naturally informs the members of that mother-cell which is the family. It is only on this condition that the great principles of liberty, equality and fraternity will be seen to prosper in it; principles which modern democracies seek to invoke, but which must be understood, it need hardly be said, as they are understood by the natural law, the law of the gospels and the Christian tradition, which alone are at once the inspiration and the authentic interpreters of them.

This observation applies, for example, to the particular case which interests you at this moment—the nationalization of enterprises. Our predecessors, and We Ourselves, have more than once touched on the moral aspect of that measure. But it is, however, evident that instead of diminishing the mechanistic character of life and labor in common, nationalization, even when it is licit, is rather in danger of further accentuating it, and that in consequence the advantage which nationalization brings to the profit of a true community, such as you understand it, is very much to be judged with care.

We think that the setting up of corporative associations or units in all the branches of the national economy would be much more beneficial to the end which you pursue, and more beneficial at the same time for the best output of the undertakings. In any case, it would certainly be so everywhere where hitherto the concentration of enterprise and the disappearance of small independent producers has worked in favor only of capital and not of the social economy. There is, moreover, no doubt that, under present circumstances, the corporative form of social life, and especially of economic life, in practice favors the Christian teaching concerning the person, the community, labor and private property. . . .

Pius PP. XII

*From the Vatican,
July 10th, 1946.*

The American Face Abroad

By Senator Kenneth S. Wherry

IN THE closing hours of the last session of Congress Senator Wherry made a scandalous diversion by nailing on the wall of the Senate Chamber a large fragment of the State Department's hide. There was not time to do anything about it and so it was left there to dry. Senator Connally said the timing was unfortunate. Senator Vandenberg, on the other hand, associated himself with some of Mr. Wherry's views regarding certain of "our American attitudes up to the time of the Yalta Conference and most emphatically including the Yalta Conference," also with Mr. Wherry's views regarding certain phases of the "vitally important South American situation." What follows is an abridgment of Senator Wherry's indictment of American foreign policy.—Editor.

LET us grant that Russia is standing in the way of reaching satisfactory peace settlements. Let us grant that Mr. Stalin and the Communists constitute the major obstacle on the road back to peace. There is still the shameful part the United States has played in the preliminary peace settlements for which the Russians cannot possibly be held solely to blame; a role which, it seems to me, has set the stage for the very actions and policies on the part of the Russians which are now being so self-righteously condemned.

I am speaking of the war-breeding secret commitments made by our American Presidents at Moscow, Tehran, Yalta, and Potsdam; commitments which set in motion forces and policies which could not do other than make peace terribly difficult, if not an absolute impossibility.

The plain fact is that up until this very moment Russia has only been doing in her own way what our policy makers agreed to permit her to do in conformity with those secret agreements of Tehran, Yalta, and Potsdam.

There is just a slight hint of this fact in the following admission of Elmer Davis, who as head of the Office of War Information had more to do with all the propaganda that was fed the American people than perhaps any other man.

Mr. Davis wrote in the *Washington News*:

"A year or so ago most of us supposed that Russian objectives were the same as ours; and extensive concessions were made to them on that hypothesis. It now seems we have been mistaken."

And still there has been not a single official admission of guilt; not a single official repudiation

of these terrifying agreements; not a single regret expressed for the savage consequences to which our policy makes us a party, and which just in themselves would make the realization of any kind of peace well-nigh impossible.

On September 24, 1945, I read into the Record the reasons why I opposed the confirmation of the nomination of Dean Acheson as Under Secretary of State. I did so because I could not find out from Mr. Acheson or from anyone else what our foreign commitments and policies were, which Mr. Acheson was to carry out. I did not know how Mr. Acheson felt about them, and he failed to respond to my questions.

On October 22, 1945, Mr. Spruille Braden was nominated as Assistant Secretary of State. Again, on that occasion, I sought information. Ugly rumors and reverberations were coming out of South America, as a result of Mr. Braden's activities prior to that date. I sought to learn whether or not his policies had been in keeping with the solemn contracts we had signed with our sister republics, and with the act of Chapultepec. Again I could not get any real light on Mr. Braden's past activities or on our future policies toward the South American countries. But it became clear to me that there was something radically wrong both with our policy, and with the way our State Department, and Mr. Braden, had been interpreting it, so far as South America was concerned.

On that same day, the distinguished chairman of the Foreign Relations Committee, together with my colleagues, the Senator from Michigan [Mr. Vandenberg] and the Senator from Wiscon-

sin [Mr. La Follette], indirectly revealed that Mr. Braden and the State Department for many long months, had been destroying the very roots of our good-neighbor policy. At that time, the Senator from Texas [Mr. Connally], in answer to questions by some of us on the floor, insisted that:

"We do not want to create any impression that by the confirmation of the nomination of Mr. Braden we are reverting to the old type of diplomacy of the years gone by when we had the reputation, whether deservedly or not, of having wielded the big stick and using a strong-arm diplomacy."

The Senator from Michigan [Mr. Vandenberg] stated that he considered that Mr. Braden was "but an incident" in the development of a dangerous perversion of our traditional Latin-America policies.

On November 28, 1945, I submitted Senate Resolution 197 to investigate the State Department after Ambassador Hurley openly charged that:

"The professional foreign-service men in the State Department sided with the Chinese Communist armed party, and the imperialist bloc of nations, whose policy it was to keep China divided against itself."

Again the State Department and that administration policy were completely whitewashed, and Ambassador Hurley became the target of personal abuse, while such a person as Mr. John Service, who over a year before had been one of the six persons arrested for disclosing confidential State Department material, and who had been whitewashed in a secret session of this administration's policy makers, was sent to Japan to serve as economic adviser to General MacArthur.

Principles

On December 26, 1933, the late President Roosevelt signed the Seventh International Conference of American States Agreement, article 8 of which specifically provides that:

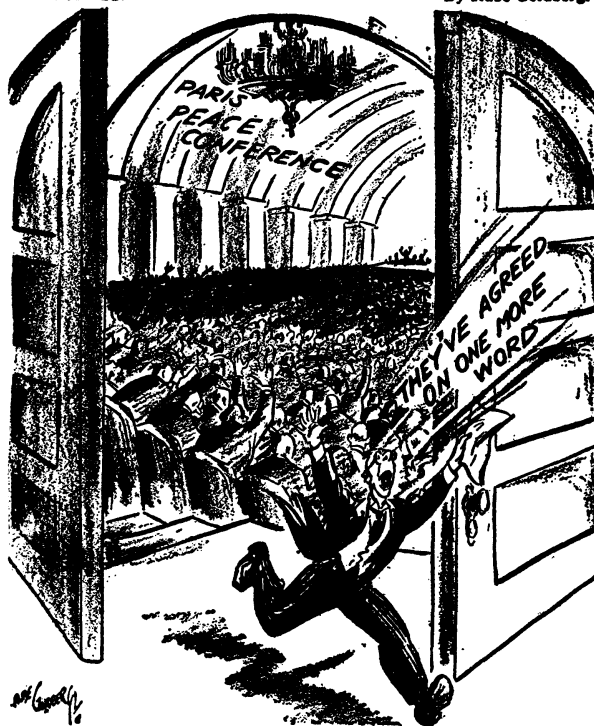
"No state has the right to intervene in the internal or external affairs of another."

On December 5, 1936, Mr. Hull stated in Buenos Aires, at the opening of the Inter-American Conference for the Maintenance of Peace, that:

"We recognize the right of all nations to handle their affairs in any way they choose, and this quite irrespective of the fact that their way may be different from our way or even repugnant to our ideas. If the solemn rights and obligations between nations are to be treated lightly or to be brushed aside, the nations of the world will head straight

PROGRESS.

By Rube Goldberg.



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toward international anarchy. It is to the interest of everyone that there be an end of treaties broken by arbitrary and unilateral action."

On December 21, 1936, the United States signed the Declaration of Principles of Inter-American Solidarity and Cooperation, at Buenos Aires, which also specifically provided under article 3 (b):

"Intervention by one state in the internal or external affairs of another state is condemned."

Although it is difficult to believe, as recently as October 31, 1945, and January 5, 1946, Secretary Byrnes and Mr. Braden made the following assurances, respectively.

Mr. Byrnes declared:

"In the inter-American system the members do not interfere in the internal affairs of their neighbors nor do they brook interference in those internal affairs by others."

Mr. Braden said on January 5, 1946:

"Our policy of nonintervention in the affairs of the other American countries is fundamental and will continue. We have no intention of that kind of unilateral action."

In spite of all of these solemn declarations and promises of nonintervention the fact remains that we have so grossly repudiated our agreements that we have now reached the place where our

whole future relations with South America are gravely in danger.

The Record

What is the record?

On March 27, 1946, Sumner Welles wrote:

"Our recent policies in Latin America have been incredibly stupid as well as humiliatingly unsuccessful. American public opinion should be demanding from this Government some coherent program of foreign policy which will refill the reservoir of good will toward the United States."

On the same day, in *The New York Times*, Hanson Baldwin wrote:

"For many months we have been breathing fire and brimstone toward Argentina and badgering the Argentine Government with accusations. In Argentina our policy has served only to elect our enemy Peron and to consolidate much of Argentine and Latin American sentiment against us. Many of the happy results of the good-neighbor policy have been destroyed and again Latin Americans are becoming more and more conscious of the 'Colossus of the North' and Yankee 'imperialism.' We are risking the formation of a real anti-American bloc in South America."

It is high time the dangerous policies of Mr. Braden and Mr. Acheson be ended. We indulged in such inexcusable intervention that we are now confronted with complete embarrassment of our relations with every other South American country.

Feud with Peron

Spruille Braden and Dean Acheson have been carrying on a personal feud against Colonel Peron ever since the war ended. The press was filled with stories that the Argentine people became so incensed over Braden's interference in their presidential campaign that Braden's action really assured Peron's election. Braden created in the Argentine an issue which—were the situation reversed—the American people would, of course, have resented intensely. No self-respecting people will tolerate such interference in their domestic affairs.

Not only did Braden directly interfere in the Argentine presidential elections, but I am informed that Braden, in defiance of all international law, actually used the American Embassy in Buenos Aires as the headquarters of the Argentine parties opposing Peron. Such unprecedented, high-handed activity, such a wanton breaking of faith with the American people, and such an offense offered the Argentine people, could have only one possible result. Acheson and

Braden were completely repudiated by the Argentine people. The result was a terrible loss of face for 130 million American people who, though blameless, will have to bear the consequences.

Cards for Russia

There is a universal recognition of the failure of our South American diplomacy everywhere except within this administration. One need only to summarize the calamitous extent of this venture in personal intervention, by reminding oneself of the fact that all of the hatred, fear, and animosity now aroused against the United States has played directly into the hands of just one nation. That nation is Russia. Russia has taken this opportunity to attempt to re-establish diplomatic and trade, and even military, relations in the Argentine. What better weapon could the Communists in South America desire than the animosity and hostile interventionist policy of Acheson and Braden?

Through these two officials, America has furnished the Communists with reason to cry "Yanqui Imperialism." Certainly we cannot blame Stalin for what is clearly the calamitous consequence of Braden's own bungling.

After a great deal of struggle, members of the Senate have finally wrung from the distinguished Secretary of State the admission that there are, indeed, many Communists and fellow travelers in the State Department. It would seem, however, that the Secretary has been unable to do anything about them, because of the provisions of the civil-service law and its administration by the Civil Service Commission. That problem needs desperately to be taken care of by Congress immediately.

But there are still certain very startling facts about the way our South American policies have been handled, and about the forces and individuals who have had the most persistent interest in carrying out these policies, which have not yet been told to the American people.

There is the matter of the press and propaganda.

Mr. Carleton Beals, writing in *The Progressive* of July 15, 1946, stated:

"It is a long time since the American public has had much of the truth about Latin America. And folks aren't likely to get much more very soon."

Mr. Beals, who is one of our ablest and most forthright authorities on Latin America, revealed that even during Mr. Nelson Rockefeller's regime—

"Only those who jumped on the bandwagon and peddled pap and piffle had any chance to travel or

get at the news. One couldn't even read current issues of Latin-American publications in the public libraries. As a student of Latin-American affairs and one earning his living by writing about them I could not obtain access to such materials. It was possible to get only what printed matter Mr. Nelson Rockefeller and the State Department wanted you to get, unless you went to a vast amount of trouble, subterfuge and expense."

In the February 8, 1946, issue of *The Commonwealth*, Mr. Christopher Emmet, a well-informed authority on Latin America, asserts in detail that Arnaldo Cortesi, of *The New York Times*; Joseph Newman, of the *New York Herald Tribune*; and Virginia Pruett and Ray Josephs, of *PM*, have completely misjudged the Argentine situation and misinformed the American public.

Help from the CIO

It is not by accident, however, that all this misinformation should have emanated largely from New York sources. I hold here in my hand a copy of the State Department's so-called Blue Book on the Argentine, which it published and released in February, 1946. Most Senators know what is in that Blue Book. Those who do not should read it. Joseph Newman reported on March 26, from Buenos Aires, that Foreign Minister Bevin had refused to join with the United States in issuing the Blue Book, even after a personal invitation to do so was extended by Mr. Byrnes.

There is a strange coincidence in all of this. For although the State Department Blue Book was issued in February of this year, in January the Committee on Latin American Affairs of the CIO issued its own white book on The Argentine Regime. I have it here on my desk.

It so happens that in the CIO News of February 25, 1946, a statement appeared calling attention to the fact that—

"Release of the State Department's blast fully confirms similar charges made over a long period of time by the CIO Latin-American Affairs Committee. As a matter of fact the CIO committee's book, *The Argentine Regime*, was released weeks before the State Department did its job.

It so happens that the executive director of this Latin-American committee of the CIO is George Michanowsky, born in Yalta, Russia, who arrived in the United States from Panama in 1940. He was not a United States citizen, and he registered as an alien on December 17, 1940.

Mr. Michanowsky served for a while with New York's *PM*, in 1942. Now this same man has moved into the select circle as advisor to our

Secretary of State and as a mold of American public opinion.

I wish to sound a warning. What about the State Department's publicity which, no doubt, will continue? There are now 45,778 full- or part-time personnel in publicity and propaganda work within all the government agencies.

