

American Affairs

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SUPPLEMENT

The Bugaboo of Dollar Scarcity

By WALTER SULZBACH

An American Affairs Pamphlet

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Notes on the Contents

Life or Death of the Free Economy. Dr. Virgil Jordan is president of the National Industrial Conference Board. This paper is the revision of an address delivered last Spring before the American Institute of Mining and Metallurgical Engineers.

Hearings on the ITO. This is the third analytical study of the State Department's proposals to impose upon international trade a world charter. Here the Senate Committee on Finance is exploring the minds of the government's trade planners.

Report from France. Franz Robert Ingram returned last May to Europe and is sending back letters on what he finds. He is the author of "Diplomacy in Ideological Fetters."

The Last Chance for Free Enterprise. Professor Edwin G. Nourse, formerly of the Brookings Institution, is chairman of the President's Council of Economic Advisers and powerfully influences the economic policies of the Administration. He seems to have his fingers crossed on the ability of business management to save the free competitive system.

Betrayal of the Free Market. Robert E. Freer, a member of the Federal Trade Commission, does not believe in a planned economy. He holds for free competition as after all the only regulating principle that can be trusted. But he wonders if business itself is willing to trust it.

No More Henry Fords. Since retiring from public life Joseph P. Kennedy has not often been in print, but when he does come forth he hits the target and hits it hard. Here are excerpts from an article that was printed in the *Congressional Record*.

The Land and Its Price. R. I. Nowell had first a career as a government expert. Beginning with the original Federal Farm Board, he went next to the Department of Agriculture as an economist and later he was a regional director of the Farm Resettlement Administration's program of land buying. Now he is second vice president of the Equitable Life Assurance Society, in charge of its farm mortgages. He thinks farm values are in line for trouble.

What To Do With The American Mind. If many educators wrote as well as Dr. Brigrance writes, education would not be a dull subject.

* * *

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

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American Affairs

GARET GARRETT, *Editor*

JULY, 1947

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VOL. IX, No. 3

Review and Comment

By the Editor

IN the primer of international trade *T* is for *tourist*. There is profit in the tourist. That is why trade-minded countries do what they can to attract foreign visitors. It is a new thing for a country to urge its own people to travel and spend their money in foreign lands. Only the American government would think of that. A recent issue of *Foreign Commerce Weekly*, published by the United States Department of Commerce, might be called a travel magazine. The leading article is entitled, "Foreign Travel, Chief Import of United States, Plays Impressive Role"; and along with some statistical charts there is a pictorial item—a jolly American couple against a background of foreign streets and monuments. One is saying to the other: "World travel is more darn fun!" They wouldn't be saying or thinking anything like that of course, nor would it occur to them that they were fulfilling a mission. Money spent by American tourists abroad, says the article, fulfills "an important mission in supplying United States dollars to foreign countries." Anything that you can do to help will be appreciated. The article tells you that it need not be an "expensive trip, tour or cruise"; it may be "a visit to a foreign country of only a few hours' duration," to Canada or to Mexico—if only you will leave some American dollars there. Is this clear to you? If not, don't worry too much about it. The idea of supplying United States dollars to foreign countries in order to increase our own prosperity is one in which we have to be educated by the government. If in the process of being educated we acquire some costly experience, that, like foreign travel, may be regarded as an *import* for which dollars have been paid abroad. Take the case of Mexico.

BETWEEN the United States and Mexico there has been what the international trade planners call a disequilibrium. This results from the simple fact that Mexico has been buying more American

goods than she can afford to pay for. Her imports from the United States have been much greater than her exports to the United States. There was a time when a disequilibrium of this kind corrected itself with no help from the planners. How would it correct itself? By a fall in the exchange value of Mexican money, the peso. A fall in the value of the peso would have two effects: First, it would take more pesos to equal a dollar, and for that reason the cost of foreign goods in terms of the peso would rise; hence, imports of foreign goods would be penalized. Secondly, it would take fewer dollars to buy a handful of pesos. Thus, the cost of everything in Mexico would fall in terms of dollars. Mexican exports, therefore, would rise because people would be going there for bargains—bargains in merchandise and bargains in living. American tourists would find that their dollars would buy more holiday there than in their own country. And so in a little while Mexican imports and Mexican exports would balance and the disequilibrium would be corrected. The planners now think that it ought not to happen that way. They think they know a better way.

SO the American government lends \$100 million to the Mexican government and the Mexican government undertakes to use the money for productive works, including tourist hotels. This money, of course, comes out of the American taxpayer; there is no other way for the American government to get it, unless it prints it, and even if it prints the money the American taxpayer will pay for it later. Naturally, the American government wants these Mexican hotels to be profitable, for if they are not Mexico may be unable to pay back the money. Remember that the American government has no mortgage on the hotels. It has only the IOU of the Mexican government. If the hotels are unprofitable and by reason of a future disequilibrium the Mexican government is unable to pay the money back, the American government will be unable to do anything about it. The one thing we know from the record about international lending is that a foreign government may repudiate its debt to the United States Treasury not only with impunity

but with almost no loss of credit. We are now lending billions of American dollars to countries that did in fact repudiate their debts to the United States Treasury; we have even repealed a law that for a while forbade them access to the American money market because they had defaulted. Therefore, the Mexican hotels had better be profitable, and for that reason the American government will encourage American tourists to go to Mexico and spend their dollars to live in them. If, for all of that, the Mexican government is unable or unwilling to pay back the money it borrowed from the American government to build them, the case will be that the Americans will have bought the hotels twice—once as taxpayers and once as tourists—and Mexico will have them still.



SO far you may think you understand it. If you do, that is education. But there is a further step and it requires some attention. The American government is not interested in the Mexican hotel business as such. The hotels are but a means to an end. The end primarily in view is to supply Mexico with American dollars for the sake of our own prosperity, the idea being that if we keep her supplied with dollars she will continue to buy American goods and our export trade will thrive. Since that is the main intention, it follows that when you go as a tourist to Mexico to live in one of these hotels the more dollars you have to give for a handful of pesos the better. Or, to say it another way, the higher the value of the peso in terms of the dollar the more your Mexican holiday will cost you and the more dollars you will leave behind; and the more dollars you leave behind the better pleased the American government will be and the more you will be fulfilling your mission of supplying foreign countries with dollars. Logically, therefore the American government undertakes to keep the Mexican peso dear. In the agreement with the Mexican government it is stipulated that a part of the American loan shall be used in the exchange market to uphold the value of the peso against the value of the dollar. As a tourist in Mexico you are not going to get any bargains from a cheapness of the peso, for if you did, first, you would not be fulfilling your mission properly, and secondly, the tourist hotels might not pay, and that would be bad not only for American-Mexican trade but for the loan.



THE American loan to Mexico is little business—a mere \$100 million. The reason for trying to elucidate is that if you are educated enough to think that one through you may be able to struggle intelligently with American lending on the global scale. For hundreds of millions and tens of billions the

principles are all the same. With this number of *American Affairs* there is a pamphlet by Dr. Walter Sulzbach entitled, "International Finance as Government Enterprise: Bugaboo of Dollar Scarcity." His thesis is that there is in fact no such thing as dollar scarcity in the world. There is everywhere a scarcity of things to exchange for the dollar. Since V-J day, only two years ago, we have poured into Europe \$11 billion, as loans, relief, surplus property, and what was left in the lend-lease pipe line—more than \$4½ billion into Great Britain, nearly \$2 billion into France, \$1½ billion to points behind the iron curtain, and roughly \$2 billion into the rest of Europe. We are still doing it at a rate rising to \$8 billion a year, or more. For all of that, you read day after day in the news the ominous statement that Great Britain cannot recover, France cannot recover, Europe cannot recover, the whole world in fact will sink, "unless the United States does something to relieve the dollar famine." It is significant that they say it that way. The intention is to blame the United States beforehand for an impending universal monetary debacle of unimaginable proportions. This event is being postponed by the use of American dollars in the international exchange market to support the value of nearly all the damaged currencies of the world. They say it that way for another reason. If the United States can be made not only to feel that it is under an imperative moral obligation to provide the world with purchasing power but to believe also that it must do so to save itself from disaster, then the countries on its relief list may be able to make better terms. *The Statist*, London, says: "The only way this price rise, which has cost us so much, can be interrupted is by the threat (if necessary translated into action) of a cut in the value of buying in the United States." This may seem a strange kind of threat, but there is nevertheless a shrewd idea behind it. The idea is that if foreign buying of American goods with borrowed dollars were suddenly contracted there would be serious trouble in the American economy. Out of France comes the suggestion that if all the borrowers of American credit would unite they could make their own terms, the argument for it being that we cannot afford to stop lending in Europe, for if we did our export trade would collapse, with consequences of deflation and unemployment here.



THE American loan of \$3¾ billion to Great Britain is running out much faster than anyone expected. It was to put her on her feet and save her at the same time from socialism, but she is worse off today than when the money was borrowed and deeper in socialism. Until a few weeks ago the

idea of a second loan was current. Suddenly there has been a change in thought. The Chancellor of the Exchequer has announced that Great Britain does not want a second American loan. Certainly not. Great Britain did not want the first American loan. What she wanted was a gift. Now again, instead of a loan, she wants the United States to see that the destiny of America is inseparable from the fate of Europe, that American prosperity is dependent upon the recovery of Europe, and that the United States for her own sake must avert "the impending dollar crisis," for if she doesn't there will be a breakdown of trade. Loans will not do it. Loans are commercial things. What Europe wants is aid. Readers of *American Affairs* may have noticed in the Winter Number a grand solution proposed by the *Eastern Economist*, of Delhi. Logically regarded, American loans could only postpone a carnival of insolvency. The alternative was a global scheme of lend-lease whereby in a regular and systematic manner American wealth could be transferred to other countries. Only six months ago this seemed a fantastic suggestion. Now it is current—current even in this country—as an article of political realism. The Freedom House liberals have opened a propaganda for peacetime lend-lease with Europe, whereby we should avoid, as in wartime, the embarrassments of repayment. When the American government loaned Great Britain $\$3\frac{3}{4}$ billion, the Canadian government at the same time and on practically the same terms made her a loan of $\$1\frac{1}{4}$ billion—just one-third as much. Now *Canadian Counsel*, a financial publication, says: "So far as we and the United States are concerned surely we can afford to advance money to England, not as a loan that will hang as a weight around her neck but as lend-lease. And the United States' share, in all fairness, must be infinitely greater than the three-for-one ratio of the last loan." This country's infinitely greater share, infinitely greater than Canada's, would have of course the happy incidental effect of relieving the dollar shortage in Canada. It all comes out the same way.

IT may be argued movingly that we should do better to transfer American wealth outright to less fortunate people than to do in effect the same thing by a fiction of loans to foreign governments, which, as everybody knows, will entail in the end a great deal of ill will along with some ugly repudiation. But in that case we should not be discussing it in terms of trade. We should be debating rather how much we can afford to lend-lease away, and, secondly, what kind of foreign policy we should evolve to make sure that political loans will produce political results. We might consider also how to pro-

tect foreign countries from the demoralizing effects of receiving American wealth. The habit of depending upon American aid has undoubtedly weakened Europe's spirit of self-reliance. Travelers returning from France have expressed astonishment at the number of cattle that may be seen grazing on French farms, while France is desperately short of food. What does that mean? Secretary Marshall gave the answer. He said: "The farmer cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He therefore has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and plants for himself and his family an ample supply of food, however short he may be on clothing and other ordinary gadgets of civilization. In the meantime, the people in the cities are short of food. So the governments are forced to use their foreign money and credits to procure food abroad." Which is to say that France, boasting of the most advanced social security system in the world, is unable so to manage her economy as to make her own food supply available. She must borrow American dollars to buy food. As she does it her radicals denounce "dollar imperialism," and the French government itself resents American curiosity about how American dollars are spent. De Gaulle says American aid ought to be given in a spirit of friendship. In England, a coal island, the miners go on a five-day week and say coal mining is a form of drudgery for which society shall pay more, with the result Great Britain cannot from her own mines get enough fuel for her own use, and buys coal from Poland. Recently forty American citizens put their names to a petition for sending food to Tito's people because, whatever you may think of Tito, his people are hungry. Why are Tito's people hungry? Because they cannot eat guns.

DIRECTLY and indirectly American billions flowing to Europe have been used to sustain armies, to finance atomic bomb research, to pay reparations and to support socialism and communism. But for American dollars, communism might be economically bankrupt in Europe today. If the attitude of our European borrower toward the source of dollars could be represented as an image it would be as mixed up as the platypus. When they think of their needs they are afraid the source will dry up, but when they remember their anticapitalist ideologies they are afraid it won't. Great Britain is in that dilemma. Her Socialists choke on capitalist dollars. Winston Churchill asks if the Socialist ministers of Great Britain are going to go to the capitalist government of the United

States for more aid, "while at the same time they boast of all the easements and blessings they are promising to the wage-earning masses here by socialism, of all the fine schemes they are planning for improvement of our daily life, while they also continue to deride and condemn the American way of life and industry and freely prophesy its early collapse?"



THE idea of saving Europe as a whole, now called the Marshall Plan, was quietly announced by Secretary Marshall on June 5, in a speech at Harvard. "It is already evident," he said, "that before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be taken by this government." He did not propose a program; he was suggesting only that the countries of Europe agree upon one and submit it to the American government. Mr. Marshall's utterance was not at first understood in this country to be a new statement of American foreign policy, but it was instantly so construed in Europe. The effect was tremendous, especially in Great Britain. The British Foreign Minister said one of the great moments of history had arrived. He assembled his economic carpenters and rushed over to Paris with a rough design in his head for a family raft to be launched on a sea of dollars. Then the trouble began. Would it be a raft for Western European countries only? If so, it would look like an anti-Communist raft and the Russians might try to sink it. The British Foreign Minister went home and announced to the House of Commons that Great Britain would build it anyhow. Then word came from the Kremlin that Russia would discuss it. But on reflection, even in England, the difficulties multiplied. On what conditions would the dollars be forthcoming for this European program? Mr. Marshall had said nothing about that. *The Times*, London, said: "It is for European governments

to ascertain what the United States Government really requires." In its usual manner, *The Economist* declined to deceive itself. It was not going to be easy to "float off a Western association on lend-lease dollars." Firstly, a pooling of economic and political sovereignty among Western European countries could not be arranged quickly enough; secondly, all of the forces of communism would be hostile, and:

"Thirdly, the conditions exacted in return for American assistance might well stray over from matters of foreign policy to domestic concerns. Even Mr. Stassen would make it a condition of his proposal that countries accepting American aid should make no further socialist experiments or depart further than they have already from that system of free private enterprise which most Americans would regard as the only guarantee that their money would not be wasted. Europeans should realize that the stating of such conditions arises not from offensive meddlesomeness but from a profound and wholly sincere conviction. But it is also important that Mr. Stassen and other Americans should realize that insistence on such conditions would ruin the project. If not merely the communists but also the socialists and the nationalists were driven into opposition to it, in which countries of Western Europe would it have a friend?"

If the idea of a common Continental raft fails, Great Britain may be expected to return to the theme of Anglo-American partnership. She will say that if Europe cannot be rescued with capitalist dollars the British Empire can be; and the United States must see that in no other way can it save itself from disaster. In a series of brilliant letters to *The Times*, London, Robert Boothby, M.P., says:

"Not until American businessmen become our partners in enterprise, in the reconstruction of western Europe, and the development of our Imperial heritage will they come to realize the folly of imposing upon us conditions, such as those attached to the loan, which impede our economic recovery. Admittedly, the political difficulties on both sides are great. They are frightened of our socialism; and, with equal reason, we are frightened of their economic power. These difficulties can be overcome, with goodwill on both sides. If they are not overcome, nothing can prevent a major economic crisis in the United States, which may well complete the destruction of western democratic civilization."

IT therefore has seemed clear to me as President that the time has come to supplement and to implement the declaration of President Wilson by the further declaration that the definite policy of the United States from now on is one opposed to armed intervention. The maintenance of constitutional government in other nations is not a sacred obligation devolving upon the United States alone.—*President Franklin D. Roosevelt, 1933.*

Winds of Opinion

I see no possibility of a depression in the near future.—*Jesse H. Jones.*

From now on, the men who have ideas for the betterment of human life will not be able to put them into force, for they will not be allowed to accumulate the money necessary to production. There will be no new industries. There will be no new instruments. Inevitably, existing ones will gradually die off with nothing to take their place. That is the road down which we are traveling, how fast I am not prepared to say.—*Col. Robert R. McCormick, publisher of The Chicago Tribune.*

Farming will become an expert profession; the in-expert and inept will be forced off the land. It is not impossible that the prospective farmer of the future will be required to satisfy society that he is qualified by training and experience to take on the trusteeship of a piece of productive land.—*H. H. Bennett, Chief of the Soil Conservation Service, Department of Agriculture.*

We must expect excesses on the part of labor in using its new-found power. Historically speaking, every class or institution that has gained great power has abused it—and that includes the Church. Labor will be no different.—*Paul Hutchinson in the Christian Century.*

America sees that she can no longer leave Europe in the safe hands of Britain. Three courses have been suggested. First, there is the emergency operation of shoring up Britain by loans and gifts so as to put off the evil day as long as possible. Secondly, it might be possible for America to snap up the White Man's Burden wherever the British lay it down before the Soviet can get there. Thirdly, it might be possible to do a deal with the Russians by marking out spheres of influence, and letting the British Empire get what is coming to it. Walter Lippmann, who has a genius for lucidly expressing American confusion, has in the course of two weeks given his considered approval to all three plans.—*The New Statesman and Nation.*

There is one prophecy which can be boldly made without fear of historical contradiction. The great wide new world of the world planners is going to be a very shrunken one. The great cities of Europe will

never be rebuilt. Modern cities are the children of the nineteenth century process; they represent the loot of nature and the earth as that treasure was delivered over to the new energies of the scientific age and the new technology—and this era of history is over and done.—*Henry Beston in Human Events.*

The economists and the other experts discuss state-trading in technical and beautiful language; no constellation of words, however, can alter the fact that government monopoly in external trade cannot for long exist except in combination with government monopoly in domestic business.—*The Hon. Ray Atherton, U. S. Ambassador to Canada.*

If we accept the challenge to preserve civilization, it means greater effort—greater even than that during the war. We might as well look facts in the face. We cannot achieve our purpose with the present hours and limitations on work.—*B. M. Baruch.*

The United States, now turning out more than 50 per cent of the world's steel has only 10 per cent of the world's ore reserves. It is expected that low-grade ore beneficiation in the Lake Superior region will boost U. S. reserves, but unless it becomes commercially feasible in the reasonably foreseeable future unusual dependence may have to be placed on foreign ores—with relocation of mills in prospect.—*Iron Age.*

In 1946 the output of coal per man-year was 259 tons, whereas in 1937, under the inefficient capitalist system of that day, it was 308 tons. The output per worker at the face before the war was three tons per shift per man; now it is two and three quarter tons. Instead of making a thorough investigation into why the output is down by as much as it is compared with 1937, what we get is the Government decision to adopt a five-day week for the mines.—*Lord Beveridge, author of "Full Employment in a Free Society."*

As a practical proposition, a majority of the members of the United Nations have the hope, prospect, and expectation of becoming beneficiaries of American dollars.—*Senator Byrd.*

It is easy to preach tolerance. It is easy to say that irreconcilable and dynamic beliefs can live side by side in peace in the same world. But as the situation is developing now, there may not be time to achieve this tolerance. We may be moving toward

catastrophe without even the desire to examine objectively the nature of the differences that divide us or to explore the possibility that widely separated cultures could reinforce and sustain rather than combat and destroy one another.—*Raymond B. Fosdick, President of the Rockefeller Foundation.*

We have had lately a visitor from the United States who has foregathered with that happily small minority of crypto-communists—a crypto-communist is one who has not the moral courage to explain the destiny for which he is making—the small minority who are making a definite set against the foreign policy which Mr. Bevin has patiently and steadfastly pursued with the support of nine tenths of the House of Commons. The object of these demonstrations has been to separate Great Britain from the United States and to weave her into the vast system of Communist intrigue which radiates from Moscow.—*Winston Churchill.*

All indications are that the ruin of Germany, now an accomplished fact, will soon be obscured in the minds of Americans by the decay of the English and other national economies which will not be restored if the German heart stops beating in Europe.—*Felix Morley in "Human Events."*

Production, overproduction—that is the golden key, the sesame, the secret formula that would wipe out the last traces of the evils of the war and fill up the craters it made. But the prosperity of nations cannot be safe and secure if all do not share in it. Hence it is not unlikely that idleness and the impossibility of commerce in which some nations find themselves placed will automatically cause in the near future economic crises and unemployment even in other nations as well.—*Pope Pius.*

The time has come when Britain has learned the value of the mine workers, and that value has to be expressed in great reforms. We have in the future to see that those who do hard, dangerous work for the country must receive the highest award, even at the expense of certain other sections of the community.—*Arthur Horner, General Secretary of the National Union of Mineworkers.*

Lady Astor said that on her last visit to Palestine she saw it was not what Abraham was looking for.—*The New York Times.*

Psychologists and psychiatrists will have the opportunity in the next two years to justify their ex-

istence in the eyes of the world by becoming real leaders in the planned development of a new kind of human being who can live in peace with himself and his fellow men.—*Dr. G. Brock Chisholm to the American Psychiatric Association.*

It costs more to govern the people of America than it does to feed them—in other words the cost of government is more than the food bill.—*Senator Ferguson.*

This government, this business, this corporation of which we are all stockholders, is broke. We owe close to \$260 billions, and we are paying an interest load of \$5 billions every year.—*Representative Stefan of Nebraska.*

Though I do not believe there will be world reconciliation and revival next Wednesday, I do believe they are coming. Even in highly conservative America you feel this in the air; in spite of America's being a capitalist stronghold, the air is full of plans for world cooperation.—*Thomas Mann, the German-born novelist.*

As Mr. Wallace has been good enough to tell us, as well as the Americans, how we should deal with communism, I would take leave to add that Mr. Wallace appears to me to be about as well equipped to deal with communism as a rabbit is to deal with a boa constrictor.—*Viscount Swinton in the House of Lords.*

American youth is today standing at the threshold of literally a new world of adventure and riches in the realms of chemistry, mechanics, and statesmanship in the rebuilding of a shattered world. What a challenge. What an opportunity.—*Joseph W. Martin, Jr., Speaker of the House.*

Had another nation, conceived in tyranny and oppression, occupied the strategic naval position which you held during the nineteenth century the history of my country might—it doubtless would—have followed a completely different course. The westward march of empire might and doubtless would have been arrested and instead of becoming a nation stretching from the Atlantic to the Pacific we might and doubtless would have been but one of several independent countries, each with its eye upon the other, each with its nationalistic ambitions, each with its armored frontiers.—*Lewis W. Douglas, the American Ambassador, addressing The Pilgrims in London.*

Life or Death . . . of the . . . Free Economy

By Virgil Jordan

ANYONE who undertakes candidly to consider the future, not merely of economic freedom but of all the other freedoms that are bound up with it, can speak of it today only with a sense of desperate urgency and anxiety, for its destiny here and elsewhere in the world is being determined, hour by hour, by decisions and events of which we are scarcely conscious, or which seem to have passed beyond our control. Conditions at home and abroad which will determine the survival not only of a free economy in America but perhaps ultimately of a free America, and which have been hidden, evaded or ignored in the two years since war was suspended in Europe, have abruptly broken through the surface, bringing a bewildered American people some blinding revelations.

There has been the incredible revelation of an insolvent socialist England and an impotent British Empire, dependent upon America for support and protection. There has been the brutal revelation of the implacable purpose and pervasive conspiracy of communist world domination. There has been the dismal revelation of the cumulative catastrophic consequences of weakness, error and evil in American foreign policy during and since the war. There has been the embarrassing revelation of a morally and politically bankrupt United Nations. And there has been the overwhelming revelation of the terrible, interminable and probably unbearable burden of the isolation that has finally been imposed upon a free America as reward or punishment for her pursuit of the "one-world" delusion of compulsory international collectivism during the past decade.

I do not mean to interpret the domestic and international political implications of these threads from which the fates are weaving the American destiny. I am concerned here only with their impact upon a free economy in this country—and they plainly compel a reappraisal of the problem and prospects of its preservation or survival.

Let it be assumed that we know why economic freedom matters to America as it does to the world, why there can be no democracy without a free economy, and why it is the basis of political freedom and civil liberty, as well as of material

prosperity and progress everywhere. Let us pass over the domestic conditions and policies that have determined the steady drift from a free economy toward compulsory collectivism in our internal economic life during the past decade of new dealism and war. They are still important, but the foreign policies that are now proposed are decisive, for if they are pursued to the sequel—as they must be, once adopted—they will end what remains of a free economy in America and all possibility of its revival or survival anywhere in the world in our time.

Why this is so is plain in the experience of the past thirty years. Whatever the real or apparent purpose, whether it be to export some political faith or to promote "full employment" or maintain political power at home, any attempt to impose a doctrine of government or an economic system upon other countries by force or bribery first destroys economic freedom and finally political liberty at home, because it inevitably involves unlimited expansion in the power of government, in public spending, and in public debt to maintain armies and bureaucracies at home and abroad, until inflation and taxation and government control destroy free markets for commodities, labor and capital, deplete the savings and cripple the productive power of the people, making them dependent upon the state for support and subject to its power. As matters stand, I see only one possible path of escape from the dilemma in which this process puts America today, if we hope to restore or preserve a free economy in this country and have the intelligence and courage to try it.

THIRTY years ago next month we set out on our Great Crusade, not merely to make the world safe for democracy, but to carry to those countries who had never known them or had lost or discarded them the ideas and ideals of economic and political freedom whose benefits we had enjoyed and by which we had grown rich and strong, productive and independent. In the full generation since, we have wasted an enormous part of our wealth in military and financial efforts to impose our economic and political freedoms upon an unwilling

world, or to bribe an ungrateful one to accept them. The waste of wealth may not matter if we remain free to replace it. But besides the wealth, we have steadily squandered or sacrificed our own store of those freedoms from which our wealth and power flowed, until now we present the tragic spectacle of a nation still rich and powerful, but with few of her freedoms left, standing utterly alone, without hope or prospect of sympathy or support from any source, in an impoverished and completely collectivized world from which practically all economic or political freedoms have disappeared, and which we now propose to save from the menace of communism by bullying or bribing it to accept our brand of compulsory collectivism instead of its own or Russia's.

What began three decades ago as a crusade of democracy has become a clash of rival collectivist imperialisms, a global collision between the dogmas, methods and manners of New Deal collectivism and those of Soviet communism, a competition between conflicting faiths of national and international economic planning for favor or influence among the mendicant economies and the beggar or robber governments of the world.

The end is not yet, but we know it will not be in a free economy for America or anyone else, for if these three decades of waste and destruction have demonstrated anything it is that you cannot successfully fight communism with communism by calling it freedom or democracy. You do not establish a free economy or defend any freedom worth mentioning in Turkey by subsidizing its socialist dictatorship, nor in Greece by imposing progressive income taxes and rationing cards under an American military administration; and certainly you do not strengthen economic freedom in America by either action. Every kind of compulsory collectivism has the same inevitable outcome in terms of political tyranny and oppression, and you cannot stop or retard its progress at home or abroad by planetary pump-priming plans, by global New Deal spending programs, or by inoculating the community with any milder form of the same disease. It needs very different and much stronger medicine.

If this description of these three decades past seems paradoxical as you read of our latest crusade today in the old terms of freedom and democracy, let me remind you that this is not the first time in history that the liberator has become the tyrant, the victor the victim of the evil he overcame in the enemy he vanquished. Nations as well as men take on the qualities of those they conquer. This has been the essential outcome of the past thirty years of the Great Crusade so far as the survival of a free economy is concerned. The Nazi and Fascist brands of national socialism and state capitalism were destroyed, and their bad names and manners abol-

ished, but their economic systems have been absorbed by this and every other country.

If Soviet communism or British socialism today wished to devise a trap in which to destroy what remains of a free economy in America and insure the permanent spread of communism in the world I could imagine no better way than to launch this country on a spending crusade against communism in which we would be first persuaded and ultimately compelled to pour an immeasurable amount of our remaining economic resources into the bottomless pit of supporting foreign militarism and global pump priming.