China

We need not go back any further than the Yalta agreement to find a convincing picture of the way in which our policies are selling out the Chinese to the Communists and betraying our own most vital interests in the Far East.

The Yalta agreement is said by authoritative students to be the greatest insult to which the United States has ever subjected the Chinese people. Certain reports and charges have been made which ought to be investigated by the Senate.

We know now that the Kurile Islands, which it certainly was not in the late President's authority to give to the Russians, or to anyone else, except by treaty ratified by the Senate, were given to Stalin and by him are being turned into a Russian fortress. . . .

It is charged that the late President agreed to the restoration of the Chinese Eastern Railway to the Soviet Union, and the uniting of outer and inner Mongolia in a Soviet puppet state.

The Russians did not have a shadow of legal claim to a single one of the concessions it is reported the Yalta agreement gave them. Yet, the Chinese were not even consulted, it is said, until the late President had returned from Yalta and personally informed the Chinese Ambassador of the deal. The Ambassador is asserted to have reminded the President that this seems to be taking us back to the nineteenth century.

I am informed the Chinese were given to understand by the late President that by accepting the Yalta agreement and formalizing it in a treaty with Russia, which China did conclude in August, 1945, China could expect three tremendous advantages:

First. China would have peace with Russia along their 3,000-mile frontier;

Second. The late President assured the Chinese that by accepting the Yalta deal they could expect the Russians no longer to support the Chinese Communists against the Chinese Government;

Third. Above all, the Chinese were assured they would receive active and large-scale assistance from the United States to hasten the end of the war and to enable China to begin reconstruction in earnest at the earliest possible moment.

Mr. Truman Construes
Washington's Farewell Address



Washington, Tuesday, September 10, 1946

The President

PROCLAMATION 2701

ONE HUNDRED AND FIFTIETH ANNIVERSARY
OF WASHINGTON'S FAREWELL ADDRESS

BY THE PRESIDENT OF THE UNITED STATES OF
AMERICA

A PROCLAMATION

WHEREAS September 19, 1946, marks the one hundred and fiftieth anniversary of President Washington's Farewell Address to the American people, in which the Father of our Country, in announcing his intention to retire from political office, gave his fellow countrymen the benefit of his wisdom and laid down a set of political principles which for a century and a half have profoundly affected the course of our history, it is fitting and proper at this time to pay our humble and grateful respects to the deep insight, the spirit of responsible citizenship, and the outstanding devotion to duty which characterized this pronouncement and the entire career of our first President.

In this message, issued to the country at a time when our young and struggling Republic was torn by internal strife and threatened by external dangers, President Washington saw clearly the need for our country to gain time "to settle and mature its recent institutions and to progress without interruption to that degree of strength and consistency which is necessary to give it . . . the command of its own fortunes."

Pointing to the dangers that lay ahead, he boldly charted a course for our country, based on principles of "national union," "independence and liberty," exemption from the "broils and wars" of other countries, "religion and morality," "pride

of patriotism," "institutions for the general diffusion of knowledge," and the observance of "good faith and justice toward all nations."

Guided largely by these principles and favored by nature and the indomitable spirit of freedom and the will of a sturdy and pioneering people, our young Republic has grown to maturity, has gained that "command of its own fortunes" which has freed it from the state of relative dependency in which President Washington found it, and has taken its place in the councils of nations with new responsibilities which a century and a half ago could not have been foreseen.

It is appropriate for us at this time to draw fresh inspiration and renewed faith from the advice and admonitions of the Father of our Country and to apply his wisdom to our times and to the new environment in which we live.

Above all, we should keep fresh in our memory his call to national unity and responsible citizenship, based on principles of morality, and good faith and justice to all nations; for these remain the imperishable foundations of our Republic.

NOW, THEREFORE, I, HARRY S. TRUMAN, President of the United States of America, on the occasion of the sesquicentennial of President Washington's Farewell Address, do hereby call upon the officials of the Government to display the flag of the United States on all Government buildings on September 19, 1946, and I invite the people of the United States, on or near that date, to observe the event with appropriate ceremonies in schools, colleges, and civic organizations, re-dedicating ourselves to the spirit of loyal service to the Republic which our first President so nobly embodied.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the City of Washington this 6th day of September, in the year of our Lord nineteen hundred and forty-six, and of the Independence of the United States of America the one hundred and seventy-first.

By the President:

HARRY S. TRUMAN

W. L. CLAYTON:

Acting Secretary of State.

The Related Excerpts from Washington's Farewell Address

On Broils and Wars

(Internal Strife)

WHILE then every part of our country thus feels an immediate and particular interest in union, all the parts combined cannot fail to find in the united mass of means and efforts, greater strength, greater resource, proportionably greater security from external danger, a less frequent interruption of their peace by foreign nations; and, what is of inestimable value, they must derive from union, an exemption from those broils and wars between themselves, which so frequently afflict neighboring countries. . . .

On Foreign Policy

The nation which indulges towards another an habitual hatred, or an habitual fondness, is in some degree a slave. It is a slave to its animosity or to its affection, either of which is sufficient to lead it astray from its duty and its interest. Antipathy in one nation against another, disposes each more readily to offer insult and injury, to lay hold of slight causes of umbrage, and to be haughty and intractable when accidental or trifling occasions of dispute occur. Hence, frequent collisions, obstinate, envenomed, and bloody contests. . . .

So likewise, a passionate attachment of one nation for another produces a variety of evils. Sympathy for the favorite nation, facilitating the illusion of an imaginary common interest, in cases where no real common interest exists, and infusing into one the enmities of the other, betrays the former into a participation in the quarrels and wars of the latter, without adequate inducements or justifications. It leads also to concessions, to the favorite nation, of privileges denied to others, which is apt doubly to injure the nation making the concessions, by unnecessarily parting with what ought to have been retained, and by exciting jealousy, ill will, and a disposition to retaliate in the parties from whom equal privileges are withheld; and it gives to ambitious, corrupted or deluded citizens who devote themselves to the favorite nation, facility to betray or sacrifice the interests of their own country, without odium, sometimes even with popularity. . . .

Against the insidious wiles of foreign influence, (I conjure you to believe me, fellow citizens,) the jealousy of a free people ought to be

constantly awake; since history and experience prove, that foreign influence is one of the most baneful foes of republican government. . . .

Europe has a set of primary interests, which to us have none, or a very remote relation. Hence, she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics, or the ordinary combinations and collisions of her friendships or enmities. . . .

Our detached and distant situation invites and enables us to pursue a different course. If we remain one people, under an efficient government, the period is not far off when we may defy material injury from external annoyance; when we may take such an attitude as will cause the neutrality we may at any time resolve upon, to be scrupulously respected; when belligerent nations, under the impossibility of making acquisitions upon us, will not lightly hazard the giving us provocation, when we may choose peace or war, as our interest, guided by justice, shall counsel . . .

Why forego the advantages of so peculiar a situation? Why quit our own to stand upon foreign ground? Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalry, interest, humor, or caprice?

But even our commercial policy should hold an equal and impartial hand; neither seeking nor granting exclusive favors or preferences; consulting the natural course of things; diffusing and diversifying by gentle means the streams of commerce, but forcing nothing; establishing with powers so disposed, in order to give trade a stable course, to define the rights of our merchants, and to enable the government to support them, conventional rules of intercourse, the best that present circumstances and mutual opinion will permit, but temporary, and liable to be from time to time abandoned or varied as experience and circumstances shall dictate; constantly keeping in view, that it is folly in one nation to look for disinterested favors from another. . . .

There can be no greater error than to expect, or calculate upon real favors from nation to nation. It is an illusion which experience must cure, which a just pride ought to discard. . . .

United States,

17th September, 1796.

GEO. WASHINGTON

Cassandra's Oil Well

A Memorandum from the Sun Oil Company

CASSANDRA warnings of future oil scarcity are not new. Such pessimism has been uttered periodically for more than 50 years. And such warnings usually have an ulterior purpose. At all events they have no factual basis.

Current agitation in Washington for international agreements on oil and other measures, such as the locking up of strategic military reserves of oil in the United States, has as its basis the contention that we are running out of domestic oil. Statements to that effect frequently mention fourteen years' consumption as the extent of our existing reserves.

In 1916, Mark L. Requa, then a consulting engineer of the Bureau of Mines and later General Director of the Oil Division of the U. S. Fuel Administration, declared in a report to the U. S. Senate that at best this country could only meet demands for the next five to ten years and that:

"We must either plan for the future or we must pass into a condition of commercial vassalage, in time of peace relying upon some foreign country for the petroleum wherewith to lubricate the highways of commerce, in time of war, at the mercy of the enemy who may either control the sources of supply or the means of transportation; in either event our railways and factories will cease operation, our battleships will swing helplessly at anchor, and our country will resound with the martial tread of a triumphant foe."

That prophecy was made thirty years ago!

Since then the United States has fought two wars and provided gasoline for an average of one automobile for each family in the land, while imports of oil are less today than twenty-five years ago.

In 1919, David White, then Chief Geologist of the United States Geological Survey, predicted that the remaining oil resources of the United States would be exhausted in fourteen to sixteen years "if we assume that our recoverable oil possibly amounts to so much as 8 billion barrels" which he thought "very improbable." Since that time there have been produced in the United States, to the end of 1945, about 26½ billion barrels of crude oil, with proved reserves as of December 31, 1945, estimated at nearly 21 billion barrels.

The most reliable statistics obtainable on U. S. petroleum reserves are published by the American Petroleum Institute's Committee on

Reserves, and the salient facts brought out by these data are as follows:

(1) In each and every year since 1936, with the single exception of 1943, the total of new additions to reserves has exceeded production during the same year. In 1943, we drew on our reserves for 1¼% of total production.

(2) In recent years there has been a downward trend in the discovery of new fields. In other words, the bulk of additions to reserves has resulted from extension of previously discovered fields and from revised estimates of their ultimate output. This fact is the prime statistical basis for predictions of an impending oil shortage.

In this connection it will be recalled that during the war low prices for crude oil resulting from government price control, not to mention wartime restrictions on the use of steel for exploratory drilling, discouraged the drilling of wells in unproved territory. Aside from that, the industry rose to the national emergency by freely tapping its known and readily available supplies, instead of losing precious time in the search for new fields.

In any case, it will be noted that there was a sharp reversal of the trend in 1944 and 1945.

(3) Estimated proved reserves at the end of 1945 were approximately 2,340,000,000 barrels more than at the end of 1939. That represents an increase of more than 12½% during the war period, when the rate of consumption of oil greatly exceeded that of any previous period. In other words, the rate of increase in our proved reserves far more than kept pace with the unprecedented demands of war.

As to the possibilities for finding oil in areas of the United States which have not yet been explored, Wallace Pratt, one of the country's outstanding geologists, has estimated an area of approximately 1,700,000 square miles in which geological considerations make it reasonable to believe that oil may yet be found. Past experience would indicate that we may expect production from at least 1% of this vast territory.

Finally, commercially feasible processes are now being developed for the manufacture of synthetic liquid fuels using coal and lignite as the raw materials. Dr. R. R. Sayers, Director of the U. S. Bureau of Mines, asserted in 1943 that a sufficient volume of liquid products could be extracted from our known resources of coal and lignite to furnish our needs of liquid fuels at the prewar rate for at least 1,000 years.

The Party Line

Who Shall Wear the Roosevelt mantle?

SEVERAL months ago the Communist Party turned from Mr. Wallace as the true exponent of what it calls the Roosevelt policy and put Senator Pepper in that place. The distinction it made between them was illustrated by an editorial in the *Daily Worker* (Communist Party organ in New York) on the speeches they made at Madison Square Garden, Sept. 12, last. It was the Wallace speech that caused the international furor, but it was the speech of Senator Pepper that satisfied the party line.

The *Daily Worker* said:

"Thursday night's anti-Dewey rally at Madison Square Garden highlighted foreign policy—the fight for peace—as the central issue of the 1946 election campaign.

"It was at the core of every speech delivered. It was the theme of the two major speeches—Secretary Wallace's and Sen. Pepper's.

"The fact that President Truman told the press he agreed with Wallace's address despite these divergences from administration policy reflects the difficulties he faces in trying to hold onto the Roosevelt following.

"While Secretary Wallace glossed over the responsibility of American imperialist policy by describing the war danger as a result of British imperialism and 'Russian retaliation,' Sen. Pepper placed the responsibility squarely upon the shoulders of American monopoly capital.

"Where Wallace implied that the Republican Party is fighting administration policy on 'isolationist grounds,' Pepper warned that continued appeasement of the Republican imperialists would end in war.

"In a passage, quoted elsewhere, the Florida Senator revealed with magnificent clarity why a complete reversal of administration foreign policy is essential if we are to have peace.

"America and Britain, he charged, are trying to maintain outworn power relationships in order to continue world domination. They are attempting to hem in the great new forces of freedom that are on the march as a result of the war. They are trying to relegate the Soviet Union to the same world position as that of the Russia of the czars."

The *Daily Worker* printed long excerpts from the Pepper speech, none from the Wallace speech.

A week later there was a change—a turning again to Wallace. On September 18, the long Wallace letter to the President having appeared in the meantime, the *Daily Worker* produced a cartoon of Mr. Wallace sitting under a deluge of

letters from a United States mail sack, and the letters were saying: "Stand by F. D. R." Along with the cartoon was an editorial saying:

"Wallace has performed a service by calling this betrayal into the open. That is why the independent labor and progressive forces will support him, despite legitimate differences with him on some issues.

"And if there were some, including this paper, which mistakenly placed these differences higher than the area of agreement in their first reaction to Wallace—surely now is the time to lay these secondary differences aside.

"The Secretary of Commerce has a great opportunity to help consolidate the overwhelming peace sentiment among our people. We expect Wallace will fight for his views, and we know labor will support him against those who are trying to pressure Truman to oust him from the government."

Then at a Communist Party rally in Madison Square Garden, September 19, William Z. Foster, the party chairman, put Wallace before Pepper, saying:

"The most dangerous feature of the present situation was the very inadequate antiwar opposition being put up by organized labor before Wallace and [Senator Claude] Pepper spoke. But this is rapidly changing. Our country and the world have been rudely awakened by Wallace's speech."

Coinstantaneous Suspicion

The Daily Worker, Communist organ in New York said:

The stock market nosedived once again as powerful interests smashed prices down to buy back at low prices what they had sold to middle class investors at rising prices. The billion-dollar loss becomes a profit to the banking interests which are in a position to buy the stocks which the hard-pressed and panicked "little man" is now dumping on the market. The interests—mostly Morgan and Rockefeller and duPont banking circles—which are in a position to cash in on the "little 1929" of the past few days are the same which have been trying to force a tight-belt wage scale on American labor.

Representative Sabath said:

I fear now that those professionals and many of the big holders who acquired their holdings at low prices are again cooperating to unload so they can accumulate the same shares at low figures. The American people have a right to know who is raiding the market and driving down prices of sound stocks reflecting high sustained earnings, and their motives. The people have a right to know if the real reason is not alone to reap tremendous profits but also to affect the coming elections.

Fantasies about the Railroad Dollar

Exploring a State of Friendly Ignorance

FOR the *Railway Age*, the *Railway Mechanical Engineer*, and *Railway Engineering & Maintenance*, the Opinion Research Corporation made a survey and measurement of "What railroad employees think about the railroad industry." The results have been published serially in the *Railway Age*.

To questions about the feeling toward management and supervision the answers were very friendly. Those who liked the management or thought well of it so far as their contact with it went were 89%; not liking it, only 6%; indifferent, 5%. Foremen were voted "good" by 66%, "fair" by 21%, and "poor" by only 5%. Those who said nothing about them were 2%, and that makes 94%. The remaining 6% were the foremen themselves.

One of the pleasantest discoveries was that five in every eight employees would choose railroad-ing if they had to do it all over again, because they "enjoyed" it or because, as many said, "it was in their blood."

To the question: *Is there any change that management could make that would make your job more satisfactory?*, the answer from 49% was "no," and among the suggestions received from the other half wishes for more convenient hours, for better tools and equipment and for still better relations with management were twice as frequent as any reference to higher wages. That was at the end of December, last year.

So far an executive might read the survey with some complacency; he could say that his organization had done on the whole a pretty good job with labor relations. Few, if any, industries had done better.

But he could hardly read on without coming to an area of chagrin. To questions touching the economics of a railroad, regarded as a profit and loss enterprise, the replies were so shockingly ignorant that an executive reading them could only conclude either that management had been very unsuccessful in imparting that kind of information to the employee or that

to a great many persons information of that kind actually is not assimilable.

For example, there was this question: *What do you think was the profit earned by railroads in 1944?* One third answered that they had no idea what it was. One in ten thought it was from 5% to 7%, and the rest guessed all the way up to 75%. Nearly one in five thought it was more than 50%. (*The Interstate Commerce Commission's figure in 1944 was a little more than 4% profit on the capital investment.*)

There was the question: *How do you think railroads' earnings are shared between employees and stockholders?* More than one in three expressed the belief that the stockholders got more than the employees—which was to say that dividends amounted to more than wages. (*The Interstate Commerce Commission's figures show that of the revenues for 1944 the employees got 41% in wages and the stockholders only slightly more than 3% in dividends.*)

Perhaps the most unexpected answer of all was to the question: *How much profit do you think a railroad ought to earn?* Again nearly one third had no idea at all, but among the remaining two thirds the notion of what a railroad ought to earn on its capital ranged from 8% to 50% or more. From this it must be inferred that whereas more than one in three supposed that profits in 1944 had been from 25% to 75%, or more, there was in that answer neither malice nor any dark feeling about profit, but ignorance only—ignorance of the facts and worse ignorance of the realities in competitive enterprise.

Railway Age said: "In general, the principal disclosures of the inquiry are (1) that railway employees like the industry and take pride in its war record; and (2) that they are almost completely devoid of accurate knowledge of the industry's earnings and of its economic position. On the average, they believe the railroads to be fantastically more profitable than they are. At the same time, they are generous in their estimate of the earnings the industry *ought* to make. Employee understanding of the railways' competitive difficulties is shown to be limited and indefinite."

And yet for years the railroads have been posting in their stations and elsewhere striking posters to show what happens to a railroad dollar when it is cut up and divided like a pie. Why wouldn't they look at it, or, looking at it, why didn't they see it?

The Neo-American

By Towner Phelan

Vice President of the St. Louis Union Trust Company

WE ARE pledged under the Atlantic Charter "to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned." Violations of this principle by Russia foreshadows the emergence of a military power which threatens to engulf all of Europe and Asia and which represents a deadly danger to our security.

We abandoned both moral principles and military security when we bartered away the independence of the Baltic States, Poland, Central Europe and the Balkans in a vain attempt to appease Stalin. The hour is late, but it is not too late to reassert our moral principles and to defend our material interests.

It is not too late for us to realize the full significance of the neo-liberal repudiation of the philosophy of true liberalism and the traditions of a free society. The clearest and most alarming evidence of the completeness of this repudiation is found in the fact that important and representative spokesmen, of what passes for liberalism today, refer to the totalitarian dictatorships in Europe as "democratic" governments. The Win-the-Peace Committee is representative of the neo-liberal, New Deal wing of the Democratic party. It referred to the dictatorships in Poland and Yugoslavia as "democratic." *The New Republic*, certainly an authentic spokesman for neo-liberalism, referred to Russia as a democracy in stating, "The only basis of peace today is the accept-

ance of the peaceful co-existence of the *two democracies* (the United States and Russia) under the UNO. . . ."

No doubt the rank and file of American neo-liberals are not yet sufficiently "softened" by the propaganda of their more advanced thinkers, to take the long leap in the direction of a wholly totalitarian philosophy that is clearly implied in the view that Russia, Yugoslavia and Poland are "democracies." That they may ultimately follow the lead of Senator Kilgore, Helen Gahagan Douglas and *The New Republic* is foreshadowed by the past history of neo-liberalism, by its step-by-step abandonment of traditional liberalism and the concepts underlying a free society, and by its step-by-step substitution, for these concepts, of the philosophy of the coercive Social Welfare State—of statism—leading, unintentionally, but nonetheless inevitably, to the "dictatorship of the proletariat," *supposedly*, in the interest of the common man.

The domestic policy of neo-liberalism is a grave threat to our maintenance of a free society. The foreign policy of neo-liberalism, on nearly all points, undermines the safety and security of the United States and is helping Russia achieve control of "three quarters of the globe." Appeasement of Stalin is just as dangerous as was appeasement of Hitler. It is better to risk the destruction of the world than to submit to totalitarian slavery, the destination which neo-liberalism does not want, but to which it clearly points.

The Dangerous Idea of Progress

THE belief in all-round progress is based upon the wishful dream that one can get something for nothing. Its underlying assumption is that gains in one field do not have to be paid for by losses in other fields. . . . In practice, faith in the bigger and better future is one of the most potent enemies to present liberty; for rulers feel themselves justified in imposing the most monstrous tyrannies on their subjects for the sake of the wholly imaginary fruits which these tyrannies are expected . . . to bear sometime, let us say, in the twenty-first or twenty-second century.

—Aldous Huxley in *Science, Liberty and Peace*.

B o o k s

Economic Fallacy

HERE is Henry Hazlitt exercising his gift for lucidity to produce a book entitled **Economics in One Lesson*. If there were such a book this would be it. It deals with those "economic fallacies that are at last so prevalent that they have almost become new orthodoxy,"—to the point that now there is not a major government in the world whose economic policies are not influenced or in fact determined by them. He undertakes to expose them by analysis and reason and to chase them into the ground. But in the first place, how did they get abroad in this garb of respectability? How is their world-wide vogue to be explained? Mr. Hazlitt's explanation is that people have lost the habit of thinking beyond the present. They have been beguiled by the saying, "In the long run we are all dead." They want everything today; let tomorrow take care of itself. This will hardly answer the question. As one who wrote a book on thinking as a science Mr. Hazlitt would instantly concede that the behavior of the human mind has not changed in 2,000 years, whereas what he is talking about, namely, the rise of economic fallacy to a plane of orthodoxy, displacing axioms that had been unchallenged since Adam Smith, is an event of the last thirty years. Therefore, the probability is that it is a political event, with little or no relation to economic science or to the art of thinking.

For whom is this one lesson intended? If it is intended for those who believe, or who may be persuaded by argument to believe, in free competition as the right regulating principle for a free society, and the only regulating principle that may be trusted to keep it free, then it is wonderfully clear and still as sound as when Harriet Martineau was writing economics for children in Great Britain early in the last century. But if it is intended for those who believe in another way of organizing society they will say, and say rightly, that there is no such thing as *an* economic system. There is first a political system and then the economics of it. So you may have a totalitarian system and its economics or a system of free private enterprise and the economics for that, or anything in between. Mr. Hazlitt says, in italics:

The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in trac-

*"Economics in One Lesson," by Henry Hazlitt. Harper & Brothers, New York.

ing the consequences of that policy not merely for one group but for all groups."

Very good. But you may define economics also as the study of how people produce, exchange and consume wealth; and when you have so defined it you see at once that when, as in a free political system, people feed and clothe and house themselves, provide their own security, pursue their own profit and absorb their own losses, the economic canons will be very different from those of a totalitarian system in which people are fed and clothed and housed and minded in their work and in their play, by the omnipotent state.

Every fallacy that Mr. Hazlitt identifies is a fallacy on his own premise, and his own premise, as he says, is that of the traditional or classical economist, believing wholly in a free political system. If you change the premise, then what was a fallacy from that point of view may become logical from another. One chapter is on the mirage of inflation. "The ardor for inflation," he says, "never dies. It would almost seem as if no country is capable of profiting from the experience of another and no generation of learning from the sufferings of its forebears." And this he thinks is owing to the fact that people will not consider the secondary consequences; they will look only at the "benefits for a short time to favored groups,"—benefits which are at the expense of others even while they are visible, and at the expense of all when the reckoning comes. That is all true. But suppose you have those—and we do have them—who regard debasement of the currency as a weapon against the system of free capitalism which they wish to see destroyed. From that point of view is inflation logical or illogical?

In the same way and upon his own premise he comes to the subject of government debt. The fallacy there is the idea that government spending creates wealth. He shows, of course, that what the government spends it must first take, wherefore somebody has less to spend in proportion as the government has more; furthermore, that government debt can represent only postponed taxation because the borrowing must sometime be repaid and it can be repaid only out of revenues from taxation. That too is true. But again it is true only upon the assumption that you have still and will continue to have the kind of government that is appropriate to a free political system, a government of limited powers, one that borrows only in time of great emergency, intending to pay it back in a meticulous manner and then balance its books again. But suppose you have those—and we do have them—who

regard borrowing, government spending and government debt as instruments of policy, the policy being to redistribute the wealth and income of a nation according to a social plan—the policy of a planned economy in which the government becomes responsible for full employment, full production and the stability of the total enterprise. On that premise a large government debt is an indispensable and powerful implement in the hands of the planners, because it enables them to manipulate the national income by fiscal and monetary measures. And so with wage fixing, price fixing, subsidies, ceilings, floors, and stabilization schemes—all fallacies from the point of view of a free economy but rational enough, almost too rational, if you want a planned economy.

Is the idea of a planned economy itself a fallacy? Will it work? The answer to that question is not what we might wish. The planned economy has a much longer history than the free economy. Is it not now working in a manner to threaten the peace of the world? Is not free capitalism on the defensive against it? But Mr. Hazlitt was not writing a political treatise. What he is saying is this: "If we want to keep our free political system, here are the economic principles to which we must return." And he makes those principles very clear. G. G.

CED

THE Committee for Economic Development (familiarily CED) describes itself as "a group of business leaders who were convinced that the attainment and maintenance of high employment after the war dare not be left to chance." Since 1942, when it was formed with the government's benediction, it has been speaking in the name of American business. It appointed a Research Committee to do the thinking. The Research Committee provided itself with a Research Advisory Board of eminent economists, then a Research Director, an Associate Research Director, a Research Staff, and so on. From time to time the Research Committee has published Research Studies, until now there is a series of them; also Supplementary Research Papers. Number 9 in the series of Research Studies is a book entitled *Jobs and Markets** by Melvin G. Chazeau, Albert G. Hart, Gardiner C. Means, Howard B. Myers, Herbert Stein and Theodore O. Yntema.

*"Jobs and Markets." The McGraw-Hill Book Company. New York.

If this is the voice of American business, then it may be marked as an historical fact that American business no longer believes in free competition as the regulating principle in our scheme and that free private enterprise in the old tradition is sunk. What comes in place of it is a planned economy, with final responsibility in the hands of the government to provide the over-all plan and exercise the master control.

On page 2 we read, "But no one can think that business alone can do the whole job." And again on page 34:

"Popular understanding is not only necessary to the adoption of the program; it is also necessary to make the program effective once adopted. The program recommended here does not involve increased government control of individual business operations or government limitation of reasonable profit opportunities. It does involve a considerable amount of deliberate government action and explicit policy in place of incidental policy. There is danger that such a program will be misunderstood if it is not clearly presented or if it becomes mixed with programs of a different character. Interpretation of the transition program as presaging direct, detailed, uncertain, and hostile intervention in the private enterprise system would reduce the possibility of achieving high, stable business activity. But if it is clear that the government has a balanced program for maintaining economic stability and high employment by effective means within the framework of the private enterprise system, we may expect private economic behavior to contribute greatly to this goal."

There is more in this foliage than meets the careless eye. Note the phrase: *does not involve government limitation of reasonable profit opportunities*. Does it involve limitation by government of unreasonable profit? If so, who shall determine what is reasonable? Or the phrase: *program for maintaining economic stability and high employment by effective means within the framework of the free enterprise system*. If we have, existing together, an effective government program and what we may continue to call a free enterprise system, which will exist within the framework of the other? Which would you think?

The book is devoted largely to what are called transition problems, meaning the problems of moving out of a wartime economy into a peacetime economy. But the program is not so limited, for we read on page 34:

"Wage policy should not be used as a device for manipulating transitional inflationary or deflationary pressures. We should seek, step by step, to arrive at an adjustment of wage rates, profit margins, and prices that will give the best combined effect in incentives to production and support for the mass market in the posttransition period."