The fact is that everywhere in the world economic freedom, and with it many of its companion freedoms, has been on the wane for a generation at least, and the market for it among the peoples of the world and among all groups and classes of them is deeply depressed today. The periods of freedom in history have been few and brief, and none was as spectacular in accomplishment as the swift century and a half that closed with the First World War. On the economic side the shrinkage of freedom became evident then; but it was not till the Second World War that the political freedoms and civil liberties began to be conspicuously curtailed and compromised.

ALL the nations assembled at Versailles to make the peace treaties that ended the First World War were republics or democracies under representative parliamentary governments, with economic systems operating in fairly free markets, except for traditional tariffs, some private cartels, and a few minor public monopolies. Today, every country in the United Nations outside of North America is a political dictatorship or a more or less totally state-controlled or -owned economy, or both. If a free economy means one that rests on free markets, in which prices and wages are determined and resources are allocated by free competition and not by private or public monopoly or government regulation, there is in fact not a single free economy left in the world today. Almost nowhere is there a fully free white market for anything. The price and supply of nearly every important commodity and service is determined by private or public monopoly or by government regulation, or both. In many parts of the world political and civil liberties have wholly disappeared or have been drastically impaired, and there is probably more slavery or forced labor in the world today than ever in the human record.

The drift away from economic freedom has seemed to proceed under a sort of emotional or intellectual anesthesia to which most groups, including businessmen, have been subject, and which has steadily diminished their sensitivity to increasing

limitation of the free market by private or public monopoly or governmental regulation. The very language of economic freedom has become perverted or confused, as modern bureaucracy's towers of Babel have been built, so that almost every proposal for expansion of executive power and every piece of legislation for wider state control of the domestic and international market is framed in terms of the sacred purpose of preserving or promoting free enterprise. The collectivist devil himself quotes its scriptures with pious sentiment and solemn sincerity while millions cheer and vote for more public spending and government control.

Thus the earnest, enthusiastic or anxious alike among us Americans today are traveling swiftly and cheerfully along a road from which most of the familiar landmarks have disappeared and the directional signposts have been removed or arranged to point in both directions at once. We measure our speed and progress by many imaginary statistical milestones like national income figures, but we are no longer sure or even aware which way we are moving on the road—backward toward an old collective servitude or forward toward some new kind of freedom.

The new world, whatever it may turn out to be, is being born in a strange sort of twilight-sleep or hypnotic trance, which may perhaps explain some of the paradoxes evident in the drift away from the free competitive economy toward a compulsory collective economy in our time, especially as it appears in America.

CONSIDER the paradox of this country's situation, and of our own and the world's attitude toward it today. Here you witness the only people in the world who have been able to get enough food, clothing, fuel and other necessities of life for themselves; who by any standard have been able to provide themselves with a greater measure of economic prosperity than any other; a people whose economic problem has always been an embarrassment of abundance rather than a crisis of scarcity; whose surplus productive power has twice within a generation saved the rest of the world from defeat by Germany, and from starvation, and is today the only thing that can save Britain from bankruptcy; a people who have created that immense productive power and accomplished these things mainly by their political and economic freedom.

Who would imagine that such a people, emerging from these immense achievements, would be impelled as though driven by some profound inferiority complex to abandon the basic conditions and ideas by which it did these things, and copy the pathetic example of the European and Asiatic

peoples whose countries have been wasted and wrecked, and whose creative power has been destroyed by centuries of war, struggles for power, political plunder, exploitation, conspiracy and oppression?

Who would suppose that such a people, or any of them fresh from these colossal accomplishments, could be persuaded to believe that a poor, primitive, predatory despotism like Soviet Russia provided for them and the world a model of freedom, or democracy, or economic progress; a mentor whose sterile ideas, methods and institutions we should imitate or emulate?

Who would imagine that America could be moved to submit her mind and spirit to intellectual or moral intimidation by such an example, or by the hypnotic spell of propaganda about it, or be led to open herself to a pervasive conspiracy—in which many of her citizens and groups innocently or purposely participate—to subject this country to the same process of demoralization, pillage and conquest that communism has imposed upon the helpless peoples of Europe?

These things are incredible, yet they have happened to the mind of the American people, unconsciously, perhaps, but unmistakably. The evidence of intellectual, moral and emotional surrender to some form of compulsory collectivism has been abundant and clear during the past decade. The growth of governmental and private monopoly power over the economic organization has been so rapid, so comprehensive and so deep-rooted, and the atmosphere of government control is now so pervasive and familiar or normal that most Americans cannot imagine its removal or any material change in it, and have come to doubt that it can or should be done. We have already been living in the iron lung of government control so long that we can't conceive of breathing the air of economic freedom with comfort or confidence any more.

This is plain enough in the pathetic history of postwar reconversion policies, and in the painful picture of paralysis which the majority party in power in Congress has presented in trying to interpret its popular mandate in dealing with taxes, public spending, labor and foreign relations. The contraction and control of government activity is the crux of all freedom, economic as well as political, but governments never demobilize themselves, and since the New Deal decade and the war in which it culminated, it has been impossible for any party seriously to propose or attempt to demobilize government, or to shrink its powers or functions in any substantial way, in America any more than anywhere else in the world. Two years after the recent war ended, prices, production, consumption, exports and imports of many important commodities are still determined by government, and no material

change has been made in its comprehensive control of savings, investment, capital markets and interest rates. Even before another war is proposed, the majority party in Congress is unwilling or unable to bring itself to make any substantial reduction in the budget or the tax burden by which the governmental mammoth is fed.

EXCEPT for the marginal fringes of economic life—which always survive somehow, even, I suppose, in Russia—the decade of new dealism and war has left few remnants of a free economy in America. So far as the prospects of its survival are concerned, the main difference between the situation in this country and most others is that government and the labor unions here are still engaged in a struggle for control of the individual and his economic life, which in most other places government has won. We are now witnessing the final phase of that struggle in England, the cradle of economic freedom, as well as of political liberty. Having abandoned the free economy and turned the individual over to the power of private labor and government monopoly, the people on this little island composed of coal and surrounded by fish find themselves freezing and starving and foredoomed to poverty; but they cannot return to a free economy because, once abandoned, that road is closed or lost, and those who leave it must finally turn themselves totally over to the state.

Ours is at best a thoroughly mixed economy today, and it is generally accepted as such. Almost no one now questions the stability and desirability of the combination of government control and nominal private enterprise under which we live, and the idea that it is possible and necessary to evolve a system that provides both economic freedom and security simultaneously is universal and orthodox doctrine. Very few seem aware of the relation between the two, or of the irreversibility of the process by which you pass from one to the other.

Among the manifestations of the growth of the collectivist mind in current American life, within the form and phrases of a free economy, perhaps the most crucial is our extensive and increasing participation in international governmental arrangements for control of trade, investment and exchange, which require and commit this country to further far-reaching internal regulation of prices, employment, production and consumption by government.

Beginning with the commodity pooling and allocation arrangements of the war period and running down through the Bretton Woods Agreements to the charter of the International Trade Organization, this structure of collective action is being tied

together in the massive United Nations mechanism for promoting international peace and security, economic stability and full employment. Though the ostensible aim is to reduce restrictions on world trade, the effect and perhaps the intention is to put the control of internal as well as international economic activity ever more completely in the hands of government and destroy what remains of a free competitive market at home as well as abroad.

Almost all of the governments with which these arrangements are made are socialist or communist, or conduct most of their domestic or all of their foreign business through public or private monopolies, and the proposed arrangements permit or compel us to do the same. Since it might not have been possible to bring this about so easily or so soon without such arrangements, they are an effective device to promote or impose a kind of backdoor collectivism in America, and this is perhaps their primary or ultimate purpose, on the part of our own or foreign governments. But because they are bound up with words or ideas about international peace, relief and reconstruction, or about providing an antidote to communism abroad, few Americans are aware of their implications for the free economy at home or are willing to oppose them. Yet, so far as they can or will be put into effect, they must end every vestige of a free market in international trade; and they cannot be effective or enforced without complete government regulation of the internal economy of every country concerned, including this one.

THIS international collectivist movement is an expression of ideas that have been the official economic doctrine of our government for more than a decade. In the form in which we adopted them they were imported from England (which did not then adopt them) during the depression, with the late Lord Keynes as their chief salesman, and they are now almost universally accepted or assumed in this country by all groups, though the man who invented and popularized them was Karl Marx.

Their substance is that, under modern conditions, to assure domestic and international economic stability and peace, governments individually and collectively must compel a continuous redistribution of wealth and surplus production to consumers at home and abroad by control of savings, investment and consumption; through "compensatory" fiscal policies of taxation, spending and borrowing, and by government management of the financial system and the capital market. Economic stability and expansion must be assured by government "planning"; government must underwrite and manage the market for goods and services at home and abroad;

and in that way it will be to possible to avoid *detailed* state control of the conduct of individuals and complete public ownership of production and resources. Though the element of compulsion in this procedure appears painless, it is pervasive and persuasive, and when it is fully applied there can be very little left of a free economy, since a free capital market and free consumption are the keystones of private competitive capitalism. The Keynes scheme is sometimes called communism by remote control, but experience in this country and everywhere else has shown that it cannot be applied in practice without increasing measures of direct physical control of production and consumption through rationing, allocations, priorities and labor conscription.

In the American catalogue of official collectivism the doctrine of publicly sanctioned, supported or enforced labor union monopoly, under the name of "collective bargaining," has an important place. Whether a free competitive labor market is more or less important than a free capital market to a free economy, compulsory industry-wide or nation-wide collective bargaining and the closed shop are plainly incompatible with it; but both are now generally accepted as proper or necessary in this country. Their public support is perhaps in small part the product of political expediency; in larger part it is an application of the official Marxian consumer-purchasing power theory of prosperity; but mostly it expresses the drift of American feeling in every field toward compulsory collective action and against voluntary individual competitive effort.

BENEATH and beyond the collectivist drive of official doctrine and bureaucratic conduct in this country today we have not only a labor collectivism, and a professional or technical collectivism, but also a business collectivism, well advanced and with varied manifestations. It is a debatable and perhaps brutal question whether or not American business ever believed in a free economy with deep conviction, or still does at all. Skepticism on this point does not rest on the familiar and all-too-human yearning among businessmen for conditions or private arrangements that relieve the strain of too strenuous competition in a free market. The umbrella complex is common to all groups, even economists, but all monopoly—including that of labor—which is not in some way supported by government is usually self-corrective in time; whereas the disposition of private enterprise in this country to seek, accept, approve or depend upon expanding government support or regulation of the market has been evident and increasing

The American business mind is deeply divided, to the point of displaying a sort of split personality, on

all key questions of public policy that affect the free market, like price controls, price maintenance, subsidies, priorities, allocations, rationing, tariffs, foreign loans, government lending, buying and selling, and especially on industry-wide collective bargaining, the closed shop, etc. The coefficient of business tolerance of government intervention in the economy has risen rapidly in the past decade of new dealism and war, and however divergent its views may be on particular measures of government regulation, there is one idea it widely accepts. This is the idea that it is possible and necessary for government to underwrite the consumer market by managing its general fiscal functions so as to maintain consumer purchasing power and employment.

The Marxian economic doctrines of Lord Keynes and his domestic apostles are today the credo of American business; it not only sees no inconsistency with a free economy in their application by government, but is convinced that they are indispensable for the preservation of a free economy in America. We find American business spokesmen today making constant use of the familiar formula or device of communist propaganda, which is to warn the public that unless certain mild measures of compulsory collectivism of this kind are adopted, the country will go communist. Every day we hear some business leader, along with some labor leader, say: "We believe in free enterprise; but it must be made to work by better government control."

These dogmas about consumer purchasing power as the open sesame to prosperity and stability, and about government as the fairy godmother of full employment and the Aladdin's lamp of market demand, permeate the business literature of our time; and important organizations of businessmen are devoted to propagation of the faith that only central government control of this kind will work as a way of preserving and improving the free economy.

One wonders how these businessmen, or anybody else, can know whether it will work, for it has not yet worked anywhere in the world, and it would be hard to invent or imagine any system that could produce such stupendous waste and confusion, poverty and insecurity as is now exhibited day by day in a world of countries whose economies are completely planned on this principle, under central government control. One may wonder even more why the spokesmen and practitioners of the kind of economy that has accomplished what has been done in America should be convinced or want to be convinced that it did not work or does not work here any more. There is in this state of mind—so common, though often unconscious, in American business today—something fanatical in its combination of blind faith in government power, and its frantic fear or fatalistic despair of freedom. If it does not reflect a profound ignorance of past and present

experience, it can only be a considered or cynical conclusion of speculative expediency, which is that socialism is coming in America as it has come everywhere else, and the safest, or wisest or even the best thing to do is to be ready to ride it.

THE collectivist trend of thought and feeling I have sketched is partly spontaneous, and in part deliberately nourished by a comprehensive and carefully planned international conspiracy. The center of this conspiracy, of course, is Soviet Russia, and its immediate aim is to promote the decline and suppression of any form of economic freedom wherever it still exists, especially in the United States. Its ultimate purpose is to destroy the political freedoms and civil liberties in every other country and extend communist rule throughout the world. The existence of this conspiracy and the evidences of its activities here and abroad, in every aspect of economic and political life, are definite and unmistakable. It operates by innumerable forms and agencies of sabotage, espionage, propaganda, agitation and subversion to promote confusion, conflict, violence, distress and disorder, and it involves in some measure all governments and groups in every country.

Yet as it looms up in the problem of preserving a free economy in America, Soviet communism is a sham menace. It is not an economic movement or an economic system, but a political or, more precisely, a military conspiracy of global blackmail and banditry. Communist Russia is today, as in truth she has always been, a parasite on Western capitalism. Soviet communism has in itself no actual economic or military power, and without the support we gave during the war and by our relief in Europe since, it would have collapsed long ago. Soviet Russia is a primitive, impoverished, predatory Asiatic despotism. It has lived and ruled for three decades by plunder and by exploitation of an immense mass of human capital in the form of political prisoners, war captives and slave citizens. Though this massive, mysterious, totalitarian façade is framed in meaningless economic dogmas which none of its people understand, and is decorated or disguised with borrowed or stolen devices of modern technology which they have not the temperament, intelligence or training to master, it is empty of any real capacity, power or purpose except those of oppression, plunder and intimidation, insolvent in everything save the resources of intrigue, treachery and terrorism, and bankrupt of all assets but brutality and bluff.

The real menace of communism to freedom, in America or anywhere, lies in our acceptance of its fundamental ideas and our application of its methods under other names. For us, as well as for other countries in Europe, the chief danger to the free

economy lies in the drift of our own thought and feeling toward compulsory collectivism, and in the confusion or cowardice that seduces or persuades us to policies and practices at home or abroad, under the name of freedom and democracy, which inescapably promote it and make it permanent. To suppose or pretend that we are fighting communism when we do these things is folly or fraud.

The deadliest enemy of economic and political freedom in America and everywhere else is the dogma and delusion of unlimited government, and its most powerful instrument is not communism but militarism, with all the implications of monetary inflation, economic waste and moral corruption that accompany it. Soviet Russia, her satellites, and all the other collectivist countries of the world today are busted because they have been and are still ridden by the burden of vast bureaucracies and armies maintained in corrosive idleness or forced consumption, to promote "full-employment," or for exploitation or oppression of their own people, or for fear of being plundered by their neighbors, or in hope of surviving and expanding by plundering them. Mars is the ultimate enemy of a free economy, no matter under what name or form it manifests itself, and the final hope of economic or any other freedom for America or any other nation lies in world disarmament.

There is no such hope if, after nearly thirty years of war waste and devastation, most of which we paid for, we here in America, the only surviving island of freedom, undertake again to dissipate our remaining resources on a piecemeal basis in the infinite and futile effort to support more armies and bureaucracies throughout a war-ridden world for any purpose whatever, whether it be to save the world for some new definition of democracy, or merely to postpone another depression or win another election. If we do, we start down an endless one-way road, on which we may soon expect to see the familiar signposts of the war economy—conscription, inflation, rationing, priorities, price and wage fixing and all the rest we so recently thought we had left behind; but this time, starting from where we left off in our last adventure in compulsory collectivism, the terminus must be total insolvency and total slavery.

THE course of events abroad as well as conditions at home bring us closer day by day to the time when we shall have to decide as a nation whether to use our power promptly to free ourselves and the rest of the world from the morass of unlimited government and endless militarism or make unconditional surrender to the system of ideas about the state which we set out thirty years ago to

destroy in Europe and Asia and which have invaded and conquered us while we were doing it abroad.

The war has left us facing an encircling "one world" of nations who cannot live either with a free America or without her. The global organization in which they pretend to have banded together to safeguard peace and freedom was busted before it began, and today it has plainly become an elaborate apparatus for the purpose either of international parasitism or collectivist conspiracy, or both.

Let us demand that whatever else the United Nations may do, it must deal first with the fundamental issue of disarmament without further delay or evasion.

Disarmament—not merely of men and nations but of governments—is the fundamental and imperative condition not only of peace, but of freedom and abundance in the world today, and the most momentous circumstance in human history is that at this instant of time—never before and never afterward—America, and only America, has the power to impose such disarmament, and perhaps forever remove for mankind the curse of Mars and its inseparable companions, poverty and tyranny. Unless we can do that, as we enter the age of atomic alchemy one can see on the road ahead for America no hope of preserving economic freedom there or elsewhere, or of realizing the peace and plenty which our scientific accomplishment and productive power make possible in a free economy.

How To Save Capitalism from the Capitalist

The Economist, London

THE fact is that British industrialists have become distinguishable from British socialists only by the fact that they still believe in private profits. Both believe in "organizing" industry; both believe in protecting it, when organized, against any competition, either from foreigners or from native newcomers; both believe in standard prices for what they sell; both unite in condemning competition, the one as "wasteful" the other as "destructive." If free, competitive, private-enterprise capitalism is to continue to exist, not throughout the national economy, but in any part of it, then it needs rescuing from the capitalists fully as much as from the socialists.

The real issue of today is not between capital and labor, who on so many matters are on the same side of the fence, but between the carrot-and-stick economy and the sugar-candy economy, between the treadmill and the featherbed, between the principle of "equal rations for all" and the principle of "let the best man win." A vigorous democracy will not exist in this country until the opposing principles are set up for the public to choose between them.

RECESSIONAL

This prophetic poem was written for the second jubilee of Queen Victoria's reign and was first published in The Times, London, July 17, 1897.

God of our fathers, known of old—
Lord of our far-flung battle line—
Beneath whose awful hand we hold
Dominion over palm and pine—
Lord God of Hosts, be with us yet,
Lest we forget—lest we forget!

The tumult and the shouting dies—
The Captains and the Kings depart—
Still stands Thine ancient sacrifice,
An humble and a contrite heart.
Lord God of hosts, be with us yet,
Lest we forget—lest we forget!

Far-called, our navies melt away—
On dune and headland sinks the fire—
Lo, all our pomp of yesterday
Is one with Nineveh and Tyre!
Judge of the Nations, spare us yet,
Lest we forget—lest we forget!

If, drunk with sight of power, we loose
Wild tongues that have not Thee in awe—
Such boastings as the Gentiles use,
Or lesser breeds without the Law—
Lord God of Hosts, be with us yet,
Lest we forget—lest we forget!

For heathen heart that puts her trust
In reeking tube and iron shard—
All valiant dust that builds on dust,
And guarding calls not Thee to guard,—
For frantic boast and foolish word,
Thy Mercy on Thy People, Lord! Amen.

Rudyard Kipling

Blindness on the Left

By Sir Norman Angell

(In *The Spectator*)

A CURIOUS transposition of roles has taken place in Anglo-American relations. Heretofore the bulk of suspicion and enmity in those relations has come probably more from the American than the British side. Until yesterday it was quite safe to challenge an American to find anywhere, as a current feature in the British press or public comment, anything in the way of anti-Americanism to correspond to the savage abuse of Britain to be found almost daily in, say, *The Chicago Tribune*, in certain organs of the extreme left or in a large number of books turned out each year in America. It would seem that one can no longer throw down that challenge with any safety. Even American prosperity has become, particularly in leftist quarters in Britain, a cause of profound grievance.

Obvious questions arise. What would have been the fate of Britain—to say nothing of Europe and Western civilization—if the industrial technique of America had not given her an output which has exceeded vastly that of any other country in the world? What would have been the chance of Britain's survival—of her successful defense, that is, against Hitler—if there had been no lend-lease. And what would have been the appalling condition of the postwar world if the resources of that American capitalism which excites such vocal wrath in Mr. Bevin's critics—parliamentary and other—had not been available for relief and rehabilitation? Do those in Britain who indict free enterprise so ferociously altogether overlook the fact that for many years Britain's very life will depend upon the productiveness of capitalist countries?

The defects of the American economy are doubtless manifest and manifold. But when the list has been exhausted there remain certain simple and portentous facts of expedience which we tend to overlook. Nowhere in the world or in history has the common man of Mr. Wallace's oratory attained so high a standard of living as under that much-abused economy. The United States is the only country in the world able to give peacetime help on the scale we know; and to do it after having provided war material on a scale so vast that without it Britain (not to mention other Allies) would assuredly have gone down.

These things were achieved a year or two after the great American depression which is repeatedly quoted as proof of breakdown of the capitalist system—a breakdown prophesied now for something over a century. Although it is a century since the Communist Manifesto called upon the workers of the world to unite in overthrowing that system, they have not united to do that, but mil-

lions of those workers did find refuge in the United States which, under its decaying capitalism, has become the most productive, the richest and most powerful nation in the world.

Obviously there are vital forces revealed in the history—including the economic history—of the United States, which it behooves us to take into account if at this juncture we are to be guided by experience at all. Merely to dismiss the methods by which the American results have been achieved as a system of exploitation and oppression on the point of collapse, or destruction by a downtrodden proletariat is to be guilty of silly disregard of fact, experience, plain truth.

We take it for granted, as a matter of course, something that does not need any particular explanation, that America today, with six per cent of the world's population, should be in a position to help a great part of the remaining ninety-four per cent. We talk vaguely of the vast natural resources and large population of the United States. Yet her population is much smaller than that of Europe, or China, or India, or Russia; and she is helping, or has helped, all of them.

Too Willing To Work

The Times, London

BY the provisions of the Polish Resettlement Act those Polish ex-soldiers in exile here who enroll in the Polish Resettlement Corps will be used toward the alleviation of British man power shortage and gradually absorbed into industry and agriculture here. The regulation is that no Pole may be placed in a job for which "a suitable and willing British worker is available." Several hundred Poles have gone into building. Generally they are used in the less skilled categories of the trade, thus releasing British workers for the more skilled grades. Local authorities speak highly of their work; it has even been said that "there is a certain nervousness because the Pole is apt to work too hard and in all conditions of weather."

Merit of the Jungle

Viscount Cranborne in the House of Lords

It is only too painfully obvious we are already sinking into a hopeless and helpless coma. I know I may be told by the noble Lord, Lord Lucas, or by other noble Lords, that I am again advocating a return to the economics of the jungle. . . . There is one thing about the jungle which noble Lords opposite seem to forget. Something does grow there. Indeed, the growth is too luxuriant. That is what is wrong about jungles. If that growth can be pruned and cleared, underneath there will be found fruitful land.

Winston Churchill's England Now

Excerpts from his bitter speech in the House of Commons during debate on the economic situation

THE problems which confronted the British nation on the morrow of their victory required the strength of a united people to solve and overcome. Instead of that, the Socialist Government, in their hour of unexpected success, set themselves to establish the rule of a party, and of a sect within a party. This was a crime against the British state and people, the consequences of which have hampered our recovery, darkened our future and now endanger our very life.

*

In our immense administrative difficulty, the Prime Minister and his colleagues should have concentrated upon their immediate practical tasks, and left the fulfillment of party ambition and the satisfaction of party appetites, at least until we, and the rest of the world with us, stood on firmer and safer ground. Before they nationalized our industries they should have nationalized themselves.

On the contrary, mouthing slogans of envy, hatred and malice, they have spread class warfare throughout the land and all sections of society, and they have divided this nation, in its hour of serious need.

*

The first and the gravest injury which our country has sustained is psychological. It is the injury to the spirit. I was the Prime Minister responsible, as head of the government, for the present crushing weight of direct taxation, including the almost confiscatory taxation of wealth. All this was done with a great Conservative majority by a Prime Minister of the Conservative Party and by a Chancellor of the Exchequer of the Conservative Party.

*

Britain saved herself at that time. Perhaps it may be argued, in the light of history, that she saved the world. But what is so particularly odious and mean, and what has caused this deep schism in our island life, is that this sacrifice so nobly made for victory — not only for our own survival and self-preservation but for the victory of the world cause of freedom — should be used and exploited for party purposes and for the institution of a system of socialism abhor-

rent to the mass of the nation, destructive of the free life we have known here so long, and paralyzing to our native enterprise and energy.

*

Rarely has there been such a distortion of trust or breach of ordinary British fair play. It is that malversation of wartime sacrifices, that "fraud on the power," which has riven the nation in twain and rendered it incapable, while the abuse continues, of overcoming and surmounting its many problems and difficulties.

*

There was no need for a bread shortage and there was no need for the breakdown in coal. I assert that the shortages which have caused us so much trouble and misfortune, both in bread and coal, are merely marginal and could have been provided against by reasonable foresight and prudence.

*

But now the government's socialist policy comes first and the welfare of the people comes second. Our people are less well fed in this victorious but precariously balanced island, with its magnificent but at the same time delicate and ramshackle structure of wealth-producing apparatus, than are the populations of Holland, Belgium and Denmark. They are three countries which have just emerged from long years of Prussian German Nazi rule.

*

In the whole business of purchasing food and other commodities the state, that is to say the government officials and ministers involved, have already shown a lack of foresight and judgment which plainly reveals their incapacity as compared with private traders competing with one another, animated by the profit motive, and corrected constantly by the fear of loss and by the continual elimination of the inefficient. That is a general principle. I say that the wanton and partisan — this is only an incident, but I cannot omit it here — destruction of the Liverpool Cotton Exchange will be forever held against the distinguished record of the President of the Board of Trade as an act of folly

and of pedantry, amounting to little less than bad citizenship.

*

At the present time we have the pleasure of being administered by 460,000 more civil servants—double the size of the prewar Army—than we had before the war began, at a cost calculated at £150 million a year. The socialist ideal is to reduce us to one vast Wormwood Scrubbery. I do not wish to exaggerate it, because it is quite true that at Wormwood Scrubbs there is only one official to every four prisoners, whereas up to the present we have the advantage of only one official to look after every eight wage earners or producers.

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The French have a saying, "Drive Nature away, and she will return at the gallop." Destroy the free market, and you create a black market; you overwhelm the people with laws and regulations, and you induce a general disrespect of law; you guillotine legislation in the House of Commons, and pass masses of Orders in Council. You may decree that a builder who builds a house without a license is liable to seven years' penal servitude, but you will find that juries will not convict him. You may try to destroy wealth, and find that all you have done is to increase poverty. In their class warfare, the government have no right to appeal to the spirit of Dunkirk.

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We were all touched and deeply moved at the gifts made by Australia and New Zealand in reducing their sterling balances by £30 million or £40 million for the sake of the dear old Motherland, now in the mess and muddle into which she seems to them to have been thrown. But it was unpleasant to feel that this aid from our children from across the ocean was little more than half of the money racketed away by the postwar Army in Germany—£58 million in what the Secretary of State for War complacently called a "merry game" with N.A.A.F.I. cigarettes, marks and sterling. That is the simplest test, and to some extent the measure, of the demoralization which "socialism in our own time," for all the honorable wishes and intentions of its votaries, and for all their Pharisaical sneers at an honest profit motive—that is the measure of the kind of degeneration it has brought upon our decent people.

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Let me put this case in more general terms. In most cases, management by private enterprise is not only more efficient, but far less costly to the wage earners than management by the huge official staffs now quartered upon the producers. Let every man now ask himself this: Is it the interest of the wage earners to serve an all-powerful

employer—the state—or to deal with private employers, who, though more efficient in business, are in a far weaker position as masters? Is it the interest of the housewife to queue up before officials at public distribution centers, as socialism logically involves, or to go as a customer to a private shopkeeper, whose livelihood depends on giving good and friendly service to his customers?

*

Of course, the state must have its plan and its policy. The first object of this plan should be to liberate and encourage the natural, native energies, genius and contrivance of our race, which, by a prodigy, have built up this vast population in our small island, and built up a standard of living which, before the war, was the envy of every country in Europe. They have started with control for control's sake on the theory of leveling down to the weakest and least productive types, and thus they have cramped and fettered the life thrust of British society.