A posttransition period means, of course, peacetime after transition.

What are the "effective means" to be? How shall the government balance the economy in a way to maintain high employment and full production? This is very simple. The government will regulate demand—not the demand for every little thing, but the aggregate demand for all things. "The government," we read on page 65, "is not required to decide who produces what, at what price, or how the proceeds should be divided." No. But the government will determine what the aggregate demand should be in a given year for all the satisfactions of life, and manipulate the national income accordingly. If signs of unemployment appear from a decline in demand it will put more money into the people's pockets; if, on the other hand, prices begin to rise, which is the sign that demand is excessive, it will take money out of their pockets. And how will the government do this? By fiscal and monetary measures, that is to say, by putting taxes up or down, by putting credit into the banks or taking it away, and by speeding up or slowing down great public works. The subject of deficit spending is avoided. It is bound to be, nevertheless, one of the effective means, as every planner knows. All the details are worked out under three heads:

*What to Do If Demand Is Deficient,
What to Do If Demand Is Excessive, and
Who Does It?*

The conclusion is:

"There must be a focus of responsibility and authority for this transition program. In the end, the responsibility and the authority are the President's. But this is a full-time job. Some person other than the President or some committee of high officials must be assigned the responsibility for it."

Here it is called the transition program. On page 34 it was the *posttransition* program. A touch of editing perhaps, right at the end. It was unnecessary, because no one could read the book without understanding it to be the outline of a general program, not limited to the problems of transition, as for example on page 29:

"To urge strengthened use of monetary and fiscal policy as an instrument of economic control is consistent with our desire to eliminate direct government controls, such as price controls, which directly restrict the operation of the free market. The distinction here is fundamental. Fiscal and monetary controls do not create a boss to tell individuals and businesses what to do in individual transactions but a set of conditions under which individuals and businesses can operate according to their best judgment. These controls are indirect, impersonal and

objective. Their use is not only consistent with the free market system but essential to obviate the need for government interventions in the market."

Briefly, therefore, a free enterprise system in which the government controls demand and business controls supply. G. G.

Hayek and Wootton

ON OPPOSITE pages of a recent issue of *The New Leader*, Barbara Wootton reviewed F. A. Hayek's *Road to Serfdom* and F. A. Hayek reviewed Barbara Wootton's *Freedom Under Planning*. It was a nice bit of editorship to bring them together in that manner. Of all the books on planning these two have certain remarkable qualities in common. They are for one thing free of rancor, which is rare in the literature of this subject, and they are, secondly, fine examples of idea unobliged and running free. In a curious way they act and react upon each other. Professor Hayek takes her book and her criticism of his book as proof that he really did what he meant to do, and that was to "make many people who still favor a planned economy acutely conscious of the dangers to freedom which such a system carries." He quotes the British Socialist, Herbert Morrison, as having said publicly that all good socialists ought to read his *Road to Serfdom* by way of giving their convictions some "healthy testing." Professor Hayek himself might have said that *Freedom Under Planning* ought to be read by socialists for the same reason.

Mrs. Wootton is for planning, ardently and wistfully for it, and yet her intellectual sincerity obliges her to see the dangers and pitfalls. In her book she wrote: "The U.S.S.R. offers the one and only example of really comprehensive planning in time of peace which the world has ever seen. Throughout this experiment the degree of both civil and cultural freedom has been intolerably low." In this review of Hayek's book, she says: "Everything that Professor Hayek says *must* happen, *may* happen (some of it has), if nobody takes any steps to prevent it. Whether it *will* happen is another question." And again: "Planned production does definitely imply planned wages; there is no way out of that. The only alternatives are that labor organizations should frankly acknowledge this truth and act upon it, or that there should be authoritative control of wages by the state." Which is to say that unless labor accepts planned wages willingly a planned wage will be imposed upon it.

The value of the Wootton conviction for plan-

ning is emotional; the value of the Hayek conviction against it is rational, but that is not why they cannot be reconciled. What really divides them is an original difference in the way of regarding *people* and *government*. If the planners could only plan people they could have their world and it would work, meaning to say that the trouble with planning is people. Every planner comes to that difficulty. Sir William Beveridge resolves it grimly; what is good for people, that must be done to them, by compulsion if necessary. Barbara Wootton's solution is to invent her people. They will be reasonable in all economic circumstances; they will have the understanding to see the truth and the fortitude to act upon it even when it hurts; they will be able to agree amicably on what *is* the common good; in order to achieve the common good they will be willing to sacrifice certain freedoms, either in degree or entirely, knowing as they do it that as it will turn out the freedoms they surrender are after all not very important, or not very essential, or in Barbara Wootton's opinion, mythical. She invents also her planners. They will be always the best people, the best really; they will be austere in their integrity and yet sympathetic; they will know everything but the trickeries of politics; they will have of course the faculty of prevision; they will be unselfish and unambitious, jealous only for the common good, and above all they will have the wisdom to know when and where to stop, because if they did not know that it would be like driving a car without brakes toward the coast, in which case to be sure you would "eventually fall into the sea."

Then when she looks at people and sees they are not really like that she takes the unassailable position that even so it is nothing against the ideal of a planned life because they can be like that if only they want to be. And she adds that if this be not true the discussion is not worth going on with because "we are sunk anyway."

Hayek, on the other hand, takes people to be as they are and that is where he starts.

And as for government, it certainly has never occurred to Professor Wootton that as government evolves it comes to be a living thing in its own right, equipped with the instincts of self-preservation and with powers of proliferation by cell division, and then, like all living things, it has the biological urge to extend itself infinitely. It has an undying feud with freedom because by freedom it is limited; almost one could say that the better the government the worse it may be for freedom, since in the nature of humankind it is more difficult to curb the power to do good than the power to do evil. Any extension of govern-

ment power for either good or evil must entail limitations upon freedom; wherefore the first problem of a people wanting to be free is how to control and limit government. The rule, said Jefferson, is for government to gain and freedom to give way. All of this Hayek sees with devastating clarity. One of the very remarkable chapters in his *Road to Serfdom* is a psychoanalytic study of the nature of government, treating it as an aggregate personality, with all the human attributes terrifically magnified by power. The sequel is the Omnipotent State which, though it may be either good or evil, or both, is neither moral nor immoral. It is above the moral law. Its will is the law and it requires of the individual one thing only, namely obedience.

Perhaps the one most significant result of the Wootton-Hayek debate, which seems likely to go on for some time, is that it throws into high relief the first question of all. What is that first question? It is not, as it began, a question of free enterprise versus a planned economy. It is this: In order to have the planned life what shall we do with freedom?

In the June number of *The Southern Economic Journal*, Chester I. Barnard wrote a review of the two books in which the ornamental phrases about freedom are peeled away and what remains of the worshipful figure takes the form of a stark interrogation. The passage follows:

"Without touching on the philosophical question of free will and determinism, there are two fundamental questions only glanced at by either Wootton or Hayek: (1) Do people want freedom, or how much do they want it, or how much freedom can people take? (2) What is the most general condition of freedom, and how can that condition be established?

"Hayek and Wootton both assume that people want freedom or ought to have it, though the question with Wootton is more one of degree than with Hayek. This question is much broader than the problem of freedom versus security or that of freedom versus equality, matters that deserved more attention than the purposes of either Hayek or Wootton permitted. The fundamental question is the desire for freedom versus reluctance toward responsibility. When tyranny reaches the point of physical restraint, injury and murder, there is little question that freedom is desired. The instinct of self-preservation provides for that. Short of that point, however, the imposition of freedom may easily be a severe form of coercion, involving boredom, frustration or persistent worry. Those who appear most free, in positions of high command, seek constantly to devise rules, norms, formulas, and organization by which decisions are made for them, and they are relieved of liberty of action, though not relieved of responsibility or deprived of the illusion

of control. The burden of conscious deliberation of choice quickly becomes great and unbearable, the ease of responsive obedience the strongest enemy of systems of freedom. If the people's capacity for freedom is narrowly limited, then it may be conceived to be rationed among the cultural, civic, economic or political freedoms, or to be concentrated in one category or another; but it is difficult to conceive that people can accept complete freedom in all categories simultaneously. In this I think lies the explanation of the sincere adherence of Germans, Russians, the British and Americans, to mention no others, to different and contradictory philosophies of freedom. The insistence of the Russians that their system is democratic, which seems to many Americans so stupid and insincere, is more than communist propaganda. A new description of democracy might well be that in a democracy people have to be only as free as they want to be."

The Keynes Legacy

THE John Maynard Keynes legacy appears as a posthumous essay on "The Balance of Payments of the United States," in the mid-year number of *The Economic Journal*.^{*} The subject is dollars. He undertakes to answer the troublesome question: Are dollars going to be scarce in the international scheme of trade? It has developed as a kind of economic dogma that the United States is obliged to keep dollars plentiful in the markets of the world and that its failure to do so will be ruinous. The American contribution to this thought is to say that if we fail to provide dollars in a prodigious manner it will be not only disastrous for others but very bad for our own economy. In the Bretton Woods Agreements, creating the International Monetary Fund to which the United States makes the largest single contribution, the problem of "scarce currencies" is most elaborately and ingeniously dealt with by preventive devices—and "scarce currencies," as everybody understood at the time, meant scarce dollars.

What follows, even Keynes, will be more intelligible if we pause to set down a few elementary facts. What would ever make dollars scarce in the world? They will be scarce only if and when others buy from us more goods and services than we buy from them—either more than they can afford or more than they can pay for imme-

diately. We have in that case what is called a *favorable balance of trade*, which means simply that others owe us more than we owe them on the current exchange of goods and services. The difference must somehow be settled because always the books must balance, and the traditional method of settlement is for the debtor to give the creditor its IOU, which is a promise to pay in the future for goods and services received. Thus debtor and creditor nations, from the imbalance of trade. The necessity of Great Britain to borrow \$4.4 billion in this country was from an extreme imbalance of trade, partly with us and partly with the rest of the world; and this is the largest IOU ever pledged by one nation with another.

There is another idea now abroad in the world, namely, that for the United States to have a favorable balance of trade is an economic enormity. That idea, made in Great Britain, is shared also by American economists, and this notwithstanding the historic fact that Great Britain's economic fortunes were founded on a favorable balance of trade, hence her great *overseas investments* which represent, or did represent, the cumulative surplus value of her exports, that is, the value of what she sold to others over the value of what she bought.

Secondly, then, how may dollars be made plentiful in the world? There are only two ways to make them plentiful. One is to buy more goods and services from foreign countries; the other is to lend them the money, which means to invest American capital abroad. "It is obvious," says Keynes, "that no country can go on forever covering by new lending a chronic surplus on current account without eventually forcing a default from the other parties"—meaning that the foreign customers who pay you with their IOU's will sometime repudiate the debt. If this is true, then foreign lending is essentially a make-shift device to promote international trade, unsound in fact and doomed to end in default. The theory of it was that what you did with your export surplus was to leave it overseas as an interest-bearing investment, and then a time came when the inflow of interest from your overseas debtors was what is called an *invisible favorable balance of trade*—money instead of goods—and at that point you could begin to take your ease. Such was the British method and for a long time it worked; but if, as Keynes says, your debtor is bound to default, then your invisible balance is a delusion and that bonanza pattern of international trade is bankrupt. This dire probability is one that Keynes does not face, although apparently he sees it. Instead of facing it he takes an

^{*}The quarterly journal of the Royal Economic Society, of which Lord Keynes was editor for 33 years.

optimistic view of the near future and can imagine that there will be plenty of dollars for at least a while, for these reasons:

First, that what with \$15 billion of foreign owned assets in this country, besides \$4 billion of gold earmarked for foreign account, to say nothing of this country's promise to pay out dollars on account of its contribution to the International Monetary Fund and to the International Bank and the foreign loan commitments of the Export-Import Bank, and so on, the relation of the United States to the rest of the world is at the present time debtor, not creditor. "How many people are aware," he asks, "that apart from her gold holdings, which do not, of course, represent an undischarged claim on the rest of the world, the United States was a debtor country at the end of 1945?"

His second reason is that the United States, beginning from this debtor position, may continue to lend money heavily to other countries for some years before the interest burden becomes intolerable upon them, with the inevitable danger of default.

Thirdly, he believes that there is taking place in American trade philosophy a change of mind which, if it develops, will level down tariffs and abolish export subsidies, with the result of opening the rich American market to a much greater volume of foreign goods, all tending to create that happy world situation in which the United States should have not an *export* surplus but an *import* surplus, from taking more goods and services from abroad than it sells to the world, and so *equilibrium*.

"Putting one thing together with another," he asks, "may not the reader feel himself justified in concluding that the chances of the dollar becoming dangerously scarce in the course of the next five to ten years are not very high?"

He thinks it will perhaps be wise not to try to look further into the future, because much will happen that cannot be foreseen, and "meanwhile for us [the British] the best policy is to act on the optimistic hypothesis until it has been proved wrong." The plans represented by the Bretton Woods Agreement, by the Anglo-American Financial Agreement, and by the American *Proposals for Consideration by an International Conference on Trade and Employment* may work for a while, but if they fail, he says, then of course everyone else will try something different. He names two essential conditions. British exports of goods and services to the rest of the world must reach an "appropriate level" and American imports of goods and services from the world must reach also an "appropriate level"; that is to say, Great

Britain must sell more and the United States must buy more. "If these conditions," he says, "are satisfied, there will be no necessity for a strictly bilateral balance between the two countries taken in isolation." If he means here that under the two conditions named the account between Great Britain and the United States might work itself out naturally by a process of matching debits and credits as in a clearing house for world trade, only let it alone, the solution belongs to classical economics.

It was so intended. The most curious and unexpected feature of this essay—the last word of one who carried on a brilliant feud with the classicists—is the confession of an intellectual nostalgia for what he calls the *classical medicine*. We quote the passage:

"In the long run more fundamental forces may be at work, if all goes well, tending towards equilibrium, the significance of which may ultimately transcend ephemeral statistics. I find myself moved, not for the first time, to remind contemporary economists that the classical teaching embodied some permanent truths of great significance, which we are liable today to overlook because we associate them with other doctrines which we cannot now accept without much qualification. There are in these matters deep undercurrents at work, natural forces, one can call them, or even the invisible hand, which are operating toward equilibrium. If it were not so, we could not have got on even so well as we have for many decades past. . . .

"Admittedly, if the classical medicine is to work, it is essential that import tariffs and export subsidies should not progressively offset its influence. It is for this reason that one is entitled to draw some provisional comfort from the present mood of the American Administration and, as I judge it, of the American people also, as embodied in the *Proposals for Consideration by an International Conference on Trade and Employment*. We have here sincere and thoroughgoing proposals, advanced on behalf of the United States, expressly directed towards creating a system which allows the classical medicine to do its work. It shows how much modernist stuff, gone wrong and turned sour and silly, is circulating in our system, also incongruously mixed, it seems, with age-old poisons, that we should have given so doubtful a welcome to this magnificent, objective approach which a few years ago we should have regarded as offering incredible promise of a better scheme of things.

"I must not be misunderstood. I do not suppose that the classical medicine will work by itself or that we can depend on it. We need quicker and less painful aids of which exchange variation and over-all import control are the most important. But in the long run these expedients will work better and we shall need them less, if the classical medicine is also at

work. And if we reject the medicine from our systems altogether, we may just drift on from expedient to expedient and never get really fit again. The great virtue of the Bretton Woods and Washington proposals, taken in conjunction, is that they marry the use of the necessary expedients to the wholesome long-run doctrine."

But it is evident that he would expect his "classical medicine" to work in a pretty grim way. He says:

"The United States is becoming a high-living, high-cost country beyond any previous experience. Unless their internal, as well as their external, economic life is to become paralyzed by the Midas touch, they will discover ways of life which, compared with the ways of the less fortunate regions of the world, must tend towards, and not away from, external equilibrium."

He had said that before. Reporting the Anglo-American Financial Agreement in the House of Lords, he said:

"All the most responsible people in the United

States, and particularly in the State Department and in the Treasury, have entirely departed from a high-tariff, export-subsidy conception of things and will do their utmost with, they believe, the support of public opinion in the opposite direction. That is why the International Trade Convention presents us with such a tremendous opportunity."

The opportunity he was thinking of had several aspects, but—

"Fifthly—and perhaps this is the consideration which is least prominent in people's minds—the United States is rapidly becoming a high-living and high-cost country. Their wages are two-and-a-half times ours. These are the historic classical methods by which, in the long run, international equilibrium shall be restored."

The rich, high-wage country to be leveled down by competition of the low-wage country. That is what he means. International competition in the standard of living is bitter "classical medicine." Lord Keynes' position is that when that medicine happens to be good for Great Britain it is good for the world. G. G.

The Carrot and the Stick

From *The Economist*, London

THE human donkey requires either a carrot in front or a stick behind to goad it into activity. It is fashionable at the moment to argue that the carrot is the more important of the two: "incentive" is the watchword, and all classes of the community are busy arguing that if only they are given a little bit more in the way of incentive (at the expense of the rest of the community) they will respond with more activity. From miners to company promoters, the basic argument is the same. And no doubt, within limits, it is quite correct: a bigger carrot would make the donkey move a bit faster. But it is probably more realistic (though it has that touch of brutal cynicism that is so much frowned upon these days) to hold that the stick is likely to be more effective than the carrot. It may be true that one reason why people will not work hard is that they can buy so little with their wages. But it is much more true that they will not work because the fear of the sack has vanished from the land and because the Bankruptcy Court is a depressed area. However, it is not necessary for the present purpose to argue the respective potencies of the carrot and the stick; it is enough to agree that, if an active and progressive economy is to be founded on the frailties of human nature, both are needed.

But the whole drift of British society for two generations past has been to whittle away both at the carrot and the stick, until now very little of either is left. It is the passion for equality—excellent in itself—that has removed the carrot. The rewards of success have not merely been shrivelled, they have been poisoned, since commercial success itself has been turned, in the eyes of wide circles of society, into a positive disgrace. There is a conspiracy of labor, capital and the state to deny enterprise its reward. The state takes it away in high taxation. All economic progress is, by definition, labor saving; yet the attitude of the trade unions, successfully maintained, is that they will permit labor-saving devices only provided that they do not in fact save labor. Nor is the attitude of organized capital any better. The embattled trade association movement has had great success in building up a code of industrial good manners which puts any attempt to reduce costs and prices by greater skill or enterprise under the ban of "destructive competition." The industrialist who discovers a way of making better things more cheaply (which is what he is sent on earth to do) is deprived by the state of all pecuniary return and by his own colleagues of any social reward. Instead of a carrot he gets a raspberry.

*The Law of Labor

A Brief History of Its Evolution in Our Time

By Murray T. Quigg

Every foretaste of the controversy that now seems certain to arise in the next session of Congress over new labor legislation has been bitter. It is important, therefore, to know beforehand what the present law of labor is and how it came to be what it is; and there is more to this history than people commonly realize.—Editor.

Foreword

LAWS AND EDICTS affecting labor are as old as government. There can hardly be a law touching economic enterprise at all which does not affect the demand for labor and therefore the reward and the condition of the worker. But laws enacted for the ostensible benefit of wage earners and to foster the growth and power of labor unions represent a social phenomenon of only the past sixty years. These laws may be classed in three groups:

1. Laws limiting the individual contract and imposing duties upon employers for the protection of the health, safety and economic security of their employees;
2. Laws which strip employers of the weapons of industrial warfare and exempt organized labor from legal restraints, and,
3. Laws which foster labor monopolies.

We shall treat of the development of each of these three groups, omitting matters of minor importance and all of that melange of rule and edict incident to the recent war, although as part of our experience for over five years we shall be long in recovering from it.

The existing body of labor law represents a sincere effort to make effective a sense of fair play between, on the one hand, the powerful groups who own the tools of production and, on the other hand, the wage earners who operate the tools. It represents also a determined effort to increase the power of labor as a class and to im-

pose its will upon society. In either case the background is one of legal and political concepts rooted in age-long experience with the problem of personal freedom within the structure of the large-scale organization of human interest.

The people of every dynamic society of which we have record have been interested in *religion*, in *law and order*, and in *work*. The first two of these interests have been highly organized since the beginning of recorded history. The industrial revolution brought about the large-scale organization of the third interest—*work*. The problem of power in the hands of those who administer the industrial order is the same as the ancient problem of power in the hands of priesthoods and rulers.

While the ancients argued over who was fit to rule and frequently changed their rulers, whoever *did* rule, whether it was a monarch, a senate, an aristocracy, a demos or a priesthood, exercised *all* power. It was by the genius of the Anglo-Saxons, beginning at Runnymede, that what had been theretofore matters of privilege and burden held at the behest of the ruler were defined in terms of specific right and duty, thereafter not to be altered without notice, debate and consensus.

By this process of notice, debate and, consensus in successive parliaments, increasingly more representative of all the people, the English distinguished *arbitrary* from *functional* power in the hands of the executive, and forbade the one while they supported the other. This is the basis of the political liberties which our forefathers brought to flower in the Constitution of the United States.

Fundamental to the concept of our Federal Government as originally established, and as it was conducted for 140 years, is the proposition that it is a government of specific powers delegated to it by the people, including the regulation of commerce between the states; and further, that no federal law shall deprive any person "of life, liberty or property without due process of law"—that is, without regard to those principles of justice and fair play which have been part of the spirit of the people and the law of the land from ancient times.

*This is an abridgement by the editor of Mr. Quigg's paper. The full text will be issued in pamphlet form as a supplement to the Autumn Number of *American Affairs*.

During that period of 140 years the word *commerce* did not include production and manufacture. The regulation of interstate commerce, therefore, was a proper constitutional concern of the Federal Government, but the regulation of production and manufacture was not. Thus, the prohibition of interstate commerce in articles manufactured by child labor, in violation of a standard set by Congress, was held not in fact a regulation of commerce but an unconstitutional invasion of the field reserved to the states.¹

During that period of 140 years the right to work was regarded as a fundamental liberty protected by the Constitution against legislative restriction without due process. So a state statute forbidding the employment of an alien was held to be an arbitrary interference with the right to work and therefore a violation of liberty without due process of law.²

Then suddenly, beginning with the Great Depression, the law of labor was very radically altered by a series of new acts, new declarations of public policy and new interpretations of the Constitution. The changes were principally these:

One. The constitutional power of Congress to regulate interstate commerce was extended to include the power to regulate anything affecting the flow of commerce or necessary to production for commerce, from which it follows that since production and manufacture do obviously affect the flow of commerce, and since wages and labor relations do obviously affect production and manufacture, therefore, the Federal Government may assume the power to regulate wages and labor relations wherever they can be related to interstate commerce.

Two. Organized labor was specifically released from legal restraints hitherto imposed upon all alike, and

Three. The historic principle of due process of law was progressively abandoned in favor of privilege and monopoly in the hands of organized labor.

The total effect was a revolutionary transfer of power from the employer to organized labor and to the government. That was the avowed intention of Congress—to increase the economic power of labor as a matter of public policy, on the ground that the employer had possessed too much. Naturally organized labor exercised this gift of power. But when, after fourteen years of special privilege in the aggressive use of the strike weapon, it was about to bring all commerce to a stop, the President called upon Congress to authorize resort to a military solution—that is, com-

pulsory labor in the coal mines under military duress. Thus freedom withers in the field of the large-scale organization of work because the distinction between *functional* and *arbitrary* power has been forgotten.

Part I

Laws Limiting the Individual Labor Contract and Imposing Duties upon Employers

IN 1896, Utah passed a statute limiting the hours of labor in mines. The statute was resisted on the ground that it abridged freedom of contract between employers and employees in violation of due process of law and denied to mine-owners and miners the freedom enjoyed by others to work as long as they pleased. The Supreme Court pointed to the duty of the state to protect the health and well-being of its citizens by restrictions reasonably calculated to give protection, and found that the dangers to health and accident from fatigue incident to mining justified a limitation upon mining not necessarily applicable in other industries and found no principle of constitutional freedom infringed by the statute.¹

Then came a great variety of laws designed to protect the wage earner from sickness, accident and excessive fatigue, and to insure to him the payment of the full value of his contractual earnings. These laws vary in the states, according to their industrial and local conditions and to the sensitiveness of their legislatures to the interests of the wage earners and the well-being of industry. They embrace: safety, factory inspection, limitation of hours, apprenticeship, child labor, mechanic's liens, payment of wages at stated intervals in legal tender, wages as preferred claims, time for voting.

The most benign revolution in the realm of law since the foundation of the nation was effected by the workmen's compensation statutes. In effect they shifted the monetary cost of accident from the worker to the industry without regard to the cause of the accident. These laws were at first bitterly opposed by employers. This opposition served to promote discussion and careful consideration of the provisions of these laws, with the result that when they reached the final form in which they were passed they had been well drafted. They were precise in terms and definite in purpose.

It may be observed that in this important body of salutory law, the benefits run to all workers

¹Hammer v. Dagenhart, 247 U. S. 251

²Truax v. Raich, 239 U. S. 33

¹Holden v. Hardy, 169 U. S. 366

who may be affected and not solely to organized workers.

Minimum Wage Laws

The first attempts to invade the core of the labor contract by setting up minimum rates of pay were made by state legislatures. Congress followed.

In 1918 Congress passed a minimum wage law for women employed in the District of Columbia. The Supreme Court held it to be invasion of freedom of contract without reasonable relation to the well-being of those affected by it, but on the contrary merely serving to deny employment to those who could not earn the minimum fixed. Such an arbitrary interference with the individual liberty was held to be a violation of due process of law.¹

But in 1937 when the Court had before it the Oregon minimum-wage law, it upheld it by the expedient of reversing the historic approach to the issue of liberty protected by due process. In this case the Court said:

*"What is this freedom? The Constitution does not speak of freedom of contract. It speaks of liberty and prohibits the deprivation of liberty without due process of law. In prohibiting that deprivation the Constitution does not recognize an absolute and uncontrollable liberty. Liberty in each of its phases has its history and connotation. But the liberty safeguarded is liberty in a social organization which requires the protection of law against the evils which menace the health, safety, morals and welfare of the people. Liberty under the Constitution is thus necessarily subject to the restraints of due process, and regulation which is reasonable in relation to its subject and is adopted in the interests of the community is due process."*²

For 140 years we had questioned restraints. Now we question freedom. We had measured laws in terms of men. Now we measure them in terms of an abstraction—the social organization.

In 1907 Congress passed a statute forbidding interstate carriers to keep any employee engaged in the operation of trains on duty in excess of sixteen hours in any period of twenty-four hours and requiring ten consecutive hours off duty after a period of sixteen consecutive hours on duty. This was a sound health and safety measure.

Then in 1916 the four brotherhoods—the unions of engineers, firemen, conductors and trainmen—threatened a strike in support of a demand upon the railroads for an "eight-hour day." The First World War was in progress and

traffic was heavy. Nevertheless, the roads accepted the challenge of a strike. Not so the Congress and the Administration. On the day on which the strike order was to be issued the Congress passed the Adamson Act, amending the Railway Hours Act, declaring eight hours to be "deemed a day's work and the measure or standard of a day's work for the purpose of reckoning the compensation for services of all employees who are now or may hereafter be employed by a common carrier by railroad actually engaged in any capacity in the operation of trains."

The Railway Hours Act was an honest measure for the protection of the health of employees and the safety of passengers. The Adamson Act was an act passed under threat of strike for the special benefit of train operating employees, not to limit their hours of employment, but to get them overtime pay after eight hours. It is perhaps the most clearly defined instance of the submission of the government to private interests under threat of disturbance to the public interest. The Supreme Court nevertheless discovered power in Congress under the interstate commerce clause to take any measures deemed necessary to avoid the interruption of interstate commerce, even though it meant acceding to the demands of the interrupters.¹

The Fair Labor Standards Act

In 1938 the Congress invaded the general field of labor relations by the indefinite extension of the concept of interstate commerce in order to establish by law a minimum wage and maximum hours for private as well as public enterprise. The statute is known as the Fair Labor Standards Act.