*

I do not wish to emphasize unduly the various degrees and forms in which the crisis will present itself to us in the next 12 months. In the White Paper, the government have certainly gone a long way in indicating some of our principal dangers and have not shrunk from confessing that much of what they have been teaching all these years to the wage-earning masses is false, or that the great hopes they encouraged and the promises they made at the general election are falser still.

*

One thing appears to me to be perfectly clear. The government cannot save the country and carry on the class warfare and a socialist program of nationalization at the same time. They must choose between the two. Either they must go down in a measureless crash with their party flags nailed stoutly to the mast, and carry our country down, too, or they must make an effort by dropping their socialist legislation, by freeing industry and enterprise from the trammels in which they have entangled them, and by restoring, at the earliest date, the outraged sense of national unity, to get out of the troubles in which we are.

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I have two convictions in my heart. One is that, somehow or other, we shall survive, though for a time at a lower level than hitherto. The late Lord Fisher used to say "Britain never succumbs." The second is that things are going to get worse before they are better.

The Year Three

Chronology : Atomology : Phenomenology

By Garet Garrett

Almanac

YEAR Three of the Atomic Age, arriving in a punctual way at the old-fashioned speed of time, finds the situation of mankind to be somewhat as follows:

One World. A remembered vision.

Civilization. Its great friends the scientists, even as they go on perfecting the means to its destruction are doing everything they can to save it. They have come down from their towers to warn the people. For that purpose they have adopted the distasteful techniques of publicity, propaganda and salesmanship—and this they will do even though, in the words of Dr. Szilard, they “make a circus of themselves.” They think people do not know the truth or, knowing it, do not believe it, for if they believed it they would do something about it.

Dr. Albert Einstein is soliciting subscriptions to a million-dollar educational fund which the Emergency Committee of Atomic Scientists, 90 Nassau Street, Princeton, New Jersey, will spend to start a chain reaction of terror. Their slogan is One World or None. If you want to help actively you will organize yourself on a community level and apply to the National Committee on Atomic Education, 1749 L Street, Washington, D. C., for such material as a radio program entitled, “Deadline for Living”; Professor Harold C. Urey’s pamphlet entitled, “I’m a Frightened Man,” and another pamphlet entitled, “Your Flesh Should Creep”; besides a “Kit of Tools for Atomic Education” with simple instructions telling you how to use them to make your local newspaper editor and the owner of your town radio station miserable until they give less space and time to life as usual and more to Dr. Oppenheimer’s opinion that 40 million of us might be killed in one atomic attack, or to the thought that five years from now nine of every ten of us will be dead. If you have not the time to help in this way you will at least send some money, and since by a ruling of the Internal Revenue Bureau this is an educational association, you can deduct it from your taxable income for next year.

War and Peace. There is no peace. The United States has resolved to put forth its strength to stop

the spread of Russian power in the world. The question in the street is: Will the Russians fight?

The Bomb. The two that fell on Japan are already obsolete. The next one that falls, provided we make it, will be immensely more devastating. And whereas, after Nagasaki, we thought of the bomb only as a city killer, the possibilities have become more weird and horrible. It is now imagined that a bomb could be so used as to spare the city and yet kill everyone in it by dispersing deadly radioactive substances.

So far as we know, we are still the only people who are making and stock-piling the bomb—the only people who know how. Nevertheless, the old armament race has been definitely superseded by the bomb race. Every industrialized country in the world, big and little, is in quest of the know-how, some of them doing it with borrowed American dollars. All that now is left of the secret, say the scientists, is the engineering know-how and that is something that actually comes with doing the thing. A little country like Belgium or Sweden could do it. As for the raw materials, uranium and thorium, they are widely scattered about the world and have only to be found. The Moscow radio announces that the Soviet government has organized the most astonishing prospecting campaign in history, “employing parachutes, reindeer, camel, pack-mule, automobile and airplane.”

International Control. Bugged down. With Russia and Poland not voting, the Security Council of the United Nations has accepted the American plan—in principle.

A subcommittee of the United Nations Atomic Energy Commission has been appointed to write a lexicon in the five official languages of the United Nations to define the meaning of such words as “control,” “inspection,” and “supervision,” so that happily hereafter a word shall mean what it means and no confusion about it.

National Control. The bomb itself, all the secrets behind it, all existing facilities for the production of fissionable material, all sources of the raw materials wherever they may be found, and complete control of all atomic activities have been delivered outright

to a board of five civilians called the United States Atomic Energy Commission.

This is the one decisive thing that has happened and yet what it is decisive of nobody knows nor can it be foretold. As it took the last step, Congress did not know where it was going and knew that it didn't know. In fact it was going nowhere. It was the Atomic Energy Commission that would be going somewhere by its own sense of direction.

I. The American Plan

WHEN on November 15, 1945, the American government, supported by Great Britain and Canada, who were partners in the bomb, announced that under certain safeguards it would surrender control of atomic energy to an international body, the vision of one world was advancing. Skepticism about it was forbidden as a kind of moral treason. Ten weeks later the United Nations created an Atomic Energy Commission composed of delegations from all the member nations. All that then seemed wanting was a plan. The American government undertook to produce one. The State Department selected a few extremely trusted men—civilians and scientists—and locked them up in a guarded room, and for days they lived on sandwiches and emptied their own wastebaskets for fear a scrap of paper with symbols or doodling upon it might reveal something of their thoughts. What came out of this is what ever since has been known as the Acheson-Lilienthal report. That was the first plan. Its basic proposals were two:

First, there should be created an Atomic Development Authority to act as agent of the whole world, to be responsible only to the world, and to have supreme control of atomic activities everywhere.

Second, that this Atomic Development Authority should establish atomic energy works in various countries so that all should have an even start in case one nation should ever seize the works by force and begin to make bombs. To understand this feature of the plan you have to keep in mind two facts—namely, one, that a plant producing atomic energy for useful purposes, such as industrial power, may be very easily turned to bomb making, and, two, that although all of these plants would belong not to the nations in which they were situated but to the Atomic Development Authority as the world agent, still the Atomic Development Authority would be unable to defend such a plant against a nation that made up its mind to seize it by force. The National Committee on Atomic Education explains it:

“Suppose these plants are distributed among fifteen countries. That would put all those countries on a more

or less equal footing in their capacity to seize these plants from the Authority and prepare to make atomic bombs.

“If an aggressive-minded nation seized such plants, it would give clear warning to the other fourteen. They could take action to prevent atomic war long before the aggressor could produce atomic bombs. As a last resort, they could seize the plants located in their territories and confront the aggressor with an overwhelming superiority in atomic bombs.”

So the peace of the world would be set up as upon triggers. Note that the only contingency provided for here is the actual seizure of one of the Atomic Development Authority's plants by an aggressor nation. That would probably be known at once. But suppose an aggressor-minded nation, instead of seizing the plant, reproduced it secretly. The only protection against an event of that kind would lie in the infallibility of the Atomic Development Authority's secret espionage service and in the complete loyalty of its spies to international authority. It takes a scientist really to believe in that kind of world.

B. M. Baruch was appointed by the President to represent the United States on the Atomic Energy Commission of the United Nations. His job was to advance the American plan, and the basis of that plan was the Acheson-Lilienthal report. But he declined to act unless he could add two features. One was the certainty of instant and terrible punishment to be inflicted upon an aggressor nation. The second was that in this matter of punishment the permanent members of the Security Council of the United Nations (the Big Five) should waive their power of veto, because, if the aggressor nation happened to be a member of the Security Council it could, legally at least, defeat by veto the will of the United Nations to inflict punishment. The American Plan, as amended by Baruch, was finally accepted in principle by the Atomic Energy Commission of the United Nations, with Russia and Poland not voting. And so it was reported to the Security Council. That was on December 31, 1946. Since then the great cleavage in the world has widened. The hope of putting the bomb into the hands of a world authority beyond the reach of nations has sunk deeper and deeper into a morass of Russian volubility.

II. National Control

MEANWHILE, it was necessary to decide how we were going to control our own atomic activities. A committee of the Senate and the House of Representatives was created to evolve a national policy. Until then, of course, everything was in the hands of the Army. The bomb from the beginning

was an Army project, for which Congress during the war had secretly provided \$2.6 million.

The first question that had to be decided by the Joint Congressional Committee therefore was whether the character of national control should be military or civilian. On this question there was bitter controversy, so bitter that at last compromise was impossible and the decision was to cast the Army out. This may be explained partly by the familiar postwar reaction against military aggrandizement and partly by the fact that everyone was then thinking of one world, to be administered for the good of mankind by five just powers. Moreover, if we left the bomb in the hands of the Army Russia might not understand it.

From that premise the Joint Congressional Committee went on to write the Atomic Energy Act of 1946. It found itself "faced with the compulsion of certain facts," and was aghast at what it felt obliged to do. It found, for example, that instead of writing a law to control atomic energy it was delegating to a commission of five civilians the power to make the law—and it seemed that there was no other way to do it; and this delegated power to make the law that should govern both the bomb as the ultimate weapon and atomic fission as perhaps the superseding form of industrial energy would be the power also to touch so many of our customary individual freedoms that one might seriously ask: "Can freedom as we have known it survive in the Atomic Age?"

The preamble to the Atomic Energy Act says:

"It is reasonable to anticipate that tapping this new source of energy will cause profound changes in our present way of life. . . . The effect of the use of atomic energy for civilian purposes upon the social, economic and political structures of today cannot now be determined. . . . It is a field in which unknown factors are involved."

The problem is this: Atomic activities are too dangerous to be set free. Any country or any individual producing atomic energy for beneficent use, as, for example, industrial power from an atomic furnace, has already gone three fourths of the way toward the bomb itself; and then besides are the innocent risks of disaster from uncontrolled experiments. Therefore all atomic activities must be rigidly controlled both for military reasons and upon the ground of extreme physical hazard.

Senator McMahon, the principal author of the Atomic Energy Act, was himself fearful of its revolutionary meaning. "It enunciates principles which never before have been adopted in our American system of government," he said. In other circumstances, he added, such a law would be intolerable.

What the act did was to create (a) an Atomic Energy Commission of five members to be ap-

pointed by the President; (b) a General Advisory Committee, of scientists and technicians, with of course no power; (c) a Military Liaison Committee to be kept advised on "all atomic energy matters" of military interest; and (d) a Joint Congressional Committee on Atomic Energy to be in touch with the Commission and to keep the Congress informed on the general situation. The power of the Atomic Energy Commission is complete. The act reads:

The President shall direct the transfer to the Commission of all interests owned by the United States or any government agency in the following property:

"(1) All fissionable material; all atomic weapons and parts thereof; all facilities, equipment, and materials for the processing, production, or utilization of fissionable material or atomic energy; all processes and technical information of any kind, and the source thereof (including data, drawings, specifications, patents, patent applications, and other sources) relating to the processing, production, or utilization of fissionable material or atomic energy; and all contracts, agreements, leases, patents, applications for patents, inventions and discoveries (whether patented or unpatented), and other rights of any kind concerning any such items;

"(2) All facilities, equipment, and materials, devoted primarily to atomic energy research and development.

"The Commission, as agent of and on behalf of the United States, shall be the exclusive owner of all facilities for the production of fissionable material. . . .

"All right, title, and interest within or under the jurisdiction of the United States, in or to any fissionable material, now or hereafter produced, shall be the property of the Commission. . . .

"The Commission is authorized to:

"(1) conduct experiments and do research and development work in the military application of atomic energy; and,

"(2) engage in the production of atomic bombs, atomic bomb parts, or other military weapons utilizing fissionable materials; except that such activities shall be carried on only to the extent that the express consent and direction of the President of the United States has been obtained, which consent and direction shall be obtained at least once each year."

Note the strange fact of ownership. The commission, as an agent of the United States, shall have *exclusive ownership* of all fissionable material and all sources of such material and shall possess and exercise an absolute monopoly of all atomic activities. It shall own the bomb and the secret of it and all the ways of making it, subject only to the provision that the President may direct it to authorize the Armed Forces to manufacture the bomb and to provide the necessary materials and equipment. Nobody may touch the field of atomic activities but by permission of the commission, under strict

license, and the conditions of license shall be determined by the commission in its own discretion.

Moreover, the commission shall have absolute control of all scientific and technical information touching the use of atomic energy for all purposes. Its decision as to what information is dangerous and what may be released is bound to be final because no one else will be competent to say; and in order not only to keep dangerous knowledge from getting out but to be able also to capture and control new knowledge it must of course have its own espionage system and secret police.

With many misgivings the Congress passed this law, thinking as it did so that it was creating a government monopoly to control atomic energy; but what in fact it did create and what the Atomic Energy Commission represents is a government within a government. The Congress no doubt consoled itself with the thought that if the law turned out badly it could be recalled, as if it were creating something like the NRA as an experiment. But it was not like that. How could you call back the secret of the atomic bomb?

III. The Transfer

THE law was approved by the President on August 1, 1946, and on October 28 he suddenly announced the five members of the Atomic Energy Commission. The only one of the five whose name was familiar to the public was David E. Lilienthal, formerly head of the Tennessee Valley Authority and co-author of the Acheson-Lilienthal report. One was an investment banker who had been interested as a layman in cancer research. One was a man with varying experience in mining, oil, private banking and government. One was a scientist who had worked on the bomb. One was a newspaper editor.

An air of mystery surrounded Mr. Lilienthal's appointment. Senator Bricker said: "I have ascertained that this was an Acheson appointment. I have been told—I cannot verify it—that on the morning that the Secretary of State heard the appointment was to be made he called the President and requested an opportunity to protest; that the appointment was announced in anticipation of the Secretary's visit and that the Secretary of State was never consulted."

Senator Cain said: "Mr. Baruch recommended several national figures to the President but I understand they turned down their proposed appointments. I think this was in September. In October the commission was announced by the President. It is my understanding that the announcement came as a complete, disappointing surprise to Mr.

Baruch and to Secretary of State Byrnes, neither of whom had been consulted."

As of midnight December 31, 1946, the President, by executive order, transferred to this Atomic Energy Commission all right, title and interest in the bomb and everything both defined and undefined pertaining to atomic energy.

Mr. Lilienthal said: "The people are turning over to five civilians the most potent weapon of all times."

The five civilians who received this fateful power had not yet been confirmed by the Senate. Customarily there is a gap between appointment and confirmation, during which time the President's appointees serve ad interim, and it seldom matters. In this case, however, it did create a strange situation.

Senator Knowland, who was for their confirmation, said: "Since December 31, these men have been de facto of the Commission, with all the power, all the responsibility, all the control over the Manhattan Project with all its secrets, all of its ramifications, so that they have all the knowledge that General Groves and his associates had. No action which the Senate could take in rejecting these nominations could change that fact in the slightest. However, I believe there is a loophole in the law and a bill introduced by me would require in the future, prior to the time the President makes the appointments, a complete investigation by the FBI and a complete report to the Senate Section of the Joint Congressional Committee on Atomic Energy."

Senator Bricker, who opposed the confirmations, asked: "Is there any inference in the statement of the Senator that these men who have been appointed already and who know the secrets, although the Senate has not passed on the nominations, would in any way reveal such secrets?"

Senator Knowland said: "No, I don't believe these men would."

Senator Myers said: "Mr. Lilienthal and his nominees know now the details of atomic energy. If their nominations should be rejected, should they be shot in order to protect the so-called secrets? That would be no less sensible than rejecting these nominations on the flimsy pretext that their loyalty is open to question."

Senator Vandenberg who strongly favored confirmation, made this extraordinary statement: "I am unable to find anything in the record of the case that indicts Mr. Lilienthal. Thank heaven it is so, because if he were unreliable he has already had at least three months in which to subvert our atomic secrets and sell us down the river; and if we were to reject his nomination he would be under none of the special restraints of the Atomic Energy Act to still

hold his tongue. We would indeed be in a bad way if we could not honestly, conscientiously and conclusively give him a clean bill of health in respect to communism."

IV. The Lilienthal Debate

THE Senate proceedings on confirming the President's Atomic Energy Commission of five civilians went over nine days and will perhaps always be referred to as the Lilienthal debate because it seemed to turn almost entirely on the character and personality of one man. But that was the story only and not the theme. The theme was fear. David E. Lilienthal is a man whose words and actions produce in people extremely opposite emotions. There is in him a startling contradiction. In one aspect he is obvious and naive; in another he is impenetrable. As chairman of the Tennessee Valley Authority he had been willful, authoritative and high-hat with Congress. On the other side, his zeal for public service was admirable and his personal motives were seldom assailed. His appointment to be head of the Atomic Energy Commission was bound to raise bitter opposition in the Senate, as anyone could have foretold; and yet, for all the injurious controversy that centered on him, he was not the meaning of this drama. You will come nearer to it if you think of him as the enigmatic figure—a kind of immovable symbol—upon which Congress projected its fears.

What were those fears?

To put it in its place, not in the order of its importance, there was to begin with a fear of what had been done when the Atomic Energy Act was passed. In the middle of the debate a bill was introduced to turn the whole business back to the Army. But it was too late to do that. And moreover, the atomic bomb is not a thing you can pass back and forth as you change your mind. Why had it been taken out of the hands of the Army in the first place? Because so many people were afraid of the military mentality. And now, said Senator Ferguson, ". . . our lives, our possessions and our fortunes are literally in the hands of these five civilians. They will hold the key to the world's future."

Senator Taft said: "The members of the Commission are entirely independent. They make the policy. Not only that, the act is so broad that in effect they exercise legislative authority. . . . Personally I think perhaps it was a mistake to pass an act so broad, but that makes it only the more important that the men who administer the act should be men who will not press their powers to the very limit."

A stranger utterance was perhaps never heard in the United States Senate—the wanhope that an

independent government within government, created by an act of Congress, would forbear to exercise the fullness of its power.

Most vocal of all, and the best headline stuff, was the fear of communism. But that was the surface dimension of a fear that had also a dimension of depth. It was never said that Lilienthal was a Communist. There was no evidence that he was pro-Communist, or that he traveled the Communist Party line. The worst about him on the record was that he was indifferent to little Communist cells in the TVA, as any New Dealer might have been; that the Communist press was for him, which perhaps he could not help, and that among the key subordinates already appointed by him on the Atomic Energy Commission, and *not* subject to the Senate's confirmation, were at least two not without taint in their political histories.

Mr. Lilienthal's answer to all of this was a rare, dramatic performance. Toward the end of a hard day before the Senate Committee—this was before the question of confirmation had been presented to the Senate and so of course before the debate—he was asked by his principal tormenter, Senator McKellar, how he would define democracy. At that, speaking slowly, very earnestly, and as if the unpremeditated words came to him one by one as he uttered them, he put upon the record an eloquent confession of political faith. And this is what he said:

"I will do my best to make it clear. My convictions are not so much concerned with what I am against as what I am for; and that excludes a lot of things automatically.

"Traditionally, democracy has been an affirmative doctrine rather than merely a negative one.

"I believe—and I conceive the Constitution of the United States to rest upon, as does religion—the fundamental proposition of the integrity of the individual; and that all government and all private institutions must be designed to promote and protect and defend the integrity and the dignity of the individual; that that is the essential meaning of the Constitution and the Bill of Rights, as it is essentially the meaning of religion.

"Any form of government, therefore, and any other institutions which make men means rather than ends, which exalt the state or any other institutions above the importance of men, which place arbitrary power over men as a fundamental tenet of government are contrary to that conception, and, therefore, I am deeply opposed to them.

"The communistic philosophy as well as the communistic form of government falls within this category, for their fundamental tenet is quite to the contrary. The fundamental tenet of communism is that the state is an end in itself, and that therefore the powers which

the state exercises over the individual are without any ethical standard to limit them.

"That I deeply disbelieve.

"It is very easy simply to say that one is not a communist. And, of course, if my record requires me to state that very affirmatively, then it is a great disappointment to me.

"It is very easy to talk about being against communism. It is equally important to believe those things which provide a satisfying and effective alternative. Democracy is that satisfying, affirmative alternative.

"Its hope in the world is that it is an affirmative belief, rather than being simply a belief against something else and nothing more.

"One of the tenets of democracy that grows out of this central core of a belief that the individual comes first, that all men are the children of God and that their personalities are therefore sacred, carries with it a great belief in civil liberties and their protection, and a repugnance to anyone who would steal from a human being that which is most precious to him—his good name—either by imputing things to him by innuendo or by insinuation. And it is especially an unhappy circumstance that occasionally that is done in the name of democracy. This, I think, can tear our country apart and destroy it if we carry it further.

"I deeply believe in the capacity of democracy to surmount any trials that may lie ahead, provided only that we practice it in our daily lives.

"And among the things we must practice is that while we seek fervently to ferret out the subversive and antidemocratic forces in the country, we do not at the same time, by hysteria, by resort to innuendo, and smears, and other unfortunate tactics, besmirch the very cause that we believe in, and cause a separation among our people—cause one group and one individual to hate another, based on mere attacks, mere unsubstantiated attacks upon their loyalty.

"I want also to add that part of my conviction is based on my training as an Anglo-American common-law lawyer. It is the very basis and the great heritage of the English people to this country, which we have maintained, that we insist on the strictest rules of credibility of witnesses and on the avoidance of hearsay, and that gossip shall be excluded, in the courts of justice. And that, too, is an essential of our democracy.

"Whether by administrative agencies acting arbitrarily against business organizations, or whether by investigating activities of legislative branches, whenever those principles fail, those principles of the protection of an individual and his good name against besmirchment by gossip, hearsay, and the statements of witnesses who are not subject to cross-examination—then, too, we have failed in carrying forward our ideals in respect to democracy."

There was tumult in the committee room. Senators rose to grasp his hand, and this was perhaps the only incident from beginning to end that was reported adequately in the newspapers. The effects however, like all Lilienthal effects, were extremely opposite and irreconcilable. Some Senators an-

nounced at once that their doubts had vanished. Senator Morse said that these were immortal words. Senator McMahon said that to hear them had been "one of the privileges that comes to a Senator of the United States." Whereas, others who had been doubtful were more doubtful still and ill at ease with the reflection that in these circumstances a confession of faith in Americanism should be required or deemed necessary.

Returning now to the debate, it became gradually clear that fear of communism was less a fear that the Communists would infiltrate the Atomic Energy Commission or that anybody would give the bomb away than it was the fear that an inversive philosophy of government, calling itself democracy, was taking root here. On the subject of communism, touching Mr. Lilienthal personally, Senator Ferguson expressed the common verdict when he said:

"The communist issue has been raised in this case. The theory of this charge is that we cannot afford to trust anyone with atomic energy development who is friendly or indifferent to communism. . . . I should like to dispose of this charge. I am convinced that Mr. Lilienthal is not a communist"

But from there he went on to say that when the Senate had agreed upon what Mr. Lilienthal was not, it had still to consider what he was. If he were going to be made head of a secret atomic government, with independent and unlimited powers, it was important to know beforehand something about his philosophy of government. Suppose he were a man impatient of the restraints of *constitutional, representative, limited* government in the great American tradition. Suppose he were one who believed in the continuous extension of executive government. "If such a person were head of the Atomic Energy Commission, every decision, every undertaking, every act would broaden the framework of domination by government."

Senator Ferguson, Senator Taft, Senator Bricker and others began then to put upon the record Mr. Lilienthal's philosophy of government, from his writings and speeches.

In 1934, as head of the Tennessee Valley Authority, he had said:

"In this situation it became one of the new functions of government to supply the necessary stimulus to industry."

In 1939, addressing the Southern Political Science Association, he had said:

"The granting of additional responsibilities to the national government has been a victory for clear thinking."

In 1946, addressing the Utah State Agricultural

College, he had said:

“Only an antiquarian will fail to recognize that the country must entrust the Federal Government with extensive powers and responsibilities, and that these responsibilities will be broadened rather than narrowed as time goes on.”

In his book, “Democracy on the March,” he wrote:

“The policies of lawmaking in the immediate past have been largely regulatory and negative: This shall not be done. The atmosphere of the legislature has, therefore, been heavy with this regulatory spirit, expressed in carefully limited responsibility, lack of trust, and forever setting one man to watch and checkmate another.”

And again in the same book:

“The experts, using the term in its broad, modern sense, have a central role to play not only in the development of harmony between private interests and public interest, but in every facet of modern living. The people and the experts: The relation between them is of the greatest importance in the development of the new democracy. For people are now helpless without the experts—the technicians and managers.”

In the first statement he issued after receiving the appointment as chairman of the Atomic Energy Commission, he had said (quoted from *The New York Times* of October 30, 1946):

The sole workable plan, Mr. Lilienthal held, was for the establishment of an international atomic development authority composed of men who might well become the elite of the scientific world.

At this point, Senator Byrd entered the debate with a reading from “Current Biography” in which Mr. Lilienthal said:

“Our government and every government is and must be a government of men and not of laws.”

This one sentence, said Senator Byrd, represented the fundamental difference between Mr. Lilienthal’s philosophy and that which is graven on the lintel of the Supreme Court—“*To the end it may be a government of laws and not of men.*” These words came from the Massachusetts Bill of Rights where John Adams put them. The difference, said Senator Byrd, “is finally the difference between dictatorship and freedom, between totalitarianism and democracy.”

Senator Hill said that Mr. Lilienthal had been questioned on this very matter while he was a witness before the Senate committee, and had explained it as follows:

“I think we must have a government by law rather than by hearsay and suspicion and innuendo and

rumor, but that we must also rely upon men. I think there is a major fallacy in the aphorism that this is a *government of law and not of men*, implying that by passing good laws and not having men of integrity and judgment to administer them we have thereby achieved sound government.”

There was a new fear, oblique, and not wholly acknowledged. It presented itself in the guise of resentment and might be named a fear of science. First, the Senate committee was impressed, not to say intimidated, by a procession of very eminent scientists, all endorsing Mr. Lilienthal in a superior way. Then the world of science was organized to lobby for his confirmation. The Federation of American Scientists, from an office in Washington, sent out letters to scientific bodies asking them to “exert pressure” by mail and wire upon certain doubtful Senators, naming them. Mr. Lilienthal’s friends exploited this material. Several of them read into the record letters from scientists saying that unless Mr. Lilienthal were confirmed they could not continue to be properly interested and the work on atomic energy would be ruined. One of these letters was to Senator McMahan from Dr. Urey, the inventor of heavy water, who said:

“Many of my colleagues are deeply disturbed over the possibility that the Senate may decline to confirm the chairman of the Atomic Energy Commission. I share this concern. I believe that atomic energy work in the United States will be crippled for several years if the chairmanship of the Atomic Energy Commission is changed at this time.”

Senator Bridges interrupted the reading of this letter and the following colloquy occurred:

MR. BRIDGES: Just a minute, please.

MR. McMAHON: If the Senator will pardon me, I want to read a little further.

MR. BRIDGES: I say that is the “bunk.”

MR. McMAHON: Pardon me.

MR. BRIDGES: For any man to say that the development of atomic energy could be crippled for several years if Lilienthal is not confirmed is just pure, undiluted “bunk.”

Senator Brewster said:

“Mr. President, we had a period from 1920 to 1930 when big business was in the saddle. We had a period from 1930 to 1940 when big government was in the saddle. We have a period now when we are challenged by big labor. And apparently the suggestion is now being made that over the horizon big science is preparing to move onto the scene.

“ . . . And I say to my friends in science that greatly as we appreciate their achievement, profoundly as we respect their knowledge, they do not have a monopoly

on the political wisdom that is essential to the solution of the problem we here face."

Senator Taft was more devastating. He said:

"These scientists have not gone into Mr. Lilienthal's philosophy of government. All they know is that Mr. Lilienthal is an attractive man, who has taken very largely the point of view of the scientists, that we should give away the atomic bomb to Russia. That was the basis of the Acheson-Lilienthal report. There was no solution of this problem—except to hand to Russia, and to every other nation in the world, the power to make atomic bombs.

"The Acheson-Lilienthal report recommends what I suppose the scientists thought was all right, but which certainly the Senate of the United States does not think is all right. It proposes that the authority to be created locate similar dangerous operations within the borders of every important country in the world. If the report had been literally followed, by this time we should be building atomic-bomb plants in Russia for the Russians to operate and to produce the atomic bombs, in order, according to Mr. Lilienthal, that there might be a balance, so that the Russians would feel secure and they would not be subject to the threat of our holding the atomic bomb.

"Unfortunately, the scientists who have endorsed it do not realize the dangers of international power, any more than they realize the dangers of an arbitrary government control of various operations, no more than they realize what we have been up against here for the last ten years in trying to cut down the tremendous power of the executive to make regulations to regulate the lives and the very existence of the people of the United States."