Its provisions are numerous. The Act establishes a minimum wage for all employees engaged in interstate commerce or in production or manufacture intended therefor and for all employees whose work is "necessary to" such manufacture or production, but excludes agricultural workers, those engaged in retail trade, and workers in seasonal occupations not in excess of fourteen weeks. It provides for payment of time-and-a-half for hours in excess of a specified maximum per week. It sets up an administrator with inquisitorial powers and provides enforcement by criminal or injunction proceedings and by penalty payments to a wage earner who has been paid less than the amount ordered by the administrator. The introduction into interstate commerce of goods manufactured by persons who do not receive the minimum wages is a violation of the Act.

Aside from the invasion of the employer-employee relation and the assertion of the power to

¹Adkins v. The Children's Hospital, 261 U. S. 525.

²West Coast Hotel v. Parrish, 300 U. S. 379, p. 391.

¹Wilson v. New, 243 U. S. 332.

fix the price of wages—one of the most devastating of all arbitrary powers—the most interesting part of the Act is the declaration of policy upon which the Congress publicly predicates the power which it exercises in the Act. The declaration states:

“(a) The Congress hereby finds that the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well being of workers (1) causes commerce and the channels and instrumentalities of commerce to be used to spread and perpetuate such labor conditions among the workers of the several States; (2) burdens commerce and the free flow of goods in commerce; (3) constitutes an unfair method of competition in commerce; (4) leads to labor disputes burdening and obstructing commerce and the free flow of goods in commerce; and (5) interferes with the orderly and fair marketing of goods in commerce.”

Only twelve years before, in 1926, the Supreme Court found occasion to look back at three cases in which it had refused to regard as conspiracies in restraint of commerce strikes that did in fact interfere with the production of goods intended for interstate commerce; and referring to the law of these three cases it said again:

“The conspiracies or combinations in all three related to local matters—the first to building in San Francisco,¹ the second to manufacturing,² and the third to mining operations,³ and the effect upon interstate commerce was held to be purely indirect and secondary. Neither the making of goods nor the mining of coal is commerce; and the fact that the things produced are afterwards shipped or used in interstate commerce, does not make their production part of it.”

Then in 1941 the new federal legislation invading production and manufacture by the arbitrary extension of the concept of commerce was upheld by the Court and prior decisions holding otherwise were specifically overruled.⁴

The scope of the Fair Labor Standards Act has been the subject of most of the cases litigated under it, and the Supreme Court has held that it applies to a manufacturer regularly shipping any goods for interstate commerce, no matter how trivial a part that may be of his total output. Thus a newspaper whose circulation included about 40 copies for out-of-state delivery was subject to the Act and all its employees whose serv-

ices were in any wise necessary to the production of the paper were covered by the Act.¹ The employees of an office building whose space is largely devoted to the conduct of businesses which are engaged in interstate commerce are found to be necessary to the production of goods for such commerce and they are therefore covered,² and so are window cleaners employed by a local window cleaning company, cleaning windows of a manufacturer whose product is sold in interstate commerce.³

The Act applies to piece-rate workers⁴ and the administrator has power to forbid industrial homework if he finds such an order “necessary to carry out the purpose of such order and to prevent the circumvention or evasion thereof and to safeguard the minimum wage rates established.” It was so held as to a minimum-wage order in the embroideries industry.⁵

The power thus given to one man to rule over others is made clear by Mr. Justice Roberts' comment in his dissenting opinion:

“Forty per cent of the workers in an industry under pain of otherwise losing their occupation are compelled to give up what they have done time out of mind and if they desire to pursue their calling, to do so under completely changed economic conditions, not in their homes but in factories which, if they are available at all, may be remote from their homes.”

Part II

Laws Stripping Employers of the Weapons of Industrial Warfare and Exempting Organized Labor from Legal Restraints Common to Others

AT THE BEGINNING of the nineteenth century the wage earners began to organize, only to discover that their organizations were regarded under common law and ancient conspiracy statutes as criminal conspiracies to fix the price of labor in the market place. The matter so stood until 1842 when the Supreme Judicial Court of Massachusetts dismissed an indictment against a group of strikers and declared that a combination of wage earners to improve their own conditions and even to demand that only members of

¹Industrial Association vs. U. S. 268, U. S. 64.

²United Letter Workers vs. Herkert, 265 U. S. 457.

³United Mine Workers vs. Coronado Coal Co., 259 U. S. 344.

⁴U. S. v. Darby, 312 U. S. 100.

¹Mabie v. White Plains Company, decided February 11, 1946.

²Kirschbaum Co. v. Wallace, 316 U. S. 517. Borden Co. v. Borella, 325 U. S. 679.

³Martino v. Michigan Window Cleaners Company, decided February 4, 1946.

⁴U. S. v. Rosenwasser, 323 U. S. 360.

⁵Gemsco Inc. v. Walling, 324 U. S. 244.

their union be employed in the shop where they worked was not a criminal conspiracy.¹

Though not binding in other states, this decision appears to have been universally followed. But not until the rapid growth of immigration, of mechanization and the division of labor following the Civil War did conditions favor the growth of labor unions. The first outburst of organization produced the Knights of Labor, a union of all workers without regard to craft, skill or occupation. Beginning in 1869 this union is believed to have mustered a million members before its collapse after the Haymarket bomb tragedy in Chicago in 1886. Its essential weakness was that it was ahead of its time in disregard of craft distinctions and the craftsman's sense of superiority over the unskilled laborer at a time when pride of craftsmanship was still very strong.

Meanwhile Samuel Gompers, immigrant cigar maker working in the sweat shops of New York City, made good the organization of a cigar makers' union and persuaded other craft unions to unite in the American Federation of Labor. Simplicity and directness of aims gave strength to Gompers' organization and his leadership. His fundamental principle was that "the wage earners have the right to be represented by representatives of their own choosing."

The phraseology is important. He speaks not of the wage earner, but of wage earners. A majority in any craft or trade would do the choosing. The labor movement recognizes no minority interest.

Gompers' clarity and vigor enlivened the movement for craft organization. Strikes were begun by a minority of the workers in a plant, relying upon the persuasiveness of the picket line to make the strike effective. Nonstrikers were slandered and assaulted and when police failed or refused to maintain order, employers turned to the courts for relief.

The Injunction

Then developed a struggle over the use of the equity powers of the courts in labor disputes. It lasted for forty years and what happened during that struggle laid most of the groundwork for the revolution that has taken place in the past fourteen years.

In accepting jurisdiction in strike cases and issuing their orders, equity courts merely applied to labor disputes the principles applied in other fields of private conflict where property rights were involved. As one type of strike after another and one form of union activity after another came under legal scrutiny, attorneys analyzed the

claimed rights of their clients, and the courts began in this arena of organized buyers and organized sellers of labor to chart the equities between the parties as they had long done in other and more familiar arenas of human conflict.

The equity courts condemned as illegal strikes in violation of collective agreements, generally condemned strikes to monopolize the labor market in a particular trade by demands for a closed shop over a wide area, condemned strikes to extort money, generally condemned jurisdictional strikes and strikes with intent to enforce a secondary boycott. They condemned violence, threats of injury, slander and misrepresentation on the picket line, but otherwise generally recognized the right of strikers to make their cause known at the gate to the employers' place of business as part of the constitutional right to freedom of speech, and recognized their right to organize and strike in support of demands relating to their own hours, pay, and working conditions. Courts gave relief to organized labor against unlawful interference with their headquarters by the police, they gave protection to trade agreements against threatened breach by employers, and they withheld relief from employers where the employer had dealt deceptively with his employees.

But Gompers was primarily concerned to extend the organization of labor within the pattern of the A. F. of L. He took the position that if a labor union was in itself lawful any of its "normal" activities should be regarded as lawful. The violence of his opposition to any control of the picket line and any limitation upon the right to strike piled up opposition to the trade union movement among businessmen of all types, among people who recognized the desirability of trade unions, and among many thousands of wage earners who were thrown out of employment by strikes called without consultation and which they did not approve. The voices of many employers who had successful relations with trade unions and were willing to urge collective agreements upon fellow employers were lost in the din of the picket line.

On the other hand, the violence and bitterness that developed on the picket line was due in large measure to those employers, themselves associations of people to buy labor, who would not recognize the right of employees to organize to sell labor.

The Pullman Strike

The injunction in labor disputes first attracted national attention in the Pullman strike of 1894.

¹Commonwealth v. Hunt, 45 Mass. 111.

Under the leadership of Eugene Debs, the head of the Socialist Party, employees of the Pullman Company went on a strike and, in sympathy with their aims, the operating personnel of trains leaving Chicago refused to run trains with Pullman cars. Many of these trains were also mail trains. Interference with the carrying of the mails is a criminal offense. On the application of the Attorney General of the United States, a federal court granted an order enjoining any persons from combining to refuse to handle trains in the course of interstate commerce and the transportation of the mails. Disorder broke out and the President sent units of the Army to Chicago to maintain order. Debs violated the order of the court, was arrested and charged with contempt. He challenged the arrest by application for a writ of *habeas corpus*. The Supreme Court refused the writ, holding that the strong arm of the Federal Government might be used to sweep away any obstruction to interstate commerce, saying:

*"If a State, with its recognized powers of sovereignty, is impotent to obstruct interstate commerce, can it be that any mere voluntary association of individuals within the limits of that State has a power the State itself does not possess?"*¹

On the contempt proceeding Debs testified that the presence of the Army did not interfere with the progress of the strike, but that when the issuing of orders by the leaders of the strike was brought to an end by the injunction under penalty of arrest for contempt, the strike went to pieces.

In this testimony Debs touched upon the essence of the matter. The injunction in labor disputes does not, as so often misrepresented, interfere with the freedom of any individual to quit work or continue to refuse to work. It touches the individual striker only when he engages in criminal activity which the police have failed or are failing to prevent. It does prevent the leaders of the strike, under penalty of contempt of court, from ordering men to refuse to work or return to work and from directing a concert of illegal action, or for an illegal result.

The Sherman Law

In 1890, the Sherman Law declared unlawful "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States." The Act authorizes the government to proceed against participants in such an unlawful combination for criminal penalties or to restrain them by injunc-

tion. Private persons injured by violations of the Act were entitled to sue for treble the damages sustained.

In 1901, the United Hatters of North America engaged in a unionizing campaign in Fairfield County, Connecticut. Twenty-nine employees of Loewe, a hat manufacturer at Danbury, Connecticut, refused to join the union. The union advised Loewe that he must dismiss these employees if they would not join, and if he failed to do so no union man in the A. F. of L. would buy any hat from any storekeeper who sold Loewe's hats. Thus, Loewe's trade would be ruined if he did not compel his employees to join under threat of discharge. Loewe refused to become an agent of the union to compel his employees to do what an American citizen has the right to refuse to do.

The boycott developed and resulted in the famous Danbury Hatters case¹ predicated on the Sherman Act. The Supreme Court held that while the Sherman Act did not apply to a combination of wage earners to secure better wages and working conditions for themselves, it did apply when the combination embracing others not directly concerned acted to restrain the trade of employers and other persons as a means of compelling an employer under threat of ruin to accede to union demands. The case was tried and the jury returned a verdict of \$75,000, which was trebled under the Act. The Hatters Union and the American Federation of Labor loudly proclaimed that they would never pay the judgment. The plaintiff sued members of the Hatters Union on the judgment and obtained orders for the sale of their property to satisfy the judgment. When the home of one of the union members actually went on the block, the A. F. of L. capitulated and made a payment in settlement of the judgment.

In the light of these and other cases holding trade union activities subject to the laws which were laid upon all alike Gompers flooded the country with demands for exemptions and arguments particularly directed against the use of injunctions. He declared that "the labor of a human being is not a commodity or article of commerce" and therefore the purchase and sale of such labor was not subject to protection as a property right. He secured the passage of anti-injunction laws in several states, among others, one in Massachusetts which forbade an injunction "in any case between an employer and employees, or between employers and employees or between persons employed and persons seeking employment, or involving or growing out of a dispute

¹In re Debs, 158 U. S. 564, 581.

¹Loewe v. Lawlor, 208 U. S. 274 and Lawlor v. Loewe, 235 U. S. 522.

concerning terms or conditions of employment or any act or acts done in pursuance thereof unless necessary to prevent irreparable injury to property or to a property right” It further declared that “the right to enter the relation of employer and employee, to change that relation . . . and to perform and carry on business in such relation with any person in any place, or to do work and labor as an employee shall be held and construed to be a personal and not a property right.”

The effect of this statute, if enforced, would have been to deny to any employee the protection of equity in seeking, obtaining or holding employment.

Union vs. Union

The statute was brought to test in Boston by a union of hod carriers of the I. W. W., then the radical one-big-union movement in the United States. The rest of the building trades were firmly organized in craft unions of the A. F. of L. and were intent upon full dominion over the labor of the building industry in Boston. These craft unions refused to work on any building where I. W. W. hod carriers were employed. The I. W. W. men were put off the buildings and they brought suit against the A. F. of L. hod carriers and others, to enjoin them from interference with their contracts of employment. They relied upon well established law as to the protection of contract rights. It was strictly a battle between labor unions. The A. F. of L. men resisted on the ground that an injunction against them was now forbidden. The Court held the statute unconstitutional and threw into relief the injustice of withholding from the wage earner the protection of the law in order to aggrandize the interests of a group saying:¹

“That a man cannot resort to equity respecting his property right to work in the ordinary case simply because he is a laboring man, and that he cannot have the benefit of an injunction when such remedies are open freely to owners of other kinds of property, needs scarcely more than a statement to demonstrate that such a man is not guarded in his property rights under the law to the same extent as others.”

That was the essence of the matter.

Upon reading this decision Mr. Gompers cried aloud in the *American Federationist*, “Court filches workers’ rights”—“What shall be done with judges who violate the constitutional rights of labor?” The more dispassionate will wonder what workers he was talking about.

The Clayton Act

In 1914 the Congress amended the Federal antitrust laws by the passage of the Clayton Act. Organized labor demanded strong provisions exempting it from all restraint-of-trade laws. The Congress refused to go so far, but it did insert the provision that nothing contained in the anti-trust laws should be construed to forbid the existence and operation of labor, agricultural and horticultural organizations instituted for the purposes of mutual help and not conducted for profit or to forbid “individual members of such organizations from *lawfully* carrying out the legitimate objects thereof.” The statute, however, made no definition of the “legitimate objects” of such organizations. It went on to forbid any federal court to issue an injunction in any case between an employer and employees, *or* between employers and employees, *or* between employers, *or* between persons employed and persons seeking employment, involving a dispute concerning terms and conditions of employment “unless necessary to prevent irreparable injury to property, or to a property right;” and further, to protect (1) the right of any person in such a dispute to quit work and “to recommend, advise or persuade others by *peaceful* means so to do,” (2) the right of any person to attend at any place “for the purpose of *peacefully* obtaining or communicating information,” (3) the right *peacefully* to persuade any person to work or abstain from working, and (4) the right to persuade others not to patronize or not to employ any party to such dispute.

Injunctions to stop conspiracies in restraint of interstate commerce in violation of the Sherman Act, theretofore available only to the Federal Government, were authorized by the Clayton Act upon the application of individuals and corporations.

Prior to the passage of this Act the International Association of Machinists had unionized three of the four principal plants making newspaper presses, and under pressure from the three they called a strike at the plant of the fourth, the Duplex Printing Press Company, at Battle Creek, Michigan. Eleven of approximately 200 machinists quit at the strike call. Thereupon machinists in New York City, as part of a nationwide program adopted by the union, warned customers that it would be better for them not to purchase these machines or, having purchased them, not to install them. They threatened customers with sympathetic strikes by other trades. Organized truckmen were warned or induced not to carry the presses. Repair shops were advised not to repair the presses. Preparations for a strike

¹Bogni vs. Perotti, 224 Mass. 152. 112 N. E. 853.

against an exposition company intending to exhibit Duplex presses was in progress when the Duplex Company appealed to the Federal District Court in New York for an injunction. The case came to final hearing after the Clayton Act was passed. On appeal the Supreme Court held¹ that "by no fair or permissible construction can it (the Clayton Act) be taken as authorizing any activity otherwise unlawful or enabling a normally lawful organization to become a cloak for an illegal combination or conspiracy in restraint of trade as defined by the antitrust law."

The issue turned primarily upon the significance of the words:—*in any case between an employer and employees, or between employers and employees, or between employees, or between persons employed and persons seeking employment.*

The defendants contended, and a minority of the judges supported the contention, that this forbade an injunction against the employees of *anyone* on the suit of a person who was an employer of *anyone*, whether there was any relation between them or not. The majority of the Court, however, held that this language related to persons who were in proximate relation with one another, and said: "The Congress had in mind particular industrial controversies, not a general class war;" and since "terms or conditions of employment are the only grounds of dispute recognized as adequate to bring into play the exemptions," the Court declared, "it would do violence to the guarded language employed were the exemption extended beyond the parties affected in a proximate and substantial, not merely a sentimental or sympathetic, sense by the cause of dispute."

Picketing

In 1913, the American Steel Foundries shut its plant at Granite City, Illinois, and dismissed 1,600 men. In April, 1914, it resumed operations with about 350 of its regular men of whom 150 were skilled workers and about one-half of whom were rehired at rates from 2 cents to 10 cents per hour below those paid before the plant shut down. The Tri-City Trades Council sent a committee to the company to get a restoration of the previous wages. The company manager would not deal with the committee but advised that he would entertain any complaint by an employee. Thereupon the Council declared a strike and one union man and one non-union man walked out of the plant. The plant was picketed by groups of four to fifteen men from various trades.

¹Duplex Printing Press Co. v. Deering, 254 U. S. 443.

The company applied to the Federal Court for an injunction and the case finally reached the Supreme Court of the United States upon a construction of the Clayton Act as it applied to picketing. The Court held that in picketing case "each case must turn on its own circumstances." But under the circumstances indicated "it is idle to talk of peaceful communication in such a place and under such conditions. The number of the pickets in the group constituted intimidation. The name 'picket' indicated a militant purpose inconsistent with peaceable persuasion." The balance of rights between strangers who may have an interest in talking with one another was admirably stated by the Court:

"We are a social people and the accosting by one of another in an inoffensive way and an offer by one to communicate and discuss information with a view to influencing the other's action are not regarded as aggression or a violation of that other's rights. If, however, the offer is declined, as it may rightfully be, then persistence, importunity, following and talking become unjustifiable annoyance and obstruction which is likely soon to savor of intimidation. From all of this the person sought to be influenced has a right to be free and his employer has a right to have him free."

The right of peaceful picketing has always been predicated upon the right of free speech and the right incidental thereto to speak at the point and to the persons that will serve the purpose of the speaker. It was in support of this constitutional right that the courts, after some initial uncertainty, had come to support the right of peaceful picketing even before the Norris-LaGuardia Act and had struck down ordinances and statutes forbidding peaceful picketing.

Upon the discovery that the Clayton Act did not grant special privileges to organized labor, the American Federation of Labor began renewed efforts for an anti-injunction law that would secure the special privileges desired.

The Norris-LaGuardia Act

When the Great Depression came, the wage earner's contact with it was through his notice of discharge or a pay reduction. He got it from the employer and his indignation and bitterness were directed at the employer, and whether the employer was in any way more responsible for the collapse of the credit expansion of the late Twenties than the wage earner himself, the economic burden of it was heavier upon the wage earner. Then came forward those who felt that this bitterness must be appeased and

¹American Steel Foundries v. Tri-City Trades Council, 257 U. S. 184.

those who found in it political opportunity. The first fruit was the Norris-LaGuardia Act, born in March, 1932.

This Act declares it to be an article of public policy that,

*"under prevailing economic conditions, developed with the aid of governmental authority to organize in corporate form, the unorganized worker is helpless to exercise actual liberty of contract and to obtain acceptable terms and conditions of employment, * * * WHEREFORE, though he should be free to decline to associate with his fellows, it is necessary that he have full freedom of association, self organization, and designation of representatives of his own choosing . . ."*

The federal courts are forbidden in any case involving or growing out of a labor dispute to prohibit any person or persons participating or interested in such dispute from doing, whether singly or in concert, various acts, including: ceasing or refusing to perform any work or remaining in any relation of employment; giving publicity to the existence of or the facts involved in any labor dispute by advertising, speaking, patrolling, or by any other method not involving fraud or violence; assembling peaceably to act; and a combination of persons to do any of these things is not to be regarded as unlawful.

The Act then continues with various provisions as to the conditions which must be complied with by one seeking relief by injunction in a labor dispute. He must be able to show that "as to each item of relief granted, greater injury will be inflicted upon complainant by the denial of relief than will be inflicted upon defendant by the granting of relief." Since the Act practically forbids relief against all manner of activities save fraud and violence, it would appear that if the doer of violence suffers more from restraint than his victim suffers from violence he may be permitted to continue.

Finally, the Act comes to the essence of the revolution, namely, whether industrial conflict is a matter between an employer and his employees or a matter of class warfare. The Act declares that a case shall be held to involve a labor dispute when the issue involves persons engaged in the same industry, trade, craft or occupation or who "have direct or indirect interests therein" or "who are members of the same or an affiliated association of employers and employees" and also when the case involves "any conflict or competing interests in a labor dispute." A person or association shall be held to be "participating or interested" in a dispute if he or it is engaged in the same industry, trade, craft, or occupation in which the dispute occurs or has "a direct or in-

direct interest therein"; and a labor dispute is held to include "any controversy concerning terms or conditions of employment, or concerning the association or representation of persons negotiating, fixing, maintaining, changing or seeking to arrange terms or conditions of employment, regardless of whether or not the disputants stand in the proximate relation of employer and employee."

Fate of the Individual

The constitutionality of this legislation first reached the Supreme Court in a case arising under a Wisconsin statute of similar import.¹ It forcefully illustrates the fate of the individual. The gist of the matter lies in the definition of an industrial dispute and those who are to be regarded as participants therein, and gives special favor to class warfare.

A man named Senn was a tile setter, working as an independent contractor. He worked on his own jobs and sometimes employed one or two journeymen tile setters and one or two helpers, who were nonunion men. He was ineligible for union membership under its rule because he had not served an apprenticeship. The union demanded that he employ only union men, which he was willing to do; but they also demanded that he refrain from working on his own jobs, which he refused to do. Thereupon his office, which was his house, was picketed. His car was followed to his jobs and every effort, without fraud or violence, was made by the union to destroy his business.

Upon his application for an injunction it was held that the demand that he abandon the practice of his craft and his refusal to do so created a labor dispute and no injunction would be issued to restrain peaceful picketing. Senn maintained that the statute was in violation of the clause of the 14th Amendment, providing that "no State shall . . . deprive any person of life, liberty or property without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws." A majority of the Supreme Court upheld the statute. The majority discoursed upon the legitimate interests of organized workers in protecting the standards of their employment and then observed: "If the end sought by the means is not forbidden by the Federal Constitution, the State may authorize working men to seek to attain it by combining as pickets. . . ." But the Court failed to discuss whether the State, which cannot itself forbid a man to work at a lawful calling, may nevertheless grant a privilege to a group of citizens to exercise this power at their arbitrary pleasure.

¹Senn vs. Tile Layers Protective Association, 301 U. S. 468.

In his dissenting opinion, Mr. Justice Butler quoted but a few of the decisions of the Supreme Court upholding as a constitutional right the right to work without arbitrary interference, including this one:

*"For the very idea that one man may be compelled to hold his life or means of living or any material right essential to the enjoyment of life at the mere will of another seems to be intolerable in any country where freedom prevails, as being the essence of slavery itself."*¹

The cases which have arisen under the Norris-LaGuardia and similar state statutes are already legion. The principal issue has been the scope of the warfare which the Act authorizes and encourages as found in the words "regardless of whether or not the disputants stand in the proximate relation of employer and employee." Thus, the Supreme Court has held that a labor dispute within the meaning of the Act exists where a trade union demands that an employer discharge his nonunion employees if they refuse to join the union. In a case reaching the Supreme Court an agent of the Amalgamated Meat Cutters and Butcher Workmen telephoned a meat packer and told him that he was coming out to see him to get a contract; the meat packer replied that he could not sign one, that his employees had their own association and were well satisfied. The union agent replied, "I am going out there tonight and if you don't join I will declare war on you." And he did. The Supreme Court held that that was sufficient to create a labor dispute, entitled to enjoy all the privileges of special protection afforded by this legislation.²

The extremes of this Act are fully revealed in the following dissent by Mr. Justice McReynolds:

*"Under the tortured meaning now attributed to the words 'labor dispute,' no employer—merchant, manufacturer, builder, cobbler, housekeeper or what not—who prefers helpers of one color or class can find adequate safeguard against intolerable violations of his freedom if members of some other class, religion, race or color demand that he give them precedence. The ultimate result of the view now approved to the very people whom present petitioners claim to represent, it may be, is prefigured by the grievous plight of minorities in lands where the law has become a mere political instrument."*³

Antiracketeering Act

In 1934, Congress enacted that any person who obtains or attempts to obtain by force, violence or coercion a payment of money, or the pur-

chase or rental of property, or protective services, in connection with any act "in any way or in any degree affecting trade or commerce or any article or commodity moving or about to move in trade or commerce between the States shall be guilty of a felony," *excepting* only "the payment of wages by a *bona fide* employer to a *bona fide* employee," and directing that prosecutions under this Act "shall be commenced only by the express direction of the Attorney General." The Act further provided that its provisions should not be construed or applied in such a manner as to "impair, diminish or in any manner affect the rights of *bona fide* trade organizations in lawfully carrying out the legitimate objects thereof, as such rights are expressed in existing statutes of the United States."

Local 807 of the International Brotherhood of Teamsters claims a monopoly of motor truck driving in New York City. Its members met motor trucks moving in interstate commerce at the borders of the city and by violence or threats of violence to the drivers and the trucks, exacted \$9.42 for each large truck and \$8.41 for each small truck entering the city. These amounts were the contract rates for a day's work of driving and unloading. In some instances the local driver took over the truck and did the work of driving, unloading and loading within the city, while in other instances the money was demanded and obtained but the offer of services was rejected and in some cases the local drivers failed to offer or refused to work when asked to do so.

The independent Assistant Attorney General in charge of the Antitrust Division of the Department of Justice, Mr. Thurman Arnold, mistook this for a racket and brought criminal proceedings against Local 807. The defendants were guilty of course unless the payments of money amounted to "the payment of wages by a *bona fide* employer to a *bona fide* employee." The jury also mistook it for a racket and found the union and twenty-six individuals guilty of conspiracy to violate the Act.

The case went to the Supreme Court. The essence of the government's contention (the Government as represented by Mr. Thurman Arnold) was that the money was not paid for labor, but for protection. To this a majority of the Court replied: "We take this to mean that the intent of the owners in making the payment is to be regarded as controlling. We cannot agree. The state of mind of the truck owners cannot be decisive of the guilt of these defendants. On the contrary, their guilt is determined by whether or not their purposes and objective was to obtain 'the payment of wages by a *bona fide* employer to a *bona fide* employee'."

¹Yick Wo v. Hopkins, 118 U. S. 356, 370.

²Lauf v. Shinner & Co. Inc., 303 U. S. 323.

³The New Negro Alliance v. Sanitary Grocery Co. Inc., 303 U. S. 552.

The Court then held that the defendants brought themselves within the exception contemplated by the law and their conviction was ordered reversed.

In an awkward attempt to mitigate the absurdity of the law at this point the Hobbs Act was passed in June, 1946. It declares it to be a felony to obstruct commerce between the states by robbery or extortion. It defines robbery as "the unlawful taking or obtaining of personal property from the person or in the presence of another, against his will, by means of actual or threatened force or violence, or fear of injury, immediate or future, to his person or property or property in his custody or possession . . .," and extortion as "obtaining property from another, with his consent, induced by wrongful use of actual or threatened force, violence or fear or under color of official right." The Act does not mention trade unions or employers and employees. It remains to be seen whether the sale of labor by force or threats of force or injury can escape these definitions.