Senator Myers was on the other side. If the scientists wanted Mr. Lilienthal, what were you going to do about it? Would you, as someone had suggested, put a man at the head of the Atomic Energy Commission whom the scientists disliked? Someone to watch them? And if you did that and the scientists went off the lot, would you shoot them?

Senator McMahon said they were in the hands of the scientists whether they liked it or not and might as well make the best of it. He was not undertaking to defend them. That wasn't the point. It was useless to attack them as Senator Ferguson had done on the ground that they were threatening to go on a sit-down strike if Mr. Lilienthal's nomination were not confirmed. Who was it made the atomic bomb in the first place? It wasn't the Army. It wasn't free enterprise either. The scientists and the engineers did it. Who would make the bomb in the future? Who would produce further atomic miracles? Not the Atomic Energy Commission. Only the physicists could do that. You might command

them to do it, but that would be as silly as to point a gun at Shakespeare and say, "Write a sonnet!"

V. Science

WHETHER the influence of the scientists was decisive or not, it was a heavy wind they raised and they got their man. Why did they want him? He is not a scientist. But he is science-minded; he understands the scientist and the scientist understands him. As concerning the world that ought to be in place of the one that is they speak the same language. That would be a world of precise order, governed by an elite, exercising benign authority with pure intelligence. The status there of man as a political animal is not clearly defined, and to the scientific mind that is perhaps a matter not of the first importance. Mr. Lilienthal is not a political man. He says that he is neither a Democrat nor a Republican, and of course not a Communist. Neither is the scientist a political man. He shares with Mr. Lilienthal a certain contempt for the political lawmaker and both alike think of a Congressional committee room as a chamber of torture. The political lawmaker talks of freedom. The scientist speaks of the individual. And at this point there is a failure of communication between them. They are not talking about the same thing. An individual may want only to be happy, whereas the political man has an idea that he wants to govern himself.

So now the scientists have their atomic world. It will be administered by a man who is science-minded. Congress cannot touch it really. It can only walk around it and ask questions. It cannot be sure that it asks the right questions. Even if it does, and if the Atomic Energy Commission says, "Sorry that is restricted information and we cannot impart it," what can the Joint Congressional Committee do about it?

Senator Hickenlooper, chairman of the Joint Congressional Atomic Energy Committee, has announced that the committee will employ agents of its own to watch Mr. Lilienthal's commission and "develop independent judgment and information." This is so that Congress shall not have to rely entirely upon the information it receives from Mr. Lilienthal's commission. How that will work remains to be seen.

It is of course obvious that the secret atomic world will touch the world of political reality in many ways, even to the point of restricting individual freedom. In the preamble of the Atomic Energy Act Congress wrote that the utilization of atomic energy should be directed so far as practicable toward "strengthening free competition in private enterprise," knowing as it did so that the phrase

had no definite meaning. Atomic energy is a power that cannot be trusted to free enterprise, and this for the reason simply that to a very far point the development of it for useful purposes is precisely the same as the development of it for destructive purposes. Thus, the freedom of free private enterprise is limited to begin with.

But it is true at the same time, as an ironical fact, that neither can science be free. This it has done to itself. Until the discovery of atomic energy, science was the freest force in the world. It was internationally free. Even in war, above all censorship, it could still communicate. That is no longer permissible. Now even in peacetime its communications must be restricted.

In his first public statement after he had been confirmed as the head of the Atomic Energy Commission, Mr. Lilienthal said: "In wartime, scientists were more than willing to work under conditions of secrecy, to live anonymously in remote areas, to avoid discussing scientific matters with fellow scientists, to forego publishing the results of their research—to do many things that are not natural to the ways of science. What will be their incentive to such conditions of work in peacetime? Here, too, no one knows the answer. Yet the country must somehow develop one. . . . In this problem of enforcing secrecy we are traveling a new road, trying to work out answers in a field for which there is little, if any, peacetime experience."

For itself, therefore, science now must pray for international government, scientifically designed and scientifically administered by Mr. Lilienthal's elite of the world.

How the Money Was Found for the Bomb

*Senator McKellar tells the story of a secret appropriation of \$2,600,000,000 by Congress**

THE first I ever knew of the United States having a will to split the atom or to bring about the discovery of atomic energy was in 1941. Mr. Stimson was Secretary of War. He called me on the telephone one morning and asked if I would meet with him and three other Senators in the Democratic

caucus room. In half an hour the five of us met in the caucus room. There were present the Senator from Kentucky, Mr. Barkley; the Senator from Maine, Mr. White; the Senator from New Hampshire, Mr. Bridges; and myself. At that time the Senator from Kentucky was the majority leader and the Senator from Maine was the minority leader.

Secretary Stimson told us that he had a group of scientists working on a new proposal, and he believed that those scientists would be able to discover the secret of atomic energy. Everyone laughed. I said, "I remember reading when I was a boy that 2,300 years ago Alexander the Great undertook to have Macedonian scientists discover the splitting of the atom." He said, "Yes; but I think we can succeed."

He then made his arguments. The first one to be convinced was the Senator from Maine. The next one to be convinced was the Senator from Kentucky. The third one to be convinced was the Senator from New Hampshire; and the fourth was myself. At that time the Senator from New Hampshire was the ranking member of the minority on the Appropriations Committee and I was the acting chairman of the committee, and had been for some time. That was why we were invited to the conference. That was why we were given the information and consulted on the problem. Secretary Stimson wanted money. When I asked him how much money he wanted, he said he would like to have \$1 billion the first year.

I said, "Mr. Secretary, you swore all four of us to secrecy a while ago, and you told us that you swore the four members of the House to whom you submitted the same information. For heaven's sake, how do you expect us to keep it a secret and get an appropriation of a billion dollars for this purpose through the Congress? We are going into a great war. There is no telling how much it will cost. If I should suggest an appropriation of \$1 billion for an unstated purpose, I know members of the Senate so well that I know they will never agree to it."

He said, "We have that figured out." As I recall, he had already figured it out with the President, and perhaps one or two others. The appropriation was to be placed in several different proposals—covered up, so to speak—and it was believed that it would go through in the face of the great war.

We placed most of it in the emergency fund for the President. I told Secretary Stimson that I would be willing to do that but that if any Senator asked me, when I had charge of the bill on the floor, what the billion-dollar appropriation was for, I would not be willing to agree to tell a falsehood about it. Secretary Stimson said he was sure that no inquiry would be made about it.

The bill was introduced in the House, and it passed the House and came to the Senate. It was

* From a speech by Senator McKellar on the floor of the Senate.

reported by the Senate committee and considered on the floor of the Senate. Not a single member asked about the appropriation. We were not asked about it in committee, and we were not asked about it on the floor of the Senate.

The next year exactly the same thing occurred. There was an appropriation of \$1 billion the second year. With all the necessity for money in the third year we got by with an appropriation of \$600 million, as members of the Appropriations Committee will probably recall, although we did not even tell the members of the committee about it. The total appropriations were \$2.6 billion.

Who Now Will Control Science?

By the Reverend A. Powell Davies

HARVARD UNIVERSITY has recently completed one of the most astonishing and intricate pieces of mechanism ever contrived by man. It is a giant calculating machine, capable of solving in a matter of minutes complicated mathematical problems which might otherwise take weeks and months to carry to a conclusion. It can calculate the path of a rocket in the stratosphere, taking into account air resistance, wind pressure, the pull of gravity, and the effect of the earth's rotation. It can include the influence of even more subtle factors which are not as yet disclosed.

But to advance its usefulness it so happens that people like Professor Norbert Wiener, of the Massachusetts Institute of Technology, are almost indispensable. He is one of the few people on the face of the earth who know what such a machine is all about. For that reason, he was asked to make an address on the subject. During the war he had participated in research aimed at the development of rocket bombs and controlled missiles, so he also knew the military uses of such an astonishing mechanism.

And Dr. Wiener refused to speak. He is all through, he says, with helping to develop new weapons. He rebels against the use to which science is being put. "I do not expect," he writes in an explanation of his stand, "to publish any future work of mine which may do damage in the hands of irresponsible militarists. . . . To provide scientific information is not a necessarily innocent act, and may entail the gravest consequences. The practical use," he concludes, "of guided missiles can only be to kill foreign civilians indiscriminately, and it furnishes no protection whatever to civilians in this country."

This, then, was the significance of his refusal; he is the first of the top-level scientists openly to rebel. There will be others. Not a doubt of it. And what is the reason? The reason is that science has become, even to scientists, too dangerous to be left unregulated. Unless it can be socially controlled—one of the most difficult things ever contemplated since the beginning of history—science will be the means by which civilization will be totally destroyed.

Such individual rebellions are certainly not without usefulness if they emphasize the problem we are not solving—or even beginning to solve. But beyond that they will do no good. Individual scientists, by withholding their labors or concealing their discoveries, can never know whether they are hastening a disaster or postponing it. They cannot know because they are unable to tell what other work is going on, perhaps in other countries, or whether in the end their own contribution would make disaster more likely or less.

Last spring, when I was chairman of the Emergency Conference on Civilian Control of Atomic Energy, I saw very plainly at times the resentment of politicians that scientists were so elusively difficult to control. "Why aren't the scientists more patriotic?" the legislators—some of them—would ask. By which they meant, "Why don't the scientists do what the politicians decide?" This is not a matter to be taken lightly.

What I am driving at, however, is that a revolt of individual scientists is not a solution, and that it is very doubtful whether an organized revolt would do much better. Some way has to be found of regulating science—if there is ever again to be security—that represents the entire population. And the extraordinary fact—quite incomprehensible to anyone who has absorbed the significance of what has happened in the last few years—is that nothing is yet being done to find a means for the social regulation of science. Nothing, that is, on a scale proportionate to the problem.

The American plan for the international control of atomic energy is a brilliant solution—but a limited one. How limited it is, is well known to those who developed it. It represents only a beginning.

When we recognize the implications of the point to which modern science has advanced and then remember that it is still advancing, most of the things with which the congresses and parliaments of the world are at present concerned pale into insignificance. The really commanding requirement of the period immediately before us is to work out, nationally and internationally, the means of regulating science in all its departments so that its dangers will be limited and its benefits insured. Even the benefits we could afford to postpone for a season—most of them. But the dangers are immediate.

Hearings on the ITO

Washington Correspondence

WASHINGTON, D. C.

JUST as the State Department's one hundred trade planners were leaving for Geneva, Switzerland, to meet with the trade planners of seventeen other countries for the purpose of perfecting a world trade charter and for the entwined purpose at the same time of negotiating reciprocal trade agreements, the Finance Committee of the Senate opened hearings* on their works and ideas. Senator Millikin, the Chairman, said: "Congress is already in possession of considerable information as to the trade agreements system, but there seems to be very little information as to the proposed International Trade Organization." The witnesses, all with one thesis to support, represented executive departments of government, especially the economic bureaus of the State Department; and in the course of the hearings the following facts were developed:

1. The draft charter of the proposed International Trade Organization then on its way to Geneva was neither the original Washington draft that went to a London conference last year, nor the London draft that came back and was submitted to public hearings by the State Department in February and March of this year, but a third document called the New York draft that had never been published anywhere.

2. While Congress had been wondering, and could not find out, whether the proposed world trade charter would come before the Senate as a treaty or before Congress as an international commitment that would require concurrent action by the Senate and House together, the experts had devised a scheme whereby most of it could be written into the reciprocal trade agreements so that Congress need not act upon it at all.

3. The powers proposed to be conferred by the charter on the International Trade Organization (or written into the reciprocal trade agreements) were so obscurely defined that the experts themselves could not say for sure how far they would go.

4. International trade is no longer an economic activity that may be left in the hands of private business. Its political and social implications are now of first importance and these implications are

so complex that they belong to the science of government. None but experts can understand them.

5. International and national concerns are now so involved together that the American Government's own experts cannot always be sure where the American advantage lies or whether in fact it should be defended against what is conceived to be the world's interest.

I.

Throes of Charter Writing

THE original draft charter of the International Trade Organization was called the Washington draft. A copy of it was sent to the Foreign Relations Committee of the Senate in July, 1946, and afterward made public by the State Department. That was the draft that went to the world conference of experts in London for revision. What came back was called the London draft and that was what the Senate Finance Committee thought it had on the table when the hearings opened.

The first witness was William L. Clayton, Under Secretary of State for Economic Affairs, who said: "The present draft is the product of the first meeting of the Preparatory Commission held in London in October and November of last year. . . . The draft charter formulated at London has been widely studied by interested organizations and persons throughout this country. We have recently conducted hearings in seven cities."

The second witness was Clair Wilcox, Director of the Office of International Trade Policy of the Department of State, who said that the London draft, on which public hearings had just been held in seven cities, had been superseded by the New York draft, which had not yet been made public. The Committee would receive a copy of the New York draft but as a matter of courtesy it ought not to be published just yet. The Committee accepted it on that condition. Mr. Wilcox went on to say that Article 1, Chapter I—the statement of general purposes—had been entirely rewritten in the New York draft.

In the London draft the statement of general purposes had been suave and noncontroversial. In the superseding New York draft the statement of general purposes refers to national and international action designed (a) to "realize full employment";

* Hearings before the Committee on Finance, United States Senate, on Trade Agreements System and Proposed International Trade Organization Charter, March 20 to April 3, 1947.

(b) to "avoid exclusive fluctuations in world trade"; and (c) to "further the enjoyment by all member countries on equal terms of access to the markets, products and productive facilities which are needed for their economic purposes and development." The last of these three purposes is not italicized in the text. By itself it is not startling. But it may assume an unexpected meaning if you read it against the following paragraph in Chapter V of the charter:

"Nothing in Chapter V of this charter shall be construed to prevent the adoption or enforcement by any member of measures relating to the conservation of exhaustible national resources if such measures are taken pursuant to international agreement or are made effective in conjunction with restrictions on domestic production or consumption."

All you need to do there is to italicize the little conjunctive word *if*. It shall be lawful for a member nation to conserve its own exhaustible resources and deny them to other countries *if* it does so by international agreement, that is to say, by consent of the countries that want them, or *if* it restricts its own use and consumption of them. At this point the following exchange occurred between Senator Millikin and Mr. Wilcox:

SENATOR MILLIKIN: I asked you whether nations submitting themselves to this charter can thereafter be privileged to allow their resources to remain undeveloped, and I believe your answer was no.

MR. WILCOX: That is right.

SENATOR MILLIKIN: May not a nation which is a member of this organization elect to conserve its economic resources? I mean, could a nation not lock up its resources if it wished to, out of its own domestic sovereignty?

MR. WILCOX: There is nothing in the charter that would prevent a nation from conserving particular resources.

SENATOR MILLIKIN: I wish we could take it for granted with a feeling of certainty that this article relates to standard countries rather than countries which have advanced.

MR. WILCOX: That is the intention and perhaps it can be made explicit.

(The question there was whether that article would bind the United States. As a member of the proposed International Trade Organization, could the United States deny others access to its exhaustible natural resources without the consent of other member countries and without at the same time undertaking to limit its own consumption of them?)

It is not possible here to make an analytical comparison of the New York draft with the superseded London draft, and, besides, it might be a waste of

time, since it appears that while the State Department was holding public hearings in seven cities on the London draft its experts were already writing the New York draft, and were on their way to Geneva with it before its existence was disclosed in confidence to the Senate Finance Committee.

II.

By-passing the Congress

THE difference between an *executive agreement* with foreign countries and a *treaty* is that an executive agreement becomes final by signature of the President, whereas a treaty has to be approved by a two-thirds vote of the Senate. When in 1934, during the Roosevelt regime, the Congress delegated to the President the power to make reciprocal trade agreements with foreign countries by executive agreement, foreign trade was still thought of in the old-fashioned way as trade, and the fact that the reciprocal trade agreements never came back to Congress for its okay was a matter of no great interest. But when trade conventions assume political and social aspects it begins to be different; and when it is proposed to make trade arrangements under an international charter which would confer upon a world authority the power to invoke sanctions against the United States, touching its sovereignty, it is very different indeed.

Ever since the State Department first revealed its plan for an International Trade Organization to operate under a charter that would heavily impinge upon the national sovereignty there has been this question: Would it come before the Senate as a treaty, would it be submitted to Congress as a whole for concurrent action by the Senate and House both, or would it go first to the United Nations and then come before Congress as a thing to which we had already in principle committed ourselves when the Senate voted adherence to the United Nations Charter?

This question was still unanswered when suddenly it developed in the hearings of the Senate Finance Committee that the experts upon their own initiative had resolved to by-pass Congress, at least temporarily, by writing most of the world charter into executive trade agreements. They were going to do this at Geneva, where the experts of eighteen countries would confer all at the same time on both the world trade charter and reciprocal trade agreements all around. It might well take a year, maybe two years, to impose a charter on the trade of the world by treaty and, in fact, the undertaking might fail; whereas if some of the essential features of the charter could meanwhile be written into the trade agreements you would have the beginning of a

planned world economy and the Congress of the United States could probably do nothing about it. That is to say, the trade agreements containing the essential parts of the world trade charter would take effect upon the signature of the President alone. That would be a triumph for the experts over the slow and inept legislative principle.

Senator Millikin, Chairman of the Senate Finance Committee, said to Mr. Clayton, Under Secretary of State for Economic Affairs: "In other words that part of the proposed charter which you believe could be taken care of by the medium of trade agreements will be included in the trade agreements?" Mr. Clayton said: "Yes, sir." The Chairman said: "We will explore that matter with Mr. Wilcox."

When Mr. Wilcox, Director of the Office of International Trade Policy in the State Department, appeared he was confronted with a document entitled, "Tentative and Partial Draft Outline of General Agreement on Tariffs and Trade." Under the terms of this document each government entering into reciprocal trade agreements would undertake also that during the life of the trade agreements "each signatory government shall make effective in respect of each other signatory government" certain provisions of the charter for an International Trade Organization.

The following exchange then occurred.

SENATOR MILLIKIN: It is intended to enter into that agreement at the conclusion of your trade negotiations. Is that correct?

MR. WILCOX: That is a draft, of course.

SENATOR MILLIKIN: What is your authority for entering into an agreement of that kind without bringing it to the Congress first?

MR. WILCOX: Well, this would be a trade agreement.

SENATOR MILLIKIN: Is it correct to say that you are setting up a provisional charter pending the acceptance of the real charter?

MR. WILCOX: No, sir. It does not. . . . It does not include the commodity arrangements, and so on and so on.

SENATOR MILLIKIN: It seems very clear to me from the language I have read that you contemplate a practical duplication of the charter.

MR. WILCOX: It is similar wording, sir, with respect to the particular provisions, yes.

What were the particular provisions of the proposed world trade charter that would be included in the trade agreements? Senator Millikin asked Mr. Wilcox to read them out. Mr. Wilcox read them article by article and they were as follows: "Maintenance of domestic employment, government assistance to economic development, general most-

favoured-nation agreement, national treatment of internal tax regulation, freedom of transit, anti-dumping and countervailing duties, tariff valuation, customs formalities, publication and administration of trade regulations, general elimination of quantitative restrictions, restrictions to safeguard the balance of payments, nondiscriminatory administration of quantitative regulations, exceptions from the rule of nondiscrimination, exchange arrangements, subsidies, nondiscriminatory administration of state trading enterprises, emergency action on imports of particular products, general exceptions, territorial application, consultation, nullification or impairment."

All of these matters, taken bodily from the proposed world trade charter, were to be included in the trade agreements, and the trade agreements would be sealed by the signature of the President with no yes or no from Congress. The following exchange occurred.

SENATOR MILLIKIN: It is very apparent that you are setting up (in these trade agreements) an international control organization duplicating the heart of your proposed charter, so that you are doing provisionally, without the consent of Congress, in substance, the same thing that you have admitted must have the consent of Congress.

MR. WILCOX: Only a part of it.

SENATOR MILLIKIN: And if in part, why not all?

MR. WILCOX: Well, Senator, I am venturing beyond my competence on this point. I am not a Constitutional lawyer and I think you might wish the legal adviser to testify.

The legal adviser was called. He was Charles Fahy, speaking for the State Department.

SENATOR MILLIKIN: We have here a provision that from the time we end our reciprocal trade agreement negotiations at Geneva until the proposed International Trade Organization Charter comes into effect there shall be a provisional organization having roughly the same powers that the International Trade Organization will have when its proposed charter takes effect. What is the authority for entering into that provisional agreement without the consent of Congress?

MR. FAHY: I rely primarily there upon the Trade Agreements Act of 1934, as amended. If at Geneva, under the Trade Agreements Act, there is entered into, aside from the proposed International Trade Charter which is to be submitted to Congress, a trade agreement presently authorized by acts of Congress, an interim committee may be created to assist in the administration of that trade agreement.

SENATOR MILLIKIN: The proposal is to set up a provisional organization in most respects similar to the ultimate organization (the proposed world charter).

But there is no proposal to bring that provisional agreement back to Congress for any form of consent.

MR. FAHY: It is still a working paper. We have analyzed the provisions in terms of the existing laws of the United States. Some of them certainly I think are not presently authorized by the laws of the different states.

And there it was left, except that the State Department sent in an informal legal memorandum that left it even more so.

III.

Obscurities of Power

THE Senate Finance Committee was very anxious to have the powers of the proposed world trade charter precisely defined. Mr. Clayton, Under Secretary of State for Economic Affairs, said: "We are not creating a super state to instruct governments on how to conduct their external or internal economic affairs. We are proposing only that this trading body be created as part of the structure of the United Nations to serve as a medium of consultation to facilitate the carrying out of the commitments agreed to in advance by the governments concerned."

Senator Millikin wanted this point to be very explicit. The following exchange took place.

SENATOR MILLIKIN: It will be a specialized agency under the Economic and Social Council of the United Nations?

MR. CLAYTON: Yes, sir.

SENATOR MILLIKIN: It will have no powers that are not granted by the charter of the United Nations. Is that correct?

MR. CLAYTON: It will certainly have no powers that are not granted by its own charter, and I assume that they will all be consistent with the powers granted by the United Nations Charter.

SENATOR MILLIKIN: What I am leading to is this. Under the interpretation of the United Nations Charter made by the Secretary of State, by the delegates to San Francisco and by State Department witnesses, it is very clear that the power of the Social and Economic Council of the United Nations is a recommendatory power only. You agree with that?

MR. CLAYTON: My idea would be that that is correct.

SENATOR MILLIKIN: And it would follow that if there is anything in the proposed International Trade Organization Charter that goes beyond recommendatory power, it is either null and void or should be eliminated.

MR. CLAYTON: That would follow.

Then came Mr. Fahy, legal adviser to the Department of State, with an extremely contrary

opinion. He said that the powers of the International Trade Organization would exceed those of the United Nations; moreover, the International Trade Organization would not necessarily be bound by the "so-called domestic jurisdiction clause of the United Nations Charter." That is the clause that says that the United Nations shall not intervene in matters which are essentially within the domestic jurisdiction of any state nor "require the member to submit such matters to settlement under the United Nations Charter."

SENATOR MILLIKIN: You do not intend that the International Trade Organization shall have greater powers than the United Nations?

MR. FAHY: Yes, I do. I say that the International Trade Organization has powers greater than have the United Nations. The United Nations cannot reduce tariff duties.

After this the Senate Finance Committee requested and received from the State Department a legal memorandum on "the three types of enforcement" provided in the proposed charter of the International Trade Organization—type 1, the good faith of all members; type 2, consultation and discussion; type 3, enforcement by sanctions and penalties. The list of sanctions and penalties filled a page of fine print.

Then obliquely it was developed that the full powers of the International Trade Organization could not be deduced from its own proposed charter. The International Trade Organization would belong to a network of power, represented by such other agencies as the International Monetary Fund, controlling the foreign exchange of the world; the International Bank, designed to influence the international movements of capital; various other instrumentalities of the United Nations, either existing or to be created; and, coordinating all of them, the Economic and Social Council of the United Nations.

Mr. Wilcox gave an example of how it might work. Specifically, sudden depression in the United States would cause American orders for foreign goods, particularly raw materials, to contract. The effect of this upon the country that had been supplying us with raw materials would be deflationary. That country then would appeal to the International Trade Organization and the International Trade Organization would confer with the International Monetary Fund and if they agreed that something ought to be done about it they would say to the country that had lost its American market, "All right. Since the United States has stopped buying your goods you may slam your gate against American goods." Or, in Mr. Wilcox's words, "It would be permitted to employ import quotas."

The idea is that the United States ought not have a sudden depression and stop buying other peoples'

goods, and that if it had had a proper full employment policy, according to its obligations under the International Trade Organization Charter, such a depression would not have happened.

IV.

Government People Only

SENATOR MILLIKIN wanted to know something about the men who were going to Geneva to negotiate these trade agreements with seventeen other countries and who at the same time were going to put over the world trade charter if they could. Who were they? It had been said that there was not among them one man of practical experience in commerce, industry or finance.

MR. CLAYTON: I do not know exactly what you mean by practical experience. A number of the men we are sending will have had a great deal of experience in just this type of work. The people they will be trading with will not be businessmen. They will be government men, just as they are.

SENATOR MILLIKIN: The criticism is that the men you are sending are men of splendid culture and splendid theoretical training but that they have never wrestled with practical business problems. Are you sending any outstanding businessmen?

MR. CLAYTON: No, sir, we are not sending any outstanding businessmen, as such.

SENATOR MILLIKIN: Many businessmen are saying that this should not be in the hands of theoreticians; that there should be some who have the happy additional qualification of business experience.

MR. CLAYTON: We are sending government officials not only from the State Department but from some of the other departments, men that have been loaned to us. They are men who have lived with this problem. . . . We should bear in mind that this Geneva conference is one where the negotiations will be intergovernmental and the people we are sending are government people and they will deal with government people from the other countries.

V.

The Uncertain American Interest

IN view of the intergovernmental character of the negotiations and the probability that they would be governed by ideas of international welfare, Senator Millikin was anxious to know how and by what rule the American interest would be defended, especially of course in matters of doubt.

SENATOR MILLIKIN: Can you assure us here, Mr.

Secretary, that doubts will be resolved in favor of our domestic interest?

MR. CLAYTON: Senator, I just don't know. When you say our domestic interests, we have these on both sides.

SENATOR MILLIKIN: I mean our domestic productive interests. I would be a little more comfortable if you gave me the answer that there would be a decision in favor of our domestic producers.

MR. CLAYTON: I can only tell you that we have made a very careful and painstaking investigation of all these commodities that are the subject of negotiation. . . . It depends on so many imponderables that you cannot be certain. You cannot be certain that you have made a decision that will not hurt anybody.

SENATOR MILLIKIN: My question was a simple one. Will you resolve the doubts in favor of our productive industries at home?

MR. CLAYTON: I am sorry. I want to answer you absolutely truthfully, but I just cannot say that we would in every case, because there are doubts that arise. There is a group that has to make this decision and it is a great committee composed of representatives of seven governmental agencies.

Article 12, Chapter IV, of the New York draft reads as follows:

"Progressive economic development is dependent upon adequate supplies of capital funds, materials, equipment, advanced technology, trained workers and managerial skill. Accordingly, the members shall impose no unreasonable impediments that would prevent other members from obtaining any such facilities for their economic development."

What would be unreasonable impediment and who would define it? Senator Millikin wanted to know. He asked Mr. Wilcox, Director of the Office of International Trade Policy of the Department of State.

SENATOR MILLIKIN: At one time we had the Johnson Act which forbade international loans to countries that had defaulted on their obligations to us. If we were now to pass a law of that kind, or a law imposing restrictions upon foreign loans, would that be an unreasonable impediment?

MR. WILCOX: I do not know how to answer that. . . . I am not sure. It is a possibility.

SENATOR MILLIKIN: I think there will be a lot of curiosity about this unreasonable impediment business. Let me suggest that you roll that around in your mind and come back with illustrations.

The next day Mr. Wilcox brought a memorandum from the State Department giving as examples of unreasonable impediments the following:

"1. *Capital funds*—Prohibition or restriction by a given country on export of funds from it for

use in development of a specific industry in another country which might become competitive with the industry of the capital-exporting country in the markets of the capital-receiving or capital-exporting country or in the world market.

"2. *Materials*—Unreasonably high taxes on export of raw material such as tin ore in order to discourage its export except in processed or finished form.

"3. *Equipment*—Prohibitions or restrictions by one country on the export of equipment, such as watch-making machinery, in order to prevent or hinder other countries from competing with it in the manufacture and sale of the finished product, in this instance watches.

"4. *Advanced technology*—Refusal to permit the licensing of a patent for production of a particular commodity in order to prevent the possible development of a competitive industry abroad.