Labor Not Obligated

When by the National Labor Relations Act and the Federal Wage and Hour Law (Fair Labor Standards Act) the Congress boldly broke through the traditional concept of interstate commerce and the court supported this legislation on the ground that supervision of labor relations in plants manufacturing for interstate commerce was a legitimate exercise of the power of Congress to regulate such commerce, it was natural that employers and even the independent Assistant Attorney General who happened to be in charge of anti-trust prosecutions should think that strikes in manufacturing plants which deliberately curtailed the flow of commerce were now to be regarded as unlawful conspiracies under the Sherman Act.

When the members of the Full Fashioned Hosiery Workers, having but a few of its own members employed by the Apex Hosiery Company in Philadelphia, called a strike, managed to get the regular employees out of the building, put in their own members and took possession of the premises and held them seven weeks and three times refused the request of the company that it be permitted to remove the finished stocks on hand for shipment in interstate commerce to fulfill its orders, and while in the plant members of this union inflicted so much damage that the plant was not able to operate for many weeks after the company regained possession with the assistance of the marshal, the Apex Company felt that it had a cause under the Sherman Act.

It took the Supreme Court no less than thirty-one pages to explain that while it was within the power of Congress to extend the meaning of the Sherman Act to cover such a situation, the Act must be read in the light of subsequent labor legislation which gave exemptions to labor, and curtailed the meaning of the Act where labor was involved.¹

The Assistant Attorney General (Mr. Arnold again) was no more successful in a criminal proceeding against the president of the United Brotherhood of Carpenters. When that union tied up building construction and the operations of the Anheuser-Busch Company incidental to a jurisdictional dispute with the sheet metal workers and in violation of an agreement theretofore entered to arbitrate any issue of jurisdiction arising between the unions,² the Supreme Court held that the Sherman Act as modified by the Clayton Act must further be interpreted by the provisions of the Norris-LaGuardia Act, extending industrial warfare from employers and employees in proximate relation with one another to employers and employees as classes.

The demoralization of our laws by legislative grant of special privilege to trade unions and the judicial destruction of the doctrine of due process of law as relating to substantive rights is made clear by a decision of the Supreme Court in 1945. Local Union No. 3, International Brotherhood of Electrical Workers, a powerful union in New York City, has for many years past demanded that contractors who employ their members on installation work in New York City use only materials manufactured by members of the union in New York City. Their purpose of course is to increase the demand for the services of their members and to help them support the high wage rates which they demand and receive. Some years ago they finally prevailed upon manufacturers and contractors in New York City to join with them in a system of contractual relations by which it was agreed that only electrical equipment manufactured in New York City should be used in building construction in the city. It has come about that manufacturers in New York sell at high prices in the city and sell identical equipment at lower prices outside the city. When this arrangement was attacked in the courts as a combination in restraint of trade the issue was whether the special privileges of trade unions immunized the combination among the employers or whether the combination among the employers—*i.e.*, manufacturers and contractors—corrupted the privileges of the union. The Court

¹Apex Hosiery Co. v. Leader, 310 U. S. 469.

²U. S. vs. Hutchinson, 312 U. S. 219.

held¹ that while the combination of wage earners to work only upon material manufactured by their own members was not an illegal restraint of trade under the statutes as drawn, nevertheless the combination of employers to exclude from New York City materials made outside was illegal, and so far as there was agreement between the employers and the union to conduct this boycott it was unlawful.

This decision is a candid confession by our highest court that our laws are no longer impartial, but so corrupted that legal judgment is determined not by acts in themselves, but by reference of the acts to economic classes. The question of legality is no longer what is done, or even why it is done, but simply who did it.

Part III

Laws Fostering Labor Monopolies

THE FIRST recognition by any branch of government of the wage earner's right to organize to sell labor in equality with the investor's right to organize to buy labor appears in the decision of the Supreme Judicial Court of Massachusetts in 1842 cited above.

The Congress first gave recognition to the right of workers to organize by an act providing for the incorporation of unions having branches in two or more states, declaring:

*"That the term 'National Trade Union' in the meaning of this Act, shall signify any association of working people . . . for the purpose of aiding its members to become more skillful and efficient workers, the promotion of their general intelligence, the elevation of their character, the regulation of their wages and their hours and conditions of labor, the protection of their individual rights in the prosecution of their trade or trades, the raising of funds for the benefit of sick, disabled or unemployed members, or the families of deceased members, or for such other object or objects for which working people may lawfully combine, having in view their mutual protection or benefit."*²

Observe the emphasis placed in the declaration upon individual rights in contrast with recent legislation which places emphasis upon wage earners as a class.

In 1898 the Congress declared it to be a misdemeanor to discharge or refuse to employ any person on an interstate railroad because he was a member of, or refused to resign membership in, a trade union. A similar act was passed in a number of states, including Kansas.

Both the federal Act¹ and the Kansas Act² were struck down by the Supreme Court on the ground that such legislation was arbitrary interference with the employer's right to discharge or refuse to employ while leaving the employee unhindered in his right to quit or refuse employment.

The War Labor Board of the First World War under the joint chairmanship of William Howard Taft and Frank P. Walsh took the position that war was not a proper circumstance under which to alter employment relations and the Board sustained closed shops or open shops as they had existed prior to our entry into the war.

In 1920 Congress passed the Transportation Act, setting up wholly permissive procedure for the settlement of disputes between the railroads and their employees by mediation. The Act attracted more praise than respect. The Court declared that the decisions of the board created by the Act "have no other sanction than public opinion."³

Then came the Railway Labor Disputes Act of 1926. This statute set up the now familiar machinery for the mediation of demands made by organized employees of interstate carriers by rail and requires the parties to negotiate and to seek mediation under special adjustment boards appointed for the purpose by the President. It does not, however, require arbitration if the mediation fails. As amended in 1934 it forbids any interference with employee organization by employers and requires recognition of the representative of a majority of the employees in any group or classification as the only proper agent for collective bargaining.

National Labor Relations Act

Recognition of labor's untrammelled right to organize was made a condition of every Blue Eagle code under the terms of Section 7-A of the short-lived National Industrial Recovery Act, in 1933. When the Supreme Court struck down the National Industrial Recovery Act on the ground that it was unconstitutional, Section 7-A went with it, but organized labor was not defeated. All of its gains were consolidated in a new law, expressly written for that purpose; and the name of the new law was the National Labor Relations Act—called also the Wagner Act.

By this Act, passed in 1935, the Federal Government invades the employment relation in private industry regardless of whether the employer and employees are "in fact actually engaged in

¹Allen Bradley Co. vs. Local 3, 325 U. S. 797.

²Act of June 29, 1886, Chapter 564, 24 Stat. 86.

³Adair v. United States, 208 U. S. 161.

²Coppage v. Kansas, 236 U. S. 1.

⁴Penna. R. R. v. U. S. Railroad Labor Board, 261 U. S. 72.

interstate commerce," but upon the ground that labor disputes affect the flow of commerce at its source.

The Act makes the statement that "experience has proved that protection by law of the right of employees to organize and bargain collectively safeguards commerce from injury, impairment or interruption, . . ." and it is declared to be the policy of the Act "to eliminate the causes of certain substantial obstructions to the free flow of commerce . . . by protecting the exercise by workers of full freedom of association, and organization and designation of representatives of their own choosing, for the purpose of negotiating terms and conditions of their employment or other mutual aid or protection."

The Act creates the National Labor Relations Board. Its functions are:

(1) To provide machinery for the elections by which a majority of the employees of any employer or of any plant may determine the organization that shall represent all of them;

(2) To supervise such elections;

(3) To enforce against employers Section 8 of the Act, which forbids employers to engage in so-called unfair labor practices, namely such as "to interfere with, restrain, or coerce employees" in the exercise of their right of self-organization and the formation of labor organizations and the right "to bargain collectively through representatives of their own choosing and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection,"

or "to dominate or interfere with the formation or administration of any labor organization or to contribute financial or other support to it;"

or to discriminate against any worker for the purpose of encouraging or discouraging membership in any labor organization; but this shall not "preclude an employer from making an agreement with a labor organization . . . to require as a condition of employment membership therein, if such labor organization is the representative of the employees . . .";

or to refuse to bargain collectively with representatives of his employees as such representatives may be determined by the Board under the provisions of the Act.

The Board is given power to determine whether the bargaining unit shall be the employer unit, a craft unit, plant unit or subdivision thereof. It is further empowered, after notice and hearing, upon finding that any employer has engaged in an unfair labor practice, to issue its order to cease and desist "and to take such affirmative action, in-

cluding reinstatement of employees with or without back pay, as will effectuate the policies of this chapter."

As the constitutionality of the Norris-La Guardia Act had depended upon a contraction of the traditional conception of due process of law, so the constitutionality of this statute depended upon an extension of the concept of interstate commerce and activities affecting it. The issue was discussed by the Supreme Court in a series of five cases,¹ heard and decided at the same time, one involving the extensive enterprise of Jones & Laughlin Steel Corporation, another the Fruehauf Trailer Company of Detroit, another the Friedman-Harry Marks Clothing Company of Richmond, Va. These were all manufacturing concerns and the issue was the same, the difference, if any, being entirely in the size of the enterprise and the relative impact of its activities upon interstate commerce. Another case involved the dismissal of an editor by the Associated Press for activity in organizing the Newspaper Guild and brought in the issue of freedom of the press. The fifth case involved an interstate bus company.

Five of the justices held that the power of the Federal Government over interstate commerce is plenary and may be exerted to protect interstate commerce "no matter what the source of the dangers which threaten it."

The dissenting justices, weighing the significance of the majority's explanation of the expanded concept of interstate commerce to embrace activities not in the flow of commerce but which may affect its flow, asked these pertinent questions:

"Are the owners and miners within the power of Congress in respect to the miner's tenure and discharge? May a mill owner be prohibited from closing his factory or discontinuing his business because so to do would stop the flow of products to and from his plant in interstate commerce? May employees in a factory be restrained from quitting work in a body because this will close the factory, thereby stopping the flow of commerce? If the business cannot continue with the existing wage scale may Congress command a reduction? And if this theory of a continuous 'stream of commerce' as now defined is correct, will it become the duty of the Federal Government hereafter to suppress every strike which by possibility may cause a blockage in that stream?"

All economic endeavor can be related by some

¹NLRB vs. Jones & Laughlin Steel Corp., 301 U. S. 1; NLRB vs. Fruehauf Trailer Co., 301 U. S. 49; NLRB vs. Friedman-Harry Marks Clothing, 301 U. S. 58; NLRB vs. Associated Press, 301 U. S. 103; NLRB vs. Washington, Virginia & Maryland Coach Co., 301 U. S. 142.

thread to the flow of interstate commerce and by the logic of these cases Congress is now legalized dictator of it all.

The Supreme Court has held that while a person on strike is still an employee within the meaning and for the purposes of the Act, the employer may, if he can, supply the "places left vacant by strikers" and if during a strike he may have employed other workers he is not bound to discharge them merely in order to create jobs for the returning strikers. But if, as the strikers return to work, there is discrimination against active leaders of the strike, then the employer violates the Act.¹

An employer whose employees are either wholly or partly organized may not institute a wage raise without bargaining about it with the representatives of the organized employees. The Court holds that to do so "interferes with the right of self-organization by emphasizing to employees that there is no necessity for a collective bargaining agent."²

Apparently collective bargaining by the employee is not a right but a duty from which they must not be dissuaded by any sense of contentment.

The National Labor Relations Act is not itself as dangerous as the theory of constitutional right that has been fabricated to support it. Briefly, the power now assumed by the Federal Government to protect the rights of organized labor, to supervise the bargaining process, and to establish for hours, wages and conditions of employment a universal standard, by law, is a power by which it could, if it would, regulate organized labor itself, or abolish it.

Summary

IN THE first group of labor laws, legislation started by imposing limitations upon the employment contract with intent to protect the health and safety of the wage earner and the security of his earnings and ended by invading the core of the contract, so far as to determine what the employee shall be paid regardless of the service actually rendered.

In the second group, legislation as exemplified by the Clayton Act undertook to state the fair and reasonable conditions surrounding the use of injunctions in labor disputes and ended by withdrawing the use of the injunction in labor dis-

putes in nearly all cases and exempting trade unions from the rules of principal and agent applicable to all other individuals and groups who employ persons upon their business—in effect relieving the trade unions of any responsibility for what their agents do, and their agents from the ordinary restraints of civil law.

In the third group, legislation began by recognizing organization among wage earners as a privilege exactly as it is among investors, and concluded by fostering labor monopolies and making membership in the most powerful union in any craft or industry to all intents and purposes compulsory.

Early laws written for the protection of the rights and dignity of the individual wage earner, and generally well considered and thoroughly debated before enactment, such as the workmen's compensation laws, have been widely approved by wage earners, employers and the public. On the other hand, later legislation which has abandoned the individual to the dictatorship of majorities and private societies was passed under pressure, without protracted debate, in time of confusion of thought, and has produced bitterness, confusion and disorder.

The effort of the courts to accept and apply literally the language of these later statutes without regard to the established constitutional limitations has created a great body of legal nonsense. There is no enemy of law so insidious as statutes which drive clarity, simplicity and candor from the halls of justice.

The problem which the large-scale organization of work poses to a people raised in the traditions of freedom is like the problem posed by the large-scale organization of government or the large-scale organization of worship. As our fathers aimed at the large-scale organization of government, with freedom nevertheless to the citizen, so we must seek the large-scale organization of work with freedom nevertheless to the worker. It serves no purpose to transfer arbitrary powers from employers to employees or to the government. That is but the ancient custom of changing tyrants. Our problem is to distinguish arbitrary from functional power in the hands of those who administer the industrial order, whether employers, financiers, merchants or trade unions, and to outlaw the arbitrary while supporting the functional power. It took mankind substantially 5,000 years of recorded history to discover the principles and means of civil liberty and freedom of religion at every level of society. How long will it take us merely to apply these lessons in order that there may be freedom of enterprise at every economic level?

¹NLRB v. Mackay Co., 304 U. S. 333.

²May Department Stores Co. v. NLRB (Dec. 10, 1945).

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