"5. *Trained workers and managerial skill*—An advanced country's preventing or hindering its trained workers and managerial personnel from being employed in a less industrialized country for fear of developing in the latter an industry that might become competitive with a similar industry in the advanced country; or, conversely, an advanced country's preventing or hindering nationals from coming to the advanced country for specific industrial training."

If we did any of these things, or anything like, we should be guilty under Article 12, Chapter IV, of the International Trade Organization Charter and subject to such sanctions and penalties as the International Trade Organization might see fit to invoke against us.

SENATOR MILLIKIN: Now, then, what does the International Trade Organization do about it?

MR. WILCOX: One thing that is provided is consultation with a view to reaching a mutually satisfactory settlement.

SENATOR MILLIKIN: Yes, the consultation has been held and nothing has happened. Then what?

MR. WILCOX: Then the International Trade Organization might authorize a member or members to suspend the application to any other member or members of such specialized obligations or concessions under this chapter as may be appropriate under the circumstances.

(These words mean that the offending nation may be excluded from the benefits of the International Trade Organization; it may be cast out of the union, isolated.)

SENATOR MILLIKIN: That is pretty strong medicine, is it not?

MR. WILCOX: It depends on how far it is carried.

And so, to the already interminable literature of the subject the Committee on Finance of the United States Senate, in two thick volumes, added one million and five thousand words.

At Geneva

Washington

REPORTS from the Geneva conference of eighteen nations on the proposed world trade charter and reciprocal trade agreements have been alternately optimistic and pessimistic and generally dull. There was one unhappy development. While the American delegates, led by Mr. Clayton, Under Secretary of State for Economic Affairs, were trying to convince the seventeen other nations that the United States had become low-tariff-minded and was ready to lower its tariff barriers all around in return for trade concessions, the Congress opened debate on a bill to increase the American tariff on wool. This was to protect the American wool growers against the competition of British Commonwealth wool, of which there is a great overhanging surplus. The Australian delegates at Geneva said that if this was a sample of matrimony, the engagement was off. Mr. Clayton came home in haste to persuade the President not to sign such a bill, saying it might very well wreck the Geneva party.

Mr. Clayton's position is that if the government wants to protect the American wool grower, it ought to do it by paying him a direct subsidy out of the United States Treasury, not by raising the tariff against foreign wool. The difference, he argues, is that if imports are restricted by tariff the consumer will pay more for all the wool he consumes, whereas if the American wool grower is subsidized by the government, the subsidy, although it would be paid by the taxpayer of course, would be paid only on that part of the domestic consumption of wool that is domestically produced.

Here wool serves but to illustrate a general thesis. Nearly all trade planners now say that of course you cannot level down tariffs without hurting somebody and the way to take care of that is to subsidize the unfortunates. An article by Harold H. Hutcheson in the March report of the Foreign Policy Association said: "The dislocation that is bound to result must be minimized, and it may well be that those whose jobs and investments are affected will require subsidies, pending the development of new opportunities for employment."

Curiosities of Our Trade Policy

To the Editor of American Affairs:

The United States must present a curious spectacle to foreign statesmen, students, and economists who seek to follow our foreign trade policy as it is expressed from time to time by people of prominence in this country.

Picture the puzzlement of the Britisher used to hearing the slogan "Buy British" when he learns that United States Secretary of Commerce, Averell Harriman, says that we in this country should abandon the slogan "Buy American." "Let's import," says the Secretary, firing the first gun in what seems to resemble a campaign to boycott our own products and promote the sale of items made in some other part of the world.

In an article in *The Saturday Evening Post*, the Secretary says, "We must import to live," but when he appeared before the Ways and Means Committee of the House on April twenty-eighth, the only items he could think of which we should import in increased volume were handmade toys and penny candy for the children. He listed some other items in his *Saturday Evening Post* article but most of them are raw materials imported without duty. These we are importing in such volume as we can use except for a few articles of which there is a present shortage.

Picture the astonishment of a Belgian lace manufacturer who reads that an American group called the "Public Affairs Committee" wants the United States to import Belgian laces at lower prices than our manufacturers can quote, saying that our citizens would buy more lace if the price were not so high. The Belgian lace manufacturer knows that we make lace in the United States and that we pay our lace workers more than three times what the same workers receive in Belgium. The Belgians themselves could buy lace more cheaply from China, but the Belgians maintain a tariff to keep out foreign laces.

Imagine the difficulty of a foreign student of employment trends in trying to understand the statement of Philip Reed, Chairman of the Board of the General Electric Company, that "new foreign products not produced here would . . . create employment in the distributive and service industries." The foreign student might be stumped to discover what those new products were, but he would quickly realize that there would be much more stimulus to employment in the United States if we went further and *produced* the items ourselves instead of merely distributing them after they arrived here from some foreign country. The foreign student might or might not realize that when the heads of General Electric and other manufacturers

of electrical equipment urge us to increase our imports, they are not referring to imports of motors, light bulbs, and switches—but to imports of the kinds of goods made by industries other than those in the electrical field.

A thoughtful foreign economist might be puzzled, too, by a sizable loan made by the U. S. Export-Import Bank to Finland for the sole purpose of promoting in the United States the sale of Finnish products competitive with products already being made here by our own manufacturers. Mr. Martin, the head of the Export-Import Bank, made the statement that an important factor in making foreign loans was the extent to which the loans would be used to promote the production of items which could be sold in the American market. That might help Mr. Martin to get the bank's money back, but what happens to the money invested in the American enterprises which cannot meet the competition of foreign enterprises financed with these United States Government funds?

And are the foreign economic experts able to understand the viewpoint of Mr. Aldrich, Chairman of the Board of the Chase National Bank and formerly President of the International Chamber of Commerce? Mr. Aldrich wants private investors to supplement our government loans abroad despite the fact that no foreign nation believes that the colossal sums the United States has already lent abroad can ever be repaid. Some of the foreigners tried to be honest; they told us they could not repay a loan and asked for a gift. We make defaulters out of them by calling the credits "loans." Mr. Aldrich says: "Our imports must be brought more nearly into balance with our exports." One suspects that the more objective foreigners might figure that for a country that didn't really need the imports, the way to achieve such a balance would be to put a brake on exports or, perhaps, to become realistic and label the exports honestly as gifts.

A foreigner may also be pardoned for being confused over our emphasis on having the "escape clause," in reciprocal trade agreements, in view of the State Department's efforts to convince foreign nations that we are going to admit their goods to the American market in a truly big way. The "escape clause," to be included at President Truman's direction, if it means anything, means that if it develops that a tariff concession granted by the United States proves effective in giving an increased slice of our market to foreign producers, the concession will be withdrawn.

Do foreigners understand our trade philosophy? If they do, they must be skeptical of our sanity.

ARTHUR BESSE,

President of the National Association
of Wool Manufacturers

Boston

Report from France

By Franz Robert Ingram

Paris

THE situation here looks much worse than that in Great Britain but this appearance is perhaps misleading. A French government with strong authority and good sense could put this house in order within a short time. The industrial apparatus was but slightly touched by the war. There was little damage and there was no real conversion to war production. Normally, France is not dependent on food importation. German occupation was lenient and not destructive. The French are not impoverished. They are traditionally hoarders of gold, and a good many people have their deposits in Switzerland.

The French, unlike the British, have not bowed to regimentation. Every Frenchman has been a fighter against "dirigisme." While there is practically no black market in England, either for goods or for foreign currency, here in France the black market is the real market, tenderly called *le marché parallèle*. The economic laws (or rather the anti-economic laws) are being broken so generally that there can be no prosecution. One cannot jail the whole nation. Prices are so high that the foreign visitor would not buy anything if he had to sell his good money at the official rate.

It is estimated that 75% of all business is done in the parallel market but, as it is carried out under the board, most of its transactions escape taxation. If the black market were legalized, it would swell public revenue and would allow the government to lower excessive income taxes.

What Might Be

The franc has not yet run away completely. A devaluation, that is, a legal recognition of the actual rate of exchange, would be premature if there were no certainty of stabilization. A strong government, however, would have this certainty. Taxation of the entire market would strongly reduce the deficit; with confidence restored, hoarded gold and hidden deposits abroad would willingly come to the surface, would be loaned to the government and fill the dry veins of industry and business. A government with authority would stop inflationary wage increases and wasteful government spending in nationalized plants, it would denationalize socialized enterprise and thus unburden the budget.

The Plan Monnet is correctly based on the idea of conquering inflation by increased production. The two obstacles are lack of coal and the political abuse of trade union power. The cost of American

coal is double that of German coal, a sidelight on the Morgenthau notion that "the elimination of German competition would enrich the rest of the world." France could have more German coal if she abandoned her silly opposition to the reorganizing of western Germany. But only a strong government can overcome the counsels of fear. Likewise, only a strong government can free the trade unions from Russian domination.

But where is the leader? When Paul Ramadier, whose mentor is Leon Blum, dared to form a government without the communists, all France held her breath. Nobody had credited the little man with the funny goatee with that courage. Ramadier acted under pressure. De Gaulle had one foot in the stirrup. Ramadier's parting with the communists was de Gaulle's success and, at the same time, de Gaulle's temporary frustration. The average Frenchman said: "If Ramadier gets away with it, we shall not need the man on horseback." Ramadier's well-wishers were numerous even among rightists. But, alas, it does not look as if Ramadier were succeeding.

Communist Behavior

The communists bide their time. They are afraid of de Gaulle. The army is against them. They also realize that a general strike would be most unpopular and might easily break down from the outset. They do not want to offend public opinion, still clinging to the program which was also Hitler's that it is wise to act within the laws *until* one is in the saddle. Ramadier's decision was not ill-timed. But the communists cannot allow him to get away with it. This would shake the conviction that one cannot rule France without the communists. One must not disappoint the workers who expect the communists to act radically.

If things go on at the present pace de Gaulle may be in power fairly soon. The possibility of a successful communist coup was very great six months or so ago. It was the *Truman Doctrine* which blocked this road to disaster. It encouraged Ramadier and de Gaulle and all Frenchmen who had resigned themselves to the inevitability of a Russian Europe. But the communists are well-armed. They have an organized army, huge arm caches, a general staff, volunteers and officers from all Slavic countries.

De Gaulle

It is important to realize that General de Gaulle is largely responsible for the fact that France is divided against herself. During the war he tried to monopolize French patriotism with his insignificant group of exiles; after his return he kept on branding as traitors all those who had "collaborated" with

the occupying power. De Gaulle is the creator of the legend that France was not defeated; that she was fighting all the time; that she liberated herself. It is very bad for a nation to use a lie as the foundation of its national existence.

When the Channel Islands had been liberated from German occupation, the King of England visited and decorated the mayors and the other leading men who had collaborated with the German authorities. In Italy, almost all Fascists received an amnesty. Only France was the scene of a terrible heresy hunt. This had to be so. The British were victors; the Italians acknowledged defeat; but the French, having been vanquished, were whipped into a frenzy of victory. Since defeat could not be denied, it had to be saddled on scapegoats.

De Gaulle knew that "Vichy" had ranged from Weygand, Giraud and Boisson down to Benoit-Mechin and Fernand de Brinon; in other words, from fervent patriots down to a few traitors. But with morbid obstinacy he insisted that he alone and his little crowd of propagandists had served the country. If the terms "collaborator" and "traitor" were identical, they could be applied to the communists who supported the occupiers as long as it suited Stalin. Then, however, they became the best organized part of the maquis, not for the sake of France but to help Russia and to establish their claim to leadership after liberation. Indeed, de Gaulle's regime, first in Algiers and then in Paris, was substantially a coalition between him and the communists. Only minor parts were played by the socialists and the MRP.

All the newspapers and other publications which had appeared during the German occupation were simply stolen by the three parties, and the result is that at present about 40% of all newsprint is at the disposal of the communists who had but one daily before the war.

The Special Courts were packed with communists, and the result was that many of France's best sons were put to death or sentenced to lifelong imprisonment.

When Churchill was in Paris recently, Leon Blum said to him that he would like to form a government of experts—but where were the experts? Winston replied at once: "Ouvrez les prisons!" When Leon Blum was in Washington, President Truman, referring to Petain and so many others, said that America judged other nations by the methods of their justice. Blum pointed to France's public opinion. The President answered that public opinion is something statesmen create. When Mr. Marshall was in Paris, he asked President Vincent Auriol to mitigate the terrible conditions under which Petain (91) is forced to live. This leaked out and was denied by the French.

The Greek Queen Could Take It

Senator Brewster of Maine was one of the American delegates to the recent meeting of the Interparliamentary Union at Cairo, Egypt. On their way home they stopped in Greece. This is Senator Brewster's report to the Senate on their visit with the King and Queen.

WE went from the Prime Minister and the Foreign Minister to be received by the new King Paul and his queen, Fredericka. We were received by them about 8:30 in the evening. They had a few sandwiches for us and we stood around talking with them alone for half an hour. King Paul is a very fine looking gentleman. The only difficulty I found with him was that he still wore a monocle. I thought that if he ever came to America his public relations adviser had better get rid of the monocle. But he wore it with a skill which did him credit. He did not have a ribbon on it. It stuck all right.

But he had very tough competition. Personally I took pity on him and remained to talk with him, because all the rest of our delegation had clustered around the Queen, who is one of the most intriguing and interesting young ladies it has ever been my privilege to see. I do not think it was because she was decorated with a queenly crown. She is a slip of a creature who appears to be about 21 years of age, although, I believe, she is really 27, and has three children. The entire delegation was charmed.

However, one of our comrades who is somewhat to the left, and who had evidently read something about her German background, perhaps in order to put her on the spot, proceeded, to my consternation and that of the others, suddenly to say—"I do not think he even said Your Royal Highness—"I would like to know about your ancestry and education."

The Queen looked a trifle aghast, as did the rest of us. In the pause which followed he repeated, with even more firmness, "I would like to know about your ancestry and education."

At that point the Queen, with perfect composure, said with great simplicity and directness, "I was born a pure-blooded barbarian, and I came to Greece to be civilized."

I thought that was not bad for any young lady under those circumstances. She said not a word about her great-grandmother, Queen Victoria, whom she might, at least, have brought into the picture to alleviate her German background. She took it on the chin.

The Last Chance for Free Enterprise

While some managers of business are trying intelligently to save it, others are at work on its coffin

**By Edwin G. Nourse*

Chairman of the President's Council of Economic Advisers

THE year 1947 will go down in history as a year in which private business management took some decisive steps toward determining what the future of the private enterprise system is to be. It is a year in which responsibility cannot be evaded nor judgment postponed. Private business management has vociferously and, I believe, quite properly demanded that wartime controls of business processes be removed as promptly as possible. President Truman has moved steadily and rapidly in this direction. Business asserted that as soon as these controls were removed the natural forces of market competition would promptly restore economically sound and therefore permanently prosperous business relationships.

Now, as an economist, I must enter one demurrer to that argument. I cannot accept the theory that in this day of giant corporations, big financial institutions, and nation-wide unions, it can be said that the impersonal forces of the market will automatically establish sound wage-price-profit relationships. Under these conditions of business organization the process is not one of an impersonal competitive market or system of markets. Over large areas of the economy, prices and the course of business are determined by highly personalized administrative decisions made by officials of business organizations and affecting large blocks of capital resources or of labor resources.

Disappointment

I think it is quite clear to everyone that the decisions of these responsible executives have not since V-J day mutually added up to anything like a workable solution of the nation's business problem in terms of well-sustained production and the prosperity that would go with it. It is a familiar saying that you can't do anything to change the law of

supply and demand. This is true. But I submit that you can act intelligently or stupidly within the conditions laid down by that law.

In this transition period we have had an unavoidable disturbance in the conditions of market or money demand and of physical supply of goods and services. What should we expect of business management under these circumstances? If the executive function is to be performed on a professional plane, should we not look to business administrators to bring those two forces together under conditions which would make for the maximum continuous flow of economic power, not for a destructive or explosive meeting of those forces?

Analogy

May we draw an analogy? The combustible powers of gasoline are established by inexorable laws of nature and so are the heat-resistant qualities of steel and other materials. You can let a random spark touch the liquid gasoline in your tank or where it flows from a leak in the feed line, and you will burn your car up more or less completely. But you can apply a timed spark to a vaporized gasoline mixture in the cylinder of your engine and produce smooth and continuous motive power.

Similarly, the owners, drivers, and service men of the business car may produce from the inflammatory and explosive economic materials left to us by the war a destructive boom and more or less complete collapse. Or they may produce a well-stabilized high level of production, employment and purchasing power such as we seek under the Employment Act of 1946.

They Were Advised

In the President's Economic Report to the Congress on January 8, it was pointed out that the flow of purchasing power currently disbursed to consumers is not on a level capable of taking from the market promptly and steadily the flow of goods and services that our productive plant and labor force, employed with reasonable fullness, would be turning out during 1947. That report pointed out that further price rises would be inflationary in character and would make the fundamental situation even worse, however intoxicatingly pleasant the effects upon certain uninhibited individuals. It pointed out further that moderate wage increases in the lower or medium wage brackets and widely distributed but orderly and moderate reduction of prices in line with actual production costs at high-volume production pointed the way to efficient adjustment and smooth operation of our economic machine. Excessive wage increases forced through at points where they would result in proportionate or greater price

* A speech before the Controllers Institute of America on three kinds of business behavior.

increases were stated to be no solution of the problem but merely a source of further demoralization and inflation.

Three Attitudes

Well, what have corporation executives and union officials done in the face of this situation? The labor picture is clouded, and this is not a labor audience. So I shall refer to that side of the matter only incidentally as it is involved in the corporation manager's future. As for the behavior of administrative officers of business, the course of events as I see it puts them in three categories:

First are those who say: "Get while the getting is good. The first and only law of business is to grab an honest dollar whenever and wherever you can see it. Let the long-haired economists and the vote-hungry politicians consider longer-run effects or the good of the country. We'll play boom forces for all they are worth and take our chances of living through the depression when it comes." Businessmen of this school pushed prices up aggressively whenever controls were relinquished and resist by any power at their command the downward movement of prices when consumer resistance asserts itself. The danger to others and eventually to themselves that comes from this course shows up when they curtail production in the effort to perpetuate an artificial price situation by choking off supply.

The Stabilizers

Second, there are certain more thoughtful executives who have manifested intelligent realization of the dangers of inflation and the disturbing effect of rising costs of living on wage demands and possible work stoppages. Several of them have recently said: "We believe that we can contribute to damping out the inflationary fire and promoting business stabilization by announcing a 'firm price' policy. Thus those who buy our products can make future commitments on an orderly basis, knowing that they can fill their requirements for our goods at the time dictated by operating reasons without fear that they will be penalized in price and without the necessity of accumulating inventory and the accompanying carrying costs." A firm price has a stabilizing effect also by keeping up the flow of orders according to normal operative needs and inventory practices rather than having buyers hold off on orders in the hope of getting lower prices later on in the fear that the market may be on the verge of a demoralizing break.

Third is another class of business executives who have said: "Even though our order books are full for months ahead and we could sell our goods at present or even higher prices, and even though we have some past losses that we would like to recoup

through picking off some of these lush profits, we believe that such a course of action would contribute to inflation. We believe further that such inflation should be stopped, not by new government taxes or fiscal manipulation, but by the astute and disciplined action of businessmen themselves. Hence we will start a movement toward voluntary business stabilization by reducing our prices as promptly and as steadily as the level of our current costs under conditions of high volume production and efficient management will permit."

Two Fine Examples

Of course, the statements issued by the Ford Motor Company and the International Harvester Company in announcing their price reductions come to your mind as examples of this school of business thought. Let me quote the opening and closing paragraphs of the Ford statement:

Although more than one million of our customers are waiting for delivery of their cars at present prices, we are immediately reducing the price of every Ford car—some models as much as \$50.

This is our "down payment" toward a continued high level of production and employment in the months ahead. We believe that the "shock treatment" of prompt action is needed to halt the insane spiral of mounting costs and rising prices and to restore a sound base for the hopeful period of postwar production we are now entering. . . .

We hope, as we move forward, that we will be able to reduce prices further, and that we will not be forced to raise them again to compensate for cost increases.

The International Harvester Company statement emphasizes the point that neither consumer resistance nor competitive necessity dictated their decision to cut prices, and that farm implement prices had not advanced as much as many other lines. It is notable also that it asserts the responsibility of venture capitalism to take calculated risks, and this step is taken in the face of wage negotiations which the Harvester Company assumes will be settled on "reasonable" terms. Both Mr. McCormick and Mr. Ford call upon their suppliers and their workers to see to it that further price cuts may be possible.

Looking at these three schools of business thought, it is my judgment that business executives of the first group are doing everything possible to dig the grave, or drive nails into the coffin, of private business enterprise. The second and third groups, particularly the third, are showing the power of well-trained and responsible management to perpetuate our system of private enterprise because it produces for the mass of the people a satisfactory level of employment opportunities, efficient use of physical and financial resources, and a widely distributed high scale of living.

Betrayal of the Free Market

By Robert E. Freer

Member of the Federal Trade Commission

IT has always struck me as a phenomenon of the business world that perfectly respectable men of the highest integrity and character have no hesitation about entering into a gentleman's understanding with their competitors to avoid the free play of competition in one form or another. With few exceptions, these men are representative of the highest type of our citizenry, and they would be the first ones to complain bitterly about any unwarranted government regulation of their business. And without exception these men are against monopoly and the fixing of prices as an abstract proposition of law or economics.

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I appreciate full well that competition is very often a ruthless process which appears to work many individual hardships, particularly when there is a buyer's rather than a seller's market. Yet I know of no force which can be substituted for the free play of just this competition to regulate business in the public interest. Certainly all experiments looking toward permitting business to regulate itself in the sense of establishing private or even semipublic code organizations to control prices, markets and all phases of business enterprise have failed. Nor has the government demonstrated great ability to do that type of job.

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The plain truth about the matter is that men, either in government or business, have human limitations which make for inevitable serious mistakes in judgment about managed pricing which would not be made if the production and prices in that business or industry had been subject to "regulation" by the forces of free and open competition. American business is so complex and so inextricably interwoven and interlaced that there is, in my opinion, no body of men sufficiently wise or skilled to plan in advance the varied decisions that the economic necessities of free and fair competition produce naturally and with sufficient flexibility to meet any unexpected changes in market conditions.

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We saw several phenomena in the great depression which indicated the inflexibility of those segments of basic industry which either by concentra-

tion of production in a few hands or by gentleman's agreement among the major producers were able to maintain the high boom-price levels in a period of economic distress. These industries suffered at least as much as those in which competition forced distressed prices, and the fact that they elected to curtail production and employment rather than to reduce prices contributed directly to delaying the swing of the economic pendulum by further curtailing not only the aggregate power to consume all products but also by discouraging potential buyers from consuming their goods.

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Now we are on the other side of the mountain. There are present indications that prices have outrun purchasing power. Those industries and businesses which are sensitive to the play of free and open competition will have their prices adjusted to the market as an inevitable matter. However, in those industries in which concentration has led to a managed market or where understandings to restrict or prevent competition are employed, prices may or may not adjust themselves depending on the personal judgment of the market managers. To the extent that they elect not to reduce artificially high prices, a human blunder may be made by a few which can cause a great deal of economic suffering to the many.

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I do not believe in or encourage the philosophy that it would be proper in these inflexible industries to regulate them and thereby to force price reductions by government fiat. I do not believe that the human beings in the government are any better equipped mentally to make such decisions of managerial discretion than are the human beings in business. The only advantage suggested for the government making such decisions rather than private monopolists is that presumably the motivating force in the decision would be the interest of the public as a whole rather than any private or selfish interest.

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I am personally convinced that the most pressing problem facing the public today is the preservation of free and fair competition as the primary regulatory force in business. Unless businessmen themselves help to halt the forces tending toward monopoly and the vesting of control in a few hands, they will find themselves inevitably heading away from the free enterprise system which is the keystone of our American way of life. Free and fair competition is the alternative to either domination and regulation by private groups of capital or that of a paternalistic state similar to those which have arisen abroad as a substitute for the forces of the free market.

No More Henry Fords

The fatal defect in this era of economic idiocy

By Joseph P. Kennedy

Diplomat, Capitalist, formerly Ambassador to Great Britain

THE American people, once described as "a magnificent spectacle of human happiness," are today confused and restless. With 1946 corporate earnings at new high records and earnings per share of many standard American business corporations 33 to 50 per cent of their selling price no one wants to buy stocks, and highest-grade common stocks with long dividend records sell at prices to yield four times as much as bonds. Confidence is declining.

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In what has been aptly termed "an era of economic idiocy," administration economists have become politicians, and statesmen pose as economists. The net result is a very sickening and discouraging political-economic philosophy which has given the nation a case of first-degree jitters.

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It is because our recently proclaimed international politics—financing war upon communism abroad—is inseparable from our domestic problem that I feel free to discuss the so-called Truman Doctrine of aid to Greece and Turkey. If it could be demonstrated that giving dollars to stop the spread of communism in the Balkans could accomplish that objective, I would make no comment—especially if it can be shown that the United States can afford it. But it is obvious to anyone with even limited experience in world politics that a few hundred million dollars is but a beginning.

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I insist that, when public officials advocate the policy of underwriting the salvation of the rest of the world from communism, they are morally bound to show the American people just where the money can come from—out of the pocket of the American taxpayer. Especially since such a policy may actually so weaken the economy of our country as to necessitate a degree of state control of the activities of our normal life not far removed from communism itself.

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We have been doing things in the wrong order. Let us for once try to find foreign peace as the end purpose of domestic prosperity. Up to now we have

sought world peace first, expecting prosperity to follow. Unfortunately, we have neither.

*

Approximately \$10 billion is the staggering price we have already paid for the dubious privilege of taking up the "white man's burden." Why? England followed this policy for years in order to build the Empire—now England says she is broke. We have no imperialistic ambitions, but if, in an exuberance or good neighborliness, we essay the role of financing the ambitions of other nations, we can end up just where England is today—in economic misery.

*

I suggest that our statesmen read something of modern history before going all out for saving the world. . . . With nations, as with individuals, the ally you have to buy will not stay bought. Whether it is the socialism of Britain or the communism of Russia with which the individualism of America has to contend, all radical thinkers hate our system of society, and they will make this plain as soon as we—in self-defense—put an end to world spending to save our own economy.

*

I am not greatly concerned with the military or political aspects of aid to Greece or Turkey. I suspect that the Russian people resent that as our people would resent Russian aid to Mexican Pancho Villa or a communist adventurer in Cuba. The dangers at home are far more real to me.

*

I regard as dangerous a public policy which rushes headlong into tax-burdening expenditures abroad and does nothing to bring about tax relief at home, making no provision to sustain a rate of industrial activity essential to the collection of the increased revenue needed.

*

I suggest that we look for a cure to the methods responsible for the growth and development of our economy to its present magnitude—the ways and means of obtaining increased production. That remedy, we have a right to believe from 100 years' experience, will relieve our people of their fears and

doubts and restore their confidence in themselves and in their country. . . . The production of more wealth by the investment of existing wealth, is the only sure cure in sight today for the things which the politicians-turned-economists say are at the root of existing evils—high prices. Encouraged in the future, as it always was encouraged prior to the confiscatory tax periods of the Thirties, American business will, by capital expenditure, so expand the production of goods that competition will thrive, the small businessman will be able to compete in his industry, inflationary perils will disappear, and talk of depression cease.

*

Whereas prior to 1932 (the beginning of the confiscatory period) American business invested \$8,640 per employee (in order to buy tools, equipment, etc.), by 1941, even with a war-stimulated activity, the expenditure was \$5,937. The greatly reduced expenditure was plainly due to the fact that so large a proportion of the earnings of business is taken for taxes that the employer hasn't enough left to equip his plant as formerly.

*

When industrial progress is blocked by a tax system that limits production and the output of goods demanded by an ever-increasing population is choked, shortage and high-pricing follow, the marginal manufacturer (the little fellow) cannot meet the ever-rising wage cost and monopoly privilege is developed for big business.

*

It is estimated that the needs of the American people by 1950 (based upon 1944 prices) will approximate \$200 billion—14 per cent higher than anything demanded during the last war. The physical machinery necessary to meet that volume of production cannot be provided unless business is allowed to retain for reinvestment a larger share of earnings than is now left after wages and taxes.

*

If we aggravate our domestic needs by a perpetual subsidy of European needs, obviously the chance to provide security and prosperity for our own people—now disturbed by their economic prospects—is slight.

*

When Henry Ford died recently, most newspapers had editorials pointing out that in no other country in the world could Mr. Ford have developed his magnificent empire. But Mr. Ford could not do that today even in this country under existing tax assessments. It is not possible for any individual to save enough of his total income after income tax

requirements to accumulate the capital necessary to finance expansion and growth in his business.

*

The Ford business was started with \$28,000 of borrowed money. It grew by reinvestment in the business of a substantial portion of each year's earnings. Today most of the annual earnings go to the government in tax payments. To me that is the fatal defect in our present economy and is the chief reason for unrest and discontent. There can be no more Henry Fords.

*

Indeed, a young man in business today, even if a well-paid top executive, can hardly meet living costs, much less save anything for a rainy day. And it is impossible for him to save after taxes enough to provide an estate for his family. Only a life insurance policy stands between his family and destitution in the event of his untimely death.

*

Unless we alter our tax laws and regulate our government savings so that the incidence of taxes is lightened, the invaluable function which the rich man performs will cease—investing his accumulated savings in business to provide for expansion and increased production. We will have not only inflation in this country, but also stagnation.

*

Bearing in mind the historical fact that meddling in European affairs has got us exactly nowhere, it is not difficult to understand the impatience of a man of no little public experience who recently asked: "Well, what's the matter with isolationism? Intervention hasn't settled anything."

Religion versus Science

Help us to do our very best this day and be content with today's troubles, so that we shall not borrow the troubles of tomorrow. Save us from the sin of worrying, lest stomach ulcers be the badge of our lack of faith. Amen.—*Opening prayer by the Rev. Peter Marshall, Chaplain of the United States Senate.*

If you want to hire a man who is going to produce—the easiest way to make sure of that is to get one who has a duodenal ulcer.—*Dr. Charles W. Mayo, of the Mayo Clinic, reported by the Associated Press.*

The Land and Its Price

By R. I. Nowell

Formerly of the United States Bureau of Agricultural Economics; now second vice president of the Equitable Life Assurance Society in charge of farm mortgages

Recognizing the unusual character of the farm income and farm land price situation at the present time, it is agreed that the United States Department of Agriculture, state colleges, farm organizations, lending agencies and their associations should discourage borrowing to speculate in farm land, or borrowing to buy land at prices which are not justified by long-term income prospects.—From a resolution by the President's Conference on the inflation of farm values

IN the depressions of 1921–1925 and 1930–1937, much of the farm loan investment of commercial banks and life insurance companies was washed out by foreclosures. Large additional amounts were taken over by the Land Banks through refinancing operations. As a result, by the middle '30's the Land Banks held over 40 per cent of the total mortgage debt. After the commercial banks and insurance companies had lost much of their farm investment to the federal agencies they began to realize that farm loans had been relatively profitable and now have grasped the initiative in developing good credit facilities. In recent months the proportion of the total debt held by banks has increased sharply; insurance companies are about holding their own and the Federal Land Banks have been losing ground rapidly.

Today the Federal Land Banks are on the defensive and in fact are battling for their very existence in a bitterly competitive market. The executives are faced with the problem of how to run the business on about 8 per cent of the total farm mortgage debt. Farmers in nearly every state of the nation can take their choice of loans from commercial banks, insurance companies or the Federal Land Banks. The interest rate on prize loans is almost universally 4 per cent. A wide variety of terms is available, ranging from five years to as long as forty years. Most loans are fully amortized on either the constant or diminishing payment plan. Prepayments from farm income are accepted on any date in any amount without penalty, and commissions and title examination expenses are absorbed by the lender.

The Price

Since the beginning of World War II, farm land prices have been increasing at an average rate of about 1 per cent per month. The United States

index of land prices, using the 1935–1939 base, has increased from 101 per cent in 1939 to 183 per cent as of November, 1946. This compares with an index of 205 per cent, using the same base, which was the peak level in March, 1920, following World War I. The steady upward march of land prices hesitated following the stock market reversal in September and the elections in November. Recent reports, however, indicate that the upward movement is again under way. Judging by current policies of the leading companies making farm mortgages, there seems to be sharp divergence of opinion as to where we go from here.

We in the Equitable Society take the position that land prices are much too high in many parts of the country, considering the long-term commodity price outlook, and that full loans predicated on prevailing sales prices will surely lead both lenders and borrowers to trouble.

Inflated Loans

As most of you know, our Treasury and Federal Reserve System have deliberately held interest rates abnormally low by pumping excess money supplies into the banking system. These swollen funds in the banks and insurance companies are crying for investment. That, of course, is exactly how the Treasury planned it in order to assure low interest rates. The pressure to keep these bloated funds employed has become so intense that much unsound lending has developed. The very high incomes of farmers and their payoff of both chattel and mortgage loans has further intensified the problem.

To illustrate what I mean by unsound lending, let me cite a few concrete examples:

In 1942, which incidentally was not a depression year, an Iowa insurance company sold 280 acres in

Township 88, Range 31, Calhoun County, Iowa, for \$34,000. Four years later a Connecticut insurance company closed a \$35,000 loan on this identical property.

A farm of 160 acres about five miles southeast of Nampa, Idaho, was purchased in November, 1944, for \$20,000. The purchaser obtained an Equitable approved mortgage loan through the First Security Bank of Idaho at Nampa for \$5,000. This loan was paid off before assignment from farm income. This farm sold recently for \$30,000, and the parties buying obtained a loan of \$20,000 from a New Jersey insurance company.

In Wright County, Iowa, Township 92, Range 24, a quarter section carried an Equitable loan of \$10,000 from 1930 to 1934 when it was foreclosed at a cost of \$10,215. We managed this farm five years and had an average gross income, above taxes, of only \$422, or \$2.66 per acre. It is mostly medium-quality soil. There were some wet spots and buildings were just fair. We sold this farm in 1941 for \$9,700. This past July, it resold for \$21,400, including the 1946 crop. A New Jersey insurance company closed a loan of \$12,000 to the purchaser.

A ranch at Lovelock, Nevada, was sold by the government at public sale in the fall of 1945 for \$180,000. The purchasers then spent approximately \$60,000 on leveling, new ditches, structures, etc. That part of the job was well done; however, there was a very bad weed infestation. Alkali was also showing on all the land and much drainage work still needed to be done. The owners have an investment of about \$240,000. One of the Equitable's best appraisers, long experienced in this area, examined this property and found a normal agricultural value of about \$250,000 and suggested a loan of \$125,000. The public records show that a Connecticut insurance company subsequently closed a loan of \$275,000.

Who Will Be Hurt

At this point let me make one thing quite clear. I have been accused by some enthusiastic real estate brokers of selling American farm land short. On the contrary, we are not concerned about how much a farmer pays for a piece of land; if he has the cash or can make a substantial down payment, he won't be hurt. The ones that are sailing for trouble are those who agree to pay exorbitant prices and mortgage their property for more than it is worth on a long-term basis, expecting to pay the debt out of future earnings. About 50 per cent of current sales are on a cash basis, but there is a sizable group of buyers who are incurring heavy debts and are headed for difficulties. If net farm income were to continue at present levels for five to ten years, many of these purchases would pay out satisfactorily; but

if commodity prices or net income should drop, say, in the next two to three years, then foreclosure in all too many cases is a strong possibility.

Soliciting the Borrower

In the mad scramble for new business even the Federal Land Bank system, which was supposed to be a model institution, appears to have thrown caution to the winds. The land bank system for several years has been suffering from a great internal reorganization. They have been changing over from a system that used large numbers of part-time solicitors, located in almost every county, to a consolidated system with much larger associations and full-time solicitors. These representatives, known as secretary-treasurers, are the front men who bring in the business. Where the Land Bank used to charge the borrower a commission of 1 per cent, which represented the secretary-treasurer's compensation, most of them now pay the secretary-treasurer a salary, and in numerous instances they pay a commission to an application taker without any commission charge to the borrower.

The result has been a sharp increase in acquisition and administrative expenses and a falling off in the volume of new loans. The drop in new business can be ascribed partly to a product of the times, increased competition from banks and insurance companies and in part to the new organization. Be that as it may, comes now the question of survival in a competitive market. Originally the solvency of this system was safeguarded by a group of federal appraisers working independently of the Land Bank officers, who established real estate values as well as passed on the credit risk. Now the appraisers have been muzzled so far as the credit risk is concerned. They are told to look only at the real estate and to each is issued a pair of rose-colored glasses. Fortunately, some of them refuse to wear this new equipment and are seeking, or have found, other jobs.

Two years ago at the request of the governor of the Farm Credit Administration and eleven of the Land Bank presidents, Congress changed the statutes so as to increase loan limits from the old basis, which was 50 per cent of the land value, plus 20 per cent of the value of the buildings to the farm, to a new limit of 65 per cent of the value of the farm. This in effect represented the first encroachment by the Land Bank into the doubtful field of second mortgage lending formerly served by the Land Bank Commissioner.

The authority for the commissioner loans was originally set up in 1933 as an emergency measure and was scheduled to expire in 1935. Since then the authority has been extended year after year to the

present time. The last extension theoretically will expire June 30, 1947. I am told on good authority, however, that prior to that date the Farm Credit Administration will recommend to Congress that the authority for making commissioner loans be allowed to expire, but that the Land Banks now be given authority to make 75 per cent Land Bank loans based on normal values.

We submit that 75 per cent loans are unsound and that commissioner loans have already contributed substantially to the inflation of farm land prices, especially on the low-grade properties. If this additional authority is now given to the Federal Land Banks, it will continue adding fuel to an inflationary fire which already is burning briskly. Thus we see how the Treasury's policy of easy money is imperiling the soundness and the very existence of another arm of government, the Federal Land Bank system.

Economic Folklore

Why then, we might inquire, do the land banks ask for such additional authority, and why are such loans as I have described above being made by insurance companies? How do investment officers expect farmers to repay such obligations? To justify such loans one must assume that agricultural net income can and will be stabilized on a wartime pinnacle of prosperity. We think our friends have fallen for the current folklore which runs about as follows:

Agriculture has undergone a technological revolution which results in more efficient production. The government, they say, has learned to stabilize farm commodity prices. We have Congressional guarantees of 90 per cent of parity prices. We have had a 10 per cent increase in population over prewar and people have learned to eat better. The world is starving and continued relief exports for many years will be required before war-torn nations can again become self-sufficient. Interest rates on farm mortgages which now are generally 4 per cent permit farmers to carry heavier loans than in the early '30's when the rate was 5 per cent or 6 per cent.

Many of the left wingers insist that we must and shall have full employment at high wages in the future so as to maintain a high level of business activity, high purchasing power and high prices. Finally, they argue, the government must maintain a high price level in order to retire our national debt of \$258 billion.

Let's examine some of these arguments for a moment and see if they do necessarily add up to a high farm-commodity price level for the future. We all know that agriculture has undergone a technological revolution. American farmers are now producing one third more products with 10 per cent fewer workers than before the war. At first it was

thought the increased productivity was the result of abnormally favorable weather conditions, but actually the causes are more permanent. Mechanization of farming has probably been the greatest force in bringing about increased productivity. The general-purpose tractor on rubber has permitted farmers to overcome many of the handicaps caused by weather, especially on heavy soils. The long list of modern implements such as combines, pickup hay balers, corn pickers, cotton pickers, flame weeders, sugar beet planters and toppers, make for quicker and better jobs of farming with reduced man power.

Hand in hand with mechanization is the greatly increased use of fertilizers and lime, chemical defoliators, weed killers and improved insecticides. Probably next in importance in this revolution is the widespread adoption of hybrid seed corn and improved crop varieties which are high yielding and more disease and weather resistant.

Progress in animal husbandry has likewise been rapid. Better breeding, feeding and management practices have resulted in more and better quality of animals and animal products.

The next ten years will probably see greater progress on these production fronts than was experienced in the last ten years. The South is crying for tractors. Hundreds of thousands will be purchased as soon as manufacturers can deliver them. These new tractors will increase yields and release for production of human food thousands of acres that are now supporting horses and mules.

Dr. Young of Purdue University told me the other day that for years the folks at the Experiment Station have considered Indiana a submarginal state as far as potato production is concerned. Last year two men each produced over 900,000 bushels of potatoes on Indiana muck lands. By pouring on fertilizers and using DDT, yields approaching 600 bushels per acre have been obtained.

Adding Up to Surplus

Those making the excessive loans today add all this up to mean more efficient production, higher standards of living and greater debt-paying capacity. We add it up to mean bigger and better surpluses, lower prices and a renewal of the grim battle for survival among farmers. Incidentally, some lands are far more responsive to these technical improvements than are other lands. This factor will tend in the future to widen the gap between the successful and the unsuccessful farmer.

Many of you probably are convinced that the government will again dust off its acreage control programs as soon as surpluses threaten to get out of hand. The facts are that acreage restrictions will work on individual commodities for short periods

only and no system has yet been devised to limit or control total agricultural production. Land taken out of wheat or corn goes into hay or pasture; land taken from tobacco is planted to soybeans or small grain. Like an inflated inner tube, if depressed at one spot it bulges at another. Our national planners were saved twice from embarrassment when surpluses in government ownership were approaching the danger point: the first time by the nation-wide drought of 1936 and the next time by the outbreak of World War II.

The only practical way that total agricultural production can be permanently reduced is by elimination of the submarginal or incompetent farmer through operation of the price mechanism. To me it does not make sense to take entirely out of production 15 million acres of high-producing land in order that 75 million acres of poor land may be kept in production. The government cannot legislate prosperity for all farmers in a free economy; otherwise everyone would farm.

Can We Sell It Abroad?

How about exporting our surplus products? In our opinion the war-torn countries will consume unlimited quantities of American food, provided we deliver it to them on a relief or credit basis. As long as there is actual starvation in the world, the American people will be generous in sharing their food supply. Agriculture, however, has a habit of springing back rapidly and barring a drought in 1947, reports indicate that most European countries will again be producing enough food to prevent starvation. This may not necessarily be true in the case of the American and British zones of Germany, which have been cut off from the German breadbasket by the "iron curtain."

Prior to the war it was the policy of most European countries to become as near self-sufficient agriculturally as possible. Farmers were protected by various devices including tariffs, labor quotas, subsidies, or price guarantees, security regulations and rationing of foreign exchange. As for the future we expect these same policies to continue. Beyond the current crop year we do not believe that exports of farm commodities can be depended upon as an important price-supporting factor. As soon as this nation offers food only on a cash-and-carry basis, we think exports will dwindle sharply.

How long can we depend on government to support farm commodity prices at present levels? Under the Steagall amendment to the Stabilization Act of 1942, Congress is committed to support basic farm products at no less than 90 per cent of parity until December 31, 1948. Whether or not Congress makes good on this commitment is both a political

and an economic question. If Congress is sincere in its determination to balance the budget and to make some progress toward reducing our debt, then it will have to take a second look at the Steagall support program. These two objectives, that is, supporting farm prices at 90 per cent of parity, without rigid production controls, and balancing the budget, are not entirely compatible.

Potatoes for Example

The 1946 potato support program cost the United States Treasury over \$80 million. You have all read of the novel disposal measures adopted this past year in order to peg the market price of potatoes at around \$1.65 per bag. Surplus potatoes were used for alcohol, cattle feed, fertilizer and hundreds of thousands of bushels were allowed to rot. In addition to the \$80 million of direct expenditures by the Treasury, the United States taxpayers had to shell out for their eating potatoes another \$200 million over the price that probably would have prevailed in a free market.

The Department of Agriculture has recently announced reduced acreage goals, but this will not reduce production unless the plan of support is changed from one of rigging the market to one of direct Treasury payments. Otherwise, noncompliers will sell on a pegged market and enjoy all the advantages and none of the disadvantages of the compliers.

Farmers and their spokesmen, however, are strongly opposed to receiving direct payments. They much prefer to take their cut in the market place. For administrative reasons the market-rigging procedure is also preferred by the government. The tragedy of maintaining artificially high prices for any commodity is that our resources are devoted to useless and wasteful production. There is no regulator as in a free economy to balance output against needs. Artificial prices for commodities also are eventually translated into inflated land values. Long Island potato land is now selling for \$800 per acre. The price would be nearer \$500 if potato prices had been allowed to seek their normal level. The longer the government rigs the potato market the greater will become the inflation in potato land values.

In a recent publication by the Committee on International Economic Policy, Dr. J. S. Davis of the Food Research Institute made the following observations with respect to our cotton price-support program:

"Cotton prices have been supported in the United States near a rising 'parity' level roughly double that at which, with available technology, all cotton the world is likely to consume could be produced. The level of world consumption of cotton might be materially raised if its price were permitted to respond to economic

forces. The present network of irrational political controls tends to prevent this. The longer cotton prices are pushed and held far above equilibrium levels the greater will be the inroads of competing fibers on cotton absorption and the greater will be the expansion of cotton production in Brazil and elsewhere. Desirable long-term readjustments in cotton production, within the United States and among the nations, cannot be effectually achieved so long as cotton prices are held at abnormal levels."

We believe the government has a legitimate function to perform in the price field by setting floors under commodity prices to prevent extreme lows as were recorded in 1932 and 1933. The difficulty, however, is to set price floors low enough to regulate production. If our national planners could be realistic on the price levels established, they could perform an invaluable service. Unfortunately, farm leaders and politicians will begin clamoring for assistance long before it really is needed.

Now for the contention that the government must maintain a high general price level in order to service and retire the national debt. This would be accomplished either by deficit spending, which would increase rather than help pay off the national debt, or by forcing more of the public and private debt out of institutional and private hands and into the commercial banks. By maintaining artificially a general price level at, let us say, twice prewar, the government would cut in half all of your savings in the form of life insurance, social security benefits, savings accounts and savings bonds. It would mean confiscating half of what the frugal people of this country have worked and sacrificed years to save. If it could be accomplished it would be the greatest deliberate steal of the savings and the security of the people of this country that ever was perpetrated.

On February 28, 1946, which marked the date of maximum debt, the average rate on \$279 billion of public debt was 1.972 per cent. This compares with a rate on federals following the First World War of slightly over 4 per cent. This artificial rigging of the interest rate, as you all know, has been accomplished by loading our commercial banks with short-term bills and certificates. Deficit financing in this manner is just as inflationary as if the government had printed greenbacks. By this process the people's spending money, as measured by cash and deposits, has increased from \$42 billion in 1933 to a current figure well over \$160 billion.

How much inflation can this country stand? And will the American people, as a deliberate course of action, support a further debasement of the currency and another spiral of rising prices? All our forecasts of potato prices, land values and farm mortgages hinge on this single political question.

Is It Progress?

E. C. Drury

Former Premier of Ontario

SOMETHING less than a thousand years ago the English made a profound discovery. They discovered that uncontrolled state-power, direct or delegated, was always dangerous, and that the way to improvement lay in limiting the power of government, direct and delegated, at the same time extending and safeguarding the rights of the individual. I think it is undeniable that this course, followed consistently from Magna Charta until comparatively recent times, resulted in a greater improvement in the lot of the common man than has occurred in any other period of history, including the rather dubious present.

This course, followed at first perhaps by the mere instinct of freedom, at last found its expression. In economics, it became the doctrine of *laissez faire*—"leave things alone." I know it is fashionable, just now, to say that *laissez faire* has been tried and has failed. That is not true. *Laissez faire*, like Christianity, has never been tried. Where it has been partially tried, it has been a success.

Politically, the doctrine found expression in Lord Acton's dictum, "Power corrupts. Absolute power corrupts absolutely," and in Macaulay's, "Government exists for the purpose of keeping the peace—of compelling us to settle our disputes by arbitration instead of settling them by blows—for the purpose of compelling us to supply our wants by industry, instead of by rapine. This is the only operation for which the machinery of government is fit." In law enforcement it became what we proudly call "British Justice," which includes the institution of the Grand Jury, "the inquest of all the people," an institution, I think, that should not lightly be abandoned. In literature, it found expression in Tennyson's line: "Freedom slowly broadening down from precedent to precedent."

Now it seems we are to abandon, have indeed already abandoned to a very large extent, this old and time-tested way of progress. State-power is to be extended, and the rights of the individual curtailed, both indefinitely. Government, by direct or delegated authority, is to look after everything—regulate production and trade, set prices, say who may work and who may not, at what wages and under what conditions, take care of everyone—through social security—from cradle to grave. We assume that government is all-wise and all-good—attributes that only God possesses—and we propose to make it all-powerful. Is it progress or retrogression? I wonder!

Books

Progress Reconsidered

WHEN J. B. Bury published "The Idea of Progress"* in 1920 pessimism was a remote philosophical attitude. The expressions of it that from time to time reached down into the common language and could be understood there, such as the lamentations of Dean Inge, were very entertaining. You would find them in the Sunday newspaper supplements and people read them as they might gaze at horrendous animals in the zoo, from a safe vantage point. Their faith was in science and science was optimistic. The Church had surrendered. Religion was optimistic and believed in some happiness for man on earth. It was true that after a century of magnificent, incredible progress—a century entirely governed by the faith that "civilization has moved, is moving and will move in a desirable direction,"—there had come World War I. But that was not the valley of despond. It was an ordeal. Optimism seemed to have passed through it unscathed. Was that not the war that ended war? Had there not come out of it the League of Nations and the Covenant? Had not stupid fear of the Yellow Peril been laid by the gentlemanly manner in which the Japanese fought on the side of light? Communism had appeared, but even of that it was possible to say that at least Russia had embraced Western civilization's idea of material progress; and besides, had not the idea of progress been advanced by the French Revolution? Condorcet, hiding from Robespierre's guillotine in 1793, wrote his brilliant treatise on the historical progress of the human mind, the theme of it being that "the perfectibility of man is absolutely indefinite."

So Professor Bury's important book was put away on the top shelf and forgotten. He did not attack the idea of progress; neither did he defend it. All he meant to do was to report the history of its origin, its gradual rise during three hundred years, and at last its triumph in the nineteenth century over such ideas as the fall of man, the Antichrist, the millenium, Providence, finality, the sameness of human nature forever, the ancient idea that everything had already happened many times before and was bound to happen again, and especially the old, old myth of a Golden Age in which mankind had

* "The Idea of Progress" by J. B. Bury. The Macmillan Co., New York.

been once innocent, natural and happy. In his preface he said the doctrine of progress had been—

"... the animating and controlling idea of western civilization. . . . The phrase *civilization and progress* has become stereotyped, and illustrates how we have come to judge a civilization good or bad according as it is or is not progressive. The ideals of liberty and democracy, which have their own ancient and independent justifications, have sought a new strength by attaching themselves to progress. The conjunctions of 'liberty and progress,' 'democracy and progress,' meet us at every turn. Socialism, at an early stage of its modern development, sought the same aid. The friends of Mars, who cannot bear the prospect of perpetual peace, maintain that war is an indispensable instrument of progress. It is in the name of progress that the doctrinaires who established the present reign of terror in Russia profess to act. All this shows the prevalent feeling that a social or political theory or programme is hardly tenable if it cannot claim that it harmonizes with this controlling idea."

As a philosophy the idea touched its apex after the middle of the last century. The Darwin thesis was understood to support it, and Herbert Spencer gave it organized meaning. In "Social Statics" he said:

"The ultimate development of the ideal man is logically certain—as certain as any conclusion in which we place the most implicit faith; for instance, that all men will die. . . . Progress, therefore, is not an accident, but a necessity. . . . What we call evil and immorality must disappear. It is certain that man must become perfect."

Spencer believed, however, that the indispensable condition of progress was individual freedom. He was ferocious in his denunciation of reform legislation, on the ground that it frustrated the evolutionary process. Only let man alone and he would find his own way to perfection. Reformers who tried to change his environment and who told him what to do only retarded his struggle upward. It may be noted as an historical fact that the high point of the dogma of progress as the controlling thought of Western civilization and the high point of individual freedom as a political fact coincided in time, which is to say that the zenith of both occurred in the last half of the last century.

But something has happened to the idea of freedom in the world. Everywhere its sphere is shrinking. What was its weakness? Why have people been so willing to surrender it in exchange for status and security. Even the words are beginning to be forgotten. A century and a half ago Poland thought she would sooner die than ever to erase the words

she had just put into her constitution. The words were these:

“Every person, upon coming to this Republic from whatsoever parts of the world or one returning to this, the country of his origin, as soon as his foot touches the Polish soil, he is entirely free to indulge in whatsoever enterprise he wishes to enter, in the manner and place of his own choice; that person is free to enter into contract for purchase of property, for work, for rent in whatever manner and for whatever time he himself agrees upon; he is at liberty to settle in the city or in the village; he is free to live in Poland or to return to whatever country he himself chooses after his commitments in Poland which he voluntarily embraced, are duly performed and completed.”

It would hardly be possible to write those words into a new constitution anywhere in the world today. When they were written the idea of freedom was ascendant in the earth.

And in a parallel manner something has happened also to the idea of progress. Professor Bury's book has been retrieved and is used to document pessimistic essays on human perfectibility. There is one in the *American Historical Review* by Sydney B. Fay, professor emeritus of history at Harvard. “No one,” he says, “can prove scientifically that birth control, the New Deal, or the atomic bomb denote progress in a desirable direction, because it is impossible to control and measure objectively all the facts involved. There is hardly any social change that is not called progress by somebody. The concept is logically meaningless.” He asks if the idea is sound. Is it in accord with historical facts? How has it been modified by the impact of the machine age and total war, mechanized? He comes to no positive answer himself but he quotes the American sociologist, Edward A. Ross, as saying:

“The rosy doctrine in great favor a generation ago, *Man's social progress is inevitable because brought about by impersonal forces that are working in his interest*, will ‘go into the discard’”;

—and Arnold J. Toynbee, the eminent historian, as saying:

“Western man has been overtaken by a mistrust of his own *élan* and an uncertainty about his own future which (to judge by precedents) are ominous symptoms.”

Professor Fay himself says:

“The most striking fact about progress during the past fifty or sixty years is that it has been very uneven in different fields of human activity. In man's control over nature the advance has been amazing, particularly during the war years. . . . This tremendous material progress has not been accompanied by any corresponding advance in other fields. In the creative arts few people would assert that it has been a period of very

high level of achievement. One looks in vain for outstanding geniuses in music, poetry, painting, or sculpture. In moral and spiritual matters millions of men, having lost the strength and guidance which they used to draw from the teachings of the institutional church, are morally adrift or spiritually indifferent. They have not yet discovered a better way of life than that indicated by the essential principles of Christianity, but they find these principles intertwined with unacceptable dogmas. They have not learned how to reinterpret and adapt Christian values to the social and economic environment of the present, which is entirely different from the small communities in which Christian experience was first formulated.”

In *The New English Review*, Pierson Loftus has a somber essay entitled “The Progressive Illusion.” The decline of the idea of progress, he says, has coincided with the decline of faith in personal immortality:

“We living in these grim times have lost the illusions of our Victorian fathers as to the beneficent gifts which science bestows on mankind; we who have seen in recent years the primitive aeroplane develop into the giant bomber and the pilotless V1 and who have read the accounts of what happened in Hiroshima and Nagasaki. Of course, we who live, as Cicero did, in the midst of a seemingly permanent civilization can no more imagine its descent into the dark ages, despite political troubles, than he could. We feel that of necessity it must endure. Yet we should recall and ponder on the sombre saying of one of the greatest archaeologists: ‘Civilization is an intermittent phenomenon.’”

Professor Bury, whom they all quote, was not a pessimist. In a fine epilogue he submits the idea of progress to the test of its own logic. Since it denies finality, how could it claim to be itself final?

“In other words, does not Progress itself suggest that its value as a doctrine is only relative, corresponding to a certain not very advanced stage of civilization; just as Providence, in its day, was an idea of relative value, corresponding to a stage somewhat less advanced? Or will it be said that this argument is merely a disconcerting trick of dialectic played under cover of the darkness in which the issue of the future is safely hidden by Horace's prudent god?”

The disillusionment most damaging to the popular idea of progress is the discovery that the progressive amelioration of man's economic condition is the answer to nothing. During a century consecrated to progress his material well-being, measured by the quantity of his daily satisfactions, advanced in a fabulous manner, but this brought him neither peace nor happiness. Instead, it brought him unawares to a problem he cannot solve—to the ques-

tion proposed by the Rockefeller Foundation, in its annual report, 1945:

“The pursuit of truth has at last led us to the tools by which we can ourselves become the destroyers of our own institutions and all the bright hopes of the race. In this situation what are we to do—curb our science, or cling to the pursuit of truth and run the risk of returning our society to barbarism?”

Tail of the Bear

WHEN people stop thinking of what government should be and think only of what it should do for them they lose control of it by becoming its beneficiaries and clients. That is the beginning of the welfare state. The next thing that happens is that the importance of the parliamentary principle begins to decline. Congress cannot manage a welfare state; only executive agencies can do that. And when Congress has created a great many of these executive agencies, delegating in each case some legislative power, it makes a certain painful discovery. The beneficiaries and clients of the welfare state are not in the least grateful to it. On the contrary, they treat it with increasing disesteem. It cannot even take credit to itself for having provided the money. If it tries to do that the answer is: Wasn't it the people's money anyhow?

“The national legislature,” says the Honorable Estes Kefauver, Representative from Tennessee, “has been subjected to an endless stream of ridicule, scorn and even contempt. A generation has reached maturity with a dangerously cynical attitude toward the legislative process. Is it any wonder then that some of its members give serious thought to the possibility that Congress might *not* survive the next twenty years, especially if these years should bring national and world-wide emergencies such as have occurred since 1929?”

In collaboration with Dr. Jack Levin he is writing a book entitled “A Twentieth Century Congress.”¹ There is a foreword by Robert M. La Follette, Jr., whose farewell achievement as Senator from Wisconsin was the Congressional Reorganization Act of 1946. That was the first attempt to streamline Congress. The results so far are very indefinite. It is still true, as Mr. La Follette says, that the legislative function is in danger of breaking down; that Congress is without “adequate information and inspection facilities”; and that its surveillance of administrative performance is sporadic and super-

ficial”; or, as Mr. Kefauver says, that “the average citizen, feeling fairly secure about his rights of freedom and the continuation of a democratic form of government,” would not be so complacent if he had the facts.

Mr. Kefauver sets up the facts, 228 pages of them with an index, and they all add up to one, namely, the fact that Congress, too, has lost control of government. To save itself and to save the American form of government, Mr. Kefauver says, it must do three things: It must face its disabilities grimly with intent to overcome them; it must “analyze the additional duties and responsibilities that a twentieth century democracy imposes upon it”; and it must equip itself to discharge efficiently both its “old and new functions.” The legislative processes will have to be entirely reformed, its machinery will have to be redesigned, petty local concerns will have to be put away for the sake of “not less but better work,” and specifically it will have to adopt “voting by electricity,” which will save the several days in each session that are now wasted in calling the roll and enable it to pass laws much faster.

All of his proposals, and indeed all suggestions for streamlining the Congress, make a kind of rational sense; and yet they might all be called ways of getting a better hold upon the tail of the bear. Never does it occur to anyone that something might be done to the bear. On the contrary, it is assumed not only that government in this monstrous size is irreducible but that it will continue to grow. Mr. Kefauver says:

“Almost all of the expansion in government has taken place in the executive department, headed by the President and his Cabinet. What is more important, the rate of this expansion of bureaus and departments has been increasing since the turn of this century, reaching amazing proportions in the past two decades. Yet most Americans do not perceive that every new function added to the executive branch increases the responsibility of Congress and adds many man hours to the work that must be done on Capitol Hill. Likewise, each addition brings new burdens to the members of Congress individually.

“There is no reversal of this trend in the offing. Government apparently is going to get bigger, not smaller; more complex, not simpler, regardless of what party happens to be in power.”

For the benefit of government in any degree the individual must be willing to surrender some freedom. It is the rule, said Jefferson, for government to gain and liberty to give way. That is why the first anxiety of a people resolved upon freedom is to limit government; that is why *limited* is the emphatic word in the formal description of the American system — constitutional, representative, limited

¹ “A Twentieth Century Congress,” by Estes Kefauver and Dr. Jack Levin; foreword by Robert M. La Follette, Jr. Duell, Sloan and Pearce, New York.

government. Mr. Kefauver's idea of a continuous magnification of government, ever bigger and more complex, is therefore the idea of a progressive surrender of individual freedom. And the indifference of people to this fact is the cause of the decline in the importance of the legislative principle. How will you streamline that?

Implicit in all the plans for imposing a modern design upon Congress is the assumption that during recent years the executive principle has become so much more efficient that the legislative principle suffers by comparison. Hence the argument that to make government as a whole efficient the efficiency of the law-making principle must be increased. But what do we mean when we speak of efficient government? Philosophically it may be argued that a really efficient government would be the most dangerous of all—dangerous, that is for people who would be free. The more efficient it is the less will they be in-

clined to resist it. Waiving that point, has there ever been an efficient government? There were many who thought the Nazi government was efficient, and it destroyed itself. So did the Fascist government destroy itself, although for a while it did present a specious appearance of efficiency.

You may say: "But in war a government *must* be efficient, even a democratic government. And if it can be efficient in war, why not in peace?" That government is efficient in war, any modern government, is perhaps one of the great delusions. What happens is that that government wins whose people are the most efficient and the most resourceful. And then when history comes to be written people are shocked to discover how their labor was wasted by government. They say, "Oh, that was war" and forget it. Efficiency is an attribute of people. That also they forget when they yearn for efficient government.

"That Is True"

From the transcript of an interview between Stalin and Harold E. Stassen.

STALIN—Do you expect a crisis?

STASSEN—I do not. I believe we can regulate our capitalism and stabilize our production and employment at a high level without any serious crisis. With wise policies in government and through learning the lessons of 1929 and the 1930's, we should have a successful, regulated, but not a monopolistic, capitalism with which we can avoid economic crisis.

STALIN—The government must be vested with wide powers to accomplish that. The government must be strong and adopt broad measures.

STASSEN—Yes, and the people must understand the measures of stabilization and support the economic system.

STALIN—Magazine analysts and the American press carry open reports to the effect that an economic crisis will break out.

STASSEN—Yes, there have been those reports in the papers. But they were wrong. The problem is one of leveling off at high production and stabilizing without having an economic crisis.

STALIN—The regulation of production?

STASSEN—The regulation of capitalism. I find a broader understanding by the people of regulation of capitalism than before.

STALIN—But what about businessmen? Will they be prepared to be regulated and restrained?

STASSEN—No. Some will have objections.

STALIN—Yes, they do.

STASSEN—But they understand the 1929 depression should not be repeated and they understand better now the necessary regulations concerning business. It requires a careful amount of fair regulation and wise decisions and prompt action by the government.

STALIN—That is true.

Lo! the Individual

From the proceedings of the Human Rights Commission of the United Nations

DR. CHARLES MALIK of Lebanon: "The real danger is that social pressure is snuffing out the individual personality. I'm not arbitrarily setting the state against the individual or vice versa. But which, I ask, is for which? I say the state is for the individual."

MRS. ROOSEVELT: "The rights of the individual are very important. It is not that you set the individual apart from society but that you recognize in any society that the individual must have rights that are guarded."

MR. CHARLES DUKES of Great Britain: "If freedom or complete detachment from society were possible it would provide a very poor life, indeed. We must all pay the price for advantages resulting from calling upon the state to safeguard our liberties both in the sense of personal freedoms and also in the direction of the minimum degree of economic security."

MR. TEPLIAKOV of the Soviet Union: "Freedom to resist oppression. What does it mean? What is the definition of oppression? It requires elaborate discussion."

Unpopular Economics

Mythology of Economic Power

By Walter Sulzbach

THERE have always been rich and poor. Attempts to bring about more economic equality have succeeded in the past only when it was a matter of removing discriminatory laws and practices. But where inequalities arise under free competition, the attempt to eliminate them by social legislation has produced disappointing results. This disappointment is partly what gives rise to the conviction that the rich as a class wield a certain power through which they succeed in defeating social democracy. What is that power? It is evidently not political power, for in a democracy that is exercised by a majority of the voters. It must, therefore, be economic power, and as such it appears to conflict with every basic democratic concept.

Many economists and innumerable political orators, past and present, have condemned and attacked economic power; but few of them, if any, have gone out of their way to clarify what they were talking about. They say that when the Middle Ages came to an end political power took the place of religious power, and that political power now is fighting a defensive battle against economic power; and this they represent to be direct control over the income and the means of livelihood of those who are subject to it. They assert that every real democracy involves equality of power, political as well as economic, and that there can be no true democracy where the control of property in the hands of the employers puts labor at a disadvantage in collective bargaining.

According to Webster, power is "the possession of sway or controlling influence over others." Power is the ability to cause people to act as we wish, it is the chance to enforce one's own will against the will of other people.

Economic power is supposed to be a special means for enforcing the will of those who possess it. We shall best find out what is meant when we compare so-called economic power with political power.

The State enforces obedience to its orders by physical force. It is true, of course, that the laws are as a rule obeyed without any force having to be used, either because they are morally acknowledged or from sheer fear of the overwhelming means of power at the disposal of the State. Yet the fact remains that disobedience entails not only the threat of punishment, but, provided the State is not

merely one in theory, actual punishment by fines, confinement, or death. The police and the army, both in possession of arms, are the representatives and executors of the political power of the State. When the army declines to take orders from the government, or the government fails to give orders in the face of anarchy or revolution, the State has lost its power. Political power, therefore, may be clearly defined. But the expression *economic power* is used very loosely and with various meanings.

First Meaning

It is often used to express the idea that the rich control the government or shape the public opinion through their influence on the press, the radio, and so on. But if the rich make use of their riches to corrupt officials or otherwise gain an illegitimate influence in government, what they buy is political power. Their money may buy power but it does not itself represent power. It is not only wealth that can be used to that end. The sex appeal of women has often served the same purpose. In any case the law is supposed to take care of these things, and if the law is weak it may be improved. The phenomenon of graft does not call for a sociological category of its own. Nor do the social reformers who demand a fundamental reconstruction of society think primarily of the occurrence of corruption. Against the latter they demand additional controls and penalties. And as for the thesis that the press and public opinion reflect only the opinions of the rich, a glance at the success and significance of the socialistic and other radical movements in many democracies and at the burden of progressive income taxes, capital taxes, and inheritance taxes imposed everywhere on the rich, should suffice to dispel the popular exaggerations.

Second Meaning

It is another meaning given to the term *economic power* that calls for a painstaking analysis. Many now think of it, not as a power that buys things which ought not to be for sale at all, such as the favor of officials or the opinions of journalists, but as a relationship between human beings. Wealth, it is said, enables those who own it to buy labor for less than it is worth, or, as in the case of the monopolists, to sell commodities and services to the public for more than they are worth. To prevent this, Soviet Russia permits no one to hire another for work, or to sell the product of hired labor, because the relationship between employer and laborer, as such, allegedly implies economic power for the employer. And it may be noticed that the antitrust laws in the United States are based on the opinion

that when business people come to an understanding and cease to compete with each other, economic power over the consumers accrues to them automatically.

The opinion that the workman has a weaker bargaining position than the capitalist has been formulated by Adam Smith in words on which later writers have hardly been able to improve:

“A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.”¹

This amounts to saying that the capitalist can hold out longer and strike the better bargain because he has more property. If property were more evenly distributed, the bargaining position of the workman would be stronger and that of the capitalist weaker.

The Wage Contract

In reality the facts underlying the wage contract are different. Every businessman is concerned with his own profits only. He tries to keep his costs at the lowest possible level and to pay as little as possible for labor (as he does for rent, capital, insurance, and other factors making up his costs). At the same time, he pays as much for labor as he must to get it, as long as he thinks it profitable. Some employers can afford to pay wages above the general level, but those who are making small or no profit, or who are actually losing money, cannot afford to do so. The fact that workmen are generally poor has no effect on their wages. If all wage earners had financial reserves, this would not change the basic fact that when wages reach too high a level the employer paying them is on his way to ruin.

Every man has the power to injure or kill anyone else. A motorist can run over whomsoever he chooses. But as a death sentence or a long confinement will be the consequence of murder deliberately committed, this power has only a very theoretical significance. It is fully balanced by the power of the State, which keeps it in check. Every human being has the power to disregard the laws of nature as represented by the precepts of medical science and to use as much opium or alcohol, enjoy as much night life, and suppress as much sleep as he likes. But as most people wish to defer death as long as

possible, the rules of healthy living normally overbalance their power to commit suicide.

Such power as the capitalist holds over the laborer is completely compensated by the power which the laws of economics hold over him. To put it in the words of Ludwig von Mises:

“The entrepreneur is no more than an overseer of production. . . . True, the entrepreneur is free to give full rein to his whims, to dismiss workers offhand, to cling stubbornly to antiquated processes, deliberately to choose unsuitable methods of production and to allow himself to be guided by motives which conflict with the demands of consumers. But when and in so far as he does this he must pay for it, and if he does not restrain himself in time he will be driven, by the loss of his property, into a position where he can inflict no further damage. . . . The market controls him more strictly and exactly than could any government or other organ of society.”²

Exploitation

If the capitalist did wield economic power the wage earner might truly be exploited. This is what the socialists contend. No slogan occurs more frequently with radical politicians. But in a free economy exploitation is a myth.

Economic exploitation takes place when a person is prevented through the use of physical force or political power from offering whatever he has to offer to the highest bidder; when he is coerced to offer it, instead, at a lower price in conformity with the interest of those who wield the power. Accordingly, the slave and the serf are exploited wherever their work would yield them elsewhere a higher compensation than they receive in their servitude. In a system of free economics, personal freedom and free migration—at least within the boundaries of one country—there can be no exploitation of the wage earner because economic power, which allegedly keeps him down, does not exist. If two workmen are competing for a poorly paid job and one of them gets it while the other is left to starve, the former is considered to be exploited. However, it makes no sense to say that the first of these two is exploited and the other is not. Everyone talks of exploitation when wages are low, though there may be no unemployment; but little is heard about it when the workmen who have jobs are well paid while simultaneously there exists widespread unemployment. If there were such a thing as exploitation of the wage earner by the capitalist there would be no unemployment; the capitalist would find it worth while at all times to enrich himself by exploit-

¹ “Wealth of Nations,” book I, chapter 8.

² “Socialism, An Economic and Sociological Analysis,” London, 1936, pp. 443ff.

ing the wage earner. The idle yield no profit at all. The exploiter, like the highwayman, would take what he could get.

Monopoly

The term *economic power* is also used to describe the influence of *monopolies*. As the struggle against monopolies and its political implications are far less significant than the attempt to raise wages artificially, a few words will suffice to reduce the problem to its proper measure.

F. W. Taussig defines: "The characteristic of monopoly is single-handed control over the total supply."³

Some monopolies are conferred by the State. Such is the case, e.g., with the right to provide certain communities with water, electricity, gas, and transportation. When governments confer such monopolies, they claim the right to regulate the prices charged by the monopolist. The latter are, therefore, unable to demand abnormally high rates for their services.

Other monopolies are made possible by certain governmental actions, and collapse when the government changes its economic policy. To this class belong, for example, those cartels which are able to charge monopoly prices because they are being protected by a tariff from foreign competition. This has been the case of a great number of German cartels, and of many American monopolies as well.

In the cases mentioned, such power as the monopolists have is derived from the political power of the State.

Practically the only monopolies that have arisen and functioned for some time without political support were the international agreements between the producers of certain raw materials such as copper and nickel.

³ "Principles of Economics," Fourth Edition, New York, 1939, Vol. II., p. 216.

The economic significance of monopolies at one time was vastly overestimated. It was believed that the monopolist could raise the price of the commodities or services he has to offer almost arbitrarily. But such is not the case. The dangers of diminishing demand, the lure of profit for new competitors, the possible substitution of other commodities for those controlled by the monopolist, put a definite limit to monopolistic claims. Monopolies are, therefore, not as important in the price field as the public is wont to assume. Concerning this there is almost unanimity among economists. "Outside the field of public utilities, the position of a single seller can in general be conquered—and retained for decades—only on the condition that he does not behave like a monopolist."⁴

Under the pressure of public opinion the legislatures and administrations of many nations are eager to liquidate certain monopolies. The ensuing struggle has had at times a very strong hold on the attention of the public. Yet, in its political and economic consequences, it cannot be put on the same level with the strife between capital and labor. Organized labor is extremely conscious of its real or alleged interests, whereas the consumers are the main victims of certain monopolies and the consumers are noted for their lack of mutual cooperation. With rare exceptions, consumers do not organize strikes. The struggle against monopolies, inside as well as outside of the legislatures, fails to shake the basis of society as does the labor controversy. The best way to dispose of monopolies is to introduce free trade. This method is unpopular and it appears that such monopolies as cannot be destroyed under interventionistic legislation will in due time be taken over by the various governments. In this case the problem of monopolies becomes part of the broader problem of government ownership of the means of production.

⁴ Joseph A. Schumpeter, "Capitalism, Socialism and Democracy," New York and London, 1942, p. 28.

Equality

THE deepest cause which made the French Revolution so disastrous to liberty was its theory of equality.—*Lord Acton*.

DEMOCRACY and socialism have nothing in common but one word—equality. But notice the difference—while democracy seeks equality in liberty, socialism seeks equality in servitude.—*Alexis de Tocqueville*.

What To Do With

The American Mind

**By Dr. W. Norwood Brigance*

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I.

ROBERT M. HUTCHINS said last year to the American Council on Education: "The great problems before us are first, can we survive? and second, what kind of life are we going to lead if we do?" Then he added that the world must try to arrive at a destination where survival is possible within not more than five years.

If Hutchins is right, then 1946 was year one of our five years of grace. If he is right, what we did in 1946 and what we shall do in the year 1947, is likely to determine for a long time to come the course of history, not for America alone but for the world.

Now this time of decision in international affairs is also a time of decision in American education, for the obvious reason that the repercussions in the political and military world have set off seismic tremors in the academic world: 1946 was year one of the Harvard report on General Education in a Free Society; 1946 was the year of the Columbia University report on a college plan in action; 1946 was a year in which more than one hundred colleges and universities, including what we may call the eminent institutions, either announced or instituted a revised curriculum; 1946 was a year in which Mr. Hutchins' pronouncements on the fall of man were accelerated in tempo.

I want to look at two recommendations for curriculum change—two that are widely known and that reflect the thinking of a large area of traditionism in education—and I want to estimate their implications.

II.

THE first is that proposed by Mr. Hutchins. Mr. Hutchins, of course, is a curious cross between "Peck's bad boy" in education and a lonely, austere Savonarola who thunders, "Repent ye, or be doomed!" His tenets are these:

1. The human race is either about to destroy itself, or to survive under a "peace more horrible

than war"—unless we change our present system of education, drastically and at once.

2. To save the human race from this ill-fated alternative, we must abandon vocational education in the schools, and make all education a liberal education "for the common vocation of citizenship."

3. The core of this liberal education is not to be found in a study of modern science or social science, or in focusing on the contemporary problems that beset man. It is to be had in the study of great books of the past—let us say, Homer and Thucydides, Virgil and Augustine. Somewhere along the line I either read or heard a speech of Mr. Hutchins' in which he said that the curriculum he proposed would not be essentially altered over the period of 100 years, or even 1,000 years. Pure knowledge, because it was pure, was not defiled by time. I believe I am not doing Mr. Hutchins an injustice by saying that this is an inherent part of his plan of education.

In the midst of a modern world, created for the most part by the educators who rebelled against the ascetic pattern of education—I assume it is understood by persons in this room that the scientific and economic foundations of modern society were laid by educators who broke away from the classical tradition—Mr. Hutchins repeats without apology an old refrain:

"Faith of our fathers, living still,
In spite of dungeon, fire, and sword,
We will be true to thee 'til death!"

He stirs in us old memories. We want to believe him. Perhaps we want to believe him because he calls to us with a childlike faith. Perhaps also we want to believe him because his is a simple faith, and we are hungry for simplicity. So many of our problems are complex. We want to get back to the days when life was simple, or we thought it was simple.

But we cannot quite give our intellectual assent to Mr. Hutchins. If it were wholly an act of faith, we might go along; but reason compels us to pause.

* From an address before the National Association of Teachers of Speech.

Perhaps, too, we remember that warning spoken by Dr. Donald B. Tresidder, once an eminent physician and now president of Stanford University. Said Dr. Tresidder to a group of educators last May at which Mr. Hutchins was present: "I have long been interested in Robert Hutchins—from a medical point of view!"

Essentially, Mr. Hutchins' grand scheme of education breaks down at that point which Ortega y Gasset calls "historic reason." Gasset has pointed out that when a people think effectively they think in terms of their historic past, and they use "historic reason." Mr. Hutchins, in calling upon the faith of his fathers, denies historic reason.

He would take us back to the educational concept of the early Middle Ages, to a pattern of education that closed the Platonic schools, and rested its learning on the Sacred Books of the Past—with the result that the intellectual world was frozen for 1,000 years. It was not inevitable that we have the Middle Ages. Part of the responsibility for it rests on those educators who closed the Platonic schools and anticipated Mr. Hutchins by 1,500 years. They were the original worshippers of great books.

Mr. Hutchins is seemingly unaware that the educational gospel he preaches was also the dominant theme of education in the oldest of all civilizations—that of China—and that its effect was to still the spirit of inquiry in the Chinese mind, or at least to prevent its ever arising, and that this pattern of education was perhaps the single most influential factor in the slow withering of what otherwise might have become a great civilization. Again, it was not inevitable that China should be as it is today. Part of that responsibility rests on those educators of China 2,500 years ago who fixed on China the pattern of education that Mr. Hutchins would fix on us.

Thomas Jefferson warned us against Mr. Hutchins' doctrine a century and a quarter ago. At the age of seventy-three, when many minds look backward instead of forward, Jefferson wrote urgently that ". . . institutions must go hand in hand with the progress of the human mind. . . . as new discoveries are made . . . institutions must advance also, and keep pace with the times," and he warned against any society remaining "ever under the regimen of their ancestors." (Writings, Ford, ed. X, 42-43.)

Ralph Waldo Emerson repeated that warning more than 100 years ago. Speaking before the Phi Beta Kappa Society of Harvard, he said bluntly:

"Each age, it is found, must write its own books. . . . Meek young men grow up in libraries, believing it their duty to accept the views which Cicero, which Locke, which Bacon, have given; forgetful

that Cicero, Locke, and Bacon were only young men in libraries when they wrote these books."

Hence, instead of Man Thinking, we have the bookworm.

Mr. Hutchins' plan of bookworm education fails in the test of historic reason.

III.

NEXT, I would like to look at the Harvard report on General Education in a Free Society. In many respects it is what one would expect from Harvard: scholarly, thorough, and at times brilliant. But it is characterized by the limitations of the Harvard institutional mind, limitations from which Charles Eliot had been wholly free (and from which the Harvard scientists are free today). I do not mean to imply that the institutional mind of Harvard is a separate and distinct species. It is rather a particularized pattern of the academic institutional mind, but it is characterized by its own particular limitations. . . . If you want to meet the Harvard institutional mind at its best, you will find it in John P. Marquand's delightful satire, the Pulitzer prize-winning novel of 1938, "The Late George Apley." Marquand understood the type of mind that produced the Harvard report, and he satirized it in a wicked and delightful manner.

Throughout the Harvard report there is this shocked acceptance of the present, a resentment that we are living today instead of yesterday. In the allied Harvard report made in 1942 on the training of secondary school teachers especially with reference to English, this resentment against having to live today produces the following incredibly delightful statement.

"Unfortunately, however, there is another element . . . and this is the mass-communication of the newspapers, magazines, movies, and (especially) the radio. The tendency of all of them . . . is to cajole and lull readers, onlookers, or listeners into a permanent state of unquestioning receptivity; to prevent their becoming, reasoning critical beings" (p. 4).

The late George Apley said exactly the same thing in the same overtones:

"DEAR JOHN: I wish there weren't quite so many new ideas. Where do they come from? . . . I try to think what is in back of them and speculation often disturbs my sleep."

This attempt to deny the existence of the present, or at least a resentment against having to deal with it, is the underlying philosophy of the latter half of the Harvard report. It states and adheres to the premise that one of the purposes of education is to free the student from the tyranny of the present.

We all agree with that, of course. I want to make that very clear. There is no understanding the present without knowing a significant part of the past. That is precisely what I had in mind in quoting Ortega y Gasset that we think effectively only when we think in terms of the historic past and use historic reason. I believe that. But the effect of the Harvard report is to free the student from the tyranny of the present by fixing on him the tyranny of the past. To some of us, tyranny in any form is bad.

IV.

IT was against this tyranny of the past in education that Thomas Jefferson struck when he turned his back on his own *alma mater*, William and Mary, and established the new University of Virginia—to break the grip of the dead hand of the past that smothered living learning.

It was against this tyranny of the past that Charles Francis Adams II protested to Harvard University itself in a year when he was a member of the Harvard Board of Overseers. Of the education he had received at Harvard he said:

“No matter how long I may live, I shall never be able . . . to overcome some of the great disadvantages which the . . . wrong theories and worse practices of my *alma mater* inflicted upon me.”

It is one thing to study the past. It is another to be smothered by it.

I want to make it clear that much of the Harvard report is good, is in fact very good. Especially, it seems to me, that its statement of the traits of mind that constitute education are the best I have ever read.

These abilities are, the report states, “to think effectively, to communicate thought, to make relevant judgments, to discriminate among values. They are not, in practice, separable and are not to be developed in isolation” (p. 65).

Its exposition of these abilities is profound and penetrating. For example, it recognizes three aspects of effective thinking: (1) Logical thinking, or “the capacity to extract universal truths from particular cases and, in turn, to infer particulars from general laws”; (2) relational thinking, or the “understanding of complex and fluid situations, in dealing with which logical methods are not adequate . . . thinking in a context”; (3) the element of imagination in thinking, which is “distinctive in the thinking of the poet” and may be described as neither straight thinking, nor crooked thinking, but as “curved thinking” (pp. 65–67).

This part of the report states explicitly that “edu-

cation is not merely the imparting of knowledge, but the cultivation of certain aptitudes and attitudes” (p. 64).

If the report adhered to this throughout, it would be the greatest document on education of the twentieth century. Its failure is that it does not. Having set this as the qualities of mind to be developed by education, the report then—curiously and without explanation—settles back on the orthodox curriculum divisions of the natural sciences, the social sciences, and the humanities. From that point it ceases to offer any further original or profound contribution.

One is at loss to explain the inconsistency, or shall we say the failure to follow through. Was it because the two parts of the report were developed by two subcommittees which, being unable to reconcile their differences, simply let them stand unreconciled? Or was the committee a victim of structural monism, seeking for a unified simplicity? At any rate, it settled back on a structural unity, simple but adequate, of natural sciences, social sciences, and humanities.

V.

BASICALLY the weakness of Mr. Hutchins' grand scheme and of the latter part of the Harvard report is that they rest tacitly on the assumption that knowledge is power. “Give students knowledge,” they say in effect, “and they will be able to think effectively, to communicate thought, to make relevant judgments, and to discriminate among values.” No one questions this need for knowledge, not in the least, but knowledge alone does not enable people to think effectively, to communicate thought, or make relevant judgments, or discriminate among values. Having the knowledge is not enough. There must be added ability to use that knowledge.

In every crisis of the twentieth century there has existed enough knowledge in the world to solve it. But it was not in the right place at the right time. That is another way of saying that it could not be communicated to the point needed, at the time needed.

Ramsey Muir, one of the most competent of English historians, at the close of his discussion of the English Civil War, set forth one of the issues of modern education. He had just finished the account of this conflict which rent the English people 300 years ago. It was a conflict between two political forces that rejected compromise. The Royalists had lost, their King had been executed, their leaders had been proscribed, and Cromwell had been made dictator. The Puritans had won a victory as complete as any victory by force can ever be won. Yet at Cromwell's death five years later, the fruits of

victory were lost and the Stuart kings were restored to the throne. It was a conflict in which the Puritans lost in the end because they had won the war. After describing this, Muir came to his momentous statement:

“The war had taught the English people ‘that even the noblest and the most enlightened aims are vitiated and will eventually be frustrated if those who advocate them try to secure their victory by force, and not by discussion and persuasion. These [discussion and persuasion] were to be henceforth the characteristic notes of the growth of free institutions in the British Commonwealth.’” (A Short History of the British Commonwealth, II, 487.)

The British people learned that in the seventeenth century, not through their educational system, but through war and dictatorship. What it thus learned is what every democracy must teach to every successive generation: That democracy rests on discussion and persuasion, that its people shall discuss their problems and reach an intelligent consensus, that they shall not goose-step to military commands, nor yield to mob law.

There are two kinds of nations in the world today, only two: Those who in crises want to shoot it out, and those who have learned how to talk it out. There are these two kinds, no more. They are the totalitarian nations, and the democratic nations. That is the essence of what Macaulay meant when he made the famous statement that, “Parliamentary government is government by speaking.”

Now the education of each successive generation in this process, always essential to democracy, has now become essential to the survival in its present form of what we choose to call civilization. Uranium 235—and its derivative, plutonium—have brought us exactly to that point. Either we accept it, or accept the alternative given by Reuben Gustavson: “I believe in one uranium atom, divisible, with oblivion for all.”

The England described by Muir could develop this by methods not to be relied on today. To paraphrase Disraeli, it was a government “by the few, and the very few.” Only one man in ten had the right to vote, and none of the women. But the gentlemen of England who ran that government had been trained in the home, trained also by tutors, and trained, finally, in college—not only to communicate their ideas effectively, but also to settle their differences by talk. That was the core of their democracy.

Today, in contrast, we have universal suffrage. This is simply another way of saying that the 9 men in 10 who did not vote 300 years ago now control the government. Yet we have not developed any system

comparable to the home-tutor-college training among the gentlemen of England for educating the whole electorate of today in the use of discussion as an instrument for making group decisions. The Hutchins scheme and the Harvard report fail entirely to provide in any way for this inherent feature on which democracy now rests and has always rested.

VI.

THESE educators are irked by the present. They want to escape from it by living in the past. But the relentless pressure of the present cannot be escaped by ignoring it.

Consider one aspect of this pressure of the present. The radio and talking picture now carry the human voice around the world. They have become the most powerful instruments in existence for mass education and mass thought-stimulation, for people today hear and are influenced by the voices from Hollywood, Washington, London, Rome, and Moscow. The sheer existence of the radio determines to a large degree our choice of national rulers. It exerts a constant influence on the operation of democratic government. Is it asking too much that educators in this year of decision face the fact frankly that these inventions compel a reappraisal of some of the older methods of education that were based on the primacy of the printed page?

What do Hutchins and the Harvard committee say should be done about these forces of mass education and mass thought-stimulation? Nothing. Nothing at all. They not only fail to recognize the new form of an old force. They failed to recognize the old force itself. The only reference I can find to the radio or moving pictures appears in the 1942 Harvard report on the training of English teachers. I quote: “The recommended program contains no element of special training . . . in such instruments of education as the radio and the moving picture” (p. 139).

I don’t want to be facetious, but the general impression I get from the Harvard report is that the teaching, let us say, of Beowulf is highly acceptable in a modern curriculum. . . . The fact that “much of yesterday’s wisdom is today’s banality and tomorrow’s boloney” does not trouble the framers of this report.

But I submit that an inherent part of education is to be able to do something, as well as to know something. I submit further that every educated person ought to know when a thing is proved and when it is not proved, should know how to investigate and to analyze a proposition that confronts him, and how to search for a solution, how to talk

about it effectively before others, and how to contribute to a discussion on problems of joint interest.

Above all, I submit that any educational system should produce an understanding in the next generation—and here I am quoting Eric Hodgins, vice president of *Time Inc.*:

“That clear and understandable communication between man and man is the most important necessity in the material world; that wars, plagues, pestilences, and famines are eventually to be done away with only through this means. Here

indeed is a proposition on which free and Christian mankind can unite as upon almost nothing else.”

Mr. Hutchins' grand scheme and the Harvard report stop short of this vital aspect of education. They fall short, therefore, of offering a full philosophy of general education in a free society.

It is our duty in this year of decision to see that this omission shall not go unnoticed and unchallenged.

The Life Line of Three Worlds

In the Western Palm It Is Running
Out, in the Russian It Is Strong,
But in the Oriental It Is Very Long

**By Dr. O. E. Baker*

University of Maryland

RUSKIN began his beautiful essay entitled, “Unto This Last” with the words—“There is no wealth but life.” . . . Prior to two hundred years ago there was one world, a world characterized in general by almost stationary population, the result of a high birth rate and an equally high death rate. Probably half the children died before they reached ten years of age, and half the population, probably, were under twenty years of age. Old people were few and their accumulated wisdom as to how to survive was highly respected. War, famine, and disease ruled the world, as Malthus pointed out, and kept the number of people within the means of subsistence. The waste of life and wealth was colossal, and led to a fatalistic philosophy, as among Mohammedans, or the hope of heaven in a world beyond the grave, as among Christians.

This ancient world still persists in large measure in the Orient, that is, in India, Indo-China, the East Indies, and China, where half the world's people live, also in parts of Japan and South America. Here population presses on the food supply, poverty and disease are dominant, a high birth rate and a high death rate tend to keep population more or less stationary. However, with introduction of sanitation and the transportation of food to

drought-stricken areas, the incidence of disease and famine may be greatly diminished, as occurred in India between 1931 and 1941. During these 10 years, population in India increased 50 million. This is an increase exceeding in number one third of the total population of the United States, in a region with much less agricultural production. It is prophetic of the population prospect in the Orient.

The Second World

In northwestern Europe, in most of the United States, and in the British dominions we have, on the other hand, what may be called the Occidental World. Here the birth rate has been falling for many decades and is now so low as to scarcely reproduce the race.

The birth rate in the Occident, in all likelihood, will continue to fall. The death rate also is low, but must inevitably rise because of the increasing number of aged. For just as the number of births increased in the United States, for example, until 1921, so the number of aged will increase for about 75 years after 1921, or until nearly the year 2000. There will be about twice as many old people in the United States twenty-five years hence as there are today and nearly three times as many fifty years hence. On the other hand, as the trend in number of births has been downward since 1921, so the trend in number of potential mothers will be downward

* From an address before the National Council of Geography Teachers.

after about 1950, when we will have a maximum number of women in the middle of the childbearing period. Even if the birth rate should cease to decline after 1950, the number of births will continue to decline because of the declining number of mothers.

In the United States, this prospective decline in population cannot well occur in less than twenty-five years, unless a war more devastating to us than World War II occurs; but population may be at its peak, or rather plateau, in twenty-five or thirty years. In northwestern Europe, on the other hand, the recent war has been so devastating that population may be declining already, and the loss in young men, as well as the decreased food supply, with associated increase in disease and death, affords little hope that the downward trend can be reversed, at least for a long time.

This modern Occidental civilization, with its rapid approach toward conquest of poverty and disease arising from the recognition of the dignity of human personality and the necessity of liberty of thought if science is to advance, is now facing the gravest dangers both from within and without.

Within, it is being weakened by the love of luxury and ease, and by decline in the integrity of the family as an institution for the reproduction of the race and the transmission of wealth and culture from generation to generation.

Without, it is threatened by a very efficiently organized group possessing a lust of power, associated with an even more materialistic philosophy of values; also, strangely, with a religious conviction which makes a strong appeal to the masses of Eurasia who will increasingly feel the pressure of population on the natural resources. If the masses do not feel this pressure now, this group of leaders will make sure that they feel it in the future.

The Third World

The third world may be called the Transition World, or it might be better to call it the Intermediate World, for all three worlds are in transition. This Intermediate World includes the U.S.S.R. and, in less degree, much of southern Europe and urban South America. It is characterized by a high birth rate, the heritage of the oriental origin, and a lowering death rate arising from its contact with occidental civilization. Despite the ravages of war, its population is increasing, and this increase probably will accelerate. Dr. Notestein, of Princeton University, a careful worker in the population field, estimates that the population of the U.S.S.R. will increase by 75 millions in the next twenty-five years.

The birth rate in the U.S.S.R. is falling, in all probability, particularly in the cities; and almost

certainly will continue to fall with the progress of industrialization, for everywhere the development of industry and the urbanization of people diminish the birth rate. But the death rate, at least before the war, was falling much more rapidly, and doubtless will continue to fall faster than the birth rate for perhaps a century to come. We must remember that although industrialization and urbanization diminish the birth rate, probably in time to a point below the permanently reproductive level, as in northwestern Europe (except the Netherlands) and the United States, the immediate effect is a rapid increase in population, because of the progress of sanitation and the progressive conquest of poverty and disease. England, for example, in 1800 had only about eight million people, in 1900, nearly four times as many. If the U.S.S.R. increases in population even at a much less rapid rate, and at present this seems reasonable, the Russians within a century will be as numerous as the Chinese are now.

The Illimitable Chinese

How numerous will the Chinese be then? No one knows, of course, but so eminent a student of population trends and natural resources as Dr. Thompson, of the Scripps Foundation for Research in Population Problems, thinks it entirely possible that the number of Chinese may double during the next century. China, including Manchuria, has the coal and many other minerals adequate for a much greater industrial development than Japan attained before the war; and China can import iron ore, if needed, quite cheaply from India. In coal resources, China ranks next after the United States and the U.S.S.R.

India also may double in population in the next century. She has both coal and iron ore; not as much coal, but more iron ore than China. The largest steel mill in the British Empire is in India, and it is owned mostly by native capitalists. India, like the future China, can exchange industrial products for food from Burma, Thailand, the East Indies, even Australia. Undoubtedly, also, India can increase her own food supply materially.

In both India and China the substitution of the small garden tractor for cattle in the cultivation of the land would release enormous areas of land to produce food for human use. India has 160 million cattle, more than twice as many as are in the United States. The substitution of gasoline for horse feed has already released fifty million acres of land in the United States for other uses, mostly food production. A horse in the United States requires more food than a man. Undoubtedly a cow in India eats much less than a horse in the United States, but it is doubtful if the difference is any greater,

relative to land required, than between a man in the United States and a man in India.

In India, there are about two thirds of an acre of food and feed crops per person, in the United States two and one third acres—a one to seven ratio. That 160 million cattle, not used for meat except by the Moslems, producing very little milk, and very inefficient in production of power, are kept by a people having only two thirds acre of crop land per capita is unbelievable. Yet such is the fact. Whether the people of India will become sufficiently practical, if not rational, to cease to breed these myriads of cattle and buy instead garden tractors, whose cost of operation would be much less, only the future can reveal. I surmise the food supply of India could be increased fifty per cent or more by such a change.

The population of India has doubled since the first census was taken in 1871, despite famine and pestilence that held population practically stationary during three of the seven decades. With continued improvement of transportation facilities and other controls over famine, and with advancing sanitation and other controls over disease, a doubling of the population appears not unlikely during the next century, provided an adequate food supply becomes available, and this seems entirely possible.

This, then, is the prospect: Looking forward a century—and a century is not long in the history of nations—see twice as many people in the Orient as today, of whom probably a few, perhaps many, will have attained a comfortable level of living; but, most of whom, doubtless, will be perpetually hungry as they are today. Undoubtedly great industrial development will have occurred, much greater than that in Japan before the war, for China and India possess far greater resources than Japan.

In the U.S.S.R. and its satellite states, probably 400 to 500 million people, two thirds or more living in cities, and population possibly stationary. Industrialization will probably by that time have exceeded the present American level.

In northwestern Europe, only a relatively few descendants of the present population, and if these lands have not been conquered by war, they will have been altered by the peaceful penetration of peoples from the East. For, as Kuczynski, of the London School of Economics, points out, so rich a land as England would not be permitted to decline to one third its present population, as would occur in little more than a century should the low birth rate before the war persist, without inviting immigration or invasion from outside.

As to the population of the United States one hundred years hence, we can only guess. But we know that if the trend in the birth rate during the past century persists, and no immigration occurs,

the population will be much smaller than it is today.

Can 100 million people, let us say, living in relative luxury and with an abnormally high proportion of aged persons, keep out one to two billion people in the Orient possessing an industrial power many times greater than that at present?

On the other hand, across the Atlantic, a new Europe, probably consolidated by that time under one government, may well have a billion people, half or more Russian.

The birth rate in the U.S.S.R. is still almost as high as in the Orient—around forty per thousand in population—while the death rate is falling rapidly. If it required one hundred years of industrialization in the United States to bring the birth rate down to the reproduction level, and probably 140 years will be required to reach a stationary population ten times as large as when industrialization started, is it not likely that population will continue to increase in the U.S.S.R. for a century, and may increase two- or threefold in that period?

Thus the United States

Thus the United States faces across the Pacific Ocean a familistic culture whose ideals and institutions will be slow to change and whose birth rate, therefore, will decline only slowly. These Oriental peoples need only an increasing food supply and the introduction of modern sanitation to double in population every few decades. That their numbers will double in a century appears a reasonable estimate, for the use of nitrogen and mineral fertilizers, the control of plant diseases and the substitution of gasoline for animal feed can probably double the food supply without expansion of the arable area. Moreover, the Oriental people by that time will be largely industrialized, partly commercialized, youthful in age distribution of population, and vigorous, and probably no less resentful than now of an immigration policy in the United States that excludes them from land which we ourselves are not utilizing.

And across the Atlantic Ocean, our nation will probably be facing a united Europe, with a population perhaps ten times our own, also industrialized, perhaps nationalized, youthful and vigorous, unless the Russian people lose their present attitude and customs, and probably as resentful against our immigration policy as the Oriental peoples.

A people who do not care to have children will gradually cease to exist, and other peoples with greater love of life and children, with more thought to the future and greater sense of responsibility, cannot be blamed if they press into the partial vacuum.

The Asian Resurgence

It is not merely the Soviet system versus the West; ideological stresses and strains are present everywhere—China against the West, India against the West, the Near East against the West. There is little appreciation of the impact which Eastern aspirations and culture are bound to make upon the West as the Orient stirs to new life. China, for example, is beginning to speak with authority, as a proud people, with a civilization thousands of years older than that of the West. In a recent address T. V. Soong, President of the Executive Yuan of China's National Government, sounded a new note: "Asia is tired of being regarded only in terms of markets and concessions, or as a source of rubber, tin and oil, or as furnishing human chattels to work the raw materials."

—From the Annual Report of the Rockefeller Foundation

AT Delhi last April, for the first time in human history, there was a universal gathering of Asiatic people, called the Asian Relations Conference. What it represented was, first, the rise of national and racial consciousness throughout the Asiatic world, and secondly, an active revolt of the Eastern mind against Western domination. The following twenty-four Asian countries sent delegates: Afghanistan, Armenia, Azerbaijan, Bhutan, Burma, Ceylon, China, Georgia, India, Indonesia, Iran, Kirghizistan, Korea (the American-occupied zone), Malaya, Nepal, Outer Mongolia, Palestine, Philippines, Siam, Tajikistan, Tibet, Turkey, Uzbekistan, and Viet Nam. Absentees were Iraq and Saudi Arabia (which were invited), and Japan (invited but unable to accept because of objections raised by the Allied occupation authorities). Six of these are Soviet Republics. What follows is from a report to The Times, London, by its Delhi correspondent.

Delhi

THE Asian Relations Conference may be regarded as an expression of the *freedom movements* in the East, which, beginning with the turn of the century, derived their original inspiration from western ideas of liberalism and self-determination and have since been strengthened by the results of two world wars.

On the subject of racial problems and inter-Asian migration a four-point program was adopted as follows: (1) Complete legal equality of all citizens; (2) complete religious freedom of all citizens; (3) no public social disqualification of any racial group;

and (4) equality before the law of persons of foreign origin who have settled in a country.

A report on agricultural reconstruction and industrial development laid down certain general principles on which progress should be based.

It includes this reference to foreign capital: "Great care must be taken in determining the conditions under which foreign capital is imported. Among such conditions should be considered the desirability of imposing limits on profits and insuring the maintenance of minimum living standards."

Another controversial subject was the transition from colonial to national economy, but here, too, the report refrained from polemics and confined itself to generalizations, as that in making the transition to a national economy a state should free itself of the dominance of foreign political influence, capital, and personnel.

End of Political Servitude

The subject of "national movements for freedom" produced a report more political in content than the rest. It mentioned the "intensive and widespread urge in Asian countries to terminate foreign domination."

It was realized that western colonial powers, particularly Britain, could not afford much longer to hold Asian countries in political subjection. The question therefore resolved itself into the speedy termination and peaceful transfer of political power.

Admiration was expressed for the struggles for freedom now going on, particularly in Indonesia and Viet Nam. Several delegates pledged the moral support of their respective countries to the movements for freedom in other Asian countries. It was urged

that no Asian state should give direct or indirect assistance to any colonial power in its attempts to keep any Asian country in subjection. The need for refusing facilities for transport, use of airfields, and supplies for armed forces was emphasized. On behalf of India it was explained that the Indian people had always been opposed to the use of Indian troops in other Asian countries; until recently they had had no control over their army, but it was the policy of the Interim Government to withdraw Indian troops from other regions of Asia.

Referring to frequent appeals by delegates for more active help for those countries engaged in a struggle for freedom, an Indian delegate (understood to have been Pandit Nehru) pointed out that, short of a declaration of war, it was difficult to visualize what form such help could take, except moral support. Any support rendered should not have the effect of enlarging the area of conflict by involving more countries in it. This realistic and statesmanlike view was later endorsed by the plenary session, after it had been criticized by another Indian delegate as "disappointing and uninspiring."

The same report on "national movements for freedom" stated that delegates from India and China had promised their full support in getting Burma and other Asian countries admitted as members of the United Nations and other international organizations. An Indonesian delegate urged immediate recognition of the Indonesian republic. Ceylonese and Malayan delegates expressed the view that Britain was seeking to strengthen her position

in their countries in order to retain her supremacy in the Indian Ocean area; they might become danger spots and developments there would have to be watched carefully.

What emerged from all this was that, apart from the emotional unity engendered by a meeting of countries whose voices have not hitherto counted for much in the councils of the world, there is an ideological kinship between those parts of southeast Asia (including India) which have been or still are under European domination. This sense of kinship applies in lesser degree to the Far East (China and Japan) and still less so to the Middle East.

It can hardly be said to apply to the Soviet republics of Asia. The aim of these was not so much to make common cause with the rest as to seek to impress upon them the benefits which Communism confers. On every possible occasion Soviet spokesmen described the great strides which agricultural efficiency, industrial output, scientific and social progress had taken since they joined the Soviet Union.

On the tenth and last day of the gathering it was announced that a permanent Asian Relations Organization was to be created. A provisional General Council was chosen, with representatives of all participating countries (except French-occupied Indo-China) and with Pandit Nehru as its president. These decisions were taken unanimously, as also was a further decision that the next Asian Relations Conference should be held in China two years hence. Every member country was urged to set up an academy of Asian studies.

War Renounced Forever

Article 9 of the new Japanese Constitution

ASPIRING sincerely to an international peace based upon justice and order, the Japanese people forever renounces war as a sovereign right of the nation, or the threat or use of force as a means of settling disputes with other nations. For the above purposes, land, sea and air forces, as well as other war potential will never be maintained. The right of belligerency of the state will not be recognized.

Planning

The Planned Consumer

Description of retail trade as an instrumentality of government, from *Information Bulletin* of the Soviet Embassy

THE expansion of trade and the perfection of the machinery for efficient routing of goods from the point of production to the consumer undoubtedly make up one of the salient aspects of the Soviet Union's postwar economic development. An idea of the scale and the pace involved may be gained from the fact that last year, for instance, state and cooperative retail trade increased by 30 per cent and that this year the Council of Ministers has found it possible to expand the trade network to a total of 348 thousand stores.

This will help to eliminate the lag that has developed between the machinery of distribution and the increasing supply of consumer goods turned out by state and cooperative industries, as well as to absorb the expansion in trade planned for this year. The 1947 retail sales program totals 325 billion rubles and dovetails with the substantial increases scheduled in the output of goods for the consumer.

Soviet trade is conducted through three channels. The first is state trade, carried on by state-owned trading organizations, which lead in total sales volume. These trading organizations function mainly in towns and industrial settlements.

The second is cooperative trade. The bulk of the sales of cooperative stores falls to the share of rural localities. Though the state and cooperative stores engage in healthy competition with one another, they base their operations on plans drawn up in conformity with the general state economic plan.

The state and cooperative trading systems make up what may be called the organized market, and together they account for the bulk of the total volume of sales in the country.

At present the greater part of all retail sales is of rationed goods, which are sold at fixed state prices which are considerably lower than those for unrationed goods, which are sold in special stores. The price policy of the state is gradually to equalize the so-called commercial prices with the prices of rationed goods. Several cuts in commercial prices have already been effected. Prices prevailing at urban cooperative stores are also lower than the commercial prices at state stores for unrationed goods.

The third trade channel is the collective farm market, where both collective farms and peasants individually sell their surplus produce. Here there is no state plan as regards either the quantity of produce offered for sale or the prices asked by these individuals.

Yet it would be a mistake to think that this un-

organized market is entirely outside the influence of state plans and state trade policy. Since the bulk of the commodities in circulation in the country is handled by the organized channels, the planned prices prevailing in them cannot but have a regulating effect on prices on the open market. In other words, the collective farm market, accounting as it does for only a fraction of the total trade, can play only a subsidiary role in the national trade turnover.

Trade in the U.S.S.R. is used by the state as a lever to expand the country's commodity resources, to improve the quality and variety of goods, and to stimulate proper economic intercourse between the various sections of the country.

The Planned Product

Henry Ford II

From a speech to The National Press Club

TAKE, for example, this question of a light car. We at Ford have looked into this possibility at great length. We have studied and experimented with a car which would weigh approximately one third less than a standard model. I think we have played all the changes on this notion, from five-cylinder engines through new metals and materials.

But during this research and experimentation, we went out and talked in planned interviews with thousands of people, the people who are our potential customers. We asked them what they meant by a light car, what they expected to find in a light car, what they could do without and what they couldn't do without.

Well, this survey showed that a great many people were very much in favor of a light car. They were all in favor of a lot of other things too. They said they wanted, for instance, a light car heavy enough so that it wouldn't sway on the road at high speed, or when the wind was blowing against it. They wanted a light car which had an extra-heavy frame for stability, ash trays, bumper guards, room for a radio, and similar equipment.

In short, a close analysis of these returns soon disclosed that if we made a light car according to the specifications laid down by these people—by our customers, present and potential—it would weigh approximately the same or perhaps a little more than our present models.

It became obvious that to most people, yesterday's luxuries are today's necessities in an automobile, and that when people talk about a light car, they are really asking for a low-priced car. Our objective, then, becomes a product in which you get more car for less money—a lower-priced car rather than a lighter car.

Conscience Downstream

By Senator Elbert D. Thomas

PROBABLY no one would dispute that war and threats of force are illogical and therefore immoral ways of settling disputes among nations. After the din of battle has cleared away and the two exhausted combat teams have withdrawn from the field, no one can say without fear of being at least half wrong that anything was proved except, perhaps, that one side won and the other lost. And yet, while we recognize the lack of logic in war, the battle and the planning for battle are as much a part of our culture as the Bible, and accepted as hard facts to be reckoned with by any so-called civilized nation. Rationalized nationalism has lulled us to sleep with the familiar notion that, while we would not, of course, make war, we must nevertheless watch out for the other fellow. The other fellow meanwhile is getting ready for us, and suspicion spirals to bloodshed. Killing to redeem the honor of the state is tacitly accepted as right conduct, the question of which side is being justified for fighting amounting to simply which side we are on.

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Once war itself is accepted as proper conduct, what we have come to know as total war is inevitable. And atomic war is total war carried to its illogical extreme. There is no escape from this conclusion. Indeed, the self-styled realist may scoff at the very idea of injecting into the mass of material that has been written upon the morality of the use of poison gas, and other chemicals and biologicals, a discussion of any ethical guide for the use or non-use of atom bombs. The bomb itself, it might be said, proves the futility of moral standards. Does not this most terrible weapon prove that if a nation would preserve its conception of right, it must be physically strong? Is not self-preservation the first law of nature? After all, says the man from the front, war is war, and there is no use being prissy about it. Shall we kill or be killed?—it's as simple as that.

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Though warfare has always been of the last-ditch variety—a fight to the finish—probably no one has believed that rational intelligent humankind would act so illogically, so immorally, so stupidly, as to prove this hypothesis. The universal acceptance of man's inherent intelligence has precluded adoption of the idea that such a course would be practically conceivable. What happened at Hiroshima, however, made what has been a fine-spun theory a ghastly, terrible possibility. In a few hours, with

relatively little advance planning, a nation using atom bombs could wipe another nation off the earth. This is no longer built on suppositions; it is actually as grim as life itself.

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We need not delude ourselves into looking for possible defenses. We are assured by competent scientists, and there has been no contradiction, that no adequate defense exists. Even so, the bomb itself is final proof that the creations of man have become superior to the very matter from which the brain itself is constructed. Undoubtedly, even more terrifying tools of death can and will be conceived and perfected. If the answer to physical force ends with more force, we had better give up because there are no limitations to the means of destruction. Nor can we hide behind the fact that no other nation has, at the present time, the formula. We are assured by the very men who perfected the weapon that it is only a matter of time before others will find the secret. The basic materials are common knowledge in the scientific world.

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What has been made physically possible by the atom bomb will have our implied ethical sanction if the conscience of mankind continues on its downstream trend. We have developed in the last generation in geometric proportions our callousness to human values and human suffering. In 1904, in the Russo-Japanese War, General Nogi of the Japanese Army performed one of the most notable acts in all the history of warfare when, in a battle to capture Port Arthur, he sacrificed several brigades of men and his own sons in order to capture a certain strongly defended hill. He wanted the hill so that he could direct his artillery fire against the Russian naval base. He could have fired over the hill without taking it, but refused because blind fire would have endangered innocent noncombatants. Less than 30 years later, it was the Japanese who first practiced wanton deliberate killing of massed civilians by the bombing of Chapei, a suburb of Shanghai. Then there followed the rape of Nanking, and Pearl Harbor. What happened to the conscience of the Japanese people during those years was also happening to our own.

During the First World War, we were horror-stricken by the first accounts of such new weapons as the bomb dropped from an airplane, the machine

gun, the poison gas. Indiscriminate submarine attacks so provoked our sense of dignity that they became a real factor toward our entering the conflict. We were even then told that war would be impossible in the future because it had been made so deadly and effective. How many of us stop to realize that we, once the defenders of humanity, and the foremost advocates of international law, have unleashed a weapon which actually wipes out whole cities at a time?

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Something, indeed, has happened to us, and who is there to say that it is not worse, even, than military defeat. Has there been a terrible weapon invented that has not brutalized its users? Surely what is happening in the physical realm cannot compare in significance with what is happening in men's minds. We are certainly approaching the point where the bomb's use would find justification of some kind, though it would lead eventually to our own destruction. That there can be moral sanction for such completely illogical acts, among thoughtful men, is unthinkable.

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A moral principle is not an ethereal concept having no relation to life or living. It is instead founded on human relationships and exists to promote human betterment. It is generally accepted, for example, that telling a deliberate falsehood to deceive is ethically wrong. Not because a mysterious

power from afar has enjoined us from lying is it wrong, but because society could not exist based upon falsehood. The lie is based upon the major premise that men usually tell the truth. If men did not usually tell the truth there could be no lie, because the wrong statement would not mislead, and if men could not rely on representations as truth, intercourse between men would necessarily cease. The major premise, it is wrong to lie, is based upon social necessity. The principle finds its roots in the fact that a lying society would be chaos. Equally clear is the same reasoning applied to atom bombs. The real ethical prohibition against their use and the weapons to which their use will inevitably lead finds its basis in that such conduct will end in annihilation. We may shrug our shoulders, but we cannot escape reality. The position is of our own making.

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In many ways, the world we have today is like the world implied in Cicero's great orations against Catiline. Catiline, a choice heir among the youths of Rome, had all the opportunities available to anyone, yet he deliberately chose wrong. Is the world, too, deliberately to choose evil? We can either live blindly, nonchalantly, dangerously, in a world which threatens at any moment to destroy us—or driven by necessity, we can rise to a new level of social responsibility and mark the beginning of a new period of human relationships. The nations of the earth will make a choice based upon reason and ethical principles—or they will perish.

“The More It Changes . . .”

I CANNOT too earnestly or solemnly urge upon the Congress the appropriation for which Mr. Hoover has asked for the administration of food relief. Food relief is now the key to the whole European situation and to the solutions of peace. Bolshevism is steadily advancing westward, is poisoning Germany. It cannot be stopped by force, but it can be stopped by food; and all the leaders with whom I am in conference agree that concerted action in this matter is of immediate and vital importance. The money will not be spent for food for Germany itself, because Germany can buy its food; but it will be spent for financing the movement of food to our real friends in Poland and to the people of the liberated units of the Austro-Hungarian Empire and to our associates in the Balkans. I beg that you will present this matter with all possible urgency and force to the Congress. I do not see how we can find definite powers with whom to conclude peace unless this means of stemming the tide of anarchism be employed.—*A cablegram from President Wilson to Chairman Sherley of the House Appropriations Committee and Chairman Martin of the Senate Appropriations Committee, January 11, 1919*

